



Taarifa ya Mwaka

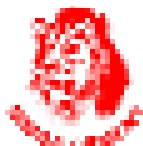
Annual Report

2005

Celebrating *25* years in Tanzania



TANGA CEMENT



BUILDING TANZANIA

Registered Office:

Tanga Cement Company Limited, Pongwe Factory Area, P.O.Box 5053 Tanga, Tanzania

Tel: +255 27 2644500/1/2 Fax: +255 27 2646425/2646148

Email: info@simbacement.co.tz

Dar es Salaam Offices:

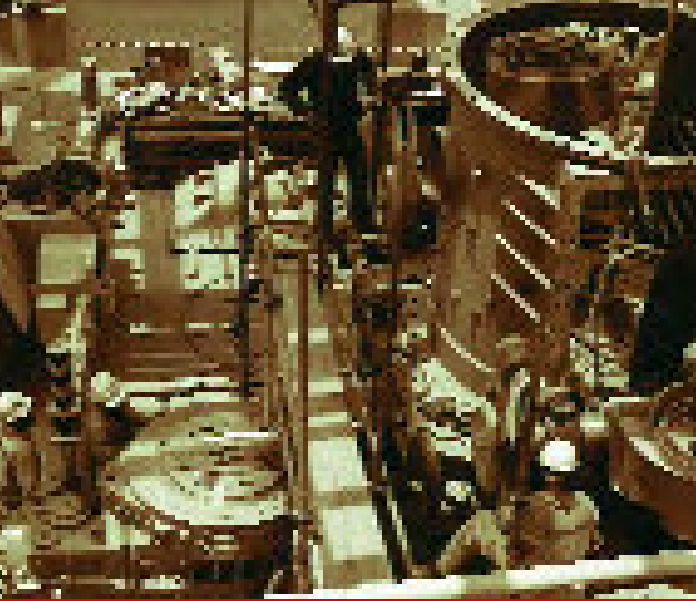
50 Mirambo Street, P.O.Box 78478 Dar es Salaam, Tanzania

Tel: +255 22 2120135, Fax: +255 22 2119569, Email: info@simbacement.co.tz

Website: www.simbacement.co.tz



Celebrating *25* years in Tanzania



Coal mill



Corporate Social Investments

Contents

- Financial Highlights.....2
- Board of Directors and Profiles4
- Chairman’s Statement.....8
- Managing Director’s Report10

- Celebrating 25 years in Tanzania.....14

- Corporate Social Investments22
- Environment24
- Quality.....26

- Corporate Governance.....28

- Value Added Statement.....36
- Directors, Officers and Administration38
- Report of the Directors.....40
- Accounting Policies44
- Report of the External Auditors46
- Income Statement48
- Balance Sheet.....50
- Cash Flow Statement.....52
- Statements of Changes in Equity.....54
- Notes to the Financial Statements.....56
- Corporate Information.....79
- Notice of Annual General Meeting.....80
- Proxy Form83

Yaliyomo

- Vidokezo vya Mapato3
- Maelezo Mafupi kuhusu Wakurugenzi4
- Taarifa ya Mwenyekiti wa Bodi ya Wakurugenzi9
- Taarifa ya Mkurugenzi Mtendaji11

- Kumbukumbu za Miaka 25.....15

- Mazingira.....24
- Ubora.....26

- Utawala wa Kampuni29

- Taarifa ya Ongezeko la Thamani37

- Taarifa ya Wakurugenzi41
- Sera za Uhasibu.....45
- Taarifa ya Wakaguzi.....47
- Taarifa ya Mapato49
- Mizania ya Kampuni.....51
- Mtiririko wa Fedha.....53
- Taarifa ya Mabadiliko ya Mtaji55

- Taarifa kwa Wanahisa81
- Fomu ya Mwakilishi84



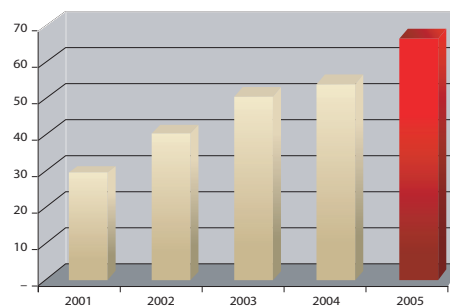
Celebrating 25 years in Tanzania

Financial Highlights

- **Turnover increased by 23%**
- **Net profit after tax 11% higher than 2004**
- **Dividend declaration of Tzs 57 per share**

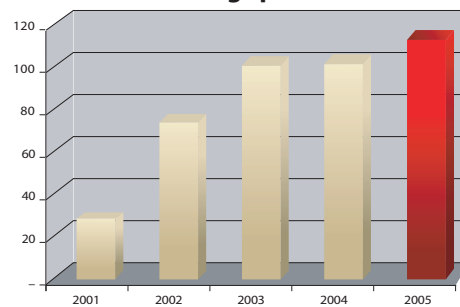
Tzs Billions

Revenue



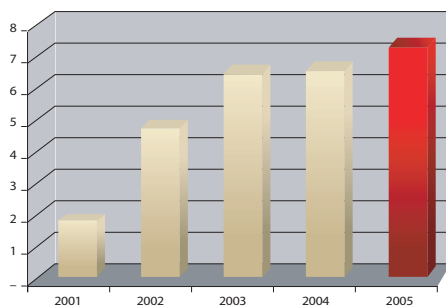
Tzs

Earnings per share



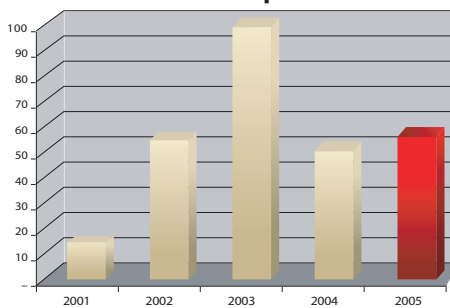
Tzs Billions

Profit after taxation



Tzs

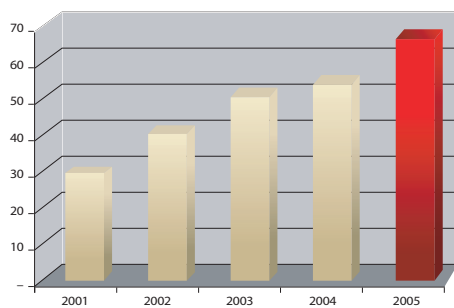
Dividends per share



Vidokezo vya Mapato

Tzs Bilioni

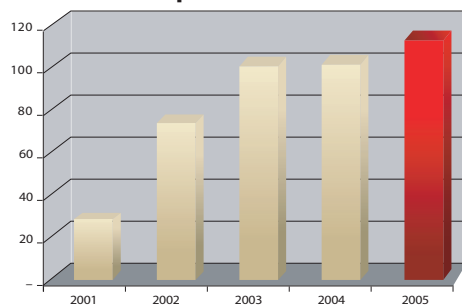
Mapato



- **Mapato yameongezeka kwa asilimia 23**
- **Faida baada ya kodi ya asilimia 11 zaidi ya faida ya mwaka 2004**
- **Gawio la pekee la shilingi 57 kwa hisa**

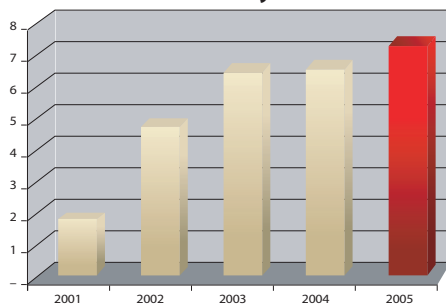
Tzs

Mapato kwa hisa



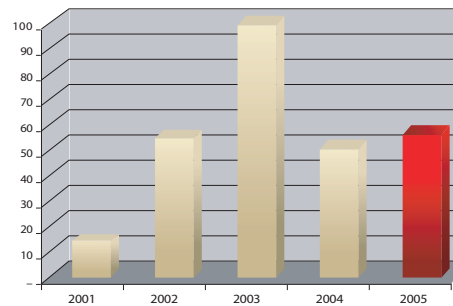
Tzs Bilioni

Faida baada ya kodi



Tzs

Gawio kwa hisa





Dave King



Jürg Flühmann

Board of Directors and Profiles Maelezo mafupi kuhusu Wakurugenzi

Chairman

Dave King (42) South African
B. Comm, B. Acc, CA (SA)

Dave King is the Chief Financial Officer of Holcim South Africa (Pty) Limited and serves on numerous subsidiary boards of Holcim South Africa and Holcim Mauritius Investment Holdings Limited. Mr King is Chairman of the board of Tanga Cement and has been with Holcim Limited for 18 years.

Mwenyekiti

Dave King (42) Raia wa Afrika ya Kusini
B. Comm, B. Acc, CA (SA)

Dave King ni Afisa Mkuu wa Fedha wa Kampuni ya Holcim ya Afrika Kusini na anatomikia kwenye bodi nyingi za kampuni tanzu ya Holcim Afrika Kusini na Holcim Mauritius Investment Holdings Limited. Bw. King ni Mwenyekiti wa Bodi ya Kiwanda cha Tanga Cement na amefanya kazi na Holcim Limited kwa miaka 18.

Managing Director

Jürg Flühmann (51) Swiss
Mechanical Engineer

Mr Jürg Flühmann is the Managing Director of Tanga Cement. He was appointed with effect from 7 September 2004. Prior to joining Tanga Cement, Jürg Flühmann was at Holcim Group Support in Zurich, Switzerland, where he was Vice President, Corporate Procurement.

Mkurugenzi Mtendaji

Jürg Flühmann (51) Raia wa Uswisi
Mhandisi Mitambo

Bw Jürg Flühmann ni Mkurugenzi Mkuu wa Kampuni ya Tanga Cement. Aliteuliwa rasmi kuanzia tarehe 7 Septemba, 2004. Kabla ya kujiunga na Kampuni ya Tanga Cement, Jürg Flühmann alikuwa Holcim Group Support huko Zurich, Uswisi, ambako alikuwa Makamu wa Rais, Mnunuzi wa Shirika.





Mwanaidi Sinare Maajar



Karl Meissner-Roloff

Mwanaidi Sinare Maajar (53) Tanzanian
LLM (Dar es Salaam), LLB (Dar es Salaam).

Mwanaidi Maajar is an Advocate and a Corporate and Mining Law Consultant. She is a founding partner of Maajar, Rwechungura, Nguluma and Makani Advocates. She has extensive experience of corporate set ups, corporate restructuring, privatization, divesture of public corporations, mining law and other matters. She is an active member of the Tanzania Women Lawyers Association (TAWLA) and sits on various representative bodies; the International Bar Association and BRELA amongst others. Her firm is one of the most respected law firms in Tanzania.

Mwanaidi Sinare Maajar (53) Mtanzania
LLM (Dar es Salaam), LLB (Dar es Salaam)

Mwanaidi Maajar ni Wakili na Mshauri wa Masuala ya Kampuni na Sheria za Uchimbaji Madini. Ni mbia mwanzilishi wa Kampuni ya Mwakili ya Majaar, Rwechungura, Nguluma na Makani. Ana uzoefu mkubwa wa uanzishaji wa Makampuni, uundaji upya wa Makampuni, ubinafsishaji, uuzaji wa mashirika ya umma, sheria ya uchimbaji madini na masuala mengine. Ni mwanachama hai wa Chama cha Wanasheria Wanawake Tanzania (TAWLA) na ni mwakilishi wa bodi mbalimbali; miongoni mwao ni International Bar Association na BRELA. Kampuni yake ni moja ya makampuni ya Sheria yanayoheshimika nchini Tanzania.

Karl Meissner-Roloff (53)
South African - B. Sc (Hons) Civ. Eng.

Mr Karl Meissner-Roloff is the Managing Director of Holcim South Africa (Pty) Limited. He was appointed a non-executive Director of the Company with effect from 16 December 2002. He holds a Bachelor of Science Honours Degree in Civil Engineering and has many years experience in the cement industry.

Karl Meissner-Roloff (53)
Raia wa Afrika ya Kusini
B. Sc (Hons) Civ. Eng.

Bw. Karl Meissner – Roloff ni Mkurugenzi Mkuu wa Kampuni ya Holcim Afrika Kusini. Alichaguliwa kuwa Mkurugenzi Mtendaji wa Kampuni kuanzia tarehe 16 Desemba 2002. Ana shahada ya kwanza ya Sayansi katika Uhandisi Ujenzi na anao uzoefu wa muda mrefu katika tasnia ya saruji.





Prof. Samuel Mwita Wangwe



Grace Rubambey

Board of Directors and Profiles

Maelezo mafupi kuhusu Wakurugenzi

Prof. Samuel Mwita Wangwe (57) Tanzanian
Phd (Economics), BA (Economics)

Professor Wangwe is a highly respected academic. He read for his doctorate in collaboration with Nobel Prize Winner Prof. Amartya Sen at Oxford and has held lecturing posts at the University of Dar es Salaam. He has served as Executive Director for ESRF in Tanzania. Professor Wangwe has published extensively and continues to act as an independent consultant.

Professor Samuel Mwita Wangwe (57) Mtanzania
Phd (Economics), BA (Economics)

Profesa Wangwe ni msomi anayeheshimika sana. Alisoma kwa ajili ya shahada ya udaktari kwa kushirikiana na Mshindi wa Nobel Prize, Profesa Amartya Sen huko Oxford na amekuwa mhadhiri katika Chuo Kikuu cha Dar es Salaam. Ameshawahi kuwa Mkurugenzi Mtendaji Mwasisi wa ESRF nchini Tanzania. Profesa Wangwe ameandika na kuchapisha vitabu vingi na anaendelea kufanya shughuli kama mshauri binafsi.

Grace Rubambey (60) Tanzanian
MA (Economics), B. BA (Economics)

Grace Rubambey is currently the Director of Microfinance at the Bank of Tanzania where she has served in various senior capacities including Director of Banking, Financial Markets, Administration and Rural Finance.

An Economist by profession, Mrs Rubambey brings to Tanga Cement 32 years of work experience in both regional and international settings. She serves on a number of boards and committees.

