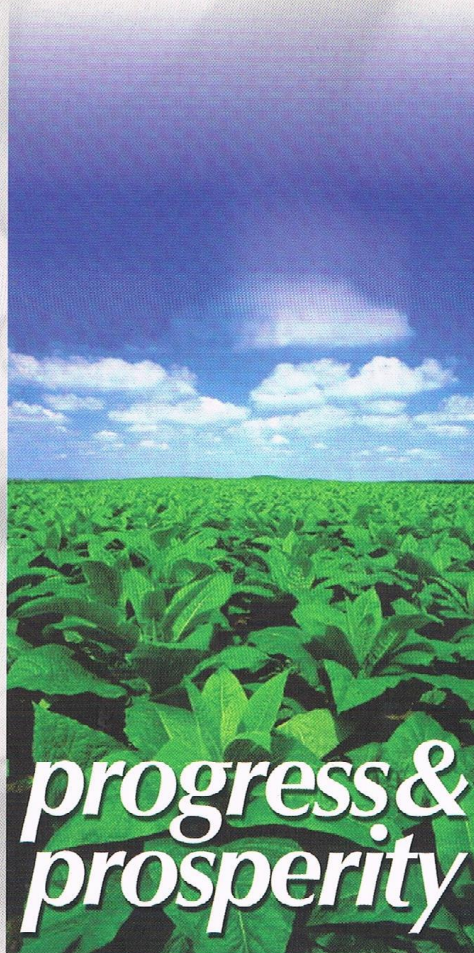


TCC



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A N N U A L R E P O R T 2 0 0 1

Tanzania Cigarette Company Limited

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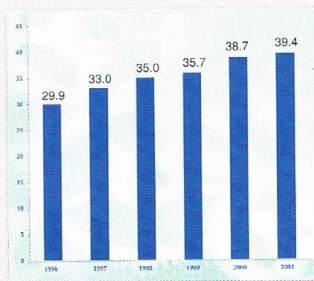
HIGHLIGHTS FOR 2001

Sales turnover 1996 - 2001 (Tsh billion)



Sales turnover up by Tsh 2.2 billion or 3% from Tsh 86.3 billion in 2000 to Tsh 88.5 billion in 2001

Excise duty and VAT 1996 - 2001 (Tsh billion)



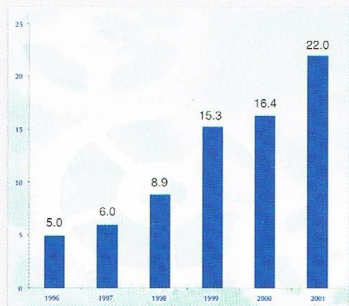
Tax payments in the form of excise duty and VAT up by Tsh 700 million or 1.8% from Tsh 38.7 billion in 2000 to Tsh 39.4 billion in 2001

Profits before tax 1996 - 2001 (Tsh billion)



Profits before tax up by Tsh 5.5 billion or 34% from Tsh 16.1 billion in 2000 to Tsh 21.6 billion in 2001

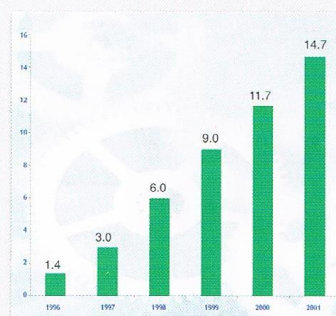
Profits after tax 1996-2001 (Tsh billion)



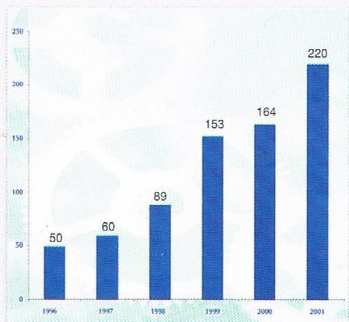
Profits after tax up by Tsh 5.6 billion or 34% from Tsh 16.4 billion in 2000 to Tsh 22 billion in 2001

Dividends payable up by Tsh 3 billion or 26% from Tsh 11.7 billion in 2000 to Tsh 14.7 billion in 2001 excluding the special dividend of Tsh 8.0 billion

Dividend payable 1996-2001 (Tsh billion)



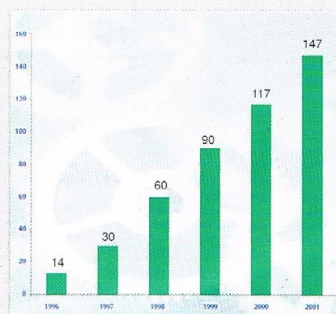
Earnings per share 1996-2001 (Tsh)



Earnings per share up by Tsh 56 or 34% from Tsh 164 in 2000 to Tsh 220 in 2001

Dividends per share up by Tsh 30 or 26% from Tsh 117 in 2000 to Tsh 147 in 2001 excluding the special dividend of Tsh 80

Dividends per share 1996-2001 (Tsh)

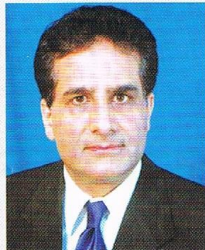


CHAIRMAN'S STATEMENT

April 5, 2001
Dar es Salaam

Dear Shareholders,

It is just over a year now since the Company went public in November 2000, and I am pleased to report that the Company has delivered excellent results for 2001. I take this opportunity to tell you about this performance and also about our plans and prospects for the coming year.



Performance for the year

2001 was another record year for the Company, benefiting all stakeholders. Despite a difficult operating environment in 2001, the Company has delivered another excellent performance for the year ended December 2001. Our net profits, dividend payments and tax contributions all increased from the previous year.

Group net profits increased by 34% to Tsh 22.0 billion in 2001 from Tsh 16.4 billion in 2000.

In November 2000 when we floated the Company, we intended to create value for our shareholders. We have delivered on our promise. Total dividend per share for 2001 is at a record high of Tsh 227 compared to Tsh 117 for 2000, an increase of 94%. Excluding the special dividend of Tsh 80 per share during the year, the dividend per share is Tsh 147 or an increase of 26%.

