



TANZANIA TEA PACKERS LIMITED



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## TANZANIA TEA PACKERS LIMITED

### CHAIRMAN'S STATEMENT FOR 2008

Yet another year has powered by and not without some very significant changes and achievements in TATEPA.

This year saw a watershed change where we took a sad but wise decision to sell our flagship subsidiary company, Chai Bora Limited. This sale propelled us to another record breaking year, reducing Group debt and netting us a healthy profit of over TShs 5 billion in the process. Your company will now concentrate on primary agriculture particularly in The Southern Highlands.

The world tea market was stronger during the period following the post-general election troubles in Kenya, and Wakulima performed well against budget though Chai Bora recorded a poorer performance with higher input costs and reduced sales in line with the economic downturn. Through Wakulima we continue to be the first Tanzanian tea producers to earn the enviable HACCP quality control accreditation, and we continue to pursue initiatives in environmental management and energy efficiencies. Looking at 2009, the problems over the Kenya elections and recent drought have had a serious impact on that country's tea industry, sending out a characteristic ripple effect at the global level, and raising tea prices once again after a downward blip in November. This of course has been bad for Kenya, but has impacted positively on our business through better world tea prices. We have also enjoyed good growing conditions in the Southern Highlands and in October His Excellency President Jakaya Mrisho Kikwete inaugurated the rehabilitated Mwakaleli factory which commenced production in March 2009.

#### Dividend

One positive consequence of the sale of Chai Bora and the good performance from Wakulima has been to allow an interim dividend of TShs 365/- per share to be paid to all shareholders. This interim dividend was paid in October 2008 and your Board recommends that this now also be the final dividend thus giving TShs 365/- for the year. It should be noted that this is not only the highest dividend ever paid but also that total dividends paid since our Public Offering in 1999 now amount to TShs 710/-, well over double the TShs 330/- purchase price in the IPO.

#### Chai Bora Limited - Sale

The decision by your Board to sell Chai Bora Limited was a sad one for management as Chai Bora was the original heart of Tatepa and our very first business. However time and pace of change waits for no man and after a superb year in 2007, profits in 2008 were trending lower and the decision was made to sell, allowing management to concentrate on its core competencies of primary agriculture and smallholder development. We are very happy to introduce the new owners of Chai Bora, Trans Century Limited, a very well respected and successful, forward



## CHAIRMAN'S STATEMENT FOR 2008 (CONTINUED)

### Chai Bora Limited - Sale (Continued)

looking Group with strong experience on the retail side. The sale went smoothly on all sides and profits for the Tatepa Group are higher this year than they would have been pre-sale. Additionally the sale allowed a very significant dividend to be paid to shareholders as discussed above. Exciting times beckon and management look forward to launching new initiatives of which more as elaborated later in this statement.

### Wakulima Tea Company Limited

The recent sale of Chai Bora Limited has allowed us to focus more directly on our core competencies of smallholder tea production and primary agriculture. As a consequence, Wakulima enjoyed a record production of 4,697 tonnes and with good world tea prices, the company met budget, and was able to pay a dividend of Tshs 600 million to our 14,000 smallholder shareholders, and embarked on the development of the Mwakaleli factory.

### Financing

The sale of Kibena Tea Limited in 2007 and now Chai Bora Limited in 2008 have both helped to reduce the overall debt of the Group. Since then a new facility in the form of a term loan of US Dollars 2 million for Wakulima Tea Company Limited was successfully negotiated with CRDB to finance the new Mwakaleli factory and this is now our only external facility. The term loan with CRDB has a one year grace period with repayments to be made in 84 monthly installments at an interest rate of Libor + 2% with a minimum of 8% per annum. The cash position of the Group is currently good and is expected to remain so during the year 2009.

### Social Responsibility

As we reported before, TATEPA has been a pioneering company in tackling HIV/AIDS in the workplace. Over this period, Wakulima committed over Tshs 27 million of its own resources to its HIV/AIDS Programmes both for the workplace and also for smallholder farmers. An additional Tshs 98 million was generated for the programme from outside donors, who have been impressed by our efforts in this area. TATEPA continues to be a member of the Aids Business Coalition of Tanzania.

### Fair Trade

Our Fair Trade credentials continue to have a strong positive impact on the business, with Fair Trade sales now accounting for 8% of all Wakulima Tea Company's business. Over the period the Rungwe Smallholder Tea Growers Association earned in excess of Tshs 200 million in social premiums paid as a result of fair-trade sales to tea drinkers in consuming countries. These premiums have resulted in significant benefits to residents of Rungwe District where primary and secondary schools, dispensaries, and water supply projects have been supported. The contribution to community built secondary schools has been particularly significant.