Grace Rubambey (60) Mtanzania
MA (Uchumi)

Grace Rubambey kwa sasa ni Mkurugenzi wa Microfinance katika Benki Kuu ya Tanzania ambako ameshika nyadhifa mbalimbali za juu ikawa ni pamoja na Mkurugenzi wa shughuli za uendeshaji Benki, Masoko ya Fedha, Utawala na Fedha Vijijini.

Akiwa nimwanauchumi, Bibi Rubambey ameleta uzoefu wa kazi wa miaka 32 kwa kiwanda cha Tanga Cement katika mazingira yote ya Kanda na Kimataifa. Amefanya kazi katika bodi na Kamati nyingi.





Khamis Mussa Omar



Lafras Moolman

Khamis Mussa Omar (41) Tanzanian
Post Graduate Diploma (Business
Administration), Advanced Diploma (Tax
Management)

Khamis Omar is currently the Executive
Director of Zanzibar Investments Promotion
Authority and has previously served in
different senior government positions
which include Secretary General of the
Zanzibar National Chamber of Commerce
and Deputy Commissioner of Customs &
Excise Department with the Tanzania
Revenue Authority.

Mr Omar also serves on the Boards of the
Zanzibar Revenue Board and the Zanzibar
Ports Authority.

Khamis Mussa Omar (41) Mtanzania
Diploma ya Uzamili (Uendeshaji wa shuguli
za Biashara) Diploma ya Juu (Usimamizi wa
Kodi)

Khamis Omar kwa sasa ni Mkurugenzi
Mtendaji wa Mamlaka ya Kukuza Uwekezaji
Zanzibar na ameshika nyadhifa mbalimbali
za juu serikalini ikiwa ni pamoja na Katibu
Mkuu wa Chama cha Wafanyabiashara
Zanzibar na Naibu kamishna wa Idara ya
Ushuru na forodha ya Mamlaka ya Mapato
Tanzania.

Company Secretary

Lafras Moolman (33) South African
B.Comm. (Hons), CA (SA)

Lafras Moolman is the Company's Chief
Financial Officer and Company Secretary.
He is a member of the South African
Institute of Chartered Accountants. Prior
to joining Tanga Cement Company, Mr
Moolman was Chief Financial Officer with
Holcim Group company's in Kosovo, Sharr
Beteiligungs GmbH, and Macedonia
Cementara Usje AD and has worked with
Andersen in both South Africa and
Bulgaria.

Katibu wa Kampuni

Lafras Moolman (33) Raia wa Afrika ya
Kusini B.Com. (Hons), CA

Lafras Moolman ni Ofisa Fedha Mkuu na
Katibu wa Kampuni. Bw. Moolman ni
Mwanachama wa Tasisi ya Wahasibu
Waliosajiliwa ya Afrika Kusini. Kabla ya
kujiunga na Kampuni ya Tanga Cement,
Bw. Moolman alikuwa Ofisa Fedha Mkuu wa
Kampuni ya Holcim Group huko Kosovo,
Sharr Beteiligungs GmbH, pia Amefanya
kazi na Cementara Usje AD, na Andersen
Afrika kusini na Bulgaria.



“I expect the current levels of growth in the market to continue in 2006. The growth, however, will be affected by the shortages of electricity and food as a result of the drought.”



Dave King
Chairman of the Board

Chairman's Statement

The year ended December 2005 was a challenging year for the Company. Turnover increased by 23%, while earnings per share rose by 11%. The market showed double digit growth. However, the rising world fuel prices resulted in increased operational and transportation cost. This, together with unreliable rail distribution contributed to increased distribution costs, resulting in high cement prices in the market. The increased volume did not result in a corresponding increase in profit due to the higher cost incurred.

The commissioning of the coal mill was completed in December 2005 allowing the Company to switch from expensive heavy fuel oil to coal thereby reducing production costs to more competitive levels.

Dividends

A dividend of 50% of net profit after tax is proposed and consequently the Board has proposed a final dividend of Tzs 29 per share, which will bring the total for the year to Tzs 57 per share.

Prospects

I expect the current levels of growth in the market to continue in 2006. The growth, however, will be affected by the shortages of electricity and food as a result of the drought. On balance, our expectations are that profit growth will exceed that of 2005.

Appreciation

Tanga Cement is celebrating its 25th anniversary this year. I would like to thank our stakeholders who supported us thus far.

I hope that we will be able to count on your continued support for the years to come.

Closure of Share Register

The Register of Members will close on 10 March 2006. The last day of trading cum dividend will be 3 March 2006. Dividends will be paid on or about 31 May 2006.

A stylized signature of Dave King, consisting of a series of dots and lines forming his name.

Dave King
Chairman of the Board



“Nategemea Viwango vya ongezeko la sasa katika soko kuendelea katika mwaka 2006, hata hivyo, ongezeko litaathiriwa na uhaba wa umeme na chakula uliosababishwa na ukame.”

Taarifa ya Mwenyekiti wa Bodi ya Wakurugenzi

Mwaka ulioishia Desemba 2005 ulikuwa ni mwaka wenye changamoto kwa Kampuni. Mapato yaliongezeka kwa asilimia 23, wakati pato kwa kila hisa lilipanda kwa asilimia 11. Soko lilionyesha ukuaji wa hesabu mara mbili. Hata hivyo, kupanda kwa bei ya mafuta duniani kulisababisha ongezeko la uendeshaji na gharama za usafirishaji. Yote haya kwa pamoja, na usambazaji usio na uhakika kwa kutumia reli ulichangia kuongezeka kwa gharama za usambazaji, na kusababisha saruji kuwa na bei kubwa katika soko. Ongezeko la wingi wa uzalishaji halikusababisha ongezeko linalolingana katika faida kutokana na gharama za juu zilizotumika.

Utumiaji wa makaa ya mawe ulikamilika Desemba 2005 na kuipa nafasi

Kampuni kuacha kutumia mafuta ya gharama na kutumia mkaa hivyo kupunguza gharama za uzalishaji kuwa katika viwango vya ushindani zaidi.

Gawio

Gawio la asilimia 50 ya faida ghafi baada ya kodi kupendekezwa na hivyo Bodi imependekezwa gawio la mwisho la Tzs 29 kwa kila hisa, ambalo litaleta jumla kwa mwaka kuwa Tzs 57 kwa hisa.

Matarajio

Natarajia viwango vya ongezeko la sasa katika soko kuendelea katika mwaka 2006, hata hivyo ongezeko litaathiriwa na uhaba wa umeme na chakula uliosababishwa na ukame. Katika usawa matarajio yetu ni kuwa ongezeko la faida litazidi lile la 2005.

Shukrani

Tanga Cement Company inasherehekea kutimiza miaka 25 mwaka huu. Ningependa kuwashukuru wadau wetu ambao walitusaidia mpaka hapa tulipo. Natumaini kuwa tutaweza kuendelea kutegemea msaada wenu kwa miaka inayokuja.

Kusimamisha Usajili wa Hisa

Usajili wa Wanachama utafungwa tarehe 10 Machi 2006. Siku ya mwisho ya biashara pamoja na gawio itakuwa tarehe 3 Machi 2006. Gawio litalipwa tarehe au karibia tarehe 31 Mei 2006.

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Dave King
Mwenyekiti wa Bodi

“The steady reduction of production and distribution costs continue to be of utmost importance for Tanga Cement to remain competitive.”

Managing Director's Report

The year 2005 was a challenging year for Tanga Cement as the price increases of heavy fuel oil (HFO) in the world oil market continued to impact negatively on both the Company's production and distribution costs.

Despite the high fuel and distribution costs combined with the further deterioration of the railway transport infrastructure to the Lake Zone, Tanga Cement was able to exceed the previous year results and attained record sales and net profit in 2005. During the year, Tanga Cement undertook its ever biggest investment since the Company's inception in 1980 with the installation of the coal mill. This investment will allow the Company to be less dependent on HFO and use coal which is a more cost effective source of fuel.

Achievements in 2005:

- Expanded our market presence within Tanzania, resulting in a 13% increase of our sales volumes compared to previous year.
- Exceeded the previous year's profit after tax by 11% with Tzs 7.233 million up from Tzs 6.517 million in 2004.
- Increased the usage of biomass as an alternative fuel resource to burn in our kiln.

The biomass we use is an environmentally friendly fuel and includes cashew shells, sunflower cake, and coconut husks.

- Installed and commissioned the new coal mill making it possible to switch from HFO to coal. This will result in a substantial decrease of our production costs. The newly commissioned coal mill will enhance Tanga Cement's competitiveness in an increasingly competitive environment.
- Successfully negotiated with the Tanzania Union of Industrial and Commercial Workers (TUICO) on amendments to the Substantive Agreement for 2006, ensuring continued good and respectful relations between management and the people who continue to make Tanga Cement the pride of Tanzania.

Challenges in 2006:

The steady reduction of production and distribution costs continues to be of utmost importance for Tanga Cement to remain competitive. Improvement of the national infrastructure, especially the rail and electricity infrastructure are basic steps towards developing industry in Tanzania. Distribution of our cement is complicated by the poor railway infrastructure. Additionally, the port rehabilitation in



Jürg Flühmann, Managing Director

“Upunguaji wa kawaida wa gharama za uzalishaji na usambazaji umeendelea kuwa na umuhimu mkubwa kwa Kiwanda cha Tanga kubakia katika ushindani.”

Taarifa ya Mkurugenzi Mtendaji

Mwaka 2005 ulikuwa ni mwaka wenye changamoto kwa Kiwanda cha Tanga Cement kwa kuwa kupanda kwa mafuta ya fueli katika soko la mafuta duniani kuliendelea kuathiri vibaya uzalishaji wa kampuni na gharama za usambazaji.

Licha ya gharama kubwa za fueli na gharama za usambazaji, kuchanganya na kuendelea kuchakaa kwa miundombinu ya usafiri wa reli kwenda Kanda ya Ziwa, Kiwanda cha Tanga Cement kiliweza kuzidisha matokeo ya mwaka uliopita na kuonyesha rekodi ya mauzo na faida mwaka 2005.

Mwaka huohuo, Kiwanda cha Tanga Cement kilifanya uwekezaji wake mkubwa tangu kuanza kwa Kampuni mwaka 1980 kwa kufunga mashine ya makaa ya mawe. Uwekezaji huu utafanya kampuni kutotegemea sana mafuta ya fueli na kutumia makaa ya mawe.

Mafanikio mwaka 2005

- Upanuzi wa kuwepo kwa soko letu ndani ya Tanzania, umesababisha ongezeko la asilimia 13 ya wingi wa mauzo yetu ukilinganisha na mwaka uliopita.
- Tumezidisha faida ya mwaka uliopita baada ya kodi kwa asilimia 11 kwa

Tzs 7,233 milioni zaidi kutoka Tzs 6,517 milioni mwaka 2004.

- Tuliongeza matumizi ya biomasi kama mbadala wa rasilimali za fueli katika kuwasha tanuru letu. Biomasi tunayotumia haina madhara kwa mazingira ukilinganisha na mafuta na kujumuisha maganda ya korosho, makapi ya alizeti na makumbi ya nazi.
- Tulifunga na kuendesha mashine mpya ya makaa ya mawe na kuwezesha kubadili kutoka mafuta ya fueli kwenda kwenye makaa. Hii imesababisha kupungua kwa kiasi kikubwa kwa gharama zetu za uzalishaji. Mashine mpya inayoendesha kwa makaa itaongeza ushindani wa Kiwanda cha Tanga Cement katika mazingira ya ushindani yanayoongezeka.
- Tumefanikiwa kuelewana na chama cha Muungano wa Wafanyakazi wa Viwanda na Biashara Tanzania (TUICO) kuhusu marekebicho ya makubaliano ya Kudumu kwa mwaka 2006 tukihakikisha uhusiano mzuri na kuheshimiana vinaendelea kati ya menejimenti na watu wanaoendelea kukifanya Kiwanda cha Tanga Cement kuwa fahari ya Tanzania.

Changamoto kwa mwaka 2006

Upunguaji wa kawaida wa gharama za





Improvement of the national infrastructure, especially the rail and electricity infrastructure are basic steps towards developing industry in Tanzania.

Zanzibar affected the delivery of cement to the isles. Alternatives have been put in place to improve delivery of cement to the different markets.

Unreliable power supply continue to affect our operations by impacting negatively on our operating costs. Talks with Tanzania Electricity Supply Company Limited (TANESCO) have been initiated. However, improvements on the power supply remain to be seen. As this problem is likely to remain, Tanga Cement will need to invest in its own power generation facility to ensure continuous supply of required electricity for its cement production.

The increased usage of biomass as alternative fuel for our kiln is an additional step towards reduction of our production costs and shows our continued commitment to the environment. The sourcing of the required volumes of biomass remains a challenge to be overcome due to collection and transportation logistics. Plans are on the table to plant cashew crop in Tanga to reduce the transportation distance and to

ensure enough volume is available to meet both our current and future needs.

Future Prospects:

With the strong growth of construction in Tanzania, we expect 2006 to be a strong year for the Company, which is now approaching its currently installed production capacity. Optimization projects are in place to further improve the capacity. Capacity expansions are under way to meet local cement demand in the future. The conversion from HFO to coal, the improvement of the distribution network and the various cost reduction projects will lead to sustainable success for Tanga Cement and its shareholders.

Jürg Flühmann
Managing Director





uzalishaji na usambazaji umeendelea kuwa na umuhimu mkubwa kwa Kiwanda cha Tanga Cement kubakia katika ushindani. Marekebisho katika miundombinu ya taifa, hasa miundombinu ya reli na umeme ni hatua za msingi katika ukuaji wa viwanda nchini Tanzania.

Usambazaji wa saruji yetu unakwamishwa na miundombinu duni ya reli. Aidha, matengenezo ya bandari huko Zanzibar yaliathiri upelekaji wa saruji visiwani. Njia mbadala zimekuwa zikitumika ili kuboresha upelekaji wa saruji katika masoko mbalimbali.

