### Contents

- Financial Highlights ................................................. 2
- Board of Directors and Profiles ................................. 4
- Chairman’s Statement ............................................. 8
- Managing Director’s Report ..................................... 10
- Celebrating 25 years in Tanzania ............................. 14
- Corporate Social Investments ................................. 22
- Environment ............................................................. 24
- Quality ..................................................................... 26
- Corporate Governance ............................................. 28
- Value Added Statement ............................................ 36
- Directors, Officers and Administration .................... 38
- Report of the Directors ............................................ 40
- Accounting Policies ................................................. 44
- Report of the External Auditors ............................... 46
- Income Statement .................................................. 48
- 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 Form .............................................................. 83

### Yaliyomo

- Vidokezo vya Mapato .............................................. 3
- Maelezo Mafupi kuhusu Wakurugenzi ...................... 4
- Taarifa ya Mwenyekiti wa Bodi ya Wakurugenzi ......... 9
- Taarifa ya Mkurugenzi Mtendaji .............................. 11
- Kumbukumbu za Miaka 25 .................................... 15
- Mazingira .................................................................. 24
- Ubora ....................................................................... 26
- Utawala wa Kampuni ................................................ 29
- Taarifa ya Ongezeko la Thamani ........................... 37
- Taarifa ya Wakurugenzi ......................................... 41
- Sera za Uhasibu ....................................................... 45
- Taarifa ya Wakaguzi ............................................... 47
- Taarifa ya Mapato .................................................... 49
- Mizania ya Kampuni ............................................... 51
- Mtiririko wa Fedha .................................................... 53
- Taarifa ya Mabadiliko ya Mtaji ............................... 55
- Taarifa kwa Wanahisa ............................................. 81
- Fomu ya Mwakilishi ................................................ 84
Financial Highlights

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

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.

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


Mkurungenzi Mtendaji
Jürg Flühmann (51) Raia wa Uswisi  
Mhandisi Mitambo

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.

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.

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 u佐efu wa
muda mrefu katika tasnia ya saruji.
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.

**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.

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


**Grace Rubambey** (60) Mtanzania
MA (Uchumi)

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

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 Beteljungs GmbH, and Macedonia Cementara Usje AD and has worked with Andersen in both South Africa and Bulgaria.

Company Secretary
Lafras Moolman (33) South African
B.Com. (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 Beteljungs GmbH, and Macedonia Cementara Usje AD and has worked with Andersen in both South Africa and Bulgaria.

Lafras Moolman

Katibu wa Kampuni

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

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.

**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.

Dave King  
Chairman of the Board

“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
“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**


Ongezeko la wingi wa uzalishaji halikusababisha ongezeko linalolingana katika faida kutokana na gharama za juu zilizotumika.

Utumiaji wa mawazo yaliyolesha 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 kodii kupendekezwa na hivyo Bodi imependekeza gawio la mwisho la Tzs 29 kwa kila hisa, ambalo litaleta jumla kwa mwaka kuwa Tzs 57 kwa hisa.

**Matarajio**


**Shukrani**


**Kusimamisha Usajili wa Hisa**


**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
Mwaka 2005 ulikuwa ni mwaka wenye changamoto kwa Kiwanda cha Tanga Cement kwa kuwa kupanda kwa mafuta ya fueli katika soko 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.


Mafanikio mwaka 2005
• Upanuzi wa kuwepo kwa soko letu ndani ya Tanzania, umesababisha ongezeko la asilimia 13 ya wingi wa mafuta na mawili ya fueli ya mafuta ya mawe.
• Tumefanikiwa kuelewana na chama cha Muungano wa Wafanyakazi wa Viwanda na Biashara Tanzania (TUICO) kuhusu marekebisho ya mahusiano ya Kusilimani, maonyesho ya gharama za mafuta na mabuni na mafuta ya fueli ya mawili ya mwezi, huwa na shibiti wa kusaidia Kiwanda cha Tanga Cement kuwa fahari za Tanzania.

Changamoto kwa mwaka 2006
Upunguaji wa kawaida wa gharama za uzalishaji na usambazaji umeendelea kuwa na umuhimu mkubwa kwa Kiwanda cha Tanga kubakia katika ushindani.

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


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 linaendelea kuathiri vibaya gharama za uendeshaji, Kiwanda cha Tanga Cement kitahitaji kuwekeza katika uzalishaji wa umeme wake ili kujihakikisha 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 kujiandibilia. Vyanzo vya kiasi cha biomasi inayotakiwa ni changamomo inayotukalii kutokana na kujisikiza na kuathiri uwezo wa upelekaji wa saruji wa kWanda cha Tanga Cement.
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.

Kuweka Jiwe la Msingi
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.
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.
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.