The Tanzania economy continued to receive substantial benefits from our strong performance. In particular, we continued to be a consistent and significant source of revenues for the Government. In addition to substantial import, payroll and other indirect taxes, excise duty and VAT contributions increased by Tsh 700 million to Tsh 39.4 billion in 2001 from Tsh 38.7 billion in 2000, an increase of 2% over the previous year.

The communities around us have benefited through various Company supported community programs. We recognize that the communities around us are important stakeholders in our business. As a responsible corporate citizen, we have an obligation to aid social progress. To this end, we contributed a total of Tsh 40 million in various social and community programmes around the country, ranging from arts and culture to HIV/AIDS prevention programmes.

Plans for the coming year

Underlying our performance is a continued focus on and effective implementation of our strategies. We plan to continue to protect, to strengthen and to build our business in the coming year, whilst staying focused on shareholder value. This means, we will continue to grow brand equity, develop volumes, enhance operational and cost efficiencies by investing in; quality, systems, training and

CHAIRMAN'S STATEMENT (continued)

development and outsourcing non-core services and supplies where feasible.

We will seek to strengthen our product portfolio with credible brands in new consumer segments, including Lights variants. We will continue to invest in smart partnerships with our distributors and retailers through our "Partners for Profit" programmes.

Effective September 2002, we will implement a new set of global marketing standards. These standards have been developed in conjunction with and adopted by a significant number of cigarette manufacturers around the world. They aim to ensure responsible social marketing of our products.

We will assess opportunities for further outsourcing and procurement of local supplies and services. A comprehensive assessment of these opportunities has been initiated, with a view to enhancing cost efficiencies, whilst promoting local industries and service providers.

Most importantly, we remain committed to developing organizational capacity and enhancing employee welfare. We will seek and retain the best young graduates in the country, provide them with career advancement opportunities and continuous on the job as well as external training and secondments to other JTI plants around the world.

In addition our primary healthcare programs, including HIV/AIDS awareness for our employees, will continue. We are particularly cognizant of the HIV/AIDS scourge and its negative impact on the workforce, productivity and the economy. We have already gone a step further and introduced a new program to address the issue of living with HIV/AIDS for our employees.

As part of efforts to remain competitive in terms of technology and quality, we intend to develop a medium term investment program and begin implementation during the year.

As we move closer to regional co-operation, we are aware of the opportunities and challenges that as a country and as industries we will face. We have and we will continue to contribute to the consultations on the ongoing East African Customs Union. Given the trade imbalances that exist amongst the three partner states, we urge our Government to secure real and significant asymmetry in tariff reduction as provided in the EAC Treaty, with a view to increasing investments and industrial development in the country.

The year ahead

The outlook for 2002 is marked by uncertainties. Our performance will depend on the strength of the economy, development of the Shilling, excise taxation and the competitive environment.

The performance of the economy, in particular agricultural output and prices affecting disposable incomes of our consumers, will influence the Company's growth prospects.

Depreciation of the Shilling impacts many of our costs, including local tobacco denominated in USA

CHAIRMAN'S STATEMENT (continued)

Dollars. Any excise tax increase higher than the underlying rate of inflation puts further pressure on margins.

In our view, fair and legal domestic competition means manufacture of cigarettes using mainly local tobaccos and local processing and blending as well as payment of taxes on all sales. It underpins the development of the domestic tobacco sector and tax revenue generation. This has been Government policy.

It is imperative that this policy is maintained and enforced throughout 2002, in the context of the Government granting Investment Certificates and Industrial Licenses to new players in the industry.

The Company will also seek Government action against the sale of counterfeit and untaxed cigarettes, which have surfaced in the market. If unchecked, they could erode our sales and Government revenues.

During the course of the year, we will be addressing the above challenges. We will formulate and implement appropriate strategies and work closely with the Government and its agencies to ensure a level playing field in the market. With this in mind, I am optimistic about the Company's performance in 2002.

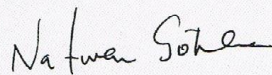
I intend to update Shareholders on these matters in mid-year, when we publish our half-year results.

Conclusion

On behalf of the Board of Directors, I take this opportunity to extend our appreciation and thanks to the many stakeholders that have contributed to TCC's success: the tobacco farmers, suppliers, employees, distributors, kiosk and vendor cart retailers, the Government and its agencies, our parent company JT International and you the shareholders. We need and depend on your continued support.

Finally, it has been my privilege and pleasure to chair the TCC Board during the year. I would like to thank all the Directors for their advice, support and assistance to the Company and myself.

Yours sincerely



Natwar Gotecha
Chairman and
Chief Executive Officer

BUSINESS REVIEW

Operating environment

2001 was a difficult year. Demand for our products was constrained by low purchasing power in the economy and increased competition for disposable income from other goods and services. Operating margins were under pressure due to the 5% increase in excise tax in the June 2001 Government Budget. Cost inflation on imported materials coupled with a 14% depreciation of the Shilling against the USA Dollar eroded some efficiency gains. Notwithstanding the upward pressure on costs, we maintained our selling prices during the year.

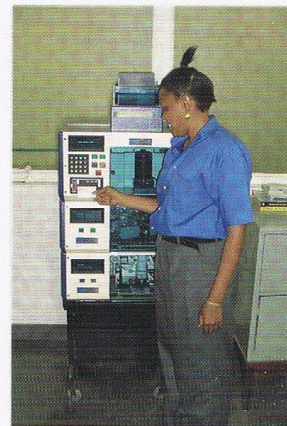
Tobacco procurement

There are two types of tobacco produced in Tanzania, namely Flue Cured Virginia (FCV) and Dark Fire Cured (DFC). TCC is a major buyer of these tobaccos, which account for nearly 90% of the blend in the cigarette products sold in the country and exported in the region. This makes TCC one of the largest and leading agro-based local value added manufacturers in the country. TCC will continue to support the tobacco farmers and processors as they seek to grow and develop this important domestic and export crop.

Over the last five years, two of the world's leading tobacco merchants (USA based) have invested a total of US\$ 65 million in two modern processing plants located in Morogoro, with a combined processing capacity of 60,000 metric tons per annum.