Mgao wa umeme usio na uhakika uliendelea kuathiri uendeshaji wetu kwa kuathiri vibaya gharama za uendeshaji. Mazungumzo kati yetu na Shirika la Umeme Tanzania (TANESCO) yameanzishwa, hata hivyo, hatukupata unafuu wowote wa mgao wa umeme. Kwa kuwa tatizo hili linaonekana kuendelea, Kiwanda cha Tanga Cement kitahitaji kuwekeza katika uzalishaji wa umeme wake ili kujihakikishia uwepo wa umeme unaotakiwa wakati wote kwa ajili ya uzalishaji wake wa saruji.

Ongezeko la matumizi ya biomasi kama

nishati mbadala kwa ajili ya tanuru letu ni hatua mojawapo ya kupunguza gharama za uzalishaji na kuonyesha kuendelea kwetu kujali mazingira. Vyanzo vya kiasi cha biomasi inayotakiwa ni changamoto inayotukabili kutokana na taratibu za kuikusanya na kuisafirisha. Mipango inafanyika kupanda zao la korosho mkoani Tanga ili kupunguza umbali wa kusafirisha na kuhakikisha kuwa kiasi cha kutosha kinapatikana ili kukidhi mahitaji yetu ya sasa na baadaye.

Matarajio ya Baadaye

Pamoja na ongezeko kubwa la ujenzi nchini Tanzania, tunatarajia mwaka 2006 uwe mwaka mzuri kwa kampuni ambayo sasa inakaribia uwezo wake wa uzalishaji uliowekwa. Miradi ya uboreshaji imeanzishwa ili kuimarisha zaidi uwezo pamoja na utafiti kwa ajili ya kuongeza uwezo ipo kwa ajili ya kukidhi mahitaji ya ndani ya saruji kwa siku zijazo. Mabadiliko kutoka kwenye mafuta ya Fueli kwenda Makaa ya Mawe, kuimarika kwa mtandao wa usambazaji na miradi mbalimbali ya kupunguza gharama vitaleta mafanikio ya kudumu kwa kiwanda cha Tanga Cement na wanahisa wake.

Marekebisho katika miundombinu ya taifa, hasa miundombinu ya reli na umeme ni hatua za msingi katika ukuaji wa viwanda nchini Tanzania.

Jürg Flühmann
Mkurugenzi Mkuu



The foundation stone for the Tanga Cement plant was officially laid on 11 July 1978 by the then Minister in the Vice President's Office in Zanzibar. The cement plant in Tanga was the second plant to be built and commissioned in Tanzania.

Laying the Foundation Stone



Jiwe la msingi la kiwanda cha Tanga Cement lilivekwa rasmi tarehe 11 Julai 1978 na aliyekuwa Waziri katika Ofisi ya Makamu wa Rais huko Zanzibar. Kiwanda cha Tanga Cement kilikuwa ni kiwanda cha pili kujengwa nchini Tanzania.

Kuweka Jiwe la Msingi



Celebrating 25 years in Tanzania

The plant was commissioned in 1980, but officially inaugurated on 15 August 1981 by the first President of Tanzania H.E. the late Julius K. Nyerere. The plant was then managed by the Tanzania Saruji Corporation until Holderbank (now Holcim Ltd.) took over management of the plant under a 5-year contract.

Inauguration



Kiwanda kilikabidhiwa mwaka 1980 lakini kilizinduliwa rasmi tarehe 15 Agosti 1981 na Rais wa kwanza wa Tanzania Mh. Julius K. Nyerere. Wakati huo kiwanda kilikuwa kinasimamiwa na Shirika la Saruji Tanzania hadi Holderbank (sasa Holcim Ltd.) ilipopewa kusimamia kiwanda chini ya mkataba wa miaka 5.

Uzinduzi



Celebrating 25 years in Tanzania

The Mkapa bridge has been heralded not only as a major engineering achievement but a great step for national development. This is one of the many engineering marvels constructed using Simba Cement.

This bridge was officially inaugurated in August 2003 and has contributed to the wellbeing of the people in the southern part of the country. For the past 25 years Simba Cement has gone into the construction of homes, schools, hospitals, markets, orphanages, roads, etc.

Mkapa Bridge



Daraja la Mkapa limetangazwa kama mafanikio makubwa ya uhandisi na hatua kubwa kwa maendeleo ya taifa. Hili ni moja ya ukumbusho wa vitu vingi vilivyojengwa kwa kutumia Simba Cement.

Daraja hili lilikabidhiwa rasmi mwezi Agosti, 2003 na limeleta mabadiliko katika maisha ya watu nchini kusini. Kwa miaka 25 iliyopita, Simba Cement imetumika kwa kutaja machache katika ujenzi wa nyumba za kuishi, shule, hospitali, masoko, makazi ya yatima na barabara.

Daraja la Mkapa



The first Tanga Cement annual general meeting (AGM) held on the 16 May 2003. Tanga Cement became a public company in 2002 when it got listed on the Dar es Salaam Stock Exchange and the Government of Tanzania sold its 32.5% stake in the Company to the general public.

With over 11,000 shareholders, Tanga Cement continues to create value for its shareholders everyday.

First Annual General Meeting



Mkutano Mkuu wa Mwaka wa Kwanza wa Kampuni ya Tanga Cement ulifanyika tarehe 16 Mei 2003. Kiwanda cha Tanga Cement kilikuwa kiwanda cha umma siku kilipoorodheshwa katika Dar es Salaam Stock Exchange (Soko la Hisa la Dar es Salaam) na Serikali ya Tanzania ili uza hisa zake asilimia 32.5 katika Kampuni kwa wananchi.

Pamoja na wanahisa zaidi ya 11,000, Kiwanda cha Tanga Cement kinaendelea kuongeza thamani kwa wanahisa wake kila siku.

Mkutano Mkuu wa Mwaka wa Kwanza



Celebrating 25 years in Tanzania



Corporate Social Investments

Tanga Cement continues to contribute significantly to the Tanzanian community through its Corporate Social Responsibility Policy.

During the year, the Company spent Tzs 87.2 million shillings on building classrooms, hospitals, humanitarian aid, environmental conservation and community development programmes.

Some of the social investments made in the year include:

- Construction of a classroom for the Changanyikeni Primary School in Dar es Salaam:**
 Tanga Cement constructed a classroom using concrete panels at a cost of Tzs 7 million for the school. This school is in the outskirts of the city and has limited resources. The additional classroom has enhanced the quality of the learning environment for the pupils who now have more room for their studies.
- ZAYEDESAs Community Development Activities:**
 Tanga Cement has continued to partner with the Zanzibar Youth, Education, Environment and Development

Support Association (ZAYEDESAs).

The Company donated 125 tons of cement to the association which was used to renovate schools and hospitals in Zanzibar. Heavy rains in the month of May destroyed homes and cement was used to repair these homes. ZAYEDESAs also constructed an HIV/AIDS, Drugs and Substance Abuse Counselling & Rehabilitation Centre for the youth in Pemba.

- Machame Hospital's Orthopaedic Unit:**
 Tanga Cement donated 15 tons of cement to the Machame Hospital to enable them complete their orthopaedic unit.
- Kifungilo Girls Secondary School**
 Tanga Cement donated 20 tons of cement to the school to enable them construct toilets for the students.

In addition to the above, in the course of the year Tanga Cement supported various organizations working for the betterment of the community. Some of these organizations include the Rotary Club of Dar es Salaam working towards eradication of malaria; Manzese Parish organizing youth sporting activities in Dar es Salaam, and Uzima kwa Sanaa (UZIKWASA) using culture to educate the general public on HIV/AIDS in Pangani. The company also continues to support the Government of Tanzania in select community development and humanitarian initiatives that fall within the Company's CSI focus areas as defined by its CSI Policy shown on the next page.



Corporate Social Responsibility (CSR) Mission & Policy Statement

Chama cha Kazi, Kazi, Maendeleo, Mafanikio, Maadani

1.00 Vision

Corporate Social Responsibility is an integral part of our business strategy and a key element of our corporate governance. We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large.

2.00 Policy Statement

We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large. We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large.

The CSR policy is a key element of our business strategy and a key element of our corporate governance. We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large.

Our CSR policy is a key element of our business strategy and a key element of our corporate governance. We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large.

3.00 Goals

Our CSR goals are to create long-term value for all stakeholders, including our employees, customers, and the community at large. We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large.

4.00 Mission

Our CSR mission is to create long-term value for all stakeholders, including our employees, customers, and the community at large. We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large.

5.00 Commitment & Responsibility

Our CSR commitment is to create long-term value for all stakeholders, including our employees, customers, and the community at large. We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large.

6.00 Commitment

Our CSR commitment is to create long-term value for all stakeholders, including our employees, customers, and the community at large. We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large.

Our CSR commitment is to create long-term value for all stakeholders, including our employees, customers, and the community at large. We are committed to creating long-term value for all stakeholders, including our employees, customers, and the community at large.

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CHAMA CHA KAZI
KAZI, MAENDELEO, MAFANIKIO, MAADANI

CHAMA CHA KAZI





Environment

During 2005 we maintained the pace for continual environmental improvements and compliance with the applicable legislation.

We are proud of the huge strides made in environmental care and progress in the areas of:

- Emission measuring and control
- House keeping and greening programmes
- Quarry rehabilitation
- Environmental training
- Alternative fuels programme rising to a 30% substitution
- Accreditation and sustaining of the ISO 14001 standards

Mazingira

Kipindi cha 2005 tuliendeleza hatua za uboreshaji wa masuala ya mazingira na kuzingatia matakwa ya sheria zinazohusika.

Hivyo tunajivunia hatua kubwa tulizopiga katika utunzaji wa mazingira na mafanikio makubwa katika maeneo ya:

- Upimaji na udhibiti wa uvujaji wa vumbi
- Usafi wa mazingira na uoteshaji
- Ukarabati wa machimbo ya zamani
- Mafunzo katika masuala ya mazingira
- Mpango wa kuongeza matumizi ya nishati mbadala mpaka asilimia 30
- Utunukiwaji na uendelezaji kiwango cha kimataifa cha ISO 14001





Onesmo Kitomari receiving our certificate from H.E. Vice President Dr. Shein in Iringa.

Environmental Policy

Our actions today mould the future

Policy

Our mission is to provide the highest quality products and services to our customers and to ensure that our operations are conducted in an environmentally sound manner. We are committed to the highest standards of environmental performance and to the protection of the environment. We are committed to the highest standards of environmental performance and to the protection of the environment.

Our environmental policy is based on the following principles:

Strategy

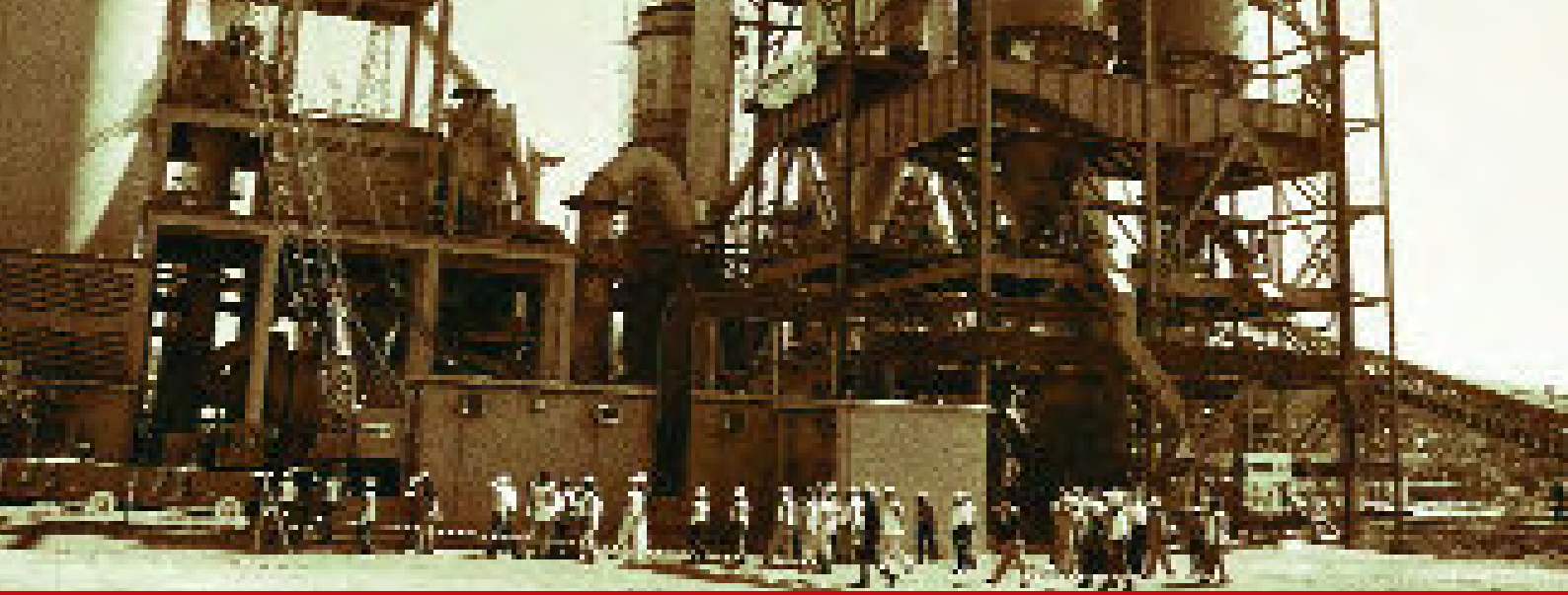
Our environmental strategy is based on the following principles:

- Provide the highest quality products and services to our customers.
- Comply with all applicable environmental laws, regulations and standards, which include meeting or exceeding industry standards.
- Establish and maintain an effective environmental management system (EMS) that complies with ISO 14001.
- Assess and manage environmental risks in all areas of our business, including in our operations, products and services, and in our supply chain.
- Promote and support environmental protection and conservation activities, such as recycling, energy conservation and other environmental initiatives.
- Use all our resources, including financial, human and technical resources, to ensure that we meet our environmental obligations and to improve our environmental performance.
- Provide appropriate training and education to all employees on environmental issues and on the importance of environmental protection.
- Monitor and evaluate our environmental performance and report on our progress to our stakeholders, including our customers, investors, regulators and the public.