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 iliuza 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.
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.

- **ZAYEDESA’s Community Development Activities:**
  Tanga Cement has continued to partner with the Zanzibar Youth, Education, Environment and Development Support Association (ZAYEDESA). 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. ZAYEDESA 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.
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

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

Strategy

[Text continues]

Certificate of the OEO

[Signature]

Mazingira
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

Quality Policy

Our actions today mould the future

Policy

The quality policy of our company is to provide products and services that meet or exceed customer expectations. We are committed to continuous improvement and maintaining a high standard of quality. Our goal is to achieve customer satisfaction through the provision of safe, reliable, and efficient services. This policy is regularly reviewed and updated to ensure its effectiveness.

Objectives

- Establish a system to ensure customer satisfaction through the delivery of high-quality products and services.
- Implement and maintain a quality management system that conforms to the requirements of ISO 9001:2015.
- Regularly audit and review our quality management system to identify areas for improvement.
- Continuously improve our processes to achieve customer satisfaction.

Our company is committed to this policy and will ensure its compliance. Any changes to this policy will be communicated to all relevant stakeholders.

[Signature]

[Date]

[Company Name]
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 nafaka 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 wako chini ya sheria inayowatika kustaaful 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 mamilaka ya kuthibitisha wakurugenzi ambao wamechaguliwa kutokana na mapendekezo ya kama mara moja.

Kwa kawaida Bodi hukutana mara moja kwa katika kipindi cha miezi mitatu ama chini ya hako ili kujadili masuala yanayohitaji maamuzi ya Kampuni na wakurugenzi huko wamechaguliwa na kanuni za Kampuni. Bodi inapatikana na msingi pamoja na kupitia masuala 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.

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.

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.

Continues on page 32
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 umo chini ya uongozi wa Mkurugenzi Mtendaji, Jürg Flühmann.

Katibu wa Kampuni

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

Kamati ya Uteuzi

Wajumbe:

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

Kamati ya uteuzi imeundwa ikiwa chini ya utendaji wa kampuni. 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 unaoitajika kwa kampuni. Ili kuhakikisha kwamba lenge hilo la ina lafani ikiwa kwa 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 ya Tahadhari 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
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 uliko 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.
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 uongoziikiwa na ushauri unaohusu uboreshaji wa kampuni. 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 hii ya fedha hajachapishwa 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 uwasili ya karibu na wadau wake. Imejizatiti katika uwasili, uwasili ambao hata hivyo huchangachia shughuli zake za biashara.

Wenye hisa wanakaribishwa kuhudhiria 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*

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs'000</th>
<th>%</th>
<th>2004 Tzs'000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value added</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross turnover</td>
<td>67,022,750</td>
<td>100</td>
<td>54,352,098</td>
<td>100</td>
</tr>
<tr>
<td>Other income</td>
<td>317,015</td>
<td>33</td>
<td>321,202</td>
<td>18</td>
</tr>
<tr>
<td>Other operating expenditure</td>
<td>-49,132,060</td>
<td>18</td>
<td>-38,518,201</td>
<td>42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,207,705</strong></td>
<td>100</td>
<td><strong>16,155,099</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

| **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    |
| **Total**              | **18,207,705**| 100   | **16,155,099**| 100   |
Taarifa ya Ongezeko la Thamani
Kwa mwaka ulioisha tarehe 31 Desemba 2005

<table>
<thead>
<tr>
<th>Ongezeko la thamani</th>
<th>2005 Tzs’000</th>
<th>%</th>
<th>2004 Tzs’000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mapato ya pamoja</td>
<td>67,022,750</td>
<td>100</td>
<td>54,352,098</td>
<td>100</td>
</tr>
<tr>
<td>Mapato mengineyo</td>
<td>317,015</td>
<td>33</td>
<td>321,202</td>
<td>33</td>
</tr>
<tr>
<td>Gharama nyingine za uendeshaji</td>
<td>-49,132,060</td>
<td>18</td>
<td>-38,518,201</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td><strong>18,207,705</strong></td>
<td><strong>100</strong></td>
<td><strong>16,155,099</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Thamani iliwyogawanywa</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kwa serikali</td>
<td>3,294,993</td>
<td>18</td>
<td>2,868,645</td>
<td>18</td>
</tr>
<tr>
<td>Kwa wanahisa</td>
<td>3,240,383</td>
<td>18</td>
<td>6,812,800</td>
<td>42</td>
</tr>
<tr>
<td>Kwa wafanyakazi</td>
<td>6,015,560</td>
<td>33</td>
<td>5,416,493</td>
<td>33</td>
</tr>
<tr>
<td>Kwa wakopeshaji</td>
<td>349,342</td>
<td>2</td>
<td>244,821</td>
<td>2</td>
</tr>
<tr>
<td>Kwa upanuzi na ukuaji</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Uchakavu</td>
<td>1,067,984</td>
<td>6</td>
<td>1,108,181</td>
<td>7</td>
</tr>
<tr>
<td>- Mapato yallyobakizwa kwa Mwaka</td>
<td>-295,841</td>
<td>-2</td>
<td>-295,841</td>
<td>-2</td>
</tr>
<tr>
<td></td>
<td><strong>18,207,705</strong></td>
<td><strong>100</strong></td>
<td><strong>16,155,099</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Directors, Officers and Administration
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 Ngulum & 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

