

TANZANIA CIGARETTE COMPANY LTD
Rasilimali ya Tanzania

Annual
Report 09

For the year ended December 31, 2009



core values

quality

Making a difference through quality must be evident in everything we do.
We constantly improve our products and services, maximising satisfaction for all our shareholders.

commitment

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.

innovation

We live a culture of imagination, constantly searching for fresh ideas.
We value our people for having the courage to do things differently.

synergy

Building on the unique diversity of our people, we become a truly different, stimulating and stronger organisation. Working together with a positive attitude is vital for success.

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Corporate Information

FOR THE YEAR ENDED 31 DECEMBER 2009

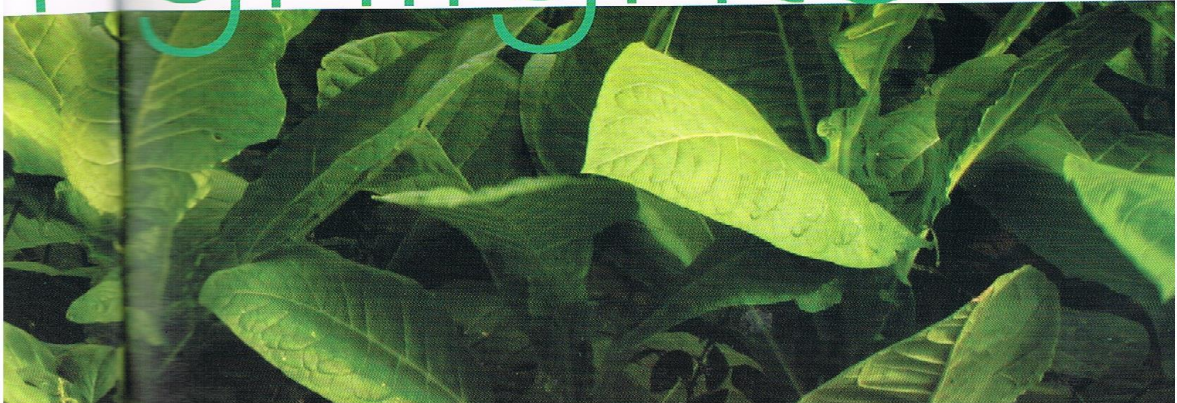
DIRECTORS AND ADVISORS:	SHAREHOLDING STRUCTURE:	
<p>Directors</p> <p>Mr. Simaan Matta (Chairman and CEO) Mr. Ramadhani Khijja* Mr. Paul Makanza Ms. Maria N. Kejo* Mr. Hubertus Maria Antonius Ooms* Mr. David Thorn Mr. Ivo van Wingerden</p> <p>* Non-executive Directors</p>	<p>Shareholder</p> <p>JT International Holding B. V. General Public Public Service Pension Fund Parastatal Pension Fund National Social Security Fund United Republic of Tanzania Unit Trust of Tanzania Registered Trustees of the TCC Employees Share Option Scheme The Local Authorities Provident Fund Alliance Insurance Corporation Ltd The Jubilee Insurance (T) Limited</p>	<p>Holding**</p> <p>75.0% 7.96% 3.94% 2.95% 4.47% 2.50% 1.05% 0.83% 0.62% 0.47% 0.21%</p>
<p>Principal bankers</p> <p>Standard Chartered Bank Tanzania Ltd. CRDB Bank Plc National Bank of Commerce Ltd. NMB Bank Plc Citibank Tanzania Ltd. Barclays Bank Tanzania Ltd.</p>	<p>Shareholder classification</p> <p>Tanzanian Foreign Total</p>	<p>25.00% 75.00% 100.00%</p>
<p>Secretary, registered office and principal place of business</p> <p>Mr. Vintan Willgis Mbiro 20 Nyerere Road P.O. Box 40114 Dar es Salaam Tel: +255 22 2166291</p>	<p>**Based on share register as at 31 December 2009</p>	
<p>Auditors</p> <p>Deloitte & Touche Certified Public Accountants (T) 10th Floor PPF Tower, Ohio Street P.O. Box 1559 Dar es Salaam</p>		

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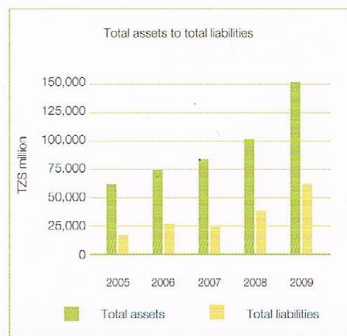
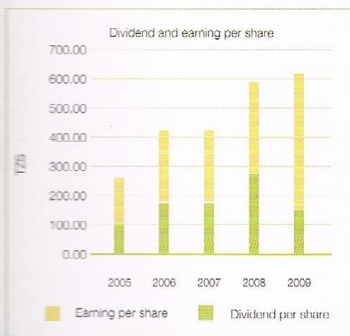
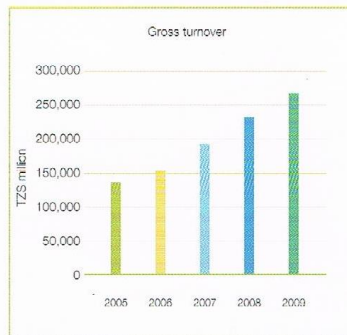
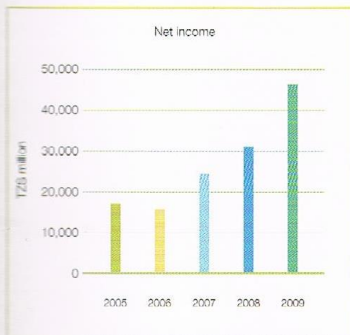
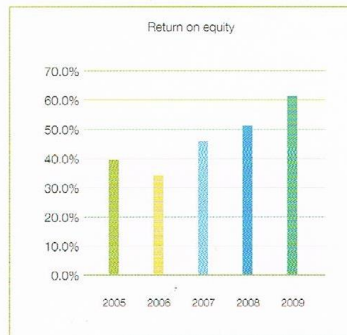
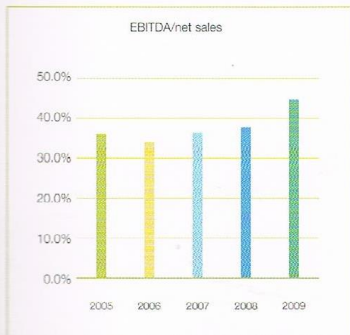


TANZANIA CIGARETTE COMPANY LIMITED
CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY (GROUP)

For the year:	2005	2006	2007	2008	2009
Gross turnover	135,643	152,611	191,457	230,354	265,242
Excise duty and VAT	59,305	65,146	80,428	93,473	98,849
Net sales	76,338	87,465	111,029	136,881	166,393
EBITDA (note 1)	27,173	29,371	39,714	50,976	73,323
Depreciation and amortization	3,782	5,075	6,230	6,554	6,924
Operating income	23,391	24,296	33,484	44,422	66,399
Net finance income (expense)	376	(1,936)	138	142	421
Taxation	6,716	6,719	9,229	13,508	19,759
Net income	17,051	15,641	24,393	31,056	46,219
At year end:					
Net property, plant and equipment	23,084	38,921	39,090	37,115	48,057
Total assets	60,823	73,448	82,315	99,865	149,765
Interest bearing debts	-	-	255	-	-
Total Liabilities	16,836	26,609	23,583	37,577	61,258
Total shareholders' equity	43,987	46,839	58,732	62,288	88,507
For the year:					
Net cash generated by operating activities	12,774	22,874	26,217	36,473	38,396
Net cash used in investing activities	(7,352)	(20,347)	(5,932)	(4,363)	(17,226)
Net cash used in financing activities	(15,566)	(6,439)	(18,621)	(27,755)	(10,000)
Cash flow for the year	(10,144)	(3,912)	1,664	4,355	11,170
Dividend per share	100.00	175.00	175.00	275.00	150.00
Earning per share	156.41	243.93	243.93	310.56	462.19
Profitability:					
Return on equity	39.4%	34.2%	46.0%	51.3%	61.3%
EBITDA margin	35.6%	33.6%	35.8%	37.2%	44.1%
Operating income margin	30.6%	27.8%	30.2%	32.5%	39.9%
EBITDA/net sales	35.6%	33.6%	35.8%	37.2%	44.1%
Total assets turnover	1.28	1.30	1.43	1.50	1.33
Stability:					
Debt/equity ratio	0.38	0.55	0.40	0.60	0.69
Current ratio	227%	137%	198%	177%	178%

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

Financial highlights

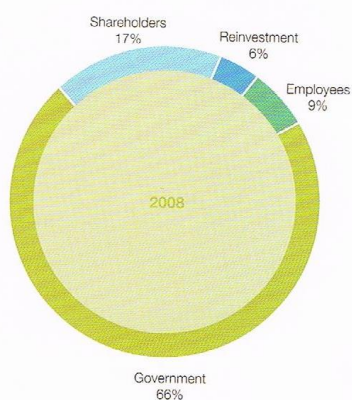
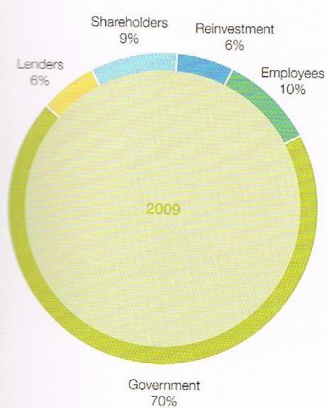


TANZANIA CIGARETTE COMPANY LIMITED
 GROUP VALUE ADDED STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2009

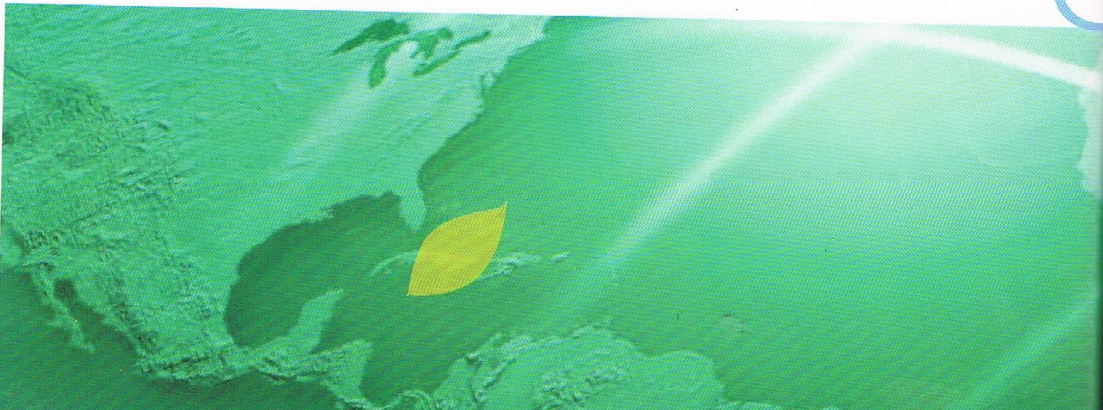
	2009		2008	
	TZS M	%	TZS M	%
Gross turnover	265,242		230,354	
Operating expenditures - suppliers	(93,847)		(70,532)	
Income from investments	-		-	
Total value added	171,394	100	159,822	100
Value distributed as follows:				
To Employees - remuneration	17,306	10	14,977	9
To Government - vat, excise duties	98,849	58	93,473	58
To Government - corporate tax	19,759	12	13,508	8
To Shareholders - dividends	15,000	9	27,500	17
To Lending institutions - borrowing	10,000	6	255.00	0
To Reinvestment:				
Depreciation and amortisation	6,924	4	6,554	4
Retained income	3,556	2	3,556	2
Total distributions	171,394	100	159,822	100

Financial highlights

TANZANIA CIGARETTE COMPANY LIMITED
VALUE DISTRIBUTED



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Chairman's statement

DEAR SHAREHOLDERS,

The Management of Tanzania Cigarette Company Limited (TCC) is pleased to report solid results for the year ended December 2009.