Our environmental policy is based on the following principles: to provide the highest quality products and services to our customers and to ensure that our operations are conducted in an environmentally sound manner.



Celebrating 25 years in Tanzania



Quality

Tanga Cement has maintained its ISO 9001:2000 accreditation and continues to produce high quality products with all aspects of management being optimised to ensure the appropriate standards are adhered to.

Ubora

Kiwanda cha Tanga Cement kimedumisha kiwango cha ISO 9001:2000 na kuendelea kuzalisha bidhaa yenye ubora wa hali ya juu pamoja na vipengele vyote kama uongozi utatumiwa ipasavyo ili kuhakikisha kuwa viwango vinavyofaa vinafuatwa.





Quality Policy

Our actions today mould the future

Policy

At UCL, we are committed to providing our customers with the highest quality products and services. We are committed to continuous improvement in all areas of our business, from the design and development of our products to the manufacturing and distribution of our products. We are committed to meeting and exceeding our customers' expectations and to providing the highest quality products and services at all times.

Objectives

- To provide our customers with the highest quality products and services at all times.
- To comply with the requirements of the ISO 9001:2015 standard of quality management system certification that is valid until 31/12/2020.
- To ensure that our products and services are of the highest quality and meet our customers' expectations.
- To ensure that our products and services are of the highest quality and meet our customers' expectations.
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At UCL, we are committed to providing our customers with the highest quality products and services. We are committed to continuous improvement in all areas of our business, from the design and development of our products to the manufacturing and distribution of our products.

The Quality Policy is a statement of our commitment to providing the highest quality products and services at all times.



Celebrating 25 years in Tanzania

Corporate Governance

Tanga Cement continues to improve its levels of corporate governance and has committees that have been formed in line with established best practice.

Tanga Cement believes that high standards of corporate governance are fundamental to achieving its long term strategic goals and to meet the needs of the company's stakeholders.

Board of Directors

The Board is primarily responsible for setting the broad direction of the Company by approving strategic objectives, key policies and financial performance criteria.

Accountability to shareholders and responsibility to other stakeholders remains of paramount consideration in Board decisions, being balanced against the demands of the regulatory environment in which the group operates.

The Board structure comprises one executive director and seven non-executive directors.

Each shareholder having a 12.5% shareholding is entitled to nominate a director.

The non-executive directors are selected on the basis of their experience, knowledge and independence. They bring a wealth of experience to the Board.

The strong independent composition of the Board provides for independent and objective judgement in the decision making process and ensures that no one individual has unfettered powers of decision and authority.

All directors are subject to retirement by rotation and re-election by the shareholders at least once every three years in accordance with the Company's Articles of Association. The Board as a whole approves the appointment of new directors, based on recommendations of the Nomination Committee.

The Board meets formally at least once a quarter or more frequently if circumstances so require, to review matters specifically reserved for its decision, including the review of financial and operational results, and to consider issues of strategic direction, major acquisitions and disposals, approval of major capital expenditure and construction tenders as well as any other matters having a material effect on the Company.

Continues on page 30

Utawala wa Kampuni

Kampuni ya Tanga Cement imeendelea kuimarisha viwango vyake vya utawala bora na ina kamati mbalimbali ziliundwa zikiwa ni sehemu muhimu ya utendaji bora.

Kampuni ya Tanga Cement inaamini kwamba utawala bora ni msingi wa mafanikio katika uzalishaji na hata kwa washika dau.

Bodi ya Wakurugenzi

Jukumu la awali la Bodi hiyo ni kuweka bayana mwelekeo wa Kampuni kwa kuidhinisha mikakati, malengo, sera za msingi pamoja na mapato ya Kampuni.

Bodi pia inawajibika kikamilifu katika maamuzi yanayowahusu wanahisa na washikadau wengine.

Mfumo wa Bodi ni ule ambao kuna Mkurugenzi Mtendaji mmoja na wakurugenzi wengine saba ambao sio watendaji.

Kila mwanahisa ambaye anamiliki asilimia 12.5 ana haki ya kumchagua Mkurugenzi.

Wakurugenzi wasio watendaji wanachaguliwa katika misingi ya uzoefu walio nao, elimu na jinsi gani wanavyoweza kufanya kazi kwa kujitegemea wenyewe.

Hii inatokana na majukumu makubwa ya maamuzi ambayo wanatakiwa kuyatoa katika Bodi.

Wakurugenzi wanatakiwa kuwa na maamuzi fasaha na ya pamoja katika Bodi, na kuhakikisha kuwa hakuna mtu mmoja anayehodhi madaraka ya kuamua.

Wakurugenzi wako chini ya sheria inayowataka kustaafu kwa hiari punde muda wao unapowadia, ama kuchaguliwa tena na wanahisa angalau mara moja baada ya kipindi cha kila miaka mitatu kufuatana na kanuni za Kampuni. Bodi ndiyo yenye mamlaka ya kuthibitisha wakurugenzi ambao wamechaguliwa kutokana na mapendekezo ya kamati ya uteuzi.

Kwa kawaida Bodi hukutana mara moja katika kipindi cha miezi mitatu ama chini ya hapo ili kujadili masuala ya msingi yanayohitaji maamuzi ya Bodi ikiwa ni pamoja na kupitia masuala ya fedha, uendeshaji, mwelekeo wa Kampuni na kupitisha mapendekezo ya matumizi ya fedha, tenda za ujenzi na mambo mengine yanayogusa Kampuni.



Corporate Governance

Chairman and Managing Director

The roles of Chairman and Chief Executive are separate. The Board is led by the Chairman, Dave King, who is a non-executive director. The executive management is the responsibility of the Managing Director, Jürg Flühmann.

Company Secretary

All directors have access to the advice and services of the Company Secretary, and to any other information or documentation they may require. The Company Secretary also keeps the Board advised of any relevant changes in regulation and company law legislation.

Nomination Committee

Members:

- | | | |
|---------------------|---|-------------|
| Jürg Flühmann | - | Chairperson |
| Mwanaidi Maajar | - | Member |
| Prof. Samuel Wangwe | - | Member |

A Nomination Committee has been established being chaired by the Managing Director Jürg Flühmann. The rest of the committee are non-executive directors. Terms of reference and powers delegated to this committee have been approved by the Chairman.

The primary purpose of this Committee is to ensure that the Board of Directors consists of people with skills and attributes needed by the Company. To do this it considers the need for new directors, searches for candidates and recommends new directors to the main board.

Risk Committee

Members:

- | | | |
|-----------------|---|-------------|
| Mwanaidi Maajar | - | Chairperson |
| Jürg Flühmann | - | Member |
| Grace Rubambey | - | Member |

The committee's primary objective is to review all business risks that faces Tanga Cement including court cases and litigations that Tanga Cement is involved in and to recommend to the Board courses of action to resolve issues and reduce risk.

The Committee presents recommendations to the Board of Directors at the quarterly board meeting.

The Committee is convened at least twice per year, or otherwise as required when circumstances dictate.

Utawala wa Kampuni

Mwenyekiti na Mkurugenzi Mtendaji

Wajibu wa Mwenyekiti na Ofisa Mtendaji Mkuu ni tofauti. Bodi inaongozwa na Mwenyekiti, Dave King ambaye siyo Mkurugenzi Mtendaji. Usimamizi wa utendaji wa Kampuni umochini ya uongozi wa Mkurugenzi Mtendaji, Jürg Flühmann.

Katibu wa Kampuni

Wakurugenzi wote wanahusika moja kwa moja kwa Katibu wa Kampuni ikiwa ni pamoja na haki ya kupata taarifa za kampuni kutoka kwa katibu huyo. Katibu ana wajibu wa kuhakikisha kwamba Bodi inapata ushauri mbalimbali kuhusu mabadiliko ama masuala ya sheria yanayoihusu kampuni.

Kamati ya Uteuzi

Wajumbe:

Jürg Flühmann	- Mwenyekiti
Mwanaidi Maajar	- Mjumbe
Prof. Samuel Wangwe	- Mjumbe

Kamati ya uteuzi imeundwa ikiwa chini ya uenyekiti wake Mkurugenzi Mtendaji Jürg Flühmann. Wajumbe wengine sio wakurugenzi watendaji.

Majukumu yao yameidhinishwa na Mwenyekiti.

Lengo la awali la kamati hiyo ni kuhakikisha kwamba Bodi ya Wakurugenzi ina watu wenye sifa zinazohitajika, ufahamu na mchango unaohitajika kwa kampuni. Ili kuhakikisha kwamba lengo hilo linafanikiwa kamati hiyo huangalia kama kuna umuhimu wa kuwapata Wakurugenzi wapya wa kampuni, kuwapata watarajiwa walio na sifa ya wadhifa huo pamoja na kupendekeza majina ya Wakurugenzi wapya kwenye Bodi ya Wakurugenzi.

Kamati ya Tahadhari

Wajumbe:

Mwanaidi Maajar	- Mwenyekiti
Jürg Flühmann	- Mjumbe
Grace Rubambey	- Mjumbe

Jukumu la awali la kamati hiyo ni kupitia hali ya kesi mbalimbali zilizofikishwa na kutoa ushauri kwa Bodi kuhusu jinsi ya kukabiliana nazo mahakamani.

Kamati huwakilisha mapendekezo yake kwa Bodi wakati wa kikao cha Bodi.

Kwa kawaida kamati hiyo hukutana mara mbili kwa mwaka, ama kama kuna umuhimu wa kufanyika kwa kikao cha dharura.



Corporate Governance

Audit Committee

Members:

Prof. Samuel Wangwe	- Chairperson
Karl Meissner-Roloff	- Member
Dave King	- Member

The Committee's primary objective is to provide the Board with additional assurance regarding the integrity and effectiveness of the risk management framework and related internal controls, corporate governance, reporting and compliance systems, that are operating within the Company.

The Audit Committee Charter clearly sets out the terms of reference and powers delegated to this Committee. The Audit Committee Charter has been approved by the Board.

The Committee reviews internal and external audit processes, accounting policies and significant issues raised by auditors.

The Committee Members have access to all information, documentation and management explanations required in the discharge of their duties.

The Committee meets twice a year.

Remuneration Committee

Members:

Mwanaidi Maajar	- Chairperson
Dave King	- Member
Karl Meissner-Roloff	- Member
Prof. Samuel Wangwe	- Member

The purpose of the Remuneration Committee is to consider, investigate, review and recommend for board approval any material changes to the Company's existing remuneration policy, the employees share scheme and incentive bonus scheme with the objective of ensuring that the Company's employee remuneration accords with remuneration practice in Tanzania and supports the Company's commitment to attracting and retaining high performing people.

The Remuneration Committee will also review, on an annual basis, the Managing Director's remuneration package, Directors' remuneration and overall annual remuneration increases proposed for the Company.

Continues on page 34

Utawala wa Kampuni

Kamati ya Ukaguzi wa Mahesabu

Wajumbe:

Prof. Samuel Wangwe - Mwenyekiti
Karl Meissner – Roloff - Mjumbe
Dave King - Mjumbe

Jukumu la awali la kamati hiyo ni kuipatia Bodi uhakika kuhusu hali ya kifedha ya Kampuni pamoja na hali halisi ya uongozi inavyofanya kazi katika maeneo mbali mbali ya Kampuni.

Mkataba wa kamati hiyo umeweka bayana na hadidu za rejea na mamlaka ambayo kamati hiyo imepewa. Mkataba wa kamati hiyo umeidhinishwa na Bodi.

Kamati hiyo hupitia taarifa za ukaguzi wa ndani na nje wa mahesabu kwa mujibu wa sera za uhasibu.

Wajumbe wa kamati hiyo wana haki ya kupata taarifa zote muhimu ambazo zitawasaidia kutekeleza majukumu yao.

Kamati hiyo hukutana mara mbili kwa mwaka.

Kamati ya Mafao

Wajumbe:

Mwanaidi Maajar - Mwenyekiti
Dave King - Mjumbe
Karl Meissner – Roloff - Mjumbe
Prof. Samuel Wangwe - Mjumbe

Madhumuni ya kamati hii ya mafao ni kufuatilia, kuchunguza na kupitia mabadiliko muhimu katika mfumo wa mafao yote ya Kampuni kwa lengo la kuhakikisha kwamba ulipaji wa mafao hayatofautiani na mfumo ulioko Tanzania na mfumo huo unasaidia kampuni kuvutia na kuhakikisha wachapakazi wanaendelea kufanya kazi na kampuni.

Kamati ya mafao pia hupitia kila mwaka, mafao ya Mkurugenzi Mtendaji, Wakurugenzi na ongezeko la mafao la kila mwaka kwa wafanyakazi wa kampuni.

Kamati ya mafao hukaa angalau mara moja kwa mwaka.



Corporate Governance

The Remuneration Committee meets at least once per annum.

Internal Audit

Internal audit is outsourced to Holcim South Africa. It is an independent appraisal function, which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance processes.

The objective of internal audit is to assist management in the effective discharge of their responsibilities and acts as a resource designed to add value and improve the organization's operations. Every assignment is followed by detailed reports to management including recommendations on aspects requiring improvement. Significant findings are reported to the audit committees.

External Audit

The external auditors express their opinion on the annual financial statements.

The external auditors attend the Tanga Cement Company Audit Committee meetings.

Share Dealing by Directors and Officers

The company operates closed periods prior to publication of its interim and year-end financial results. The closed periods are from 1st December and 1st June until publication of the results.

During these periods the directors, officers and employees of the company may not deal in the shares or any other instrument pertaining to the shares of the company.

Investor and Stakeholder Relations

Tanga Cement is committed to open and prompt communication with all its stakeholders. It is committed to transparency only to the extent that such transparency would not be detrimental to the business.

Shareholders are welcome to attend the company's Annual General Meeting to meet members of the board and discuss any issues with the directors.

Utawala wa Kampuni

Wakaguzi wa Mahesabu wa Ndani

Huduma hii ya ukaguzi wa ndani unakodishwa kutoka Holcim Afrika ya Kusini. Majukumu ya huduma hii ni pamoja na kuhakiki mfumo wa ndani wa fedha za kampuni ili kuhakikisha kwamba kampuni haiingii katika hasara na inazingatia misingi ya utawala bora.