## CHAIRMAN'S STATEMENT FOR 2008 (CONTINUED)

### Expansion Programme: Mwakaleli Factory

This rehabilitated U.S. \$ 3 million facility was inaugurated by His Excellency The President on 9th October, 2008 and commenced production with the season in March 2009. The factory has an initial capacity of 1,500 tones per annum and will produce the highest quality tea in Tanzania. It is a very exciting and positive development both for Tatepa and for Rungwe District.

### Expansion Programme: Avocado

Our pilot project has been extremely successful and your Board believes that we can grow avocados both profitably and such that we secure an excellent 'time window' for the export market. We currently estimate this to be a US \$ 5 million project and one which should contribute to your Group profits similar to the Wakulima investment in the long term. This project also has a smallholder element and fits perfectly with our current business and our core values. This company has been registered under the name Rungwe Avocado Company Ltd and has done a first trial export.

### Expansion Programme: Hydro

Wakulima's Suma Hydro Power Project was chosen to be a UNEP pilot project for their "Greening of the Tea" program leading to significant project cost savings. A detailed consultancy is now on-going and we hope to report more progress over the coming year.

I would like once again to extend my heartfelt thanks to the management, staff and Directors of TATEPA for their hard work and dedication to the Company. I would also like to thank all our stakeholders, not least the many millions of Tanzanians who will continue to drink and enjoy Chai Bora every day with the new owners.

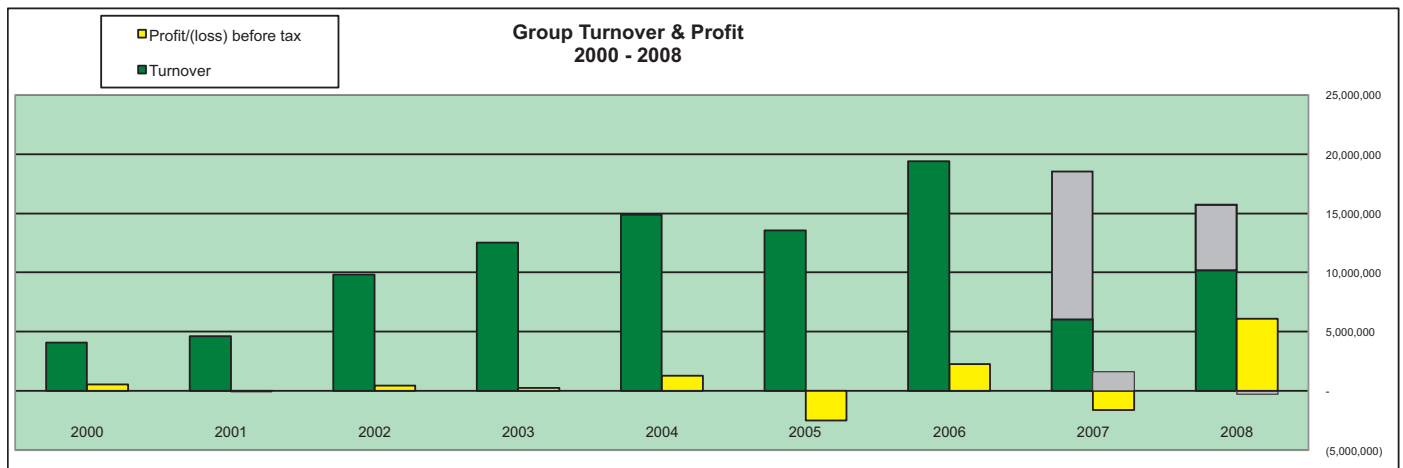
**Joseph J Mungai (MP)**  
Board Chairman