Despite a 2.8% volume decline, gross turnover was up 15% to TZS 265 billion (2008: TZS 230 billion). Profit before interest and tax (PBIT) increased by nearly 50% to TZS 66 billion (2008: TZS 45 billion). And net profit for the year was TZS 46 billion, up 49% on the previous year (2008: TZS 31 billion). The Company paid a total of TZS 99 billion in VAT and Excise Tax (2008: TZS 93 billion), up 6% on the previous year.

Pricing, increased sales of high margin brands, operational and cost efficiencies drove the double digit increase in profits. In July 2009, TCC increased prices of its brands to recover margin erosion caused by a high rate of inflation, depreciation of the Shilling and increased costs of tobacco leaf.

Due to capital investment requirements in the first half of 2010, the Board of Directors of TCC proposed a final gross dividend of TZS 50 per share for the year ended December 31, 2009. The re-investment plan for 2010 seeks to ensure long-term business sustainability, profitability and dividends for shareholders.

The final dividend is subject to adoption by shareholders at the Annual General Meeting to be held in April, 2010.

Together with the interim dividend paid in October 2009, this brings the total gross dividend for the year ended December 2009 to TZS 150 (2008: TZS 275 per share made of up an ordinary dividend of TZS 200 per share and a special dividend of TZS 75 per share).



Management remains cautiously optimistic about TCC's prospects for 2010. This optimism is based on the passion of our people, the equity of our brands, the strength of our sales and distribution infrastructure, the support of our parent Company, JTI, and our ability to react to new challenges and opportunities.

The Management and Board of Directors of TCC wish to thank the many stakeholders that have contributed to the Company's continued success; the tobacco farmers and processors, suppliers, customers, employees, the Government and shareholders.

Simaan Matta
CEO and Chairman of the Board.

Waraka kutoka kwa Mwenyekiti

KOZIGU WANAHISA,

Wanajimanti ya Kampuni ya Sigara Tanzania (TCC) inayo furaha kuwasilisha kwenu mafanikio kamili kwa mwaka wa fedha ulioishia tarehe 31 Desemba, 2009.

Gawio jumla ya uzalishaji ulipungua kwa asilimia 2.8 mapato ya kwanza kiongezeka kwa asilimia 15 kufikia TZS 265 bilioni (mwaka 2008: TZS 230 bilioni). Faida kabla ya kutoa riba na kodi (PBIT) kiongezeka kwa karibu asilimia 60 hadi kufikia TZS 66 bilioni (mwaka 2008: TZS 45 bilioni). Faida halisi katika mwaka wa taarifa hii lilikuwa TZS 46 bilioni sawa na ongezeko la asilimia 49 ikilinganishwa na mwaka uliopita (mwaka 2008: TZS 31 bilioni). Kampuni imelipa gawio wa TZS 98 bilioni kwa njia ya Kodi ya Ongezeko la Thamani (VAT) na ushuru wa bidhaa za ndani (mwaka 2008: TZS 93 bilioni), ubwano ongezeko la asilimia 6 ikilinganishwa na mwaka 2008.

Matokeo haya yametokana na ongezeko la bei, ubora wa bidhaa zote kwa njia ya ulianzi wa uendeshaji. Mnamo Julai 2009, TCC kiongeza bei ya bidhaa zake kufidia pengo lililosababishwa na mwango mkubwa cha mimumko wa bei, na kushuka kwa thamani ya maboga Tanzania na ongezeko kubwa la bei ya tumbaku duniani.

Wakati hii mahitaji ya mtaji wa uwekezaji katika nusu ya kwanza kumwaka 2010, Bodi ya Wakurugenzi ya TCC ilipendekeza gawio kumwaka la jumla la TZS 50 kwa kwa hisa kwa mwaka ulioishia tarehe 31 Desemba, 2009. Mpango wa uwekezaji tena kwa mwaka 2010 unamenga kuhakikisha uendeleu wa biashara wa muda mrefu, tafa na gawio kwa wanahisa.

Tawa la mwisho linatarajiwa kuidhinishwa na wanahisa katika Wakati Mkuu wa Mwaka utakaofanyika Aprili, 2010.

Pamoja na gawio la kawaida lililolipwa mwezi Oktoba, mwaka 2009 hufanya gawio la jumla kwa mwaka ulioishia Desemba 2009 kuwa TZS 150 (mwaka 2008 TZS 275 kwa hisa lililotokana na gawio la kawaida la TZS 200 kwa hisa na gawio maalumu la TZS 75 kwa hisa).

Menejimenti yetu imakuwa makini sana kuhusu matumaini makubwa ya mafanikio ya TCC kwa mwaka 2010. Matumaini haya makubwa ya mafanikio yanatokana na shauku kubwa ya wafanyakazi wetu, ubora wa bidhaa zetu unaozingatia uadilifu, nguvu ya mauzo yetu na miundombinu imara ya usambazaji, msaada wa kampuni yetu mama ya JTI na uwezo wetu mkubwa wa kukabili changamoto mpya na kutumia fursa zinazopatikana.

Menejimenti na Bodi ya Wakurugenzi wa TCC inapenda kuwashukuru wadau wengi waliochangia katika mafanikio ya Kampuni yetu, wakulima wa tumbaku na wasindikaji, wagavi, wateja, wafanyakazi, serikali na wanahisa.

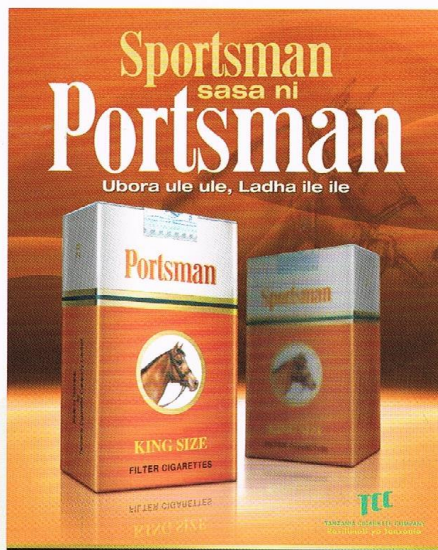
Simaan Matta
Mkurugenzi Mkuu na Mwenyekiti wa Bodi.

Business review

2009 was a challenging year for the business. Overall sales volumes were down 2.8% on prior year due to a general slow down in economic growth. Domestic sales volumes were hardest hit. However, export volumes recorded strong growth as the Company entered new markets in the East and Central Region and maintained its market share in existing export markets.

Nevertheless, the Company delivered strong results for the year, driven primarily by pricing, increased sales of higher margin brands, operational as well as cost efficiencies. And to some extent, a reduction in the VAT rate from 20% to 18% and a reasonable excise tax increase.

A number of key initiatives were undertaken in 2009 to ensure long term business sustainability. These initiatives focused primarily on continued investment in brands, distribution reach, product quality, human capital and communities.



ONYO: UVUTAJI WA SIGARA NI HATARI KWA AFYA YAKO
WARNING: CIGARETTE SMOKING IS DANGEROUS TO YOUR HEALTH

Sportsman name change to Portsman

In June 2009, TCC took the decision to change the name of its Sportsman brand to Portsman. The name change aims to disassociate the Sportsman cigarette brand with the word "Sports" and any erroneous impressions that may be associated with sports.

Investment in distribution

Distribution is key for fast moving consumer goods. But, it remains a challenge in Tanzania due to the vast size of the country and a relatively underdeveloped transport infrastructure. To enhance distribution reach in remote and other areas, the Company introduced a motorcycle program to compliment the existing bicycle program. The Company's products are now distributed through vehicles, bicycles and motorcycles.

Investment in production efficiencies and product quality

Equally important is availability of reliable power supply. Constant power disruptions have had significant cost implications for the Company in the past and threatened to undermine product quality. To ensure reliable power supply and hence production efficiencies and product quality, the Company invested in its own gas power generation plant in 2009. The plant will be commissioned in 2010.

Investment in human capital

In addition, TCC continued to place strong emphasis on enhancing the quality of its human capital and providing a conducive work environment for its employees.

Management and the Employees' Union, TUICO, successfully concluded and signed a new two year Voluntary Agreement in November 2009.

The Company spent over TZS 624 million in training and development of its employees, of which TZS. 329.7 million was spent on functional and soft skills alone. A total of 23 university and college graduates joined the TCC six months internship program in August 2009 and 21 have qualified to join the TCC two year Young Graduate Program (YGP) in February 2010. On successful completion of the YGP in 2011, they will be offered permanent employment with the Company.

To promote a healthy workforce, the Company introduced a wellness program in 2009. A will writing project was also instituted during the year, facilitated by external lawyers. Over 50% of employees have written wills. In addition, employees formed a Savings and Credit Co operative Society (SACCOS) to promote a culture of savings and access to affordable loans.

Investment in communities and the environment

Drawing on local communities for employees and also for customers, TCC believes in putting something back into those communities. In 2009, TCC invested TZS. 508 million in various community assistance programs.

The Company's reforestation and rural livelihood program in Sikonge - Tabora, is achieving positive results. The program began in 2006 and will run until 2010. It aims to reduce deforestation and improve rural conditions in tobacco growing areas. By the end of 2010, a total of TZS 1 billion will have been spent on: (a) planting 8 million trees in Sikonge, Tabora; (b) low cost irrigation schemes for food security and income generation; (c) construction of more efficient cooking stoves and tobacco curing barns to reduce fuel wood consumption; and (d) provision of clean and safe water. The project is implemented by Total Land Care and Washington State University.