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

<table>
<thead>
<tr>
<th></th>
<th>2005 % Shareholding</th>
<th>2004 % Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holcim (Mauritius) Investment Holdings Limited</td>
<td>62.5</td>
<td>62.5</td>
</tr>
<tr>
<td>Tanzania</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Public and Institutions</td>
<td>35.4</td>
<td>35.4</td>
</tr>
<tr>
<td>Employees’ Share Trust</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. D. J. King (Chairman)</td>
<td>South African</td>
</tr>
<tr>
<td>Mr. J. Flühmann (Managing Director)</td>
<td>Swiss</td>
</tr>
<tr>
<td>Mrs. M. S. Maajar</td>
<td>Tanzanian</td>
</tr>
<tr>
<td>Mr. K. Meissner-Roloff</td>
<td>South African</td>
</tr>
<tr>
<td>Prof. S. M. Wangwe</td>
<td>Tanzanian</td>
</tr>
</tbody>
</table>

Continues on page 42
Taarifa ya Wakurugenzi
kwa mwaka wa fedha ulioshia tarehe 31 Desemba 2005

Wakurugenzi wanayo furaha kutoa taarifa pamoja na mahesabu yaliokaguliwa na wakaguzi kwa mwaka wa fedha ulioshia 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.

Matooke
Utendaji wa Tanga Cement Company kwa mwaka huu uumeonyeshwa 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

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:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>% ya umiliki</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holcim (Mauritius) Investment</td>
<td>62.5</td>
<td>62.5</td>
</tr>
<tr>
<td>Holdings Limited</td>
<td>35.4</td>
<td>35.4</td>
</tr>
<tr>
<td>Umma wa Watanzania, na taasisi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mfuko wa</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Wafanyakazi wa kununua Hisa</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Inaendelea uk. 43
Report of the Directors

Mr. K. Omar  
Mrs. G. Rubambey

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 | Uraia
---|---
D.J. King (Mwenyekiti) | Afrika ya Kusini
J. Flühmann (Mkurugenzi Mtendaji) | Mswisi
M.S. Maajar | Afrika ya Kusini
K. Meisser-Roloff | Mtanzania
G. Rubambey | Afrika ya Kusini
K. M. Omar | Mtanzania
S.M. Wangwe | 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 mwaka.

Wakurugenzi wanathibitisha kwamba sera za kiuhashibu zimetumika mfululizo, isipokuwa pale ambapo maelezo rasmi yametolewa, na pale ambapo mantiki hii ya fedha kwa mwaka uliosha 31 Desemba 2005. Wakurugenzi wanathibitisha tena kwamba viwango vinawango 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 umeweka kuweka kutoa mantiki inayokubaliwa 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.

Wakurugenzi wanathibitisha kwamba sera za kiuhashibu zimetumika mfululizo, isipokuwa pale ambapo maelezo rasmi yametolewa, na pale ambapo mantiki hii ya fedha kwa mwaka uliosha 31 Desemba 2005. Wakurugenzi wanathibitisha tena kwamba viwango vinavyokubaliwa vimefuatwa na taarifa hii ya fedha imetengenezwa kwa kuzingatia dhana ya uhai wa biashara.
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 Jürg Flühmann
Chairman 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 iliykwisha 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.

Uhora
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 - 327).

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
Jürg Flühmann

Mwenyekiti
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
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 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 vilelezo vinavyotibitisha 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 zikutumika kila mwaka mfululizo na kuwekwa bayana kwenye taarifa za fedha.