## FINANCIAL REVIEW

### For the year ended 31st December

	2008	2007	2006	2005	2004	2003	2002	2001	2000
	Group	Group	Group	Group	Group	Group	Group	Group	
	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'
Turnover - Continuing operations	10,225,170	6,041,186	19,415,363	13,549,011	14,857,485	12,545,159	9,812,547	4,641,777	4,063,466
Turnover - discontinued operations	5,391,086	12,271,844							
Group turnover	15,616,256	18,313,030	19,415,363	13,549,011	14,857,485	12,545,159	9,812,547	4,641,777	4,063,466
Profit/(Loss) Before Taxation - Continuing	6,076,985	(1,592,600)	2,255,832	(2,505,233)	1,293,792	241,214	446,871	(29,470)	552,955
Profit/(Loss) Before Taxation - Discontinued	(354,056)	2,166,350							
Group Profit/(Loss) Before Taxation	5,722,928	573,750	2,255,832	(2,505,233)	1,293,792	241,214	446,871	(29,470)	552,955
Dividends	6,517,865	1,785,717	739,372	-	-	611,212	576,312	545,040	423,920
Cash Generated From Operations	947,866	3,001,094	2,643,798	(409,088)	1,892,712	1,749,971	1,414,353	(211,979)	821,900
Net Cash from Investment activities	5,855,220	932,470	(423,398)	(357,873)	(794,121)	(1,895,491)	(1,698,220)	(1,453,874)	(93,133)
Interest Bearing Debt	3,455,102	3,391,209	7,555,821	7,850,838	8,647,876	9,202,735	7,639,039	1,683,858	-
Earnings Per Share (Tzs)	291	(40)	120	(112)	73	15	33	(4)	52
Dividends Per Share (Tzs)	365	100	45	-	-	40	40	40	40



■ Grey shading in 2007 and 2008 denotes turnover and profit if Chai Bora is included in 2007 and to point of sale in 2008.  
NB: There was no Chai Bora profit in 2008.



## TANZANIA TEA PACKERS LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2008

The Directors submit their report together with the audited financial statements for the year ended 31 December 2008, which disclose the state of affairs of Tanzania Tea Packers Limited ("TATEPA" or the "Company") and its subsidiary (together, "the Group").

#### 1. PRINCIPAL ACTIVITIES

The Group had two subsidiary companies, Wakulima Tea Company Limited, 75% (2007: 75%), and Chai Bora Limited, 100% (2007:100%) at the beginning of the year. Chai Bora Limited was disposed of on 31 July 2008 for sale proceeds in cash amounting to US\$4.969 million and a reduction of group debt and overdraft of TShs 3.0 billion. The results of Chai Bora have been included in the consolidated profit and loss account of the Group up to the date of disposal.

Wakulima Tea Company Limited undertakes growing, processing and sale of tea in the local as well as the export markets. Exports are made through Mombasa Auction as well as through private contracts. Chai Bora Limited undertakes blending, packaging and marketing of blended tea in the local market with some small export sales.

In 2008, the Company's principal activities continued to be investments and the financing of the above subsidiaries.

#### 2. DIRECTORS

The Directors of the Company at the date of this report, all of whom have served since 1 January 2008, unless otherwise stated are:

<b>Name</b>	<b>Nationality</b>	<b>Position</b>
Hon. J J Mungai (MP)	Tanzanian	(Chairman)
Mr. G C Theobald	Tanzanian	(Managing Director)
Mr. P D Rowland	British	(Member)
Mr. F Mbala	Tanzanian	(Member) Resigned on 13th June 2008
Mr. K Alexander	British	(Member)
Mr. W Erio	Tanzanian	(Member) Appointed on 13th June 2008

In accordance with the Company's Articles of Association, the directors are elected by the General Meeting, to hold office for a period of two years, after which they retire but are eligible for re-election. All the above 5 directors were appointed by the Annual General Meeting held on 14 June 2008 for a period of two years.

With the exception of two directors, the rest of the directors are non-executive. Only 2 out of 5 board members, as listed hereunder, have an interest in the issued and fully paid up shares of the Company.

	<b>Holding</b>
Hon. J.J. Mungai (MP)	1,405,594 shares
Mr. G. C. Theobald	1,138,475 shares

The disclosures of directors' emoluments are set out in note 32 to the financial statements.



## TANZANIA TEA PACKERS LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31ST DECEMBER 2008



### 3. COMPANY SHAREHOLDING

As at 31 December 2008 the Company had 1,664 shareholders. The six major shareholders are listed below:

	<b>Name</b>	<b>Nationality</b>	<b>% of Holding</b>
1	Freshfields Investments Limited	Tanzanian	54.43
2	Parastatal Pension Fund	Tanzanian	11.25
3	Hon. J. J. Mungai (MP)	Tanzanian	7.87
4	Mr. G. C. Theobald	Tanzanian	6.38
5	National Social Security Fund	Tanzanian	5.01
6	Thompson Lloyd & Ewart Limited	British	2.55
	<b>Total</b>		<b>87.49</b>