Recognition by various professional bodies

The Company received a number of awards in 2009 in recognition of its achievements in various areas.

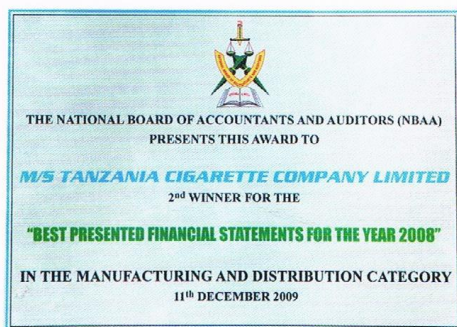
TCC was voted by the Tanzania Revenue Authority (TRA) the overall 2008/09 national winner for tax compliance and tax contribution, as well as, for the best kept tax records. The Company was also runner up of the National Board of Accountants (NBAA) best presented financial statements for 2008 in the manufacturing and distribution category. The Company's Employee Relations and Welfare Program as well as its Training and Development Program were voted best in class by the Association of Tanzania Employers (ATE) for 2008. The Company was overall runner up for the 2008 ATE Employer of Choice Awards.

Prospects for 2010

Subject to a favorable operating environment in 2010, primarily economic growth; a stable exchange rate; reasonable inflation rate and reasonable excise tax increases, Management is optimistic the Company will continue to deliver good results for its esteemed shareholders.



Mapitio ya biashara



Mwaka 2009 ulikuwa mwaka wenye changamoto kubwa kwa biashara. Mauzo ya jumla yameshuka kwa ya asilimia 2.8 ikilinganishwa na mwaka uliyopita kutokana na ukuaji wa polepole wa jumla wa uchumi. Mauzo ya ndani ya nchi yameathiriwa zaidi. Hata hivyo mauzo ya nje ya nchi yamezidi kukua sana kutokana na kuingia kwenye masoko mapya katika ukanda wa Afrika Mashariki na Kati na kudumisha hisa zake katika masoko ya mauzo ya nchi za nje.

Hata hivyo kampuni imepata mafanikio makubwa katika mwaka wa taarifa hii, yakichangiwa hasa na ongezeko la bei, mauzo ya bidhaa zetu zenye ubora na sifa, ufanisi wa uendeshaji wa gharama ndogo. Kwa kiasi fulani kupungua kwa kiwango cha Kodi ya Ongezeko la Thamani (VAT) kutoka asilimia 20 hadi 18 na ongezeko linaloridhisha la ushuru wa bidhaa za ndani.

Hatua nyingi muhimu zilichukuliwa mwaka 2009 kuhakikisha uendeleu wa muda mrefu wa biashara. Hatua hizi zimelenga zaidi kuendelea kuwekeza katika bidhaa zetu, eno kubwa zaidi la usambazaji, ubora wa bidhaa, mtaji wa wafanyakazi na jamii.

Kubadilika kwa jina la Sportsman kuwa Portsman

Mwezi Juni mwaka 2009, TCC ilichukua uamuzi wa kubadili jina la sigara ya Sportsman kuwa Portsman. Mabadiliko ya jina yalikusudia kutenganisha sigara aina ya Sportsman na "Sports" yaani michezo na dhana nyingine zozote za kimakosa zitakazoweza kuhusishwa na michezo.

Kuwekeza katika usambazaji

Usambazaji ni muhimu sana kwa bidhaa za mlaji zinazonunuliwa haraka. Hata hivyo usambazaji unabaki kuwa changamoto nchini Tanzania kutokana na ukubwa wa nchi na miundombinu ya usafirishaji ambayo ni duni kiasi. Ili kuimarisha eno la usambazaji katika maeneo ya pembezoni na maeneo mengine, Kampuni yetu imeanzisha mpango wa usambazaji kwa pikipiki ili kuongezea mpango wa sasa wa usambazaji kwa baiskeli. Hivi sasa bidhaa za kampuni zinasambazwa kwa njia ya magari, baiskeli na pikipiki.

Kuwekeza katika ufanisi wa uzalishaji na ubora wa bidhaa

Upatikanaji wa umeme wa uhakika ni muhimu. Ukatikaji wa umeme mara kwa mara umeleta athari kubwa ya gharama kwa kampuni katika miaka iliyopita na kutishia kuathiri ubora wa bidhaa. Ili kuhakikisha kuwapo kwa umeme wa uhakika na hivyo ufanisi wa uzalishaji na ubora wa bidhaa, kampuni imewekeza katika mtambo wake wa kuzalisha umeme kwa kutumia gesi mwaka 2009. Mtambo huo utaanza kazi rasmi mwaka 2010.

Kuwekeza katika miji wa wafanyakazi

Aidha TCC imeendelea kuweka mkazo mkubwa katika kuimarisha ubora wa mtaji wa wafanyakazi na kuwa na mazingira mazuri ya kazi kwa wafanyakazi wake.

Menajimenti na Chama cha Wafanyakazi wake, TUICO, imefanikiwa kutayarisha na kutia saini Mkataba wa Hiari mpya wa miaka miwili mwezi Novemba, 2009.

Kampuni imetumia zaidi ya TZS 624 milioni kwa mafunzo na maendeleo ya wafanyakazi wake, wakati TZS 329.7 miongoni mwa hizo zimetumika kwa mafunzo ya stadi ndogondogo na

mafunzo kazini peke yake. Jumla ya wahitimu 23 wa chuo kikuu na vyuo walijiunga na TCC kwa mazoezi ya maandalizi ya miezi sita Agosti 2009, na kati yao 21 wametankiwa kujiunga na na Mpango wa Wahitimu Wapya (YGP) wa miaka miwili kuanzia Februari 2010. Wakifanikiwa kukamilisha YGP mwaka 2011, watapewa ajira ya kudumu katika kampuni.

Kuhimiza wafanyakazi wenye afya, kampuni ilianzisha mpango wa afya bora mwaka 2009. Mradi wa kuandika wasia pia ulianzishwa mwaka huo na kuendeshwa na wanasheria kutoka nje ya kampuni. Zaidi ya asilimia 50 ya wafanyakazi wameandika wasia. Aidha wafanyakazi wameanzisha Chama cha Ushirika cha Kuweka na Kukopa (SACCOS) kuhimiza utamaduni wa kujiweka akiba na kupata mikopo nafuu.

Kuwekeza katika jamii na mazingira

Kwa kuwa kampuni inategemea jamii kwa wafanyakazi na wateja, TCC inaamini katika kurudisha fadhila kwa jamii. Mwaka 2009, TCC iliwekeza TZS 508 milioni katika programu mbalimbali za msaa katika jamii.

Programu ya upandaji miti na maisha bora vijijini huko Sikonge, Tabora, inaendelea vizuri. Programu hii ilianza mwaka 2006 na itaendelea hadi mwaka 2010. Programu hii ina shabaha ya kupunguza ukataji misitu na kuboresha hali ya maisha ya vijijini katika maeneo yanayolima tumbaku. Itikapo mwishoni mwa mwaka 2010 jumla ya TZS 1 bilioni zitakuwa zimetumika kwa (a) kupanda miti milioni 8 Sikonge, Tabora (b) miradi ya umwagilaji ya gharama nafuu kwa uhakika wa chakula na uongezaji kipato (c) utengenezaji wa majiko yasiyotumia mkaa mwingi na mabanda ya kukaushia tumbaku kupunguza matumizi ya kuni na (d) upatikanaji wa maji safi na salama. Miradi huo unatekelezwa na kampuni ya Total Land Care na Washington State University.

Kutambuliwa na asasi mbalimbali za kitaaluma

Kampuni ilipokea tunzo mbalimbali mwaka 2009 kwa kutambuliwa kwa mafanikio yake katika maeneo mbalimbali.

TCC ilichaguliwa na Mamlaka ya Mapato Tanzania (TRA) kuwa mshindi wa jumla wa taifa kwa mwaka 2008/09 kwa kutimiza ulipaji wa kodi na uchangiaji wa kodi, pamoja na utunzaji bora zaidi wa kumbukumbu za kodi. Kampuni pia ilikuwa ya pili katika uwasilishaji bora wa taarifa za fedha kwa mwaka 2008 katika kundi la utengenezaji na usambazaji wa bidhaa ulioandaliwa na Bodi ya Taifa ya Wahasibu na Wakaguzi (NBAA). Programu ya Uhusiano wa Wafanyakazi wa Ustawi ya Kampuni pamoja na Programu ya Mafunzo na Maendeleo ziliteuliwa kuwa bora zaidi kwa daraja na Chama cha Waajiri Tanzania (ATE) kwa mwaka 2008. Kampuni ilikuwa mshindi wa pili wa jumla wa mwaka 2008 ATE Employer of Choice Awards.

Matarajio ya mwaka 2010

Kutegemea hasa mazingira mazuri ya uendeshaji katika mwaka 2010, ukuaji wa uchumi; kiwango cha ubadilishaji fedha za kigeni kisichobadilika; kiwango cha kuridhisha cha mfumuko wa bei, na ongezeko la kuridhisha la ushuru wa bidhaa za ndani, Menejimenti ina matarajio kuwa kampuni itaendelea kupata matokeo mazuri kwa ajili ya wanaohisaa wake wote.