Maoni
Kwa maoni yetu hesabu hizi zinaonyesha halalisi ya fedha ya kampuni, pamoja na faida iliyopakatiwa na mtiririko wa fedha kwa kipindi cha mwaka ulioisha tarehe 31 Desemba 2005 kufuatana na matakwa ya viwango vya kimataifa vya taarifa za fedha na zinaendana 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

<table>
<thead>
<tr>
<th>Notes</th>
<th>2005 Tzs' 000</th>
<th>2004 Tzs' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>2</td>
<td>(37,605,242)</td>
</tr>
<tr>
<td>Distribution costs</td>
<td></td>
<td>(12,484,735)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>4</td>
<td>151,946</td>
</tr>
<tr>
<td>Selling and administrative expenses</td>
<td>5</td>
<td>(5,456,374)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>10 &amp; 11</td>
<td>(1,067,984)</td>
</tr>
<tr>
<td><strong>Profit from operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of profit of associates</td>
<td>8</td>
<td>317,015</td>
</tr>
<tr>
<td>Finance cost</td>
<td>7</td>
<td>(349,342)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>9</td>
<td>(3,294,993)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share (Tzs)</td>
<td>12</td>
<td>114</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Kumbukumbu za pembeni</th>
<th>2005 Tzs’000</th>
<th>2004 Tzs’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mapato</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gharama za mauzo</td>
<td>(37,605,242)</td>
<td>(25,366,956)</td>
</tr>
<tr>
<td>Gharama za usambazaji</td>
<td>(12,484,735)</td>
<td>(14,085,498)</td>
</tr>
<tr>
<td><strong>Faida Ghafi</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mapato mengineyo</td>
<td>16,932,773</td>
<td>14,899,644</td>
</tr>
<tr>
<td>Gharama za mauzo na utawala</td>
<td>(5,456,374)</td>
<td>(4,482,240)</td>
</tr>
<tr>
<td>Gharama za uchakavu wa mali</td>
<td>(1,067,984)</td>
<td>(1,108,181)</td>
</tr>
<tr>
<td><strong>Faida ya biashara</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gawio la faida kutoka kampuni shiriki</td>
<td>10,560,361</td>
<td>9,387,674</td>
</tr>
<tr>
<td>Gharama za usimamizi wa fedha</td>
<td>(349,342)</td>
<td>(244,821)</td>
</tr>
<tr>
<td><strong>Faida kabla ya kodi</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kodi ya mapato</td>
<td>(3,294,993)</td>
<td>(2,868,645)</td>
</tr>
<tr>
<td><strong>Faida baada ya kodi</strong></td>
<td>7,233,041</td>
<td>6,516,959</td>
</tr>
<tr>
<td>Pato kwa kila hisa (Tzs)</td>
<td>114</td>
<td>102</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Notes</th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>10</td>
<td>21,615,081</td>
<td>10,093,875</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>11</td>
<td>159,349</td>
<td>199,187</td>
</tr>
<tr>
<td>Employees' Share Trust</td>
<td>13</td>
<td>282,761</td>
<td>282,761</td>
</tr>
<tr>
<td>Investment in associates</td>
<td>14</td>
<td>418,246</td>
<td>272,231</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22,475,437</td>
<td>10,848,054</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>15</td>
<td>9,941,203</td>
<td>7,994,245</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>16</td>
<td>5,089,093</td>
<td>5,902,827</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>17</td>
<td>1,082,962</td>
<td>2,280,682</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16,113,258</td>
<td>16,177,754</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>38,588,695</td>
<td>27,025,808</td>
</tr>
</tbody>
</table>

| 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   |
|                            |       | 24,610,382   | 20,543,688   |
| Non-current liabilities    |       |              |              |
| Provision for site restoration | 19 | 41,441       | 37,440       |
| Deferred tax provision     | 9     | 3,512,336    | 2,197,635    |
|                            |       | 3,553,777    | 2,235,075    |
| 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      |
|                            |       | 10,424,536   | 4,247,045    |
| **Total equity and liabilities** | | 38,588,695 | 27,025,808 |

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

Dave King
Chairman

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

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mali za muda mrefu</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mali ya kudumu</td>
<td>10</td>
<td>21,615,081</td>
</tr>
<tr>
<td>Mali isiyoshikika</td>
<td>11</td>
<td>159,349</td>
</tr>
<tr>
<td>Mfuko wa hisa za wanafanyakazi</td>
<td>13</td>
<td>282,761</td>
</tr>
<tr>
<td>Vitega uchumi katika kampuni shiriki</td>
<td>14</td>
<td>418,246</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22,475,437</td>
</tr>
<tr>
<td><strong>Mali za muda mfupi</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mali ghafi</td>
<td>15</td>
<td>9,941,203</td>
</tr>
<tr>
<td>Wadaïwa</td>
<td>16</td>
<td>5,089,093</td>
</tr>
<tr>
<td>Fedha taslimu na viashiria fedha</td>
<td>17</td>
<td>1,082,962</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16,113,258</td>
</tr>
<tr>
<td><strong>JUMLA YA MALI</strong></td>
<td><strong>38,588,695</strong></td>
<td><strong>27,025,808</strong></td>
</tr>
</tbody>
</table>