Lengo la ukaguzi wa mahesabu ya ndani ni kusaidia utawala katika kufanya kazi yake kufuatiwa pamoja na kuboresha utendaji wa kampuni. Mara zote utendaji wa kazi hufuatiwa na taarifa sahihi kwa uongozi ikiwa ni pamoja na ushauri unaohusu uboreshaji wa kazi husika. Taarifa maalum hukabidhiwa kwa kamati ya ukaguzi wa mahesabu.

Wakaguzi wa Mahesabu wa Nje

Wakaguzi wa mahesabu wa nje wana jukumu la kutoa mapendekezo yao juu ya hesabu za Kampuni katika kikao cha mwaka.

Wakaguzi wa mahesabu wa nje huhudhuria vikao vya kamati ya ukaguzi wa mahesabu ya Tanga Cement Company Limited.

Wakurugenzi, Maafisa, na Masuala ya Hisa

Tanga Cement Company ina utaratibu wa kufunga mahesabu yake katika kipindi maalum kilichowekwa au mwishoni mwa mwaka wa fedha kabla taarifa hiyo ya fedha haijchapishwa katika taarifa yake ya mwaka. Kwa kawaida mahesabu hayo hufungwa tarehe 1 mwezi wa Desemba na tarehe 1 mwezi wa Juni.

Katika vipindi hivyo Wakurugenzi, maafisa na waajiriwa wa kampuni hawajihusishi na masuala ya hisa, ama masuala yoyote yanayohusika na hisa za kampuni

Uhusiano kati ya Wawekezaji na Wadau

Tanga Cement Company imejizatiti katika suala zima la uwazi na kuwa na mawasiliano ya karibu na wadau wake. Imejizatiti katika uwazi, uwazi ambao hata hivyo hautaathiri shughuli zake za biashara.

Wenye hisa wanakaribishwa kuhudhuria mikutano mikuu ya mwaka ya kampuni ili kukutana na wajumbe wa Bodi pamoja na kujadiliana masuala mbalimbali na Wakurugenzi wake.



Value Added Statement

for the year ended 31 December 2005

	2005 Tzs'000	%	2004 Tzs'000	%
Value added				
Gross turnover	67,022,750		54,352,098	
Other income	317,015		321,202	
Other operating expenditure	-49,132,060		-38,518,201	
	18,207,705	100	16,155,099	100
Value allocated				
To Employees	6,015,560	33	5,416,493	33
To Government - Company tax	3,294,993	18	2,868,645	18
To Shareholders - Dividend	3,240,383	18	6,812,800	42
To Lending institutions	349,342	2	244,821	2
To Expansion and Growth				
- Depreciation	1,067,984	6	1,108,181	7
- Retained income	4,239,443	23	-295,841	-2
	18,207,705	100	16,155,099	100

Taarifa ya Ongezeko la Thamani

Kwa mwaka ulioishia tarehe 31 Desemba 2005

	2005		2004	
	Tzs'000	%	Tzs'000	%
Ongezeko la thamani				
Mapato ya pamoja	67,022,750		54,352,098	
Mapato mengineyo	317,015		321,202	
Gharama nyingine za uendeshaji	-49,132,060		-38,518,201	
	18,207,705	100	16,155,099	100

Thamani ilivyogawanywa

Kwa wafanyakazi	6,015,560	33	5,416,493	33
Kwa serikali	3,294,993	18	2,868,645	18
Kwa wanahisa	3,240,383	18	6,812,800	42
Kwa wakopeshaji	349,342	2	244,821	2
Kwa upanuzi na ukuaji				
- Uchakavu	1,067,984	6	1,108,181	7
- Mapato yaliyobakizwa kwa Mwaka	4,239,443	23	-295,841	-2
	18,207,705	100	16,155,099	100



Directors, Officers and Administration





From left to right:

Prof. S. M. Wangwe, K. Meissner- Roloff, G. Rubambey, DJ. King, M.S. Majaar, J. Flühmann, P. L. Moolman,
not in the picture: K. M. Omar

Directors

Mr. D.J. King	(Chairman)
Mr. J. Flühmann	(Managing Director)
Mr. K.W. Meissner-Roloff	
Mr. V.F. Ngula	(Resigned on 13 May 2005)
Dr. P.E. Temu	(Resigned on 13 May 2005)
Mrs. M.S. Maajar	
Prof. S.M. Wangwe	
Mr. K. Omar	(Appointed on 18 November 2005)
Mrs. G. Rubambey	(Appointed on 18 November 2005)

Secretary

Mr. P. L. Moolman
Tanga Cement Company Limited
Pongwe Factory Area
P.O. Box 5053
Tanga

Auditors

Ernst & Young
Utalii House
P.O. Box 2475
Dar es Salaam

Legal Advisors

Majaar Rwechungura Nguluma & Makani
Mirambo Street
P.O. Box 7495
Dar es Salaam

Registered Office & Principal Place of Business

Tanga Cement Company Limited
Pongwe Factory Area
P.O. Box 5053
Tanga

Bankers

NBC Limited
P.O. Box 5031
Tanga

Standard Chartered Bank (Tanzania) Limited
P.O. Box 9011
Dar es Salaam

Citibank (Tanzania) Limited
Peugeot House
P.O. Box 71625
Dar es Salaam



Celebrating 25 years in Tanzania

Report of the Directors

for the year ended 31 December 2005

The Directors have pleasure in submitting their report together with the Audited Financial Statements for the year ended 31 December 2005, which disclose the state of affairs of the Company.

Principal Activities

The principal activities of the Company are the manufacturing and selling of clinker and cement.

Results

The performance of the Company during the year is set out on page 48 of these financial statements.

Details of the movements in the issued share capital and reserves are given in the Statement of Changes in Equity on page 54.

Solvency

The Company's state of affairs at 31 December 2005 is set out on page 50 of these financial statements. The Directors consider the Company solvent.

Administrative Matters

The Company is capable of handling all administrative matters.

Dividend

The Directors declared the payment of an

interim dividend for 2005 of Tzs 28 (Tzs 28 in 2004). The Directors propose a final dividend of Tzs 29 for the year ended 31 December 2005 (the 2004 final dividend approved was Tzs 23).

Subsequent Events

There are no subsequent events that have occurred that could materially affect the financial statements.

Share Capital

The total issued share capital amounts to 63,671,045 ordinary shares (63,671,045 in 2004).

The shareholding of the Company as at 31 December 2005 is as stated below:-

	2005	2004
	% Shareholding	% Shareholding
Holcim (Mauritius) Investment Holdings Limited Tanzania	62.5	62.5
General Public and Institutions	35.4	35.4
Employees' Share Trust	2.1	2.1
Total	<u>100</u>	<u>100</u>

Directors

The Directors of the Company at the date of this report are:

Name	Nationality
Mr. D. J. King (Chairman)	South African
Mr. J. Flühmann (Managing Director)	Swiss
Mrs. M. S. Maajar	Tanzanian
Mr. K. Meissner-Roloff	South African
Prof. S. M. Wangwe	Tanzanian

Continues on page 42

Taarifa ya Wakurugenzi

kwa mwaka wa fedha ulioishia tarehe 31 Desemba 2005

Wakurugenzi wanayo furaha kutoa taarifa pamoja na mahesabu yaliokaguliwa na wakaguzi kwa mwaka wa fedha ulioishia tarehe 31 Desemba 2005, ambayo inaonyesha mizania ya Kampuni.

Shughuli za Kampuni

Shughuli kuu za Tanga Cement Company ni kuzalisha na kuuza saruji na bidhaa zitokanazo na saruji.

Matokeo

Utendaji wa Tanga Cement Company kwa mwaka huu umeonyeshwa kwenye ukurasa wa 49 wa taarifa hii ya fedha.

Maelezo juu ya mtaji wa hisa uliotolewa na limbiko yametolewa kwenye taarifa ya mabadilliko ya mtaji na limbikizo kwenye ukurasa wa 55.

Uwezo wa kulipa Madeni

Mizania ya kampuni kwa tarehe 31 Desemba 2005 imeonyeshwa kwenye ukurasa wa 51 Wa taarifa hii ya fedha.

Mambo ya kiutawala

Tanga Cement Company inauwezo wa kuendesha shughuli zote za kiutawala.

Gawio

Wakurugenzi walitangaza malipo ya gawio la Tzs 28 kwa hisa (2004: Tzs 28) na wanapendekeza gawio la mwisho la Tzs 29 kwa mwaka 2005.

Mtaji wa Hisa

Jumla ya mtaji wa hisa uliotolewa ni hisa 63,671,045 za kawaida.

Ufuatao ni umiliki wa hisa za kampuni mnano 31 Desemba 2005:

	2005 % ya umiliki	2004 % ya umiliki
Holcim (Mauritius) Investment Holdings Limited	62.5	62.5
Umma wa Watanzania, na taasisi Mfuko wa Wafanyakazi wa kununua Hisa	35.4	35.4
	2.1	2.1
Jumla	100	100

Report of the Directors

Mr. K. Omar
Mrs. G. Rubambey

Tanzanian
Tanzanian

Directors' Interest in the Shares of the Company

The Director's shareholding in the Company is as follows:

Prof. S. M. Wangwe 2,000 shares

Directors' Responsibilities

The Directors are required under the Companies Ordinance to prepare financial statements for each financial year that gives 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 year.

The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2005. The Directors also confirm that applicable standards have been followed and that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect frauds and other irregularities.

To fulfill its responsibilities, the Directors has developed and continues to maintain systems of internal financial controls.

The Company's internal financial controls systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements, to adequately safeguard, verify and maintain their assets. These controls are monitored throughout the Company and nothing has come to the Directors' attention to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Taarifa ya Wakurugenzi wa bodi

Wakurugenzi

Wafuatao ni wakurugenzi wa kampuni wakati wa kutoa taarifa hii:

Jina

D.J. King (Mwenyekiti)
J. Flühmann (Mkurugenzi Mtendaji)
M.S. Maajar
K. Meisser-Roloff
G. Rubambey
K. M. Omar
S.M. Wangwe

Uraia

Afrika ya Kusini
Mswisi
Mtanzania
Afrika ya Kusini
Mtanzania
Mtanzania
Mtanzania

Maslahi ya Wakurugenzi kwenye Hisa za Kampuni

Zifuatazo ni hisa zinazomilikiwa na Wakurugenzi wa Kampuni:

Profesa S.M. Wangwe 2,000 Hisa

Majukumu ya Wakurugenzi

Sheria ya makampuni inawataka Wakurugenzi kutengeza taarifa za fedha katika kila mwaka wa fedha ambayo inaonyesha hali halisi ya mizania ya Kampuni mwishoni mwa mwaka wa fedha na akaunti ya faida na hasara kwa mwaka.

Wakurugenzi wanathibitisha kwamba sera za kiuhasibu zimetumika mfululizo, isipokuwa pale ambapo maelezo rasmi yametolewa, na pale ambapo mantiki hii ya fedha kwa mwaka ulioshia 31 Desemba 2005. Wakurugenzi wanathibitisha tena kwamba viwango vinavyokubaliwa

vimefuatwa na taarifa hii ya fedha imetengenezwa kwa kuzingatia dhana ya uhai wa biashara.

Wakurugenzi wanawajibika kutunza kumbukumbu za uhasibu, kulinda mali za kampuni na kuzuia na kugundua ubadhilifu na makosa ndani ya kampuni.

Kutekeleza majukumu yake, uongozi umeweka na unaendelea kuweka mfumo wa ndani wa kudhibiti fedha.

Mfumo wa ndani wa udhibiti wa fedha umeandaliwa kuwezesha kutoa mantiki inayokubalika na siyo mantiki halisi juu ya ukweli na utegemezi wa taarifa ya fedha kulinda, kuhakikisha na kusimamia mali. Udhibiti huu unamilikiwa na kampuni na hakuna dalili zilizojitokeza kwa Wakurugenzi kuashiria udhaifu wa mfumo huo kuitendaji katika mwaka husika.



Accounting Policies

The annual financial statements are prepared on the underlying assumptions of going concern and accruals.

The Company's accounting policies, which are laid out on pages 56 and 61 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

Investments

Information regarding the Company's interests in associate companies is given in the notes to the financial statements.

Acquisitions and Disposals

There were no material disposals during the year. For acquisitions refer to Note 10 and 11 to the financial statements.

Quality

The Company has formal quality assurance accreditation programme, with all operations following the ISO 9001.2000 route.

Employees

The average number of employees during the year was 327 (2004 – 327).

Health and Safety

The Company adheres to the Holcim

Occupational Health and Safety Pyramid. The Company considers the health and safety awareness campaign as an on-going process.

Environmental

The Company has a formal environmental control accreditation programme, with all operations following the ISO 14001.2004 route.

Auditors

Ernst & Young are the Company's statutory auditors.

Tax Advisors

PricewaterhouseCoopers are the Company's taxation advisors.

Approval Of Financial Statements

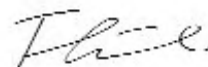
The financial statements were approved at the meeting of the Directors held on 17 February 2006.

By order of the Board

17 February 2006


:

Dave King
Chairman



Jürg Flühmann
Managing Director

Sera za Uhasibu

Sera za Uhasibu

Taarifa hii ya hesabu za mwaka imetengenezwa kwa kuzingatia dhana ya uhai wa biashara na dhana ya ongezeko la gharama za huduma iliyokwisha tolewa lakini bado haijalipiwa.

Sera za uhasibu za kampuni, ambazo zimetajwa kwenye ukurasa wa 56 na 61 zinamwelekeo wa mabadiliko kila mwaka kuhakikisha ziko sambamba na utendaji wa kiuhasibu.

Kitega Uchumi

Habari kuhusu nafasi ya kampuni katika kampuni shiriki imetolewa katika kumbukumbu za pembeni za taarifa hii ya mwaka wa hesabu.

Manunuzi na Mauzo ya Mali ya kudumu

Hakuna mauzo ya thamani kubwa ya mali za kudumu yaliyotokea katika mwaka. Kwa manunuzi angalia kifungu kidogo cha 10 na 11 cha hesabu hizi.