SIMAAAN MATTIA
CEO



ROY SIZEMORE
Director
Manufacturing



STELLA UJIO
Director Consumer &
Trade Marketing
(Portfolio & Brand Strategy)



PAUL MAKANZA
Director Corporate Affairs



IVO VAN WINGERDEN
Director Finance



CHRISTOPHER YAMAT
Director Consumer &
Trade Marketing
(Development and Planning)



FRANK USIRI
Director Company Services



MOSES GUNDA
National Sales Manager



CAROLINE KAVISHI
Director Human Resources



VINTAN MBIRO
Director Legal Affairs

Management team

Board of directors



VINTAN MBIRO
Secretary to the Board

MARIA N. KEJO
Director (Non Executive)

DAVID THORN
Director (Executive)

NO VAN WINGERDEN
Director (Executive)

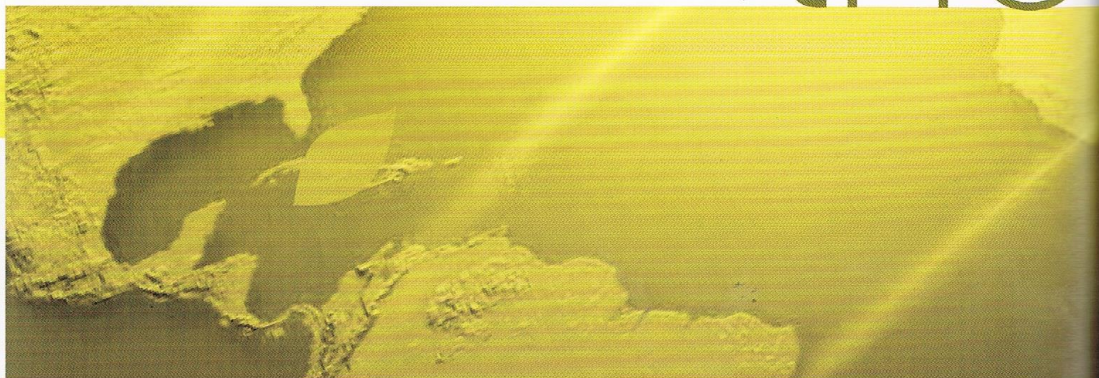
PAUL MAKANZA
Director (Executive)

SIMAAAN MATTA
Chairman

HUBERTUS OOMS
Director (Non Executive)

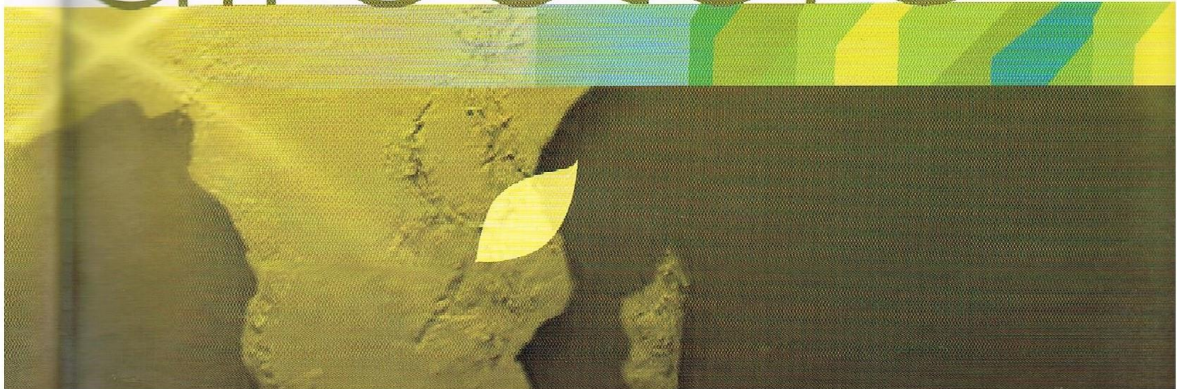
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RAMADHANI KHIJJA
Director (Non Executive)

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Vision

The Company's vision is to be the best company in East Africa.

Mission

The Company's mission is to grow volume and profit while defending market share by delivering quality brands and maximising consumer and customer satisfaction, in a responsible manner, through innovation and teamwork.

Report of the directors

FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors present this report and the financial statements for the financial year ended 31 December 2009, which disclose the state of affairs of the Group and the Company.

INCORPORATION

Tanzania Cigarette Company Limited (TCC) was incorporated in 1965 under the Companies Ordinance, Cap 212 which was repealed and replaced by the Companies Act 2002; with registration number 3542 and listed on the Dar es Salaam Stock Exchange (DSE). The Company is located at plot number 20 Nyerere Road, Dar es Salaam.

VISION, MISSION AND VALUES

The Company's vision is to be the best company in East Africa. Its mission is to grow volume and profit while defending market share by delivering quality brands and maximising consumer and customer satisfaction, in a responsible manner, through innovation and teamwork.

The Company's core values are: Quality - making a difference through quality must be evident in all areas of the business; Commitment - the Company respects the views of society on tobacco, and conducts its business in an ethical and responsible manner; Innovation - the company constantly searches for fresh ideas and values its people for having the courage to do things differently; and Synergy - the Company encourages diversity of ideas and team work.

PRINCIPAL ACTIVITIES

The Group's principal activities are the production and sale of cigarettes. The Group's range of products include Camel, LD, Embassy, Iceberg, Monte Carlo, Portsman, Sweet Menthol, Safari, Club Cavalier, Crescent and Star which serve domestic and export markets.

COMPOSITION OF THE BOARD OF DIRECTORS

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

NAME	POSITION	NATIONALITY
Mr. Sirnaaz Matta	Chairman and Chief Executive Officer	Jordanian
Mr. Gray Mgonja	Director (Resigned in February 2009)	Tanzanian
Mr. Paul Makanza	Director	Tanzanian
Mr. Saleh N. Kari	Director	Tanzanian
Mr. Johannes Ward Antonius Ooms	Director	Dutch
Mr. David Thom	Director	British
Mr. Ghensel Grobbelaar	Director (resigned in May 2009)	South African
Mr. Ramadhani Khilja	Director (appointed in February 2009)	Tanzanian
Mr. Gert van Wingerden	Director (appointed in May 2009)	Dutch

The Company Secretary as at 31 December 2009 was Mr. Vintan Willgis Mbiro.

CORPORATE GOVERNANCE

The Board of directors of Tanzania Cigarette Company Limited consists of seven Directors, out of whom four directors hold executive positions in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles. The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the General Manager, who is assisted by Senior Management.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

Tanzania Cigarette Company Limited (TCC) is a subsidiary of Japan Tobacco International (JTI). It is publicly listed on the Dar es Salaam Stock Exchange. TCC is committed to the principles and practices of good corporate governance and continually seeks improvement. TCC strictly follows its parent company's global standards, policies and procedures and operating guidelines. These include amongst others, responsible marketing, being an equal opportunity employer, and an adherence to a strict code of conduct, environmental health and safety standards and corporate philanthropy.

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; and at all times, smokers should show courtesy to non-smokers and to society.

Know Your Customer (KYC)

Know Your Customer is a key program that aims to ensure that the Company does business with entities/ customers who are committed to compliance with good corporate governance principles. As stated in the Company's Code of Conduct: "We only trade with customers that are reputable. We comply with customs and fiscal laws and pay all duties that are due from TCC. It is therefore essential that customers are certified in accordance with the Customer Certification Procedures to ensure that they will not use the Company's products in illegal or unethical activities and that they are not funded by or associated with any"

Equal Opportunity Employer

The company is an equal opportunity employer. It recruits new employees on the basis of ability and potential. Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training is arranged.

Code of Conduct

TCC's parent company, JTI, has in place a Code of Conduct. The Code of Conduct describes some of the most important 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 its parent company's Code of Conduct. All employees are required to undergo comprehensive training on the Company's Code of Conduct and sign off that they have understood and will abide by the Code of Conduct. In addition, the Company has in place a confidential tool for reporting Code of Conduct violations.

Report of the directors

Corporate Philanthropy

As a company drawing on local communities for employees and also for customers, the Company believes in putting something back into those communities. The company has corporate policies to offer assistance with social projects, humanitarian causes, adult educational initiatives and cultural events. Every year, the Company sets aside 1% to 2% of its previous year profits for corporate philanthropy programs.

Environmental Protection Health and Safety (EHS)

The Company has in place an Environmental, Health and Safety (EHS) program. 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 umbrella.

CAPITAL STRUCTURE

The company capital structure as at 31 December 2009 is shown in page 1. The details of company's share capital is as shown below:

	2009 TZS M	2008 TZS M
Authorized:		
125,000,000 Ordinary shares of TZS 20 each	2,500	2,500
Issued and fully paid:		
100,000,000 Ordinary shares of TZS 20 each	2,000	2,000

The Ordinary shares of the Company are held as follows:

Shareholder	Year	Number of Shares	Year	Number of Shares
JTIH BV	2009	75,000,000	2008	75,000,000
Minority	2009	25,000,000	2008	25,000,000

SHAREHOLDERS OF THE COMPANY

Japan Tobacco International (JTI) is the majority shareholder in TCC. It owns 75% of the issued and paid up ordinary shares of TCC. The Tanzania public, through the Dar es Salaam Stock Exchange, owns the remaining 25%. The total number of shareholders during the year 2009 is 6,627 (2008: 6,750 shareholders).

MANAGEMENT

The Management of the Company is under the General Manager and is organized in the following departments:

- CEO office
- Finance
- Manufacturing
- East and Central Africa
- Human Resources
- Company Services
- Legal
- Corporate Affairs
- Consumer and Trade Marketing

DIRECTORS' INTERESTS

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

STOCK EXCHANGE INFORMATION

The Company was listed on the Dar es Salaam Stock Exchange in 2000. The price per share at the time of listing was TZS 410/-. The performance of the Company's shares in the secondary market as measured by market capitalization as at 31 December 2009 was TZS 180,000 Million (2008: TZS 166,000 Million).

FUTURE DEVELOPMENT PLANS

The Company will continue to improve its profitability through the innovative products, focusing on better management of the brand portfolio and selective expansion of its distribution channels while carefully managing both costs and risks. The Company will continue to focus on improving productivity, invest in projects that enhance the effectiveness and efficiency of operations.

RESULTS AND DIVIDEND

During the year, the directors declared an interim gross dividend of TZS 10.0 billion or TZS 100 per share, which was paid in October 2009 (2008: TZS 10 billion or TZS 100 per share). After the year-end, the Directors proposed a final gross dividend of TZS 5.0 billion or TZS 50 per share (2008: TZS 10 billion or 100 per share). The final dividend is subject to adoption by shareholders at the Annual General Meeting and, once approved, the total gross dividend relating to current year will equal to TZS 15.0 billion or TZS 150 per share (2008: TZS 27.5 billion or TZS 275 per share).

PERFORMANCE FOR THE YEAR

The year 2009 was challenging, as it was marked by the global economic crisis. The crisis had a negative impact on our 2009 sales volumes, which are down by 2.8% in comparison to 2008. Despite these difficult conditions, pricing initiatives, improvements in our mix of brands sold and productivity gains drove our profit before tax to record levels, increasing 48% in comparison with 2008. During 2009, significant investments in new machinery and a power plant were made, increasing capacity and sustainability of our operations. The Company decided to increase its leaf inventories in anticipation of increased tobacco leaf prices, which drove the Company to enter into a short term loan facility.

Report of the directors

The Company's financial position remains strong, evidenced by its ability to improve its operational cash flow by 15.8% in comparison with 2008. Return on equity increased to 61.1% (2008: 51.3%), while debt to equity ratio went up by 8% in comparison to year 2008 due to leaf funding requirements. The current ratio remained stable with a slight increase of 2% in comparison to year 2008. Earnings Before Interest Tax Depreciation and Amortization margin went up to 44.1% (2008: 37.2%).

Tax Compliance and Rewards

The Company promotes voluntary tax compliance in all of its functions in order to be in line with nation's motto of "Paying tax for national development". Payment of the right taxes, at the right time, good reporting and record keeping are highly encouraged within the Company. As a result of these efforts, the Company has been awarded certificates and trophies from Tanzania Revenue Authority (TRA) as one of the largest tax payers, with the highest degree of tax record keeping and compliance.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observation of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2009 and is of the opinion that they met accepted criteria.