### MTAJI NA DHIMA

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mtaji na Hazina ya Mapato</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mtaji wa hisa</td>
<td>18</td>
<td>1,273,421</td>
</tr>
<tr>
<td>Hazina isiyogawiwa</td>
<td>3,241,741</td>
<td>3,414,492</td>
</tr>
<tr>
<td>Limbikizo la faida</td>
<td>20,095,220</td>
<td>15,855,775</td>
</tr>
<tr>
<td></td>
<td><strong>24,610,382</strong></td>
<td><strong>20,543,688</strong></td>
</tr>
<tr>
<td><strong>Dhima ya muda mrefu</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tengo la gharama za kukarabati eneo 19</td>
<td>41,441</td>
<td>37,440</td>
</tr>
<tr>
<td>Kodi ilioohirishwa</td>
<td>3,512,336</td>
<td>2,197,635</td>
</tr>
<tr>
<td></td>
<td><strong>3,553,777</strong></td>
<td><strong>2,235,075</strong></td>
</tr>
<tr>
<td><strong>Dhima ya muda mfupi</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mkopo wa benki</td>
<td>17 &amp; 25</td>
<td>3,126,082</td>
</tr>
<tr>
<td>Wadai na madai mengine</td>
<td>20</td>
<td>6,680,132</td>
</tr>
<tr>
<td>Madai ya kodi</td>
<td>21</td>
<td>618,322</td>
</tr>
<tr>
<td></td>
<td><strong>10,424,536</strong></td>
<td><strong>4,247,045</strong></td>
</tr>
<tr>
<td><strong>Jumla Ya Mtaji Na Dhima</strong></td>
<td><strong>38,588,695</strong></td>
<td><strong>27,025,808</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Notes</th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,916,184</td>
<td>7,825,214</td>
</tr>
<tr>
<td></td>
<td>171,000</td>
<td>160,000</td>
</tr>
<tr>
<td></td>
<td>(1,540,875)</td>
<td>(3,641,965)</td>
</tr>
<tr>
<td></td>
<td>(3,240,383)</td>
<td>(6,812,800)</td>
</tr>
<tr>
<td>Net cash generated from / (used in) operations</td>
<td>8,305,926</td>
<td>(2,469,351)</td>
</tr>
<tr>
<td></td>
<td>45,038</td>
<td>(1,633,938)</td>
</tr>
<tr>
<td></td>
<td>(1,155)</td>
<td>(1,871,808)</td>
</tr>
<tr>
<td>Net cash flow from investing activities</td>
<td>(12,575,804)</td>
<td>(1,871,808)</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>-</td>
<td>575,905</td>
</tr>
<tr>
<td></td>
<td>(4,269,878)</td>
<td>(3,765,454)</td>
</tr>
<tr>
<td>Decrease in cash and cash equivalents</td>
<td>(2,226,758)</td>
<td>5,992,212</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>(2,043,120)</td>
<td>2,226,758</td>
</tr>
</tbody>
</table>

The notes on pages 56 to 78 form part of these annual financial statements. Auditors' report on page 46.
Mtiririko wa Fedha
kwa mwaka uliosha 31 Desemba 2005

<table>
<thead>
<tr>
<th>Kielelezo</th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mtiririko wa fedha kutoka shughuli za kawaida</td>
<td>12,916,184</td>
<td>7,825,214</td>
</tr>
<tr>
<td>Gawio lilopokelewa</td>
<td>171,000</td>
<td>160,000</td>
</tr>
<tr>
<td>Kodi ya mapato iliyo lipwa</td>
<td>(1,540,875)</td>
<td>(3,641,965)</td>
</tr>
<tr>
<td>Gawio iliili lipwa</td>
<td>(3,240,383)</td>
<td>(6,812,800)</td>
</tr>
<tr>
<td>Fedha iliyo patikana nashughuli za uendeshaji</td>
<td>8,305,926</td>
<td>(2,469,551)</td>
</tr>
</tbody>
</table>

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 | (12,575,804) | (1,871,808) |

SHUGHULI ZA MITAJI

| Mfuko wa hisa kwa wafanyakazi | - | 575,905 |
| Fedha halisi kwenye shughuli za mitaji | - | 575,905 |
| 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 | (2,043,120) | 2,226,758 |

Maelezo ya hesabu yaliyoonyeshwa ukuraswa wa 56 hadi 78 ni sehemu ya hesabu hizi. Taarifa ya wakaguzi wahesabu ipo ukuraswa 47.
## Statement of Changes in Equity

for the year ended 31 December 2005

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

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 unaoshia 31 Desemba 2005

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

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw materials</td>
<td>(4,645,639)</td>
<td>(3,541,975)</td>
</tr>
<tr>
<td>Intermediary products</td>
<td>(20,235,687)</td>
<td>(14,929,990)</td>
</tr>
<tr>
<td>Factory overheads</td>
<td>(12,723,916)</td>
<td>(6,894,991)</td>
</tr>
<tr>
<td></td>
<td><strong>(37,605,242)</strong></td>
<td><strong>(25,366,956)</strong></td>
</tr>
</tbody>
</table>