Tobacco yields remain low in Tanzania at between 600-1500 kgs/ha, compared to 1,800 kgs/ha and 2,000 kgs/ha in Malawi and Zimbabwe respectively. Unless there are significant improvements in research and extension services as well as modern farming methods, yields will continue to remain low. We believe large-scale commercial farming along side small-scale farming and appropriate infrastructure and land ownership policies may provide the solution.

After a period of decline, production volumes have begun to pick up again. During year 2001, a total of 27,000 metric tons were produced compared to 25,000 metric tons in the previous year, as stakeholders in the industry began to work together more closely.



BUSINESS REVIEW (continued)

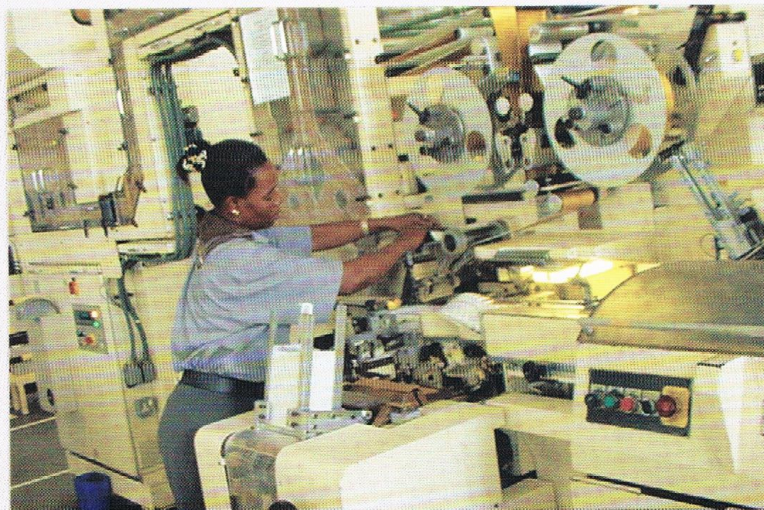
Manufacturing and Operations

The manufacturing department continued to improve its production processes, quality assurance and systems.

Product and manufacturing costs decreased by 1.4% in 2001 compared to 2000. Machinery efficiency rose by 1.4% compared to 2000 and yields of both leaf and non-tobacco materials (NTMs) improved, leading to increased cost savings.

During the year, the Company invested a total of Tsh 1.6 billion in plant and machinery, and fire safety, ensuring that our manufacturing remains modern and meets international standards.

The Company continued to maintain international quality standards in its manufacturing operations (ISO 9002), as confirmed by a surveillance audit carried out by SGS in November 2001.



BUSINESS REVIEW (continued)

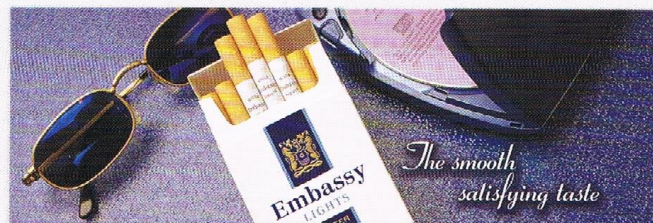
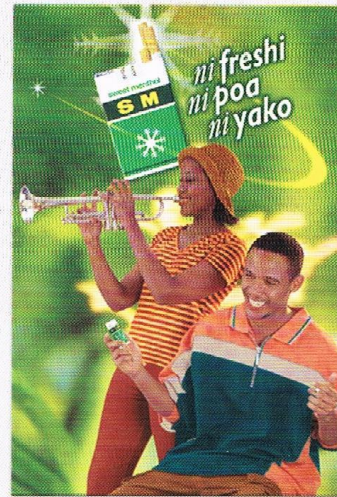
Sales and Marketing

Gross turnover increased by 3% to Tsh 88.5 billion in 2001, from Tsh 86.3 billion in 2000. This increase is due to the full impact of the excise tax related price increase in July 2000 and higher export sales.

TCC maintained its strong market position, with the combined market share of TCC's brands portfolio exceeding 95%. Our largest selling brand remained Sweet Menthol, closely followed by Sportsman. Our more recent entries, Winston Lights and Embassy Lights, showed strong growth momentum during the year.

We continued to strengthen brand equity through communication campaigns and sales promotion activities. The "Partners for Profit" training programmes continued during the year. This programme aims at improving business and retailing skills of our dealers and retailers.

The Company continued to develop its regional export business and grew sales in the export markets of Mozambique, Malawi and the Democratic Republic of Congo.



BUSINESS REVIEW (continued)

Human Resource

A key part of TCC's success lies in its ability to attract and retain highly motivated and productive employees and to offer opportunities for career advancement as well as employee welfare.

To this end, we continued to place a high priority on the training and development of our employees through external and internal training programmes. During the year, we invested Tsh 144 million in various training programmes for our employees.

A New Work Group Concept aimed at providing lateral, cross-functional career advancement opportunities for our employees was introduced during the year and is now being implemented.

We recognize that HIV/AIDS could have a devastating impact on productivity and the economy as a whole. In 2001, we initiated a programme that goes a step further in addressing the issue of living with HIV/AIDS.

Community programmes

As responsible corporate citizens, we recognize our social responsibility towards uplifting the living standard of the communities around us. We continued to provide community support in the areas of health, education and arts and culture. A total of Tsh 40 million was spent on various community programs around the country.



Tanzania Cigarette Company

REPORT OF THE DIRECTORS For the year ended 31 December 2001

The Directors present herein their report and the audited financial statements for the year ended 31 December, 2001.

Activities

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

Results

The Company and Group Income Statements for the year are set out on page 16.

Business Developments

Tanzania Cigarette Company intends to build a strong regional cigarette business, building brands and expanding exports especially in the Eastern and Southern African regions, while maximizing value for shareholders.

Investments in manufacturing technology and processes, quality assurance, new products, brand equity, distribution network and computerization are expected to continue to strengthen competitiveness and increase efficiencies.