Risk management is carried out by the Finance department under policies approved by the Board of Directors.

SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

EMPLOYEES' WELFARE

Management and Employees' Relationship

There was continued good relation between employees and management during the period under review. There were no unresolved complaints received by management from the employees during the year. A healthy relationship continues to exist between management and the trade union. The Voluntary Agreement between management and the trade union was signed in December 2009. The Voluntary Agreement provides for improved benefits and conducive, harmonious working environment for our employees.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, ethnicity, religion and disability which does not impair ability to discharge duties.

Training and Development

The Company is committed to improve Training and Development in order to meet the demands of its dynamic growing business. Training programs have been and are continually being reviewed and developed to ensure employees are adequately trained at all level. All employees have some form of annual training to upgrade skills and enhance development. During the year the Company spent a total of TZS 624 Million (2008: TZS 466 Million) for staff training in order to improve employee's knowledge, skills and attitude and hence increase organizational effectiveness.

Medical Assistance

All members of staff with a maximum number of five beneficiaries (dependants) for each employee were availed medical insurance guaranteed by the Board. Currently these services are provided by Strategies Insurance.

The Company has an employees Wellness Program that deals with the main health issues that affect TCC's community (workforce); these being diabetes, hypertension, obesity, malaria and HIV/ AIDS. Through the program, employees are imparted with knowledge on prevention, cure and treatment of these diseases.

Health and Safety

The Company has a strong health and safety section which ensures that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

Financial Assistance to Staff

The Company provides car loans to all eligible confirmed employees. Management has encouraged staff to join Mkombozi Savings and Credit Co- operative Society (SACCOS) to assist in promoting the welfare of its employees.

Will Project

The Company encourages all employees to have in place a Will in order to ensure the rightful beneficiaries are compensated in the event of an employee's untimely death. The Company, through external lawyers, facilitates the Will writing and revision process.

Employees Benefit Plan

The Company pays contributions to a publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan.

Report of the directors

GENDER PARITY

At 31 December 2009 the Company had 635 employees, out of which 112 were female and 523 were male. (2008: Female 106, Male 520)

RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 22 to these financial statements.

POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year. Donations made to charitable organizations and Non Government Organizations during the year amounted to TZS 508 million (2008: TZS 414 million).

AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to continue in office and are eligible for reappointment. A resolution proposing their re-appointment as auditors of the Company for the year 2010 will be put to the Annual General Meeting.

Approved and authorized for issue by the Board of Directors on 19/03/2010 and signed on its behalf by:



Mr Paul Makenza
Director

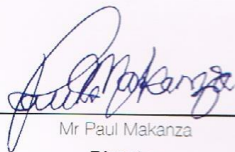
Statement of directors' responsibilities

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 of the Company as at the end of the financial year and of the operating results of the Group and of the Company for that year. It also requires the directors to ensure that the Parent Company and its subsidiary keep proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the parent company and its subsidiary. They are also responsible for safeguarding the assets of the Group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002. 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.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments 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 parent 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 parent Company and its subsidiary will not remain a going concern for at least the next twelve months from the date of this statement.



Mr Paul Makanza
Director

19/03/2010 2010

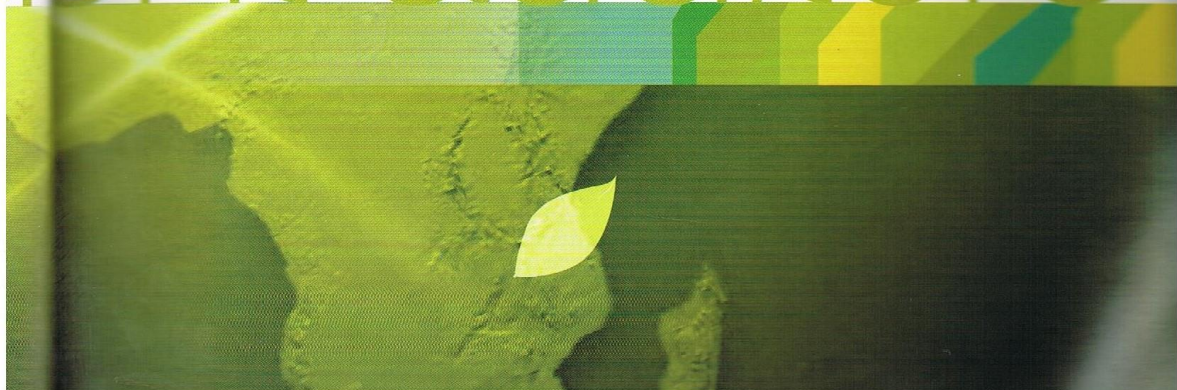


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Independent auditors



Report of the independent auditors

TO THE MEMBERS OF TANZANIA CIGARETTE COMPANY LIMITED

Report on the financial statements

We have audited the financial statements of Tanzania Cigarette Company Limited and its subsidiary, set out on pages 33 to 74 which comprise the group and parent company statements of financial position as at 31 December 2009, and the group and parent company statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the group and parent company as at 31 December 2009 and of their profits and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002.

Report on Other Legal Requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the parent company, so far as appears from our examination of those books; and
- iii) the parent company's statement of Financial Position and statement of Comprehensive Income are in agreement with the books of account.

DeGritte & Trauche

Certified Public Accountants (T)

Dar es Salaam

Signed by: David C Nchimbi

19th March 2010

Financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	GROUP		COMPANY	
		2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Gross Turnover		265,242	230,354	265,242	230,354
Excise duty and VAT		(98,849)	(93,473)	(98,849)	(93,473)
Net Turnover		166,393	136,881	166,393	136,881
Cost of sales	6	(53,113)	(51,715)	(53,113)	(51,715)
Gross profit		113,280	85,166	113,280	85,166
Marketing , Selling & Distribution expenses		(21,839)	(22,133)	(21,839)	(22,133)
Administration expenses		(23,679)	(16,214)	(23,674)	(16,207)
Other expenses		(1,363)	(2,397)	(1,363)	(2,397)
Other gains and losses		(820)	(577)	(820)	(577)
Interest income		457	719	457	719
Interest expense		(58)	-	(58)	-
Profit before Taxation	7	65,978	44,564	65,983	44,571
Taxation charge	8	(19,759)	(13,508)	(19,759)	(13,508)
Profit for the year		46,219	31,056	46,224	31,063
Earnings per share		TZS	TZS		
Basic and diluted (TZS per share)	9	462.19	310.56		

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	GROUP		COMPANY	
		2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
ASSETS					
Non-current assets					
Property, plant and equipment	11	48,057	37,115	48,057	37,115
Intangible assets	12	1,587	1,851	1,587	1,851
Investment in subsidiary	13(a)	-	-	-	-
Loan receivable	13(b)	-	272	-	272
		49,644	39,238	49,644	39,238
Current assets					
Inventories	14	68,726	39,266	68,726	39,266
Trade and other receivables	15	10,157	11,780	10,189	11,812
Taxation recoverable	8 (d)	576	89	576	89
Cash and bank balances	16	20,662	9,492	20,656	9,486
		100,121	60,627	100,147	60,653
Total assets		149,765	99,865	149,791	99,891
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	17	2,000	2,000	2,000	2,000
Retained earnings		86,507	60,288	87,077	60,853
Shareholders' equity		88,507	62,288	89,077	62,853

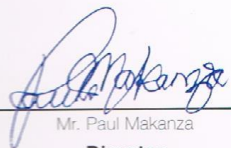
Financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009 (Continued)

	Notes	GROUP		COMPANY	
		2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Non-current liabilities					
Deferred tax liability	18	4,875	3,250	4,875	3,250
Current liabilities					
Trade and other payables	19	46,383	34,327	45,839	33,788
Short term borrowings	20	10,000	-	10,000	-
		56,383	34,327	55,839	33,788
Total liabilities		61,258	37,577	60,714	37,038
Total equity and liabilities		149,765	99,865	149,791	99,891

The financial statements on pages 33 to 74 were approved by the Board of Directors on 19/03/2010 and were signed on its behalf by the following directors:



Mr. Paul Makanza

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Retained earnings	Total
	TZS M	TZS M	TZS M
GROUP			
At 1 January 2008	2,000	56,732	58,732
Final dividend paid for year 2007	-	(10,000)	(10,000)
Interim dividend paid for year 2008	-	(17,500)	(17,500)
Profit for the year	-	31,056	31,056
At 31 December 2008	2,000	60,288	62,288
At 1 January 2009	2,000	60,288	62,288
Final dividend paid for year 2008	-	(10,000)	(10,000)
Interim dividend paid for year 2009	-	(10,000)	(10,000)
Profit for the year	-	46,219	46,219
At 31 December 2009	2,000	86,507	88,507
COMPANY			
At 1 January 2008	2,000	57,290	59,290
Final dividend paid for year 2007	-	(10,000)	(10,000)
Interim dividend paid for year 2008	-	(17,500)	(17,500)
Profit for the year	-	31,063	31,063
At 31 December 2008	2,000	60,853	62,853
At 1 January 2009	2,000	60,853	62,853
Final dividend paid for year 2008	-	(10,000)	(10,000)
Interim dividend paid for year 2009	-	(10,000)	(10,000)
Profit for the year	-	46,224	46,224
At 31 December 2009	2,000	87,077	89,077

Financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	GROUP		COMPANY	
		2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Cash flows from operating activities					
Cash generated from operations	21	56,618	48,888	56,618	48,888
Interest received		457	719	457	719
Interest paid		(58)	-	(58)	-
Taxation paid	8 (d)	(18,621)	(13,134)	(18,621)	(13,134)
Net cash generated by operating activities		38,396	36,473	38,396	36,473
Cash flows from investing activities					
Amounts received from/(advanced to) TCC LTIP		272	(122)	272	(122)
Payments for property, plant and equipment		(17,784)	(4,337)	(17,784)	(4,337)
Proceeds from disposal of property, plant and equipment		286	96	286	96
Net cash used in investing activities		(17,226)	(4,363)	(17,226)	(4,363)
Cash flows from financing activities					
Increase/(decrease) in short term borrowing		10,000	(255)	10,000	(255)
Dividends paid to owners	10	(20,000)	(27,500)	(20,000)	(27,500)
Net cash used in financing activities		(10,000)	(27,755)	(10,000)	(27,755)
Net increase in cash and cash equivalents		11,170	4,356	11,170	4,356
Cash and cash equivalents at the beginning of the year		9,492	5,137	9,486	5,131
Cash and cash equivalents at the end of the year		20,662	9,492	20,656	9,486
Represented by:					
Cash and bank balances		20,662	9,492	20,656	9,486

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. GENERAL INFORMATION

Tanzania Cigarette Company Limited (The Company) is a limited company incorporated in Tanzania. The addresses of its registered office and principal place of business are disclosed in the corporate information page of this report. The principal activities of the company and its subsidiary (The Group) are described in the Directors report.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

- IAS 1 (as revised in 2007) Presentation of Financial Statements, became effective on 1 January 2009 has been adopted. It has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- IFRS 7 Financial Instruments: Disclosures – Amendments, improving disclosure about financial instruments. The amendments expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has decided not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
- IFRS 8, Operating Segments. The standard replaces IAS 14 - Segment Reporting. It provides guidance on how to determine an operating segment and disclosure requirement. It applies to the separate or individual financial statements of an entity (and to the consolidated financial statements of a group with a parent):
 - o whose debt or equity instruments are traded in a public market; or
 - o that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market.