Ubora

Kampuni ina mpango mahususi wa uthibitisho wa ubora unaotambuliwa, shughuli zote zinafuata maelezo ya ISO 9002.

Wafanyakazi

Wastani wa wafanyakazi katika mwaka ilikuwa ni wafanyakazi 327 (2004 - 2027).

Afya na Usalama

Kampuni inaendelea na kutoa elimu ya ufahamu juu ya afya na usalama.

Wakaguzi wa Mahesabu

Ernst & Young ndio wakaguzi wa mahesabu ya Kampuni.

Washauri wa Kodi

PricewaterhouseCoopers ndio washauri wa mambo ya kodi.

Uthibitisho wa Mahesabu

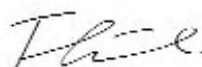
Taarifa hii ya fedha ilithibitishwa kwenye kikao cha Bodi ya Wakurugenzi kilichofanyika tarehe 17 Februari 2006.

Kwa idhini ya Bodi

17 Februari 2006



Dave King
Mwenyekiti



Jürg Flühmann
Mkurugenzi mtendaji



Report of The Independent Auditors

To the members of:

Tanga Cement Company Limited

We have audited the annual financial statements of Tanga Cement Company Limited set out on pages 48 to 54. The financial statements are in agreement with the accounting records and we obtained the information and explanations we considered necessary for our audit.

Respective responsibilities of directors and the auditors

The financial statements are the responsibility of the Company's Directors. Our responsibility is to express our opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform our audit so as to obtain a reasonable assurance that the financial statements are free of material misstatements. An audit includes, examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting principles

used and significant estimates and judgment made by the Directors of Tanga Cement Company Limited in the preparation of the financial statements and evaluating the overall financial statement presentation. We believe that our audit is an adequate basis of our opinion.

Opinion

In our opinion, the financial statements, in all material respects, give a true and fair view of the state of the financial affairs of the company at 31 December 2005 and of its profits and cash flows for the year then ended in accordance with the International Financial Reporting Standards and in compliance with the requirements of the Companies Ordinance (CAP 212).

Certified Public Accountants
Dar es Salaam

17 February 2006



Taarifa ya Wakaguzi

Kwa wanahisa

Kampuni ya Tanga Cement

Tumekagua hesabu za Kampuni ya Tanga Cement zilizoko kwenye ukurasa wa 49 hadi wa 55. Taarifa za hesabu zinalingana na kumbukumbu za uhasibu, na tumepata taarifa na maelezo yote tuliyoamini kuwa ni muhimu kwenye ukaguzi wetu.

Wajibu wa Wakurugenzi na Wakaguzi

Wakurugenzi wa kampuni wanawajibika na taarifa za fedha. Wajibu wetu ni kutoa maoni juu ya taarifa hizi yanayotokana na ukaguzi wetu.

Msingi wa Maoni

Tumefanya ukaguzi wetu kufuatana na viwango vya ukaguzi vya kimataifa. Viwango hivyo vinatuagiza kupanga na kufanya ukaguzi ili kuwa na uhakika kuwa taarifa za fedha hazikupotoshwa. Ukaguzi hujumuisha uchunguzi na upekuzi kwa kutumia sampuli, na vielelezo vinavyothibitisha usahihi wa tarakimu zilizoonyeshwa kwenye hesabu. Pia ukaguzi unajumuisha tathimini ya makadirio na maamuzi yaliyofanywa na wakurugenzi wa Kampuni ya Tanga Cement wakati wa kuandaa taarifa za fedha na kuhakikisha kuwa sera za uhasibu ni sahihi katika

mazingira ya kampuni husika, na sera hizo zimekuwa zikitumika kila mwaka mfululizo na kuwekwa bayana kwenye taarifa za fedha.

Maoni

Kwa maoni yetu hesabu hizi zinaonyesha hali halisi ya fedha ya kampuni, pamoja na faida iliyopatikana na mtiririko wa fedha kwa kipindi cha mwaka ulioishia tarehere 31 Desemba 2005 kufuatana na matakwa ya viwango vya kimataifa vya taarifa za fedha na zinaandana na matakwa ya sheria ya makampuni (CAP 212).

Wakaguzi Walioidhinishwa
Dar es Salaam

17 Februari 2006



Income Statement

for the year ended 31 December 2005

	Notes	2005 Tzs' 000	2004 Tzs' 000
Revenue		67,022,750	54,352,098
Cost of sales	2	(37,605,242)	(25,366,956)
Distribution costs		<u>(12,484,735)</u>	<u>(14,085,498)</u>
Gross profit		16,932,773	14,899,644
Other operating income	4	151,946	78,451
Selling and administrative expenses	5	(5,456,374)	(4,482,240)
Depreciation and amortization	10 & 11	<u>(1,067,984)</u>	<u>(1,108,181)</u>
Profit from operations	6	10,560,361	9,387,674
Share of profit of associates	8	317,015	242,751
Finance cost	7	<u>(349,342)</u>	<u>(244,821)</u>
Profit before tax		10,528,034	9,385,604
Income tax expense	9	<u>(3,294,993)</u>	<u>(2,868,645)</u>
Profit for the year		<u>7,233,041</u>	<u>6,516,959</u>
Basic earnings per share (Tzs)	12	114	102

The notes on pages 56 to 78 form part of these annual financial statements. Auditors' report on page 46.

Taarifa ya Mapato

mwaka wa fedha uishao 31 Desemba 2005

	Kumbukumbu za pembeni	2005 Tzs' 000	2004 Tzs' 000
Mapato		67,022,750	54,352,098
Gharama za mauzo		(37,605,242)	(25,366,956)
Gharama za usambazaji	2	<u>(12,484,735)</u>	<u>(14,085,498)</u>
Faida Ghafi		16,932,773	14,899,644
Mapato mengineyo	4	151,946	78,451
Gharama za mauzo na utawala	5	(5,456,374)	(4,482,240)
Gharama za uchakavu wa mali	10 & 11	<u>(1,067,984)</u>	<u>(1,108,181)</u>
Faida ya biashara	6	10,560,361	9,387,674
Gawio la faida kutoka kampuni shiriki	8	317,015	242,751
Gharama za usimamizi wa fedha	7	<u>(349,342)</u>	<u>(244,821)</u>
Faida kabla ya kodi		10,528,034	9,385,604
Kodi ya mapato	9	<u>(3,294,993)</u>	<u>(2,868,645)</u>
Faida baada ya kodi		<u>7,233,041</u>	<u>6,516,959</u>
Pato kwa kila hisa (Tzs)	12	114	102

Maelezo ya hesabu yaliyoonyeshwa ukurasa wa 56 hadi 78 ni sehemu ya hesabu hizi.
Taarifa ya Wakaguzi Huru wa Hesabu ipo ukurasa wa 47.



Balance Sheet

as at 31 December 2005

ASSETS	Notes	2005 Tzs'000	2004 Tzs'000
Non-current assets			
Property, plant and equipment	10	21,615,081	10,093,875
Intangible asset	11	159,349	199,187
Employees' Share Trust	13	282,761	282,761
Investment in associates	14	418,246	272,231
		<u>22,475,437</u>	<u>10,848,054</u>
Current assets			
Inventories	15	9,941,203	7,994,245
Trade and other receivables	16	5,089,093	5,902,827
Cash and cash equivalents	17	1,082,962	2,280,682
		<u>16,113,258</u>	<u>16,177,754</u>
TOTAL ASSETS		<u>38,588,695</u>	<u>27,025,808</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	1,273,421	1,273,421
Non-distributable reserves		3,241,741	3,414,492
Retained earnings		20,095,220	15,855,775
		<u>24,610,382</u>	<u>20,543,688</u>
Non-current liabilities			
Provision for site restoration	19	41,441	37,440
Deferred tax provision	9	3,512,336	2,197,635
		<u>3,553,777</u>	<u>2,235,075</u>
Current liabilities			
Bank overdraft	17 & 25	3,126,082	53,924
Trade and other payables	20	6,680,132	3,940,180
Taxation payable	21	618,322	252,941
		<u>10,424,536</u>	<u>4,247,045</u>
Total equity and liabilities		<u>38,588,695</u>	<u>27,025,808</u>

These financial statements were approved by the Board of Directors on 17 February 2006 and signed on its behalf by:

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iL
:

Dave King
Chairman

Flühmann

Jürg Flühmann
Managing Director

The notes on pages 56 to 78 form part of these financial statements. Auditors' report on page 46.

Mizania ya Kampuni

kwa mwaka wa fedha ulioshia tarehe 31 Desemba 2005

MALI	Kumbukumbu za pembeni	2005 Tzs'000	2004 Tzs'000
Mali za muda mrefu			
Mali ya kudumu	10	21,615,081	10,093,875
Mali isiyoshikika	11	159,349	199,187
Mfuko wa hisa za wanafanyakazi	13	282,761	282,761
Vitega uchumi katika kampuni shiriki	14	418,246	272,231
		<u>22,475,437</u>	<u>10,848,054</u>
Mali za muda mfupi			
Mali ghafi	15	9,941,203	7,994,245
Wadaiwa	16	5,089,093	5,902,827
Fedha taslimu na viashiria fedha	17	1,082,962	2,280,682
		<u>16,113,258</u>	<u>16,177,754</u>
JUMLA YA MALI		<u>38,588,695</u>	<u>27,025,808</u>
MTAJI NA DHIMA			
Mtaji na Hazina ya Mapato			
Mtaji wa hisa	18	1,273,421	1,273,421
Hazina isiyogawiwa		3,241,741	3,414,492
Limbikizo la faida		20,095,220	15,855,775
		<u>24,610,382</u>	<u>20,543,688</u>
Dhima ya muda mrefu			
Tengo la gharama za kukarabati eneo	19	41,441	37,440
Kodi iliyoahirishwa	9	3,512,336	2,197,635
		<u>3,553,777</u>	<u>2,235,075</u>
Dhima ya muda mfupi			
Mkopo wa benki	17 & 25	3,126,082	53,924
Wadai na madai mengine	20	6,680,132	3,940,180
Madai ya kodi	21	618,322	252,941
		<u>10,424,536</u>	<u>4,247,045</u>
Jumla Ya Mtaji Na Dhima		<u>38,588,695</u>	<u>27,025,808</u>

Bodi ya Wakurugenzi imeidhinisha taarifa ya mahesabu tarehe 17 February 2006 na kutiwa saini kwa niaba ya Bodi na:

·
:
: 
Dave King
Mwenyekiti


Jürg Flühmann
Mkurugenzi Mtendaji



Cash Flow Statement

for the year ended 31 December 2005

	Notes	2005 Tzs'000	2004 Tzs'000
CASHFLOW FROM OPERATING ACTIVITIES			
Cash generated from operating activities	22a	12,916,184	7,825,214
Dividends received	8	171,000	160,000
Income taxes paid	21	(1,540,875)	(3,641,965)
Ordinary dividends paid	22b	(3,240,383)	(6,812,800)
Net cash generated from / (used in) operations		<u>8,305,926</u>	<u>(2,469,551)</u>
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of plant and equipment		45,038	1,155
Purchase of plant and equipment		(12,620,842)	(1,633,938)
Purchase of intangible assets		-	(239,025)
Net cash flow from investing activities		<u>(12,575,804)</u>	<u>(1,871,808)</u>
FINANCING ACTIVITIES			
Employees' Share Trust		-	575,905
Net cash flow from financing activities		<u>-</u>	<u>575,905</u>
Decrease in cash and cash equivalents		(4,269,878)	(3,765,454)
Cash and cash equivalents at the beginning of the year		2,226,758	5,992,212
Cash and cash equivalents at the end of the year	17	<u>(2,043,120)</u>	<u>2,226,758</u>

The notes on pages 56 to 78 form part of these annual financial statements. Auditors' report on page 46.

Mtiririko wa Fedha

kwa mwaka ulioshia 31 Desemba 2005

	Kielelezo	2005 Tzs'000	2004 Tzs'000
Mtiririko wa fedha kutoka shughuli za kawaida	22a	12,916,184	7,825,214
Gawio lilopokelewa	8	171,000	160,000
Kodi ya mapato iliyolipwa	21	(1,540,875)	(3,641,965)
Gawio lililolipwa	22b	(3,240,383)	(6,812,800)
Fedha iliyopatikana nashughuli za uendeshaji		<u>8,305,926</u>	<u>(2,469,551)</u>
SHUGHULI ZA VITEGA UCHUMI			
Uuzaji wa mali za kudummu		45,038	1,155
Ununuzi wa mali za kudummu		(12,620,842)	(1,633,938)
Ununuzi wa mali isiyoshikika		-	(239,025)
Fedha halisi kwenye shughuli za vitega uchumi		<u>(12,575,804)</u>	<u>(1,871,808)</u>
SHUGHULI ZA MITAJI			
Mfuko wa hisa kwa wafanyakazi		-	575,905
Fedha halisi kwenye shughuli za mitaji		<u>-</u>	<u>575,905</u>
Jumla ya zalisho la fedha kwa kipindi husika		(4,269,878)	(3,765,454)
Fedha na kilinganisho cha fedha mwanzo wa kipindi		2,226,758	5,992,212
Fedha na kilinganisho cha fedha mwisho wa kipindi	17	<u>(2,043,120)</u>	<u>2,226,758</u>

Maelezo ya hesabu yaliyoonyeshwa ukurasa wa 56 hadi 78 ni sehemu ya hesabu hizi. Taarifa ya wakaguzi wahesabu ipo ukurasa 47.

Statement of Changes in Equity

for the year ended 31 December 2005

	Share Capital	Non-Distributable Reserves	Distributable Reserves	Total
	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Balance as at 1 January 2004	1,273,421	3,572,078	15,928,826	20,774,325
Dividends paid	-	-	(6,812,800)	(6,812,800)
Profit for the year	-	-	6,516,959	6,516,959
Transfer from deferred taxation	-	65,204	-	65,204
Transfers	-	(222,790)	222,790	-
Balance at 31 December 2004	<u>1,273,421</u>	<u>3,414,492</u>	<u>15,855,775</u>	<u>20,543,688</u>
Balance as at 1 January 2005	1,273,421	3,414,492	15,855,775	20,543,688
Dividends paid	-	-	(3,240,383)	(3,240,383)
Profit for the year	-	-	7,233,041	7,233,041
Transfer from deferred taxation	-	74,036	-	74,036
Transfers	-	(246,787)	246,787	-
Balance at 31 December 2005	<u>1,273,421</u>	<u>3,241,741</u>	<u>20,095,220</u>	<u>24,610,382</u>

The notes on pages 56 to 78 form part of these annual financial statements. Auditors' report on page 46.