3 ROYALTIES

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limestone</td>
<td>31,995</td>
<td>32,539</td>
</tr>
<tr>
<td>Red soil</td>
<td>2,282</td>
<td>4,829</td>
</tr>
<tr>
<td></td>
<td><strong>34,277</strong></td>
<td><strong>37,368</strong></td>
</tr>
</tbody>
</table>

4 OTHER OPERATING INCOME

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical fees</td>
<td>152,917</td>
<td>55,029</td>
</tr>
<tr>
<td>Sundry income</td>
<td>25,481</td>
<td>25,473</td>
</tr>
<tr>
<td>Loss on sale of property, plant and equipment</td>
<td>(26,452)</td>
<td>(2,051)</td>
</tr>
<tr>
<td></td>
<td><strong>151,946</strong></td>
<td><strong>78,451</strong></td>
</tr>
</tbody>
</table>

5 SELLING AND ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling expenses</td>
<td>(2,092,913)</td>
<td>(899,603)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(3,363,461)</td>
<td>(3,582,637)</td>
</tr>
<tr>
<td></td>
<td><strong>(5,456,374)</strong></td>
<td><strong>(4,482,240)</strong></td>
</tr>
</tbody>
</table>
### PROFIT FROM OPERATIONS

Net profit from operations is after charging:

<table>
<thead>
<tr>
<th>Auditors’ remuneration:</th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- external</td>
<td>39,585</td>
<td>46,202</td>
</tr>
<tr>
<td>- internal</td>
<td>-</td>
<td>24,313</td>
</tr>
<tr>
<td>Directors’ remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- director’s fees</td>
<td>36,917</td>
<td>57,374</td>
</tr>
<tr>
<td>Management fees to Holcim</td>
<td>128,011</td>
<td>156,364</td>
</tr>
<tr>
<td>Holcim Group fee</td>
<td>951,742</td>
<td>812,463</td>
</tr>
<tr>
<td>Staff costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Service costs</td>
<td>4,420,130</td>
<td>4,307,909</td>
</tr>
<tr>
<td>- Defined contribution plan</td>
<td>580,364</td>
<td>476,157</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>1,067,984</td>
<td>1,108,181</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements

7  **FINANCE COSTS**

Foreign exchange losses 349,342 244,821

8  **SHARE OF PROFIT OF ASSOCIATES**

Dividends received
- Cement Distributors (East Africa) Limited 126,000 120,000
- East African Rail Hauliers Limited 45,000 40,000
- Total 171,000 160,000

Share of retained profits
- Cement Distributors (East Africa) Limited 46,313 50,426
- East African Rail Hauliers Limited 99,702 32,325
- Total 146,015 82,751

9  **TAXATION**

Normal Corporation taxation
Current (1,906,256) (2,720,736)
Deferred tax charge on accelerated wear and tear (1,388,737) (147,909)
- Total (3,294,993) (2,868,645)

**Deferred taxation**

**Arising on accelerated capital allowances**

Opening balance 807,519 659,610
Charge for the year 1,388,737 147,909
Closing balance 2,196,256 807,519
## Notes to the Financial Statements

### Arising on revaluation of plant and machinery

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>1,390,116</td>
<td>1,455,320</td>
</tr>
<tr>
<td>Transfer to non distributable reserves</td>
<td>(74,036)</td>
<td>(65,204)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>1,316,080</td>
<td>1,390,116</td>
</tr>
</tbody>
</table>

**Total deferred taxation**

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,512,336</td>
<td>2,197,635</td>
</tr>
</tbody>
</table>

### Tax rate reconciliation

**Standard rate of Tanzania normal taxation**

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

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

**Total**

|                      | 31.29 | 30.60 |
Notes to the Financial Statements
for the year ended 31 December 2005