The impact of the adoption of IFRS 8 has been to expand the disclosures provided in these financial statements regarding segment revenues, expenses, assets and liabilities and segment profits or losses and how the amounts reported under reportable and other segments reconcile to the financial statements as disclosed in Note 5. The changes in IAS 1 has been changes in names of some of the components of financial statements and the separation of other comprehensive income from profits or losses for the period presented in one statements or two statements.

b) Standards and interpretations adopted but had no effects on the amounts reported

- IAS 23 (as revised in 2007) Borrowing Costs. The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalize borrowing costs incurred on qualifying assets.
- IAS 32 (amendment) and IAS 1 (amendment) - Puttable Financial Instruments and Obligations Arising on Liquidation. The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

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- IFRS 2 (amendments) Share-based Payment - Vesting Conditions and Cancellations. The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
- IFRIC 15 Agreements for the Construction of Real Estate. The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognized. The requirements have not affected the accounting for the Group's construction activities.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
- IFRS 1, First-Time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption. The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items. The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
- IFRIC 17, Distributions of Non-cash Assets to Owners. The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
- IFRIC 18, Transfers of Assets from Customers. The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit recognized as revenue in accordance with IAS 18 Revenue.
- IFRIC 13, Customer Loyalty Programmes. The interpretation requires entities to account for award credits as a separately identifiable component of the sales transaction(s) in which they are granted.

c) Standards and interpretations in issue not yet effective

- IFRS 2, Share-based Payment (amendments). The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
- IFRS 9, Financial Instruments – IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

- IAS 17, Leases (amendments). The amendments remove the guidance that required leases of land with an indefinite useful life to be classified as operating leases, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease.

The directors will assess the impact of the amendments and issued standards and Interpretation when become effective to determine their impact to Group's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are stated below:

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements are stated in TZS (Tanzanian Shillings).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its wholly owned and controlled subsidiary, TCC (Kenya) Limited.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
 - the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
 - the amount of revenue can be measured reliably;
 - it is probable that the economic benefits associated with the transaction will flow to the entity; and
 - the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Interest income is recognized when it accrues on a time proportion basis using effective interest rate method

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

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Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Tanzanian Shillings ('TZS'), which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.

At each Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognized in profit or loss in the period in which they arise except for the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Tanzanian Shillings using exchange rates prevailing at the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

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 and basic emoluments for NSSF and PPF members respectively. The company's contributions with respect to these retirement benefits obligations are charged to the statement of comprehensive income in the period to which they relate.

Taxation

Current Corporate tax

The currently corporate tax charge in the Statement of Comprehensive Income is based on effective income tax rate of 30% applied on taxable profit for the year under review. The taxable profit arrived after taking into consideration relevant provisions of IAS 12 and the Income Tax Act, 2004 together with its subsequent amendments through the Finance Acts as enacted by the parliament of United Republic of Tanzania (URT).

Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, the written down value. Deferred

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tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax for the period under review

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

Value added tax (VAT)

The revenues, expenses and assets are recognized at amounts net of Value Added Tax. However, where VAT is incurred on a purchase of an assets or services is not claimable as input VAT as provided in the VAT Act, 1997 together with its subsequent amendments and regulations, in which case the VAT is recognized as part of cost of acquisition of the assets or part of the expense item as it seems to be appropriate.

Any amounts remained unpaid or collected to suppliers or from customers respectively are stated and reported as gross amount with VAT being included.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

Excise tax

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

- Cigarettes without filter tip and containing domestic tobacco exceeding 75% is TZS 5,749 per 1,000 cigarettes.
- Cigarettes with filter tip and containing domestic tobacco exceeding 75% is TZS 13,564 per 1,000 cigarettes.
- Other cigarettes not mentioned in first and second bullet above is TZS 24,633 per 1,000 cigarettes.

The amount of excise tax payable to Tanzania Revenue Authority at the year end is included as part of trade and other payables.

Investment in subsidiary Company

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of raw materials and consumable stores are determined by the weighted average cost method. Cost of finished goods and work in progress are valued at direct raw material cost and include a portion of manufacturing overhead expenses, determined on a weighted average basis. Net realizable value 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.

Leases

Leases of property and equipment, where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables. The interest element of the finance charge is charged to the Statement of Comprehensive Income over the lease period. Property, plant and equipment acquired under finance leasing contracts are depreciated over the term of the lease or useful life of the asset, whichever is shorter.

Rental income from operating leases is recognized on a straight line basis over the term of relevant lease. The total payments made under operating leases are charged to other operating expenses in the Statement of Comprehensive Income on a straight line basis over the period of lease. When operating lease is terminated before the lease period has

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expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over the estimated useful lives to the estimated residual value. Useful lives, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis. Residual values are measured as the estimated amount currently receivable for an asset if the asset were already of the age and condition expected at the end of its useful life. Each significant component included in an item of property, plant and equipment is separately recorded and depreciated. The estimated useful life of assets at time of acquisition is assumed as follows:

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

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

Profits or losses on the retirement or disposal of property, plant and equipment, determined as the difference between the actual proceeds and the carrying amount of the assets, are recognised in profit or loss in the period in which they occur. The date of disposal is determined as the date on which the company has transferred to the buyer the significant risks and rewards of ownership of the goods, the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the proceeds on the sale can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Intangible assets

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset, from the date that it is available for use.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Impairment of tangible and intangible assets

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

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

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

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

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

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

A previously recognized impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in prior periods. No goodwill impairment losses are reversed.

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

Dividends

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Dividends declared after the Statement of Financial Position date, are not recognized as liabilities at the Statement of Financial Position date.

Trademarks

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

NOTES TO THE FINANCIAL STATEMENTS

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Financial instruments

Financial instruments include all financial assets, financial liabilities and equity instruments, including derivative instruments.

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the group's Statement of Financial Position when the group becomes party to the contractual provisions of the instrument.

Fair value methods and assumptions

The fair value of financial instruments, excluding derivative instruments, not traded in active, liquid and organised financial markets is determined using a variety of methods and assumptions that are based on market conditions and risks existing at Statement of Financial Position date, including independent appraisals and discounted cash flow methods.

The fair value of trade and other receivables, cash and cash equivalents and trade and other payables approximate their carrying amount due to the short-term maturities of these items.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of financial assets and financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts and future cash payments (including transactions costs and other premiums or discounts) through the expected life of the financial asset and financial liability, or where appropriate a shorter period, to the net carrying amount of the financial asset or financial liability.

Interest income is recognised on an effective interest basis for held-to-maturity investments, available-for-sale financial assets and loans and receivables. Interest expense is recognised on an effective interest rate basis for financial liabilities held at amortised cost.

Amortised cost

Amortised cost is the amount at which the financial asset and financial liability is measured at initial recognition less principal repayments, cumulative amortisation and accumulated impairment losses. The cumulative amortisation of any difference between the initial amount and the maturity amount of the financial asset and financial liability is calculated by using the effective interest rate method and recognised in profit or loss as interest income or interest expense over the period of the investment or debt.

Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The group's principal financial assets are trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables) and cash and cash equivalents.

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

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All financial assets are initially measured at fair value, including transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

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 group 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.

The average credit period on sales of goods is 7 days for domestic customers and 60-90 days for export customers. No interest is charged on trade receivables. The Group has recognized an allowance for doubtful debts against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are difficult to recover. Daily sale outstanding balance 2009 was 7 days (2008: 7 days)

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss, financial liabilities held at amortised cost and financial guarantee contract liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

The group's principal financial liabilities are trade and other payables (Value Added Taxation, revenue charged in advance and reduced subscriptions excluded), bank borrowings and other short-term debt.

All financial liabilities are initially measured at fair value, including transaction costs except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

Financial liabilities held at amortised cost

Interest bearing debt, including non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in profit or loss by applying the effective interest rate.

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Trade and other payables

Trade and other payables are stated at their nominal value. Trade payables are non-interest bearing and are normally settled between 15 to 30 days for local suppliers and up to 60 days for foreign suppliers after date of invoice.

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, accounted for on accruals basis.

Derecognition

Financial assets, or a portion thereof are derecognised when the group's contractual rights to the cash flow expire, when the group transfers substantially all the risks and rewards of the transferred financial asset or when the group neither transfers nor retains substantially all the risks and rewards of the transferred financial asset but loses control of the transferred financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in profit or loss.

If the group retains substantially all the risks and rewards of the transferred financial asset, the group continues to recognise the transferred financial asset. If the group neither transfers nor retains substantially all the risks and rewards of the transferred financial asset, but retains control, it continues to recognise the transferred financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability for any amounts payable.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in profit or loss.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Comparatives

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

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

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

PROVISIONS

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

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

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

Impairment provision

Management carries out a regular review of the status of trade receivables, inventories and other financial assets to determine whether there is any indication that these assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, which is then dealt with in the Statement of Comprehensive Income. In determining whether an impairment loss should be recognized in the Statement of Comprehensive Income, management checks whether there is objective evidence that the assets are impaired and that the fair values have declined.

Management estimates of the required provisions are based on critical evaluation of the economic circumstances involved, historical experience and other factors that are considered to be relevant.

NOTES TO THE FINANCIAL STATEMENTS

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Property, plant and equipment

Management reviews the useful lives and residual values of the items of property, plant, and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

Provisions for pending litigations

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

5. OPERATING SEGMENTS

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. The company has two operating segments namely domestic and export markets. Domestic market has reported revenue from both external customers and intersegment sales or transfers of 95 per cent of the combined revenue, internal and external, of all operating segments, thus qualifying as reportable segment. The absolute measure of its reported profit or loss is more than 98 per cent in absolute amount, of the combined reported profit or loss of all operating segments that report a profit or loss. The reportable operating segment is carrying on the business of manufacturing and selling of cigarette in Tanzania and other operating segment. The brands sold in domestic market are Camel, Club, Embassy, Portman, Sweet menthol, Iceberg, Crescent and star and Safari.