Dividends

The Directors recommend a total gross ordinary dividend of Tsh 14.7 billion (2000: Tsh 11.7 billion) or Tsh 147.37 per share. An interim gross dividend of Tsh 6.8 billion or Tsh 68.42 per share was paid in October 2001. Therefore the final gross dividend will be Tsh 7.9 billion or Tsh 78.95 per share and be paid net of withholding tax to all shareholders registered at the Dar es Salaam Stock Exchange (DSE) at the date to be announced through public notice.

In addition, the Company declared and paid in October 2001 a special gross dividend of Tsh 8 billion or Tsh 80 per share.

The total of the ordinary dividend and the special dividend for 2001 amounts in gross terms to Tsh 22.7 billion or Tsh 227.37 per share.

REPORT OF THE DIRECTORS (continued) For the year ended 31 December 2001

Directors

The Directors of the Company who have served during the period since 1 January 2001 to the date of this report are:

Natwar Gotecha	Chairman and Chief Executive Officer	British
Gray Mgonja	Director (Non -Executive)	Tanzanian
Francois Stettler	Director (Non - Executive)	Swiss
Fries Vannesle	Director (Executive)	Belgian
Andrew Newton	Director (Executive)	British
Eleutherius Kapinga	Director (Non -Executive)	Tanzanian
Naftal Nsemwa	Director (Non- Executive)	Tanzanian (Appointed 19 February 2002)

Directors' Interests

The Directors do not hold any material interest in the issued share capital of the Company. Executive Directors of Tanzanian nationality are permitted to receive share options under the Employee Share Option Scheme.

Solvency

The state of affairs of the Company as at 31 December 2001 is set out on page 17 of these financial statements. The Directors consider the Company to be solvent, within the meaning ascribed by the Companies Ordinance (Cap. 212).

Related Party Transactions

Details of transactions and balances with related parties are included in note 17 to the financial statements.

Contracts With Related Parties

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

Employee Welfare

• Industrial safety

The Company continues to satisfy the standards of industrial safety established by the Chief Inspector of Factories. The Company now has an Industrial Safety Manager who is continually monitoring factory safety standards in compliance with recommendations of the Chief Inspector of Factories.

REPORT OF THE DIRECTORS *(continued)* For the year ended 31 December 2001

• Training

Training is conducted in the TCC training centre and on the job. Generally, each employee once a year undergoes some form of training to upgrade skills and enhance development.

• Working Conditions

The Company has continued to maintain a conducive working environment and one that rates amongst the best in the country, in terms of offices, canteen, medical facilities and transport.

• Management and Employee relationship

The relationship between employees and management is supported by a Voluntary Agreement. The Company continues to have good relations between employees and management.

• Employee Share Option Scheme

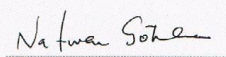
The Company received Tsh 85 million loan repayment during the year 2001 from the Registered Trustees of the TCC Employees' Share Option Scheme (The Trust), following the Tsh 820 million loan granted to the employees through the Trust at the time of the IPO in November 2000.

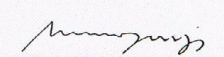
Investment Promotion Centre Incentives

A Certificate of Approval No. 41575 issued on 25 June 1998 by the Investment Promotion Centre (amending a previous certificate dated 17 May 1996) entitles the Company to a tax holiday for five years from 01 August 1998 to 31 July 2003.

Auditors

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


Director


Director

5th March, 2002
Date

DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

Nafwa Sohe

Chairman

Munyizi

Director

5th March, 2002

Date

INCOME STATEMENTS
For the year ended 31 December 2001

	Notes	Group		Company	
		2001 Tsh. M	2000 Tsh. M	2001 Tsh. M	2000 Tsh. M
Gross turnover		88,452	86,252	88,450	86,173
Excise duty and VAT		<u>39,444</u>	<u>38,814</u>	<u>39,444</u>	<u>38,704</u>
Net turnover		49,008	47,438	49,006	47,469
 Cost of sales		<u>16,217</u>	<u>17,994</u>	<u>16,211</u>	<u>17,994</u>
 Gross profit		32,791	29,444	32,795	29,475
 Selling and distribution costs		6,966	6,983	6,965	6,818
General and administrative costs		<u>6,769</u>	<u>7,022</u>	<u>6,657</u>	<u>7,019</u>
 Trading profit	2	19,056	15,439	19,173	15,638
 Interest	3	696	1,004	693	1,007
Other income	4	<u>1,891</u>	<u>(329)</u>	<u>1,882</u>	<u>(334)</u>
 Profit before taxation		21,643	16,114	21,748	16,311
 Taxation (credit)	5	<u>(338)</u>	<u>(275)</u>	<u>(289)</u>	<u>-</u>
 Profit attributable to ordinary shareholders		21,981	16,389	22,037	16,311
 Dividends	6	22,737	11,700	22,737	11,700
Retained (loss)/profit for the year		<u>(756)</u>	<u>4,689</u>	<u>(700)</u>	<u>4,611</u>
 Earnings per ordinary share (Tsh.)	7	<u>219.8</u>	<u>163.9</u>	<u>-</u>	<u>-</u>
 Dividend per ordinary share (Tsh.)	6	<u>227</u>	<u>117</u>	<u>-</u>	<u>-</u>

The notes to the financial statements on pages 19 to 29 form an integral part of these financial statements.