10 PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>Leasehold Land and Buildings</th>
<th>Plant and Machinery</th>
<th>Motor Vehicles</th>
<th>Furniture Fittings &amp; Equipment</th>
<th>Capital Work in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tzs'000</td>
<td>Tzs'000</td>
<td>Tzs'000</td>
<td>Tzs'000</td>
<td>Tzs'000</td>
<td>Tzs'000</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2005</td>
<td>2,671,393</td>
<td>14,698,853</td>
<td>910,530</td>
<td>770,378</td>
<td>1,399,161</td>
<td>20,450,315</td>
</tr>
<tr>
<td>Additions</td>
<td>315,941</td>
<td>10,472,497</td>
<td>337,205</td>
<td>-</td>
<td>1,495,199</td>
<td>12,620,842</td>
</tr>
<tr>
<td>Transfers</td>
<td>16,565</td>
<td>48,618</td>
<td>-</td>
<td>-</td>
<td>(65,183)</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(27,503)</td>
<td>(211,579)</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2005</td>
<td>3,003,899</td>
<td>25,219,968</td>
<td>1,036,156</td>
<td>770,378</td>
<td>2,801,674</td>
<td>32,832,075</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2005</td>
<td>2,194,911</td>
<td>15,564,614</td>
<td>865,261</td>
<td>720,291</td>
<td>2,801,674</td>
<td>22,146,751</td>
</tr>
<tr>
<td>Revaluation - 1996</td>
<td>808,988</td>
<td>9,655,354</td>
<td>170,895</td>
<td>50,087</td>
<td>-</td>
<td>10,685,324</td>
</tr>
<tr>
<td>Total</td>
<td>3,003,899</td>
<td>25,219,968</td>
<td>1,036,156</td>
<td>770,378</td>
<td>2,801,674</td>
<td>32,832,075</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tzs'000</td>
<td>Tzs'000</td>
</tr>
<tr>
<td>Software</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance brought forward</td>
<td>199,187</td>
<td>239,025</td>
</tr>
<tr>
<td>Amortised during the period</td>
<td>(39,838)</td>
<td>(39,838)</td>
</tr>
<tr>
<td>Balance carried forward</td>
<td><strong>159,349</strong></td>
<td><strong>199,187</strong></td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs’000</th>
<th>2004 Tzs’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>282,761</td>
<td>858,666</td>
</tr>
<tr>
<td>Redemption of share</td>
<td>-</td>
<td>(256,665)</td>
</tr>
<tr>
<td></td>
<td>282,761</td>
<td>602,001</td>
</tr>
<tr>
<td>Final dividend 2004 received</td>
<td>-</td>
<td>(235,701)</td>
</tr>
<tr>
<td>Interim dividend 2005 received</td>
<td>-</td>
<td>(83,539)</td>
</tr>
<tr>
<td></td>
<td>282,761</td>
<td>282,761</td>
</tr>
</tbody>
</table>

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

(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:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>102,000</td>
<td>102,000</td>
</tr>
<tr>
<td>Accumulated profit</td>
<td>802,459</td>
<td>283,912</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>689,981</td>
<td>689,728</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>41,528</td>
<td>1,027,085</td>
</tr>
<tr>
<td>Net current assets</td>
<td>1,552,912</td>
<td>48,555</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>872,381</td>
<td>668,056</td>
</tr>
</tbody>
</table>

(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:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted shares at cost</td>
<td>154,960</td>
<td>154,960</td>
</tr>
<tr>
<td>Share of post acquisition reserves</td>
<td>263,286</td>
<td>117,271</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>418,246</strong></td>
<td><strong>272,231</strong></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>659,375</td>
<td>659,375</td>
</tr>
<tr>
<td>Accumulated profit</td>
<td>673,562</td>
<td>58,488</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>1,280,253</td>
<td>1,415,771</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>2,275,655</td>
<td>2,515,475</td>
</tr>
<tr>
<td>Net current assets / (liabilities)</td>
<td>337,535</td>
<td>(381,841)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>751,969</td>
<td>691,291</td>
</tr>
</tbody>
</table>

15 INVENTORIES

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>611,760</td>
<td>944,824</td>
</tr>
<tr>
<td>Semi finished and finished products</td>
<td>1,956,541</td>
<td>1,699,862</td>
</tr>
<tr>
<td>Fuels</td>
<td>2,290,463</td>
<td>455,973</td>
</tr>
<tr>
<td>Parts and consumables</td>
<td>5,082,439</td>
<td>4,893,586</td>
</tr>
<tr>
<td></td>
<td><strong>9,941,203</strong></td>
<td><strong>7,994,245</strong></td>
</tr>
</tbody>
</table>

16 TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>4,056,561</td>
<td>2,940,160</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>750,800</td>
<td>1,234,051</td>
</tr>
<tr>
<td>Other receivables</td>
<td>281,732</td>
<td>1,728,616</td>
</tr>
<tr>
<td></td>
<td><strong>5,089,093</strong></td>
<td><strong>5,902,827</strong></td>
</tr>
</tbody>
</table>