Export market includes Democratic Republic of Congo, Mozambique, Malawi, Zambia, Angola, Mauritius, Re-Union, Mayotte and Seychelles. Export market reported revenue of less than 5 per cent of the combined revenue.

Information about transactions with major customers

Below is the revenue from top ten domestic customers, the amounts is VAT inclusive.

	2009	2008
	TZS M	TZS M
Revenue from top ten customers	18,644	15,360

The reportable segment has more than 500 active customers.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Segment revenues and results

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

	Segment revenue		Segment gross profit	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Export Market	13,081	8,522	810	838
Domestic Market	252,161	221,832	112,470	84,328
Total	265,242	230,354	113,280	85,166
Marketing, selling & distribution expenses:				
Export market			(1,337)	(1,500)
Domestic market			(20,502)	(20,633)
Inter-segmental cross charges			-	-
General & administration costs			(23,674)	(16,207)
Other expenses			(1,363)	(2,397)
Other gains and losses			(820)	(577)
Interest income			457	719
Interest expense			(58)	-
Profit before tax			65,983	44,571

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Operating segment continued

	2009 TZS M	2008 TZS M
Segment assets		
Property, plant and equipment	48,057	37,115
Other intangible assets	1,587	1,851
Loan receivable	-	272
Total segment non-current assets	49,644	39,238
Inventories	68,726	39,266
Trade and other receivables	10,157	11,780
Current tax assets	576	89
Cash and cash equivalents	20,662	9,492
Total segment Current Assets	100,121	60,627
Consolidated assets	149,765	99,865
Segment liabilities		
Deferred tax liabilities	4,875	3,250
Total segment non-current liabilities	4,875	3,250
Trade and other payables	46,383	34,327
Short term Borrowings	10,000	-
Taxation Payable	-	-
Total segment current liabilities	56,383	34,327
Consolidated liabilities	61,258	37,577

For the purposes of monitoring segment performance and allocating resources between segments:
All assets and liabilities are allocated to reportable segments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Other segment information

	Depreciation and amortization		Additions to non-current assets	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Leasehold	377	404	280	315
Plant and machinery	4,626	4,379	11,597	1,019
Other equipment	433	372	309	532
Motor vehicles	1,224	1,134	1,739	372
Capital work in progress	-	-	3,859	2,099
Intangible assets	265	265	-	-
Total	6,924	6,554	17,784	4,337

The following is an analysis of the operating segment turnover (excluding VAT) from its major products and services.

	2009 TZS M	2008 TZS M
Camel	852	842
Iceberg	135	18
Lmbassy	22,613	9,844
Portman	83,806	81,810
Sweet Menthol	85,110	78,344
Safari	1,822	198
Club	8,853	6,662
Crescent & Star	7,932	6,830
	211,122	184,549

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FOR THE YEAR ENDED 31 DECEMBER 2009

6. COST OF SALES

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Direct Costs	36,364	33,378	36,354	33,378
Indirect costs	16,759	18,337	16,769	18,337
	53,113	51,715	53,113	51,715

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/ (crediting):

Directors' emoluments	2,187	1,073	2,065	1,073
Staff costs	17,306	15,442	17,306	15,442
Depreciation and amortization	6,924	6,554	6,924	6,554
Technical & Management service fees	7,450	6,021	7,450	6,021
Auditor's remuneration:				
- Audit Services	150	148	150	148
- Non audit services	-	-	-	-
Profit on disposal of property, plant and equipment	(107)	(73)	(107)	(73)
Included within staff costs are:				
NSSF and PPF contributions	1,047	790	1,047	902

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NOTES TO THE FINANCIAL STATEMENTS
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8. TAXATION

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
(a) Taxation charge				
Current taxation				
Current taxation at 30% per tax computation	18,102	13,166	18,102	13,166
Prior year under/(over) provision	32	(14)	32	(14)
	18,134	13,152	18,134	13,152
Deferred taxation – (note 18)				
Deferred tax recognized in profit or loss	1,658	342	1,658	342
Prior years charge/(credit) - prior years	(33)	14	(33)	14
	19,759	13,508	19,759	13,508

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

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
(b) Reconciliation of tax based on accounting profit to tax charge				
Accounting profit before taxation	65,978	44,564	65,983	44,571
Tax charge at 30%	19,793	13,369	19,795	13,371
Income subject to lower rate of tax or not subject to tax	(83)	(69)	(83)	(69)
Disallowable expenditure	49	208	47	206
Taxation charge	19,759	13,508	19,759	13,508

The tax rate used for the 2009 and 2008 reconciliations above is the statutory income tax rate of 30% payable by corporate entities in Tanzania.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(c) 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 recognized 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.

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
(d) Taxation recoverable				
Balance at beginning of the year	89	107	89	107
Charge for the year (Note 8(a))	(18,134)	(13,152)	(18,134)	(13,152)
Corporation tax paid	18,621	13,134	18,621	13,134
Balance at end of year	576	89	576	89

9. EARNINGS PER SHARE

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

	COMPANY	
	2009 TZS M	2008 TZS M
Profit attributable to ordinary shareholders (TZS M)	46,224	31,056
Weighted average number of ordinary shares in issue (million)	100	100
Earnings per share (TZS)	462.24	310.56

There were no potential dilutive shares outstanding at 31 December 2009 and 31 December 2008.

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10. DIVIDENDS

	GROUP	
	2009 TZS M	2008 TZS M
Interim dividend for the year	10,000	10,000
Final dividend for the year	5,000	10,000
Special dividend	-	7,500
Total	15,000	27,500
Weighted average number of ordinary shares in issue (million)	100	100
Dividend per share (TZS)	150.00	275.00

During the year, the directors declared an interim gross dividend of TZS 10.0 billion or TZS 100 per share, which was paid in October 2009 (2008: TZS 10.0 billion or TZS 100 per share). After the year-end, the Directors have proposed a final gross dividend of TZS 5 billion or TZS 150 per share (2008: TZS 10 billion or 100 per share). The final dividend is subject to adoption by shareholders at the Annual General Meeting and, once approved, the total gross dividend relating to current year will equal to TZS 15.0 billion or TZS 150 per share (2008: TZS 27.5 billion or TZS 275 per share).

NOTES TO THE FINANCIAL STATEMENTS

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11. 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 2008	11,322	45,450	3,817	6,052	2,378	69,019
Additions	315	1,019	532	372	2,099	4,337
Transfers	63	4,068	140	-	(4,271)	-
Disposals	(9)	(2,170)	(20)	(418)	-	(2,617)
At 31 December 2008	11,691	48,367	4,469	6,006	206	70,739
At 1 January 2009	11,691	48,367	4,469	6,006	206	70,739
Additions	280	11,597	309	1,739	3,859	17,784
Transfers	5	2,613	1	-	(2,619)	-
Disposals	(59)	-	(1,773)	(112)	-	(1,944)
At 31 December 2009	11,917	62,577	3,006	7,633	1,446	86,579
DEPRECIATION						
At 1 January 2008	3,139	20,722	2,731	3,337	-	29,929
Charge for the year	404	4,379	372	1,134	-	6,289
Disposals/transfers	67	(2,068)	(185)	(408)	-	(2,594)
At 31 December 2008	3,611	23,033	2,918	4,063	-	33,624
At 1 January 2009	3,611	23,033	2,918	4,063	-	33,624
Charge for the year	376	4,626	433	1,224	-	6,659
Disposals/transfers	(47)	169	(1,772)	(112)	-	(1,762)
At 31 December 2009	3,940	27,828	1,579	5,175	-	38,522
NET BOOK VALUE						
At 31 December 2009	7,977	34,749	1,427	2,458	1,446	48,057
At 31 December 2008	8,080	25,335	1,551	1,943	206	37,115

Capital work in progress relates to the cost of various items which were not received at year end.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

12. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Cost				
At beginning and end of year	2,646	2646	2,646	2646
Amortization				
At beginning of year	794	530	794	530
Charge for the year	265	265	265	265
At end of year	1,059	795	1,059	795
Net book value	1,587	1,851	1,587	1,851

Intangible assets acquired separately are carried at cost less accumulated amortization. Amortization is recognized on a straight-line basis over its estimated useful life. The estimated useful life and amortization method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis.

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

13. (a) INVESTMENT IN SUBSIDIARY

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
TCC (Kenya) Limited	-	-	534	534
Allowance for Impairment	-	-	(534)	(534)
	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

13. (b) LOAN RECEIVABLE

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
TCC LTIP	-	272	-	272

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 TCC Employees' Long Term Incentive Plan (LTIP). 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 cost basis because the effect would not be material.

14. INVENTORIES

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Raw materials	44,758	26,646	44,758	26,646
Work in progress	104	47	104	47
Consumable stores	1,965	1,965	1,965	1,965
Goods in transit	12,456	3,971	12,456	3,971
Finished goods	9,821	7,048	9,821	7,048
	69,104	39,677	69,104	39,677
Allowance for obsolete materials	(378)	(411)	(378)	(411)
	68,726	39,266	68,726	39,266

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

15. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Trade receivables	5,501	4,810	5,533	4,810
Amounts due from related companies	298	839	298	839
Prepayments and other receivables	4,445	6,737	4,445	6,769
	10,244	12,386	10,276	12,418
Allowance for doubtful receivables	(87)	(606)	(87)	(606)
	10,157	11,780	10,189	11,812
Movement in the allowance for doubtful debts is as given below:-				
At the beginning of the year	606	621	606	621
Amounts recovered during the year	(169)	(15)	(169)	(15)
Increase in allowance during the year	(221)	-	(221)	-
Amounts written off during the year	(129)	-	(129)	-
At the end of the year	87	606	87	606

16. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Cash in hand	45	42	45	42
Bank balances	20,617	9,450	20,611	9,444
	20,662	9,492	20,656	9,486

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

17. SHARE CAPITAL

Authorized:		
125,000,000 Ordinary shares of TZS. 20 each	2,500	2,500
Issued and fully paid:		
100,000,000 Ordinary shares of TZS. 20 each	2,000	2,000

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

	2009 Ordinary Shares Million	2008 Ordinary Shares Million
Resident shareholders:		
General public	8.8	8.8
Public Service Pension Fund	4.3	4.3
Parastatal Pension Fund	3.0	3.0
National Social Security Fund	4.1	4.1
United Republic of Tanzania	2.5	2.5
Unit Trust of Tanzania	0.5	0.5
Registered Trustees of the TCC Employees Share Option Scheme	0.3	0.3
The Local Authorities Provident Fund	0.6	0.6
Alliance Insurance Corporation Ltd	0.5	0.5
The Jubilee Insurance (T) Limited	0.2	0.2
Government Employees Provident Fund	0.2	0.2
	25.0	25.0
Non-resident shareholders		
JT International Holding B. V.	75.0	75.0
Total ordinary shares in issue	100	100

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

18. DEFERRED TAX LIABILITY

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

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
The net deferred tax liability is attributable to the following:				
Accelerated capital allowances	4,875	3,250	4,875	3,250
The movement on the deferred tax account is as follows:				
Balance at beginning of year	3,250	2,894	3,250	2,894
Charge to Statement of Comprehensive Income (note 8a)	1,658	342	1,657	342
Deferred tax adjustment - prior years	(33)	14	(33)	14
Balance at end of the year	4,875	3,250	4,875	3,250

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Trade payables	3,504	4,383	3,504	4,383
Amounts due to related companies	11,472	5,353	11,472	5,353
Excise tax and VAT payable	7,190	7,848	7,190	7,848
Other liabilities and accruals	24,217	16,743	23,673	16,204
	46,383	34,327	45,839	33,788

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

20. SHORT TERM BORROWINGS

The Group has a short term borrowing facility to the amount of TZS 20,000 million with Standard Chartered Bank, guaranteed by Japan Tobacco International acquired in November and December 2009. At 31 December 2009 the amount of draw down was TZS 10,000 million.