BALANCE SHEETS **As at 31 December 2001**

		Group		Company	
	Notes	2001 Tsh. M	2000 Tsh. M	2001 Tsh. M	2000 Tsh. M
CAPITAL EMPLOYED					
Share capital	8	2,000	2,000	2,000	2,000
Revaluation reserve	9	6,244	6,252	6,244	6,252
Retained earnings	10	<u>34,347</u>	<u>35,020</u>	<u>33,726</u>	<u>34,418</u>
TOTAL SHAREHOLDERS' FUNDS		<u>42,591</u>	<u>43,272</u>	<u>41,970</u>	<u>42,670</u>
EMPLOYMENT OF CAPITAL					
Fixed assets	11	19,509	20,857	19,501	20,837
Deferred tax asset		1,107	927	-	-
Investments and loan receivable	12	<u>735</u>	<u>457</u>	<u>1,269</u>	<u>457</u>
		<u>21,351</u>	<u>22,241</u>	<u>20,770</u>	<u>21,294</u>
Current assets					
Stocks	13	14,642	13,541	14,642	13,535
Debtors	14	2,360	2,917	2,360	3,375
Bank and cash		<u>21,953</u>	<u>21,184</u>	<u>21,902</u>	<u>21,051</u>
Total current assets		<u>38,955</u>	<u>37,642</u>	<u>38,904</u>	<u>37,961</u>
Current liabilities					
Creditors	15	9,320	9,192	9,309	9,166
Taxation		-	19	-	19
Dividends payable		<u>8,395</u>	<u>7,400</u>	<u>8,395</u>	<u>7,400</u>
TOTAL CURRENT LIABILITIES		<u>17,715</u>	<u>16,611</u>	<u>17,704</u>	<u>16,585</u>
Net current assets		<u>21,240</u>	<u>21,031</u>	<u>21,200</u>	<u>21,376</u>
TOTAL EMPLOYMENT OF CAPITAL					
		42,591	43,272	41,970	42,670

Natwan Sothel
Director

Muniraj
Director

5th March, 2002
Date

The notes to the financial statements on pages 19 to 29 form an integral part of these financial statements.

CASH FLOW STATEMENTS
For the year ended 31 December 2001

Notes	Group		Company	
	2001 Tsh. M	2000 Tsh. M	2001 Tsh. M	2000 Tsh. M
Cash generated from operating activities:				
Trading profit	19,056	15,439	19,173	15,638
Depreciation	2,924	2,798	2,912	2,763
Other non - cash items	16.1 <u>(130)</u>	<u>506</u>	<u>(74)</u>	<u>386</u>
Cash generated from trading	21,850	18,743	22,011	18,787
Movement in working capital	16.2 (416)	(1,246)	51	(1,641)
Exchange gain / (loss)	<u>1,866</u>	<u>(370)</u>	<u>1,866</u>	<u>(384)</u>
Cash generated from operating activities	23,300	17,127	23,928	16,762
Interest paid	-	(7)	-	(4)
Taxation paid	16.3 <u>(19)</u>	<u>-</u>	<u>(19)</u>	<u>-</u>
Cash flow from operations	23,281	17,120	23,909	16,758
Dividends paid	16.4 <u>(21,742)</u>	<u>(14,300)</u>	<u>(21,742)</u>	<u>(14,300)</u>
Net cash retained	1,539	2,820	2,167	2,458
Cash utilised in investing activities				
Loan to Employee Share Option Scheme	85	(820)	85	(820)
Investment in subsidiary	-	-	(534)	-
Proceeds from sale of fixed assets	16.5 40	107	31	96
Purchase of fixed assets	<u>(1,591)</u>	<u>(2,556)</u>	<u>(1,591)</u>	<u>(2,316)</u>
Interest received	<u>696</u>	<u>1,011</u>	<u>693</u>	<u>1,011</u>
Net cash invested	(770)	(2,258)	(1,316)	(2,029)
Change in cash and cash equivalents	769	562	851	429
Cash and cash equivalents at the beginning of the year	21,184	20,622	21,051	20,622
Cash and cash equivalents at the end of the year	21,953	21,184	21,902	21,051

The notes to the financial statements on pages 19 to 29 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2001

1. Accounting policies

The following are the principal accounting policies of the Company and the Group which have been consistently applied in all material respects.

Basis of accounting

The financial statements have been prepared under the historical cost convention modified, where appropriate, to include the revaluation of certain fixed assets and in accordance with Tanzania Financial Accounting Standards and International Accounting Standards.

Basis of consolidation

The Group annual financial statements incorporate the financial statements of the Company and its subsidiary, TCC (Kenya) Limited.

Cash and cash equivalents

Cash is defined as cash in hand and deposits including those denominated in foreign currencies, repayable on demand with any bank and other financial institutions. Cash equivalents are defined as short-term highly liquid investments which are readily convertible into known amounts of cash with less than three month maturities.

Cost of sales

Cost of sales includes the cost of stocks recognised as an expense in the year, as well as overheads incurred in bringing such stocks to their final state and location.

Turnover

Turnover comprises the invoiced value of sales in respect of manufacturing operations.

Stocks

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

- Raw materials and consumable stores are valued at weighted average cost;
- Finished goods and work in progress are valued at direct raw material cost and include a portion of manufacturing overhead expenses, determined on a weighted average basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2001

Fixed Assets

Fixed assets are depreciated on the straight-line basis at rates that will write off the cost or valuation of tangible fixed assets over their estimated useful lives, using the following annual rates:

	%
Leasehold property	2.0
Plant and machinery	5.0 - 20.0
Office, household and canteen equipment	10.0
Electronic office equipment	33.3
Motor vehicles - heavy duty	33.3
- light duty	33.3
Advertising equipment	25.0
Temporary buildings	33.3
Capital work in progress	Nil

Fixed assets were revalued in 1994 and the revaluation surplus recorded in the accounts. Company policy since 1994 is to record fixed asset additions at cost and not to revalue fixed assets. Assets valued in 1994 have been adjusted to reflect realisable value and are presented net of appropriate depreciation on the revalued amount.

Deferred Taxation

Provision is made using the liability method in respect of short-term timing differences. Currently enacted tax rates are used to determine deferred tax.