17 CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balance</td>
<td>1,082,962</td>
<td>2,280,682</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(3,126,082)</td>
<td>(53,924)</td>
</tr>
<tr>
<td></td>
<td><strong>(2,043,120)</strong></td>
<td><strong>2,226,758</strong></td>
</tr>
</tbody>
</table>
18 SHARE CAPITAL

Authorised
63,671,045 Ordinary shares of Tzs 20 each

Issued and fully paid
63,671,045 Ordinary shares of Tzs 20 each

The proportion of shareholding is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holcim (Mauritius) Investment Holdings Limited</td>
<td>62.5%</td>
<td>62.5%</td>
</tr>
<tr>
<td>Tanga Cement Employee Share Trust</td>
<td>2.1%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Tanzania General Public</td>
<td>35.4%</td>
<td>35.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

19 PROVISION FOR SITE RESTORATION

Balance brought forward
Movement during the year
Balance carried forward

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

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts payable</td>
<td>1,485,753</td>
<td>(416,183)</td>
</tr>
<tr>
<td>Freight clearing</td>
<td>119,006</td>
<td>84,656</td>
</tr>
<tr>
<td>Other payables</td>
<td>5,075,373</td>
<td>4,271,707</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,680,132</strong></td>
<td><strong>3,940,180</strong></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements

21 TAXATION PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tzs’000</td>
<td>Tzs’000</td>
</tr>
<tr>
<td>Taxation payable brought forward</td>
<td>252,941</td>
<td>1,174,170</td>
</tr>
<tr>
<td>Payment made during the year</td>
<td>(1,540,875)</td>
<td>(3,641,965)</td>
</tr>
<tr>
<td>Current year provision - (note 9)</td>
<td>1,906,256</td>
<td>2,720,736</td>
</tr>
<tr>
<td>Taxation carried forward</td>
<td>618,322</td>
<td>252,941</td>
</tr>
</tbody>
</table>

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 11,309,456 10,256,205

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 12,916,184 7,825,214
22b Dividend Paid

Ordinary dividend (note 23) 3,240,383 6,812,800

23 DIVIDEND

Final dividend 2004 1,464,434 5,030,011
Interim dividend 2005 1,775,949 1,782,789

3,240,383 6,812,800

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

24 CAPITAL COMMITMENTS

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

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

**Security held by the banks**

1. 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.
2. 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.
3. Debenture charge over fixed and floating assets for Tzs 5,450 million.
4. 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:

<table>
<thead>
<tr>
<th></th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>44,027,741</td>
<td>24,503,710</td>
</tr>
<tr>
<td>Technical fees received</td>
<td>152,917</td>
<td>55,029</td>
</tr>
</tbody>
</table>

(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.
(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:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haulage fees</td>
<td>1,838,076</td>
<td>1,636,540</td>
</tr>
</tbody>
</table>

(d) Compensation of Key Management Personnel

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>242,599</td>
<td>203,206</td>
</tr>
<tr>
<td>Long-term employee benefits</td>
<td>35,348</td>
<td>-</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>-</td>
<td>67,133</td>
</tr>
<tr>
<td></td>
<td>277,947</td>
<td>270,339</td>
</tr>
</tbody>
</table>

(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:

<table>
<thead>
<tr>
<th>Due from related Company</th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement Distributors (East Africa) Limited</td>
<td>3,098,434</td>
<td>1,827,045</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Due to related Companies</th>
<th>2005 Tzs'000</th>
<th>2004 Tzs'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holcim Limited - Management fees</td>
<td>233,732</td>
<td>53,003</td>
</tr>
<tr>
<td>Holcim Limited - Group fees</td>
<td>420,519</td>
<td>369,274</td>
</tr>
<tr>
<td>Cement Distributors (East Africa) Limited</td>
<td>(83,594)</td>
<td>108,038</td>
</tr>
<tr>
<td>Holcim (South Africa) (Pty) Limited</td>
<td>343,115</td>
<td>627,266</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>913,772</strong></td>
<td><strong>1,157,581</strong></td>
</tr>
</tbody>
</table>

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.
(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 3,8 billion. 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
CAD Securities Ltd
3rd Floor
NSSF, Mwalimu Nyerere Pension Tower
Bibi Titi/Morogoro Road
P.O. Box 23226
Dar es Salaam
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
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 mktutano ichukulwi kama inavysomoka.

2. Kupitia Kumbukumbu
Kupitia 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
Kupokeea na kupitia taarifa za fedha na ripoti za wakurugenzi kwa mwaka ulioishi 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 waguzi wa hesabu wanaokubalika kisheria.
Kuidhinisha uchaguzi wa waguzi wa hesabu wanaokubalika kisheria kwa mwaka unaishi 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
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)
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 shahidi saini yangu/ zetu leo

Tarehe.........................2006.

..................................................
(Saini)