The interest charges on this facility was based on floating rates and calculated daily on daily overdrawn balances payable monthly in arrears at every month end. The average effective interest rate during the year 2009 was 1% p.a.

21. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Profit before taxation	65,978	44,564	65,983	44,571
Adjustments for:				
Depreciation and amortization	6,924	6,554	6,924	6,554
Interest expense	58	-	58	-
Interest income	(457)	(719)	(457)	(719)
Profit on disposal of property, plant and equipment	(107)	(73)	(107)	(73)
	72,396	50,326	72,401	50,333
Working capital changes:				
Increase in inventories	(29,460)	(7,924)	(29,460)	(7,924)
Movement in related parties Companies	6,660	3,535	6,660	3,535
Decrease/(Increase) in trade and other receivables	1,082	(6,568)	1,082	(6,575)
Increase in trade and other payables	5,940	9,519	5,935	9,519
Cash generated from operations	56,618	48,888	56,618	48,888

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

22. 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 Company 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

The technical and know-how services agreement with JT International Holding BV, the parent Company, for the provision of technical and know-how services to the Company which was in place since 1 January 2000 expired on 31 December 2007. New agreements with JT International SA and JT International Holding BV for managerial, technical and administrative services have been in place since 1 January 2008. Amounts payable under these agreements are included under purchase of goods and services below. The charge for the year is TZS 7,450 million (2008: TZS 6,021 million).

Other transactions with related parties

	2009 TZS M	2008 TZS M
i. Purchase of goods and services		
J. T. International Companies	8,292	12,687

ii. Related party balances

Outstanding balances with related companies as at the year-end are shown on the statement of financial position and are shown in notes 15 and 19 of these financial statements.

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

iii. Compensation of key management personnel

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

	2009 TZS M	2008 TZS M
Key management remuneration	2,065	1,723
Non-executive directors emoluments	30	25

23. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2009 TZS M	2008 TZS M	2009 TZS M	2008 TZS M
Authorized but not contracted for	6,950	5,028	6,950	5,028
Authorized and contracted for	793	21	793	21
	7,743	5,049	7,743	5,049

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

24. CONTINGENT LIABILITIES

As at the Statement of Financial Position date, there was a pending and unresolved petition by Fair Competition Commission against the Company. Fair Competition Commission alleges various charges against the Company with regard to breach of Sections 10 & 11 of the Fair Competition Act No. 8 of 2003. Pleadings are complete and the Company is waiting for a hearing date. All in all, the Company has filed a Petition with the High Court of Tanzania challenging jurisdiction of the Fair Competition Commission to handle, hear and determine the matter before it. Directors, in consultation with the lawyers, are of the view that the Company's position is strong, and it is not possible to estimate the potential liability, if any, at this stage.

The Company also is currently involved in a number of commercial and labour 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.

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NOTES TO THE FINANCIAL STATEMENTS

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25. 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 2009 contributions to the funds amounted to TZS 1,047M (2008: TZS 902 M).

26. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

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

The most important types of risks are:

- Credit risk
- Liquidity risk
- Market risk which is mainly due to foreign exchange risk and interest rate risk

A description of the significant risk factors is given below together with the risk management policies applicable

Credit risk

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

The amount that best represents the group's maximum exposure to credit risk at 31 December 2009 without taking account of the value of any collateral obtained was:

	Fully performing TZS M	Past due TZS M	Impaired TZS M
Trade and other receivables	9,725	-	87
Cash and bank balances	20,662	-	-
Total credit exposure	30,387	-	87

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FOR THE YEAR ENDED 31 DECEMBER 2009

The amount that best represents the group's maximum exposure to credit risk at 31 December 2008 without taking account of the value of any collateral obtained was:

	Fully performing TZS M	Past due TZS M	Impaired TZS M
Trade and other receivables	11,341	73	606
Cash and bank balances	9,492		
Total credit exposure	20,833	73	606

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debt that is overdue is not impaired and continues to be paid. The finance department is actively following this debt.

The debt that is impaired has been fully provided for. However, management is actively following up recovery of the impaired debt. The movement in the provision for bad and doubtful debts is as set out below:

	2009 TZS M	2008 TZS M
At the beginning of the year	606	621
Amounts recovered during the year	(169)	(15)
Increase in allowance during the year	(221)	-
Amounts written off during the year	(129)	-
At the end of the year	87	606

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

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

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Liquidity risk

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

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

Maturity analysis for financial liabilities as at 31 December 2009 showing the remaining contractual maturities:

	<1 month	1 - 5 months	5 -12 months	>1 year	Total
	TZS M	TZS M	TZS M	TZS M	TZS M
Trade payables	(1,732)	(44,651)	-	-	(46,383)

Maturity analysis for financial liabilities as at 31 December 2008 showing the remaining contractual maturities:

	<1 month	1 - 5 months	5 -12 months	> 1 year	Total
	TZS M	TZS M	TZS M	TZS M	TZS M
Trade payables	(1,822)	(32,505)	-	-	(34,327)

Maturity analysis for financial assets as at 31 December 2009 showing the remaining contractual maturities:

	<1 month	1 - 5 months	5 -12 months	> 1 year	Total
	TZS M	TZS M	TZS M	TZS M	TZS M
Trade receivables	9,619	193	-	-	9,812
Cash and bank balances	20,662	-	-	-	20,662
Total	30,281	193	-	-	30,474

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Maturity analysis for financial assets as at 31 December 2008 showing the remaining contractual maturities:

	<1 month	1 - 5 months	5 - 12 months	> 1 year	Total
	TZS M	TZS M	TZS M	TZS M	TZS M
Trade receivables	11,342	678	-	-	12,020
Cash and bank balances	9,492	-	-	-	9,492
Total	20,834	678	-	-	21,512

Market risk

(i) Interest rate risk

The group has short term borrowings at floating rate of interest. The group's exposure to the interest rate is not significant as at 31 December 2009 because its draw down were not significant.

The group earned interest on short term deposit of TZS 457 M (2008 - TZS 719M).

(ii) Foreign exchange risk

The group's costs and expenses are principally incurred in Tanzanian Shillings (TZS) and US Dollars (US \$). The group does not enter into a large number of formal hedging transactions in respect of these transactions. Volatility in the exchange rate of US \$ against TZS would make the group's costs and results less predictable than when exchange rates are stable.

At 31 December 2009, if the TZS had strengthened by 5% against the USD with all the other variables held constant, the impact on the pre-tax profit for the year would have been lower or higher by TZS 562 M (2008 - TZS 319 M).

The carrying amounts of the group's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when exchange rates change, as at 31 December 2009 are as follows:

	Total TZS M
Trade and other receivables- net	2,115
Trade and other payables	(13,355)
Open position	(11,240)

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The group's overall strategy remains unchanged from 2008.

Financial instruments categorization- Group

	Loans and Receivables	Financial Liabilities Carried at amortized Costs	Non Financial Liabilities or Assets	Equity	Total
	TZS M	TZS M	TZS M	TZS M	TZS M
As at 31 Dec 2009					
ASSETS					
Non-current assets					
Property, plant and equipment	-	-	48,057	-	48,057
Intangible assets	-	-	1,587	-	1,587
Current assets					
<i>Inventories</i>	-	-	68,726	-	68,726
Trade and other receivables	9,812	-	345	-	10,157
Taxation recoverable	-	-	576	-	576
Cash and bank balances	20,662	-	-	-	20,662
Total assets	30,474	-	119,291	-	149,765
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	-	-	-	2,000	2,000
Retained earnings	-	-	-	86,507	86,507
Non-current liabilities					
Deferred tax liability	-	-	4,875	-	4,875
Current liabilities					
Trade and other payables	-	46,383	-	-	46,383
Short term Borrowings	-	10,000	-	-	10,000
Total equity and liabilities	-	56,383	4,875	88,507	149,765

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Capital risk management (Continued)

Financial instruments categorization- Company

	Loans and Receivables	Financial Liabilities Carried at amortized Costs	Non Financial Liabilities or Assets	Equity	Total
	TZS M	TZS M	TZS M	TZS M	TZS M
As at 31 Dec 2009					
ASSETS					
Non-current assets					
Property, plant and equipment	-	-	48,057	-	48,057
Intangible assets	-	-	1,587	-	1,587
Current assets					
Inventories	-	-	68,726	-	68,726
Trade and other receivables	9,812	-	377	-	10,189
Taxation recoverable	-	-	576	-	576
Cash and bank balances	20,656	-	-	-	20,656
Total assets	30,468	-	119,323	-	149,791
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	-	-	-	2,000	2,000
Retained earnings	-	-	-	87,077	87,077
Non-current liabilities					
Deferred tax liability	-	-	4,875	-	4,875
Current liabilities					
Trade and other payables	-	45,839	-	-	45,839
Short term borrowings	-	10,000	-	-	10,000
Taxation Payable	-	-	-	-	-
Total equity and liabilities	-	55,839	4,875	89,077	149,791

Financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

27. FAIR VALUE

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

28. 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.

29. INCORPORATION


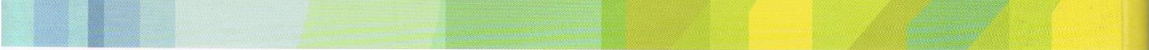
The Company is incorporated in Tanzania under the Companies Act 2002 and domiciled in Tanzania.

30. ULTIMATE PARENT COMPANY

The holding Company is JT 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.

31. FUNCTIONAL AND PRESENTATION CURRENCY

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



TANZANIA CIGARETTE COMPANY LIMITED
A member of the JTI group of companies
20 Nyerere Road, P.O.Box 40114
Dar es Salaam, Tanzania

TEL: +255 22 216 6000
FAX: +255 22 216 6808