Foreign currency translation

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2001

2. Trading profit

This is stated before interest and taxation and after taking account of the following:

	Group		Company	
	2001	2000	2001	2000
	Tsh. M	Tsh. M	Tsh. M	Tsh. M
Directors fees	24	24	24	24
Auditor's remuneration:				
Audit fees	55	51	54	48
Other services	24.5	15	24.5	15
Depreciation:				
Leasehold property	229	224	229	224
Plant and machinery	1,947	1,908	1,947	1,908
Other equipment	306	299	302	292
Motor vehicles	441	367	434	339
Technical service fees	1,953	1,919	1,953	1,919

3. Interest

Interest income	696	1,011	693	1,011
Interest expense	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(4)</u>
	<u>696</u>	<u>1,004</u>	<u>693</u>	<u>1,007</u>

4. Other income

Exchange gain/(loss) and other income	1,866	(370)	1,866	(384)
Profit on disposal of fixed assets	<u>25</u>	<u>41</u>	<u>16</u>	<u>50</u>
	<u>1,891</u>	<u>(329)</u>	<u>1,882</u>	<u>(334)</u>

5. Taxation

Current taxation	6,869	5,257	6,900	5,257
Tax holiday	(6,869)	(5,257)	(6,900)	(5,257)
Deferred taxation - credit	<u>(338)</u>	<u>(275)</u>	<u>(289)</u>	<u>-</u>
	<u>(338)</u>	<u>(275)</u>	<u>(289)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2001

5.1 Tax holiday

The Company's five year tax holiday in Tanzania, granted under the National Investment Promotion & Protection Act (NIPPA) 1990, commenced on 1 August 1998 and consequently no charge to taxation has been provided in respect of the Company for the current year. The taxation reflected in the Group accounts is a reversal of past tax of the Company and the result from the tax position of the Company's subsidiary in Kenya.

	Group		Company	
	2001	2000	2001	2000
	Tsh. M	Tsh. M	Tsh. M	Tsh. M
5.2 Reconciliation of effective tax rate				
Statutory corporation tax rate	30%	30%	30%	30%
Tax charge at standard rate	6,493	4,834	6,524	4,893
Less:				
Timing differences not recognised	(338)	19	(289)	19
Income not subject to tax	-	(216)	-	-
Tax holiday	(6,869)	(5,257)	(6,900)	(5,257)
Add:				
Disallowable expenditure	<u>376</u>	<u>345</u>	<u>376</u>	<u>345</u>
Current year tax charge	<u>(338)</u>	<u>(275)</u>	<u>(289)</u>	<u>-</u>

5.3 Deferred taxation

Deferred tax is calculated under the liability method using the principal tax rate of 30%. Deferred tax liability is unlikely to crystallize in the foreseeable future because of the tax holiday and no provision has been made in the financial statements. Deferred tax in the Group accounts reflects the consolidation of the Kenya subsidiary, where no tax holiday is in effect.

6. Dividends

Paid:				
Interim dividend	6,842	5,300	6,842	5,300
Special dividend	8,000	-	8,000	-
Proposed:				
Final dividend	<u>7,895</u>	<u>6,400</u>	<u>7,895</u>	<u>6,400</u>
	<u>22,737</u>	<u>11,700</u>	<u>22,737</u>	<u>11,700</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2001

7. Earnings per share

The calculations are based on the profit attributable to ordinary shareholders. Account is taken of the number of ordinary shares in issue for the period during which they have participated in the profits of the Group.

	Group	
	2001 Tsh. M	2000 Tsh. M
Profit attributable to ordinary shareholders	21,981	16,389
Weighted average number of shares in issue (million)	100	100
Earnings per share (Tsh.)	<u>219.8</u>	<u>163.9</u>

8. Share capital

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

	2001 Ordinary Shares Million	2000 Ordinary shares Million	2001 % Holding	2000 % Holding
Ownership structure				
Resident shareholders:				
United Republic of Tanzania	5.5	5.5	5.5	5.5
General public:	<u>19.5</u>	<u>19.5</u>	<u>19.5</u>	<u>19.5</u>
	25.0	25.0	25.0	25.0
Non-resident shareholders				
JT International B. V.	75.0	75.0	75.0	75.0
Total ordinary shares in issue	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2001

	2001 Ordinary Shares Million	2000 Ordinary Shares Million	2001 % Holding	2000 % Holding
9. Revaluation reserve				
Balance at the beginning of the year	6,252	6,276	6,252	6,276
Transferred to retained earnings during the year	(8)	(24)	(8)	(24)
Balance at the end of the year	<u>6,244</u>	<u>6,252</u>	<u>6,244</u>	<u>6,252</u>

The transfer to retained earnings represents the portion of the revaluation reserve related to fixed assets that were sold or retired during the year.

10. Retained earnings

Balance at the beginning of the year	35,020	29,783	34,418	29,783
Retained (loss) / profit for the year	(756)	4,689	(700)	4,611
Transferred from revaluation reserve	8	24	8	24
Negative goodwill	-	528	-	-
Cumulative translation adjustment	75	(4)	-	-
Balance at the end of the year	<u>34,347</u>	<u>35,020</u>	<u>33,726</u>	<u>34,418</u>

11. Fixed assets

	Balance at Beginning of the year Tsh. M	Additions Tsh. M	Disposals Tsh. M	Balance at end of the year Tsh. M
11.1 Company				
Cost or valuation				
Leasehold property	8,330	37	-	8,367
Plant and machinery	19,233	679	-	19,912
Other equipment	2,044	149	(24)	2,169
Motor vehicles	2,596	237	(255)	2,578
Capital work in progress	406	489	-	895
	<u>32,609</u>	<u>1,591</u>	<u>(279)</u>	<u>33,921</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2001

11. Fixed assets (continued)

	Balance at Beginning of the year Tsh. M	Depreciation charge for the year Tsh. M	Disposals Tsh. M	Balance at end of the Year Tsh. M
Accumulated depreciation				
Leasehold property	1,456	229	-	1,685
Plant and machinery	7,571	1,947	-	9,518
Other equipment	1,068	302	(9)	1,361
Motor vehicles	1,677	434	(255)	1,856
Capital work in progress	-	-	-	-
	<u>11,772</u>	<u>2,912</u>	<u>(264)</u>	<u>14,420</u>

GROUP	Balance at Beginning of the year Tsh. M	Additions Tsh. M	Disposals Tsh. M	Balance at end of the Year Tsh. M
Cost or valuation				
Leasehold property	8,330	36	-	8,366
Plant and machinery	19,233	729	-	19,962
Other equipment	2,064	129	(24)	2,169
Motor vehicles	2,616	208	(255)	2,569
Capital work in progress	406	489	-	895
	<u>32,649</u>	<u>1,591</u>	<u>(279)</u>	<u>33,961</u>

Accumulated depreciation				
Leasehold property	1,456	229	-	1,685
Plant and machinery	7,571	1,947	-	9,518
Other equipment	1,074	307	(9)	1,372
Motor vehicles	1,691	441	(255)	1,877
Capital work in progress	-	-	-	-
	<u>11,792</u>	<u>2,924</u>	<u>(264)</u>	<u>14,452</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2001