Taarifa ya Mabadiliko ya Mtaji

kwa mwaka unaoishia 31 Desemba 2005

	Mtaji wa Hisa	Hazina Isiyogawiwa	Limbikizo la Faida	Jumla
	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Baki 1 Januari 2004	1,273,421	3,572,078	15,928,826	20,774,325
Gawio lililolipwa	-	-	(6,812,800)	(6,812,800)
Faida ya mwaka	-	-	6,516,959	6,516,959
Hamisho toka kodi iliyoahirishwa	-	65,204	-	65,204
Hamisho	-	(222,790)	222,790	-
Baki 31 Desemba 2004	<u>1,273,421</u>	<u>3,414,492</u>	<u>15,855,775</u>	<u>20,543,688</u>
Baki 1 Januari 2005	1,273,421	3,414,492	15,855,775	20,543,688
Gawio lililolipwa	-	-	(3,240,383)	(3,240,383)
Faida ya mwaka	-	-	7,233,041	7,233,041
Hamisho toka kodi iliyoahirishwa	-	74,036	-	74,036
Hamisho	-	(246,787)	246,787	-
Baki 31 Desemba 2005	<u>1,273,421</u>	<u>3,241,741</u>	<u>20,095,220</u>	<u>24,610,382</u>



Celebrating 25 years in Tanzania

Notes to the Financial Statements

for the year ended 31 December 2005

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous year unless otherwise indicated. Where necessary, for disclosure purposes, comparative figures have been reclassified and restated.

(a) Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards. They have been prepared on the historical cost accounting basis modified to include revaluation of property, plant and equipment. No other adjustments have been made for inflationary factors affecting the statements.

(b) Adoption of Revised Accounting Standards

The accounting policies adopted are consistent with those of previous financial year except that the company adopted those new or revised standards mandatory for financial years beginning on 1 January 2005.

The changes in accounting policies result from the adoption of the following revised standards:

IAS 16 (revised) Property, plant and equipment
IAS 36 (revised) Impairment of Assets
IAS 38 (revised) Intangible Assets

The adoption of revised standards does not have any effect on equity as at 1 January 2004.

(c) Revenue Recognition

Revenue is recognized only when it is probable that the economic benefits associated with a transaction will flow to the Company and the amount of revenue can be measured reliably. Value added taxation is excluded.

Revenue arising from the sale of goods is recognized when significant risks and rewards of ownership of the goods have passed to the buyer.

Dividends are recognized when the right to receive the dividend income is established.

Interest is recognized on a time proportional basis that takes account



of the effective yield on the asset and an appropriate accrual is made at each accounting reference date.

(d) Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated into Tanzanian Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date.

Resulting exchange differences are recognised in the income statement for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of transaction.

(e) Property, Plant and Equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value.

Depreciation on property, plant and equipment is computed on a straight line basis over the estimated useful lives of the assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, plant and equipment of the Company were revalued to reflect their market value at the acquisition date by the new owners. Any excess of the value of the net assets acquired over their cost at the date of take over is described as non-distributable reserve.

An annual transfer from the non-distributable revaluation reserve to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the

Notes to the Financial Statements

income statement in the year the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each financial year end.

(f) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

(g) Provision for Site Restoration

A provision is made over the life of the quarry, for the restoration of the quarry and general upkeep of the environment surrounding the quarry. The annual charge to the income statement is based on the expected life of the quarry and is included in operating expenditure.

(h) Investments in Associates

The investments in the associates are accounted for under the equity

method. An associate is an entity in which the company has significant influence and which is neither a subsidiary nor joint venture.

Under the equity method the investment is carried in the balance sheet at cost plus post acquisition changes in the Company's share of the net assets of the associate. The income statement reflects the share of the results of operations of the associates. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The income statement reflects the share of the results of operations of the associate.

The reporting dates of the associates and the company are identical.

(i) Inventory

Inventories are valued at the lower of cost, established on a first-in-first-out basis, and net realisable value. Estimated net realisable value is the net estimated selling price in the ordinary course of the business less any costs of completion and disposals.

Cost is determined on the following basis:

- Raw materials and consumable stores are valued on a first-in-first-out basis.
- Finished goods and work in progress are valued at raw materials cost plus labour cost and appropriate portion of related fixed and variable overhead manufacturing expenses based on normal operating capacity.

(j) Trade and Other Receivables

Trade receivables which generally have 30 days terms are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

The allowance is raised when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

(k) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits

with maturity of 3 months or less, net of bank overdrafts.

(l) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

(m) Royalties

Royalties, payable to the Ministry of Energy and Minerals, included under the cost of sales, are calculated based on quantities of limestone and red soil crushed/hailed during the year under review.

(n) Impairment of Assets

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss recognised for the difference between the recoverable amount and the carrying amount.

Notes to the Financial Statements

(o) Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date. The current rate of taxation is 30%.

(p) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the

accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with the investments in associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with the investments in associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or liability settled, based on the tax rates that have been enacted at the balance sheet date.

Income tax relating to items recognised in equity is recognised in equity and not in the income statement.

(q) Value Added Tax

Revenues, expenses and assets are recognised at amounts net of value added tax except;

- where the value added tax is incurred on a purchase of assets or services is not recoverable from the taxation authority in which case the value added tax is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.
- receivables and payables are stated with the amount of VAT included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the balance sheet.

Notes to the Financial Statements

	2005	2004
	Tzs'000	Tzs'000
2 COST OF SALES		
Direct Costs		
Raw materials	(4,645,639)	(3,541,975)
Intermediary products	(20,235,687)	(14,929,990)
Factory overheads	(12,723,916)	(6,894,991)
	<u>(37,605,242)</u>	<u>(25,366,956)</u>
3 ROYALTIES		
Limestone	31,995	32,539
Red soil	2,282	4,829
	<u>34,277</u>	<u>37,368</u>
4 OTHER OPERATING INCOME		
Technical fees	152,917	55,029
Sundry income	25,481	25,473
Loss on sale of property, plant and equipment	(26,452)	(2,051)
	<u>151,946</u>	<u>78,451</u>
5 SELLING AND ADMINISTRATIVE EXPENSES		
Selling expenses	(2,092,913)	(899,603)
Administrative expenses	(3,363,461)	(3,582,637)
	<u>(5,456,374)</u>	<u>(4,482,240)</u>

6	PROFIT FROM OPERATIONS	2005	2004
		Tzs'000	Tzs'000
	Net profit from operations is after charging:		
	Auditors' remuneration:		
	Audit fees		
	-external	39,585	46,202
	-internal	-	24,313
	Directors' remuneration		
	- director's fees	36,917	57,374
	Management fees to Holcim	128,011	156,364
	Holcim Group fee	951,742	812,463
	Staff costs:		
	- Service costs	4,420,130	4,307,909
	- Defined contribution plan	580,364	476,157
	Depreciation and amortisation	<u>1,067,984</u>	<u>1,108,181</u>



Notes to the Financial Statements

	2005 Tzs'000	2004 Tzs'000
7 FINANCE COSTS		
Foreign exchange losses	<u>349,342</u>	<u>244,821</u>
8 SHARE OF PROFIT OF ASSOCIATES		
Dividends received		
- Cement Distributors (East Africa) Limited	126,000	120,000
- East African Rail Hauliers Limited	<u>45,000</u>	<u>40,000</u>
	171,000	160,000
Share of retained profits		
- Cement Distributors (East Africa) Limited	46,313	50,426
- East African Rail Hauliers Limited	<u>99,702</u>	<u>32,325</u>
	<u>146,015</u>	<u>82,751</u>
	<u>317,015</u>	<u>242,751</u>
9 TAXATION		
Normal Corporation taxation		
Current	(1,906,256)	(2,720,736)
Deferred tax charge on accelerated wear and tear	<u>(1,388,737)</u>	<u>(147,909)</u>
	<u>(3,294,993)</u>	<u>(2,868,645)</u>
Deferred taxation		
Arising on accelerated capital allowances		
Opening balance	807,519	659,610
Charge for the year	<u>1,388,737</u>	<u>147,909</u>
Closing balance	<u>2,196,256</u>	<u>807,519</u>

	2005	2004
	Tzs'000	Tzs'000
Arising on revaluation of plant and machinery		
Opening balance	1,390,116	1,455,320
Transfer to non distributable reserves	(74,036)	(65,204)
Closing balance	<u>1,316,080</u>	<u>1,390,116</u>
Total deferred taxation	<u>3,512,336</u>	<u>2,197,635</u>

Tax rate reconciliation

	%	%
Standard rate of Tanzania normal taxation	30	30
The standard rate has been affected by:		
- Expenses not deductible for tax purposes	1.78	1.64
- Tax exempt income	(0.49)	(1.05)
- Income taxed at reduced rate	-	0.01
	<u>31.29</u>	<u>30.60</u>



Notes to the Financial Statements

for the year ended 31 December 2005

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture Fittings & Equipment	Capital Work in Progress	Total
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Cost						
At 1 January 2005	2,671,393	14,698,853	910,530	770,378	1,399,161	20,450,315
Additions	315,941	10,472,497	337,205	-	1,495,199	12,620,842
Transfers	16,565	48,618	-	-	(65,183)	-
Disposals	-	-	(211,579)	-	(27,503)	(239,082)
At 31 December 2005	3,003,899	25,219,968	1,036,156	770,378	2,801,674	32,832,075
Cost	2,194,911	15,564,614	865,261	720,291	2,801,674	22,146,751
Revaluation - 1996	808,988	9,655,354	170,895	50,087	-	10,685,324
Total	3,003,899	25,219,968	1,036,156	770,378	2,801,674	32,832,075
Depreciation						
At 1 January 2005	1,606,283	7,596,984	398,637	754,536	-	10,356,440
Charge for the year	75,394	833,858	113,908	2,641	2,345	1,028,146
Disposals	-	-	(167,592)	-	-	(167,592)
At 31 December 2005	1,681,677	8,430,842	344,953	757,177	2,345	11,216,994
Net book value						
At 31 December 2005	1,322,222	16,789,126	691,203	13,201	2,799,329	21,615,081
At 31 December 2004	1,065,110	7,101,869	511,893	15,842	1,399,161	10,093,875

Information relating to property, plant and equipment:

- 1) The property, plant and equipment are used as security for facilities provided by the NBC Limited and Standard Chartered Bank Limited, refer note 25. The property, plant and equipment to the value of Tzs 1.3 billion are also security for a bank facility for Cement Distributors (East Africa) Limited that Tanga Cement Company Limited guaranteed.

- 2) The property, plant and equipment were revalued by an independent sworn appraiser in 1996.

If the property, plant and equipment were carried at cost less accumulated depreciation, the carrying amount would have amounted to Tzs16,810,473,000 (2004 Tzs 5,289,267,000).

11 INTANGIBLE ASSETS	2005 Tzs'000	2004 Tzs'000
Software		
Balance brought forward	199,187	239,025
Amortised during the period	(39,838)	(39,838)
Balance carried forward	<u>159,349</u>	<u>199,187</u>

Notes to the Financial Statements

	2005 Tzs'000	2004 Tzs'000
12 EARNINGS PER SHARE		
The calculation of basic earnings per share is based on:		
Attributable profit to ordinary shareholders	7,233,041	6,516,959
Weighted average number of ordinary shares	63,671,045	63,671,045
13 EMPLOYEES' SHARE TRUST		
Opening balance	282,761	858,666
Redemption of share	-	(256,665)
	282,761	602,001
Final dividend 2004 received	-	(235,701)
Interim dividend 2005 received	-	(83,539)
	282,761	282,761

An amount advanced to Tanga Cement Employees' Share Trust, established under a registered Trust Deed to purchase 2,983,552 shares of the total shares issued (63,671,045 shares) of Tanga Cement Company Limited (TCCL) for the benefit of TCCL employees.

The loan from TCCL to the Trust is repaid, in installments in amounts and at times that the Trust decides that the value of its assets exceed its obligations to the employees in accordance with the TCCL Employees Share Trust Rules.

Dividends received in the current year were paid directly to the employees.

14 INVESTMENT IN ASSOCIATES	2005 Tzs'000	2004 Tzs'000
Unlisted shares at cost	154,960	154,960
Share of post acquisition reserves	263,286	117,271
	<u>418,246</u>	<u>272,231</u>

- (a) The Company owns 20% of Cement Distributors (East Africa) Limited's total ordinary shares in issue. The associate's principal activity is the distribution of cement produced by Tanga Cement. A summary of financial information of Cement Distributors (East Africa) Limited is as follows:

	2005 Tzs'000	2004 Tzs'000
Share capital	102,000	102,000
Accumulated profit	802,459	283,912
Non-current liabilities	689,981	689,728
Non-current assets	41,528	1,027,085
Net current assets	1,552,912	48,555
Profit after tax	872,381	668,056

- (b) The Company owns 20% in East African Rail Hauliers Limited total ordinary shares issued. The principle activity of the associate is the rail transportation of cement manufactured by Tanga Cement Company Limited in Tanzania mainland. Summary of financial information of East African Rail Hauliers Limited is as follows:

Notes to the Financial Statements

	2005 Tzs'000	2004 Tzs'000
Share capital	659,375	659,375
Accumulated profit	673,562	58,488
Non-current liabilities	1,280,253	1,415,771
Non-current assets	2,275,655	2,515,475
Net current assets / (liabilities)	337,535	(381,841)
Profit after tax	751,969	691,291
15 INVENTORIES		
Raw materials	611,760	944,824
Semi finished and finished products	1,956,541	1,699,862
Fuels	2,290,463	455,973
Parts and consumables	5,082,439	4,893,586
	<u>9,941,203</u>	<u>7,994,245</u>
16 TRADE AND OTHER RECEIVABLES		
Accounts receivable	4,056,561	2,940,160
Prepaid expenses	750,800	1,234,051
Other receivables	281,732	1,728,616
	<u>5,089,093</u>	<u>5,902,827</u>
17 CASH AND CASH EQUIVALENTS		
Cash and bank balance	1,082,962	2,280,682
Bank overdraft	(3,126,082)	(53,924)
	<u>(2,043,120)</u>	<u>2,226,758</u>

18 SHARE CAPITAL	2005	2004
	Tzs'000	Tzs'000
Authorised		
63,671,045 Ordinary shares of Tzs 20 each	<u>1,273,421</u>	<u>1,273,421</u>
Issued and fully paid		
63,671,045 Ordinary shares of Tzs 20 each	<u>1,273,421</u>	<u>1,273,421</u>

The proportion of shareholding is as follows:

	2005	2004
	%	%
Holcim (Mauritius) Investment Holdings Limited	62.5	62.5
Tanga Cement Employee Share Trust	2.1	2.1
Tanzania General Public	35.4	35.4
	<u>100</u>	<u>100</u>

19 PROVISION FOR SITE RESTORATION

Balance brought forward	37,440	34,320
Movement during the year	4,001	3,120
Balance carried forward	<u>41,441</u>	<u>37,440</u>

This is based on the estimated net present value of cash outflows that will be required to restore the environment. The provision is assessed on an annual basis.