	Group		Company	
	Balance at beginning of the year Tsh. M	Balance at the end of the year Tsh. M	Balance at beginning of the year Tsh. M	Balance at the end of the year Tsh. M
Net book value:				
Leasehold property	6,874	6,681	6,874	6,683
Plant and machinery	11,662	10,444	11,662	10,394
Other equipment	990	797	976	807
Motor vehicles	925	692	919	722
Capital work in progress	<u>406</u>	<u>895</u>	<u>406</u>	<u>895</u>
	<u>20,857</u>	<u>19,509</u>	<u>20,837</u>	<u>19,501</u>

	Group		Company	
	2001 Tsh. M	2000 Tsh. M	2001 Tsh. M	2000 Tsh. M
12. Investments and loan receivable				
Investment in subsidiary	-	457	534	457
Loan receivable	<u>735</u>	<u>-</u>	<u>735</u>	<u>-</u>
	<u>735</u>	<u>457</u>	<u>1,269</u>	<u>457</u>

Investment in subsidiary

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

Loan receivable

Loan receivable represents the balance of a loan of Tsh 820 million to a trust established for the employees share scheme - The Registered Trustees of the TCC Employees' Share Option Scheme (ESOS).

13. Stocks

Raw materials	10,393	7,730	10,393	7,730
Work in progress	70	54	70	54
Consumable stores	2,639	2,787	2,639	2,787
Goods in transit	59	1,162	59	1,162
Finished goods	<u>2,019</u>	<u>2,239</u>	<u>2,019</u>	<u>2,233</u>
	15,180	13,972	15,180	13,966
Less: Provision for obsolete stock	<u>(538)</u>	<u>(431)</u>	<u>(538)</u>	<u>(431)</u>
	<u>14,642</u>	<u>13,541</u>	<u>14,642</u>	<u>13,535</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2001

	Group		Company	
	2001	2000	2001	2000
	Tsh. M	Tsh. M	Tsh. M	Tsh. M
14. Debtors				
Trade debtors	1,370	404	1,370	397
Inter-company debtors	235	1,885	235	1,885
Due from subsidiary company	-	-	-	471
Prepayments and other debtors	892	1,046	892	957
Less: Provision for doubtful debts	(137)	(418)	(137)	(335)
	<u>2,360</u>	<u>2,917</u>	<u>2,360</u>	<u>3,375</u>
15. Creditors - amounts falling due within one year				
Trade creditors	994	2,235	994	2,209
Accrued liabilities	4,647	3,049	4,647	3,049
Intercompany creditors	935	1,350	935	1,350
Excise tax and VAT payable	2,642	2,494	2,642	2,494
Other creditors	<u>102</u>	<u>64</u>	<u>91</u>	<u>64</u>
	<u>9,320</u>	<u>9,192</u>	<u>9,309</u>	<u>9,166</u>
16. Cash flow information				
16.1 Non - cash items				
Movement in provisions	(363)	469	(363)	386
Net effect of acquisition of subsidiary	-	37	-	-
Tax credit	289	-	289	-
Deferred tax movement	(131)	-	-	-
Other movements	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(130)</u>	<u>506</u>	<u>(74)</u>	<u>386</u>
16.2 Movement in working capital				
Increase in stocks	(1,101)	(11)	(1,107)	(5)
Decrease/(increase) in debtors	557	(361)	1,015	(736)
Decrease in creditors	<u>128</u>	<u>(874)</u>	<u>143</u>	<u>(900)</u>
	<u>(416)</u>	<u>(1,246)</u>	<u>51</u>	<u>(1,641)</u>
16.3 Taxation paid				
Amount unpaid at the beginning of the year	19	19	19	19
Taxation charge for the current year	-	-	-	-
Amount unpaid at the end of the year	<u>-</u>	<u>(19)</u>	<u>-</u>	<u>(19)</u>
	<u>(19)</u>	<u>-</u>	<u>(19)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2001

A Certificate of Approval No. 41575 issued on 25th June 1998 by the Investment Promotion Centre (amending a previous Certificate dated 17th May 1996) entitles the Company to a tax holiday for five years effective from 1st August 1998. Hence there is no tax charge for the year.

	Group		Company	
	2001	2000	2001	2000
	Tsh. M	Tsh. M	Tsh. M	Tsh. M
16.4 Dividends paid				
Amounts unpaid at the beginning of the year	7,400	10,000	7,400	10,000
Proposed dividend for the year	22,737	11,700	22,737	11,700
Amounts unpaid at the end of the year	<u>(8,395)</u>	<u>(7,400)</u>	<u>(8,395)</u>	<u>(7,400)</u>
	<u>21,742</u>	<u>14,300</u>	<u>21,742</u>	<u>14,300</u>

16.5 Proceeds on asset disposals

Book value of asset disposals	15	66	15	46
Profit on disposal	<u>25</u>	<u>41</u>	<u>16</u>	<u>50</u>
Proceeds on disposal	<u>40</u>	<u>107</u>	<u>31</u>	<u>96</u>

17. Related party transactions

a. Contracts with related parties

A technical and know-how services agreement with J. T. International S. A. for the provision of technical and know-how services to the Company has been in place since 1 January 2000.

b. Other transactions with related parties

	2001	2000
	Tsh. M	Tsh. M
i. Sales of goods		
J. T. International	<u>608</u>	<u>1,636</u>
ii. Purchase of goods and services		
J. T. International	<u>3,456</u>	<u>4,951</u>

	Group		Company	
	2001	2000	2001	2000
	Tsh. M	Tsh. M	Tsh. M	Tsh. M

18. Capital commitments

Capital expenditure authorised but not contracted for	<u>1,563</u>	<u>800</u>	<u>1,563</u>	<u>800</u>
	<u>1,563</u>	<u>800</u>	<u>1,563</u>	<u>800</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2001

19. Contingent liabilities

19.1 Litigation

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

19.2 Other claims

The Company's corporation tax computation for 1997 and 1998 has not yet been agreed with the revenue authorities.

In the opinion of the Directors, no additional liability in excess of what has been provided in the financial statements will arise from these other claims.

20. Foreign exchange contracts

As at 31 December 2001, the Company has not entered into any foreign exchange contracts.

21. Post balance sheet events

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

22. Comparative figures

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 37th Annual General Meeting of the Members of Tanzania Cigarette Company Limited in respect of the year ended 31 December, 2001 will be held at the Royal Palm Hotel, Dar es Salaam Tanzania, on Friday April 5, 2002 at 11.00 hours.

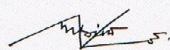
AGENDA :

1. Confirmation of the Minutes of the previous Annual General Meeting.
2. Matters Arising.
3. Adoption of Accounts:
To receive, consider and adopt Directors' Report and the Accounts for the Financial Year ended 31 December, 2001.
4. To adopt the Declaration of Dividend.
5. To Appoint the Auditors for the next financial year.
6. Appointment of Directors.
7. Remuneration of the Directors.
8. Any Other Business.

Notes:

1. A member wishing to attend the meeting must come with a copy of his/her depository receipt or share certificate and his/her identification card.
2. A member entitled to attend and vote at the meeting is entitled to appoint a **PROXY** to attend and vote in his stead in accordance with the provisions of the Company's Articles. A proxy form must be deposited at the Registered Office of the Company not later than 10.00 hours Thursday, April 4, 2002.

BY ORDER OF THE BOARD



Vintan Willgis Mbiro
COMPANY SECRETARY
6th March, 2002

Plot No. 20 Nyerere Road
P.O. Box 40114
Dar es Salaam.

Proxy

To:.....

I/We

.....

..... of P.O. Box.....

.....

Member/ members of Tanzania Cigarette Company Limited appoint

.....

.....

..... of P.O. Box

.....

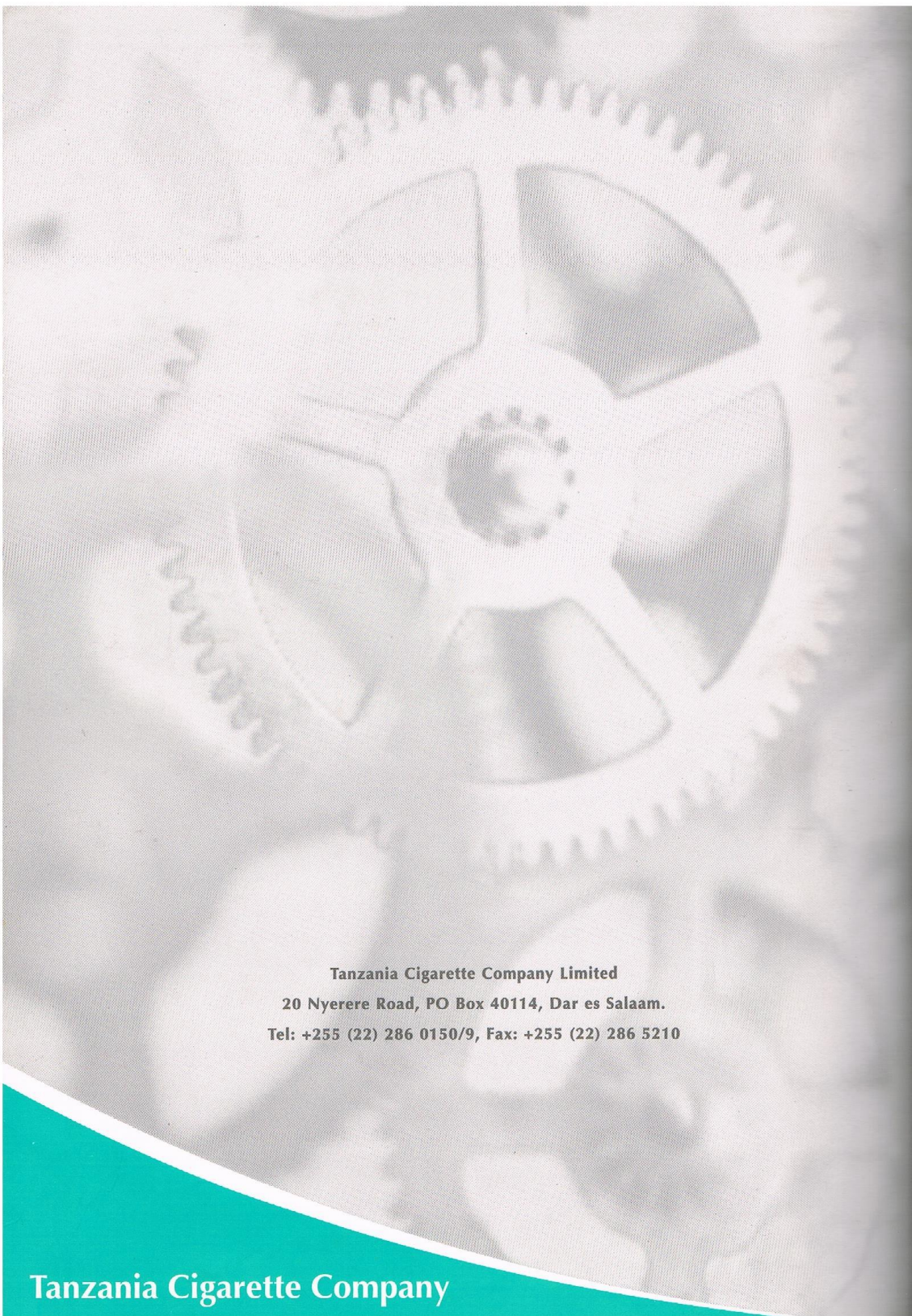
as my/our Proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, April 5, 2002, at the Royal Palm Hotel, Dar es Salaam, or at any adjournment thereof.

As witness my/our hand/s this.....day of2002.

.....
(Signature)

Note:

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



Tanzania Cigarette Company Limited
20 Nyerere Road, PO Box 40114, Dar es Salaam.
Tel: +255 (22) 286 0150/9, Fax: +255 (22) 286 5210

Tanzania Cigarette Company