20 TRADE AND OTHER PAYABLES

Trade accounts payable	1,485,753	(416,183)
Freight clearing	119,006	84,656
Other payables	5,075,373	4,271,707
	<u>6,680,132</u>	<u>3,940,180</u>



Notes to the Financial Statements

21 TAXATION PAYABLE	2005 Tzs'000	2004 Tzs'000
Taxation payable brought forward	252,941	1,174,170
Payment made during the year	(1,540,875)	(3,641,965)
Current year provision - (note 9)	1,906,256	2,720,736
Taxation carried forward	<u>618,322</u>	<u>252,941</u>

22 NOTES TO THE CASH FLOW STATEMENT

22a Reconciliation of profit before tax to cash flow from operating activities		
Profit before tax, foreign exchange (losses)/ gains, interest received and interest paid.	10,560,361	9,387,674
Adjusted for:		
Depreciation and amortisation	1,067,984	1,108,181
Loss on sale of property, plant & equipment	26,452	2,051
Site restoration	4,001	3,120
Foreign exchange losses	(349,342)	(244,821)
Operating profit before working capital changes	<u>11,309,456</u>	<u>10,256,205</u>
Increase in inventory	(1,946,958)	(1,602,538)
Decrease in trade and other receivables	813,734	633,783
Decrease in trade and other payables	2,739,952	(1,462,236)
Cash generated from operating activities	<u>12,916,184</u>	<u>7,825,214</u>

22b Dividend Paid	2005 Tzs'000	2004 Tzs'000
Ordinary dividend (note 23)	<u>3,240,383</u>	<u>6,812,800</u>

23 DIVIDEND

Final dividend 2004	1,464,434	5,030,011
Interim dividend 2005	1,775,949	1,782,789
	<u>3,240,383</u>	<u>6,812,800</u>

The dividend paid is subject to appropriate withholding tax which is payable to Tanzania Revenue Authority.

24 CAPITAL COMMITMENTS

Approved but not contracted for	<u>309,693</u>	<u>597,850</u>
Approved and contracted for	<u>1,687,603</u>	<u>5,406,065</u>
Rental/ lease commitments - current	<u>102,697</u>	<u>111,338</u>



Notes to the Financial Statements

25 INTEREST BEARING LOANS AND BORROWINGS

The details of external borrowing facilities of Tanga Cement Company Limited as at the end of year are as set out below:

Name of Holder	Facility	Repayment/ Settlements terms
NBC Limited		
Overdraft (Tzs '000)	2,600,000	On demand
Standard Chartered Bank Tanzania Limited		
Overdraft (Tzs '000)	1,000,000	On demand
Letter Of Credit (USD)	1,000,000	Sight/ usage up to a maximum of 180 days

Security held by the banks

- (i) A debenture dated 28 October 1994 creating a fixed charge on all the fixed assets of the Company and a floating charge on all the current assets of Company.
- (ii) A legal mortgage dated 17 December 1994 for Tzs 830 million issued by the Company in favour of NBC Limited as a further and supplementary security for the banking facilities and covering all the factory buildings and other improvements of the Company located on the parcel of land registered under Certificate of Title No. 1802.
- (iii) Debenture charge over fixed and floating assets for Tzs 5,450 million.
- (iv) Legal mortgage charge over Title No 1802 registered in the name of Tanga Cement Factory for Tzs 1,450 million (shared pari passu with NBC Limited).

26 RELATED PARTY TRANSACTIONS

- (a) The Company sells at arm's length a major portion of its production through Cement Distributors (East Africa) Limited (CDEAL), an associate Company and charges CDEAL technical fees at an agreed rate of Tzs 400 per ton.

Transactions with the associate in the current year were as follows:

	2005 Tzs'000	2004 Tzs'000
Sales	44,027,741	24,503,710
Technical fees received	152,917	55,029

- (b) The Company utilises the railway facilities of Trans Africa Railway Corporation Tanzania Limited, through its associate East African Rail Hauliers Limited for the transportation of cement to up country markets at agreed rates.

Notes to the Financial Statements

- (c) East African Rail Hauliers Limited, a Company in which Tanga Cement Company Limited owns 20% of the issued share capital. The company commenced operations in December 2003. Its business is to provide rail services to Tanga Cement Company Limited for the transportation of cement into mainland Tanzania according to a commercial contract signed between the two parties.

Transactions with the associate in the year are as follows:

	2005 Tzs'000	2004 Tzs'000
Haulage fees	<u>1,838,076</u>	<u>1,636,540</u>

- (d) Compensation of Key Management Personnel

Short-term employee benefits	242,599	203,206
Long-term employee benefits	35,348	-
Termination benefits	-	67,133
	<u>277,947</u>	<u>270,339</u>

- (e) The Company pays fees to the ultimate holding company Holcim Limited as follows:

- (i) A fixed monthly management fee of USD 8,000 net of withholding tax. This amounted to Tzs 128,011,136 and Tzs 156,363,905 for the years 2005 and 2004 respectively.
- (ii) A group management fee is calculated at 1.5% of turnover per formula in the management contract. This amounted to Tzs 951,742,000 and Tzs 812,463,000 for the years 2005 and 2004 respectively.

Balances outstanding at the end of the year to and from related companies are as follows:

	2005 Tzs'000	2004 Tzs'000
Due from related Company		
Cement Distributors (East Africa) Limited	3,098,434	1,827,045
Due to related Companies		
Holcim Limited - Management fees	233,732	53,003
Holcim Limited - Group fees	420,519	369,274
Cement Distributors (East Africa) Limited	(83,594)	108,038
Holcim (South Africa) (Pty) Limited	343,115	627,266
	<u>913,772</u>	<u>1,157,581</u>

27 CONTINGENT LIABILITIES

- (a) (i) There are several court cases instituted against the Company by some of its ex-employees whose services ceased as part of a specific redundancy exercise. These ex-employees are claiming various termination employment benefits aggregating to over Tzs 5.3 billion.

In one of the cases, involving 53 ex employees, who are claiming Tzs 1,251,693,779, the court had ruled in the employees' favour in October 2004 but the Company appealed against the ruling and was asked to pay a security deposit of Tzs 5 billion which it also appealed against and got a ruling on stay of execution. The Court ruled on 27 January 2006 in favour of Tanga Cement Company Limited. However the employees were granted leave to appeal. The Company's legal advisors are of the opinion that Tanga Cement Company will win the appeal.

Notes to the Financial Statements

- (ii) There is also a pending litigation with Trans Africa Railway Corporation. Trans Africa Railway Corporation (TARC) was a supplier of rail wagons for cement transportation. The claims made are for underpayment of haulage charges. The total claim by TARC is Tzs 3,8billion. A provision has been made of Tzs 740 million. The Company's legal advisors are of the opinion that only USD 395,000 is a valid claim. Arbitration proceedings are currently underway and the outcome of this litigation can only be known when the case is decided.

- (b) Security granted to Cement Distributors (East Africa) Limited. The Company provided security to the value of USD 1,3 million for an NBC Limited loan taken by its associate, Cement Distributors (East Africa) Limited (CDEAL) - the liability will only crystallize in the event that CDEAL fails to repay the loan. Currently the outstanding loan balance is Tzs 693 million.

28 HOLDING COMPANY

The immediate holding company is Holcim (Mauritius) Investment Holdings Limited.

29 INCORPORATION

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

30 CURRENCY

The financial statements are presented in thousands Tanzanian Shillings (Tzs '000').

Corporate Information



Registered Office

Tanga Cement Company Limited
Pongwe Factory Area
P.O. Box 5053
Tanga
E-mail: info@simbacement.co.tz



External Auditors

Ernst & Young
Utalii House
P.O. Box 2475
Dar es Salaam



Company Secretary

Petrus Lafras Moolman
Tanga Cement Company Limited
Pongwe Factory Area
P.O. Box 5053
Tanga
Tel. +255 27 2644 500/1/2 Fax: +255 27 264 6148
E-mail: lmoolman@simbacement.co.tz



Share Registration Service Provider

3rd Floor
NSSF, Mwalimu Nyerere Pension Tower
Bibi Titi/Morogoro Road
P.O. Box 23226
Dar es Salaam



Celebrating 25 years in Tanzania

TANGA CEMENT COMPANY LIMITED

(Incorporated in the United Republic of Tanzania)

Notice to Shareholders

Notice is hereby given that the twelfth Annual General Meeting of the shareholders of Tanga Cement Company Limited will be held at Mövenpick in Dar es Salaam on Monday 15 May 2006 at 14:00 hours, for the following purposes:

1. Notice of Meeting

Notice convening the meeting be taken as read.

2. Approval of Minutes

To approve and sign the minutes of the eleventh Annual General Meeting held on 13 May 2005.

3. Financial Statements and Directors' Reports

To receive and adopt the financial statements and directors' report for the year ended 31 December 2005.

4. Dividend for the year ended 31 December 2005

To approve the declaration of the dividend for the year ended 31 December 2005.

5. Appointment of Directors

To appoint new directors to the Board.

6. Appointment of Statutory Auditors

To approve the appointment of the Statutory Auditors for the year ending 31 December 2006.

7. General

Any other business.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy so appointed need not be a member of the Company. Proxy forms are to reach the registered office of the Company not less than 48 hours before the time of holding the meeting.

By order of the Board.



Lafras Moolman
Company Secretary

17 February 2006



TANGA CEMENT COMPANY LIMITED

(Imeshirikishwa katika Jamhuri ya Muungano wa Tanzania)

Taarifa kwa Wanahisa

Taarifa inatolewa kwa wanahisa kwamba Mkutano Mkuu wa Mwaka wa kumi na mbili wa wanahisa wa Kampuni ya Tanga Cement utafanyika hoteli ya Mövenpick jijini Dar es Salaam Jumatatu tarehe 15 Mei 2006 kuanzia saa 8 mchana kwa madhumuni yafuatayo:

1. Taarifa ya Mkutano

Taarifa ya kuitisha mkutano ichukuliwe kama inavyosomeka.

2. Kupitisha Kumbukumbu

Kupitisha na kusaini kumbukumbu za Mkutano Mkuu wa Mwaka wa kumi na moja uliofanyika tarehe 13 Mei 2005.

3. Taarifa za Fedha na Ripoti za Wakurugenzi

Kupokea na kupitisha taarifa za fedha na ripoti za wakurugenzi kwa mwaka ulioishia tarehe 31 Desemba 2005.

4. Gawio kwa mwaka ulioishia tarehe 31 Desemba 2005

Kuidhinisha taarifa maalumu ya gawio kwa mwaka ulioishia tarehe 31 Desemba 2005.

5. Uchaguzi wa Wakurugenzi

Kuchagua wakurugenzi wapya wa bodi.

6. Uchaguzi wa wakaguzi wa hesabu wanaokubalika kisheria.

Kuidhinisha uchaguzi wa wakaguzi wa hesabu wanaokubalika kisheria kwa mwaka unaoishia tarehe 31 Desemba 2006.

7. Jumla.

Mengineyo.

Mwanachama yeyote anayestahili kuhudhuria na kupiga kura kwenye mkutano ana haki ya kuchagua mwakilishi au wawakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi aliyeteuliwa asiwe mtumishi wa Kampuni. Fomu za mwakilishi zifike katika ofisi za usajili za Kampuni si chini ya saa 48 kabla ya mkutano kuanza.

Kwa agizo la Bodi.



Lafras Moolman
Katibu wa Kampuni

17 Februari 2006



To:.....

The Company Secretary
Tanga Cement Company Limited
P.O. Box 5053
Tanga

Proxy Form

I/We

.....

of P.O. Box.....being a member/members of

Tanga Cement Company Limited hereby

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 Monday, 15 May 2006, at Mövenpick, Dar es Salaam, or at any adjournment thereof.

As witness my/our hand/s this

day of.....2006.

.....

(Signature/s)



Kwa:.....

Katibu wa Kampuni
Tanga Cement Company
S.L.P. 5053
Tanga

Fomu ya Mwakilishi

Mimi/ Sisi

.....

wa S.L.P.....nikiwa mwanachama/wanachama wa Kampuni ya
Tanga Cement Company Limited

Namchagua.....

wa S.L.P.....kama mwakilishi wangu/ wawakilishi /wetu kupiga kura
kwa ajili yangu/yetu na kwa niaba yangu/yetu katika Mkutano Mkuu wa Mwaka wa
Kampuni utakaofanyika siku ya Jumatatu tarehe 15 Mei 2006, katika hoteli ya Movenpick,
Dar es Salaam, au mahali popote patakapoamuliwa.

Kama shahidi saini yangu/zetu leo

Tarehe.....2006.

.....
(Saini)



Celebrating *25* years in Tanzania