### 4. RESULTS AND DIVIDEND

	<u>2008</u> <b>Actual</b>	<u>2008</u> <b>Budgeted</b>	<u>2007</u> <b>Actual</b>
	TShs'000	TShs'000	TShs'000
<b>Company</b>			
Profit on disposal of subsidiary	5,215,581	-	558,292
Other operating profit	1,918,708	-	1,240,199
Operating profit	<u>7,134,290</u>	<u>1,275,861</u>	<u>1,798,491</u>
<b>Group</b>			
Revenue- made tea and packed tea	15,616,256	19,607,432	22,061,463
Gross profit	5,780,401	6,893,683	8,651,354
Operating profit	<u>6,371,516</u>	<u>2,476,812</u>	<u>1,054,636</u>
<b>Company (Activity)</b>			
	<b>Tons</b>	<b>Tons</b>	<b>Tons</b>
Production - Packed tea	-	-	-
Revenue – Packed tea sales	<u>-</u>	<u>-</u>	<u>-</u>
<b>Group (Activity)</b>			
Production - Made tea	4,697	4,584	6,909
Production - Packed tea	1,221	2,859	2,713
Revenue – Made tea sales	4,758	4,547	7,025
Revenue – Packed tea sales	<u>1,133</u>	<u>2,859</u>	<u>2,784</u>

**Note:** Packed tea production and sales as well as gross and operating profit figures for the group include the results of Chai Bora Limited for the period up to 31 July 2008.



## TANZANIA TEA PACKERS LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31ST DECEMBER 2008

#### 4. RESULTS AND DIVIDEND (CONTINUED)

##### OVERVIEW OF OPERATIONS

The Group's remaining business exceeded its budgeted figures on all counts. The improvement was attributed to good prices of made tea which was partly as a result of low tea production in Kenya's tea growing areas. Production also increased as a result of increased extension services in the areas where we buy tea and thus the Mwakaleli factory was refurbished to cater for this increase.

The Group budget was however not achieved because of a poorer performance in Chai Bora Limited compared with 2007. As noted above Chai Bora Limited's results were only for seven months as the company was disposed of in July 2008.

The cash position for the Group has improved significantly against budget due to better gross profit and the sale of Chai Bora Limited.

During the year the Company paid a cash dividend of TShs 365 per share (2007: Tshs 100 per share).

The Directors recommend that the dividend of TShs 365 per share, already paid for the year 2008, be treated as final dividend for the year.

##### 5. AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office as auditors and are eligible for re-appointment.

##### BY ORDER OF THE BOARD

Chairman - Joseph J Mungai (MP)

Date: 8 May 2009



## TANZANIA TEA PACKERS LIMITED



### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Tanzania Companies Act 2002 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Tanzania Companies Act 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit or loss of the group and the company in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least twelve months from the date of this statement.

**Chairman - Joseph J Mungai (MP)**

Date: 8 May 2009



## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TANZANIA TEA PACKERS LIMITED**

### **Report on the financial statements**

We have audited the accompanying financial statements of Tanzania Tea Packers Limited (the Company) and its subsidiaries (together, the Group), which comprise the balance sheets as at 31 December 2008, and the profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Directors' responsibility for the financial statements*

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Tanzanian Companies Act 2002. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

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

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

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

#### *Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 December 2008 and of their results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Tanzanian Companies Act 2002.

### **Report on other legal and regulatory requirements**

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Tanzanian Companies Act 2002 and for no other purposes.



## REPORT OF THE INDEPENDENT AUDITOR (CONTINUED) TO THE MEMBERS OF TANZANIA TEA PACKERS LIMITED

As required by the Tanzanian Companies Act 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed. There is no matter to report in respect of the foregoing requirements.

*PriceWaterhouseCoopers*  
**PRICEWATERHOUSECOOPERS** 

Certified Public Accountants  
Dar es Salaam

Signed by Leonard C Mususa

Date: *16 May 2009*



## TANZANIA TEA PACKERS LIMITED FINANCIAL STATEMENTS

### PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2008 (All amounts in TShs thousands unless otherwise stated)

	Notes	Group		Company	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Continuing operations</b>					
Revenue	5	<b>10,225,170</b>	6,041,186	-	-
(Loss)/gain arising from changes in fair value less estimated point of sale costs of biological assets	16	<b>(146,912)</b>	361,996	-	-
		<b>10,078,258</b>	6,403,182	-	-
Cost of sales	7	<b>(6,317,039)</b>	(3,794,277)	-	-
Gross profit		<b>3,761,219</b>	2,608,905	-	-
Other operating income	6	<b>217,310</b>	19,445	<b>2,255,478</b>	1,448,048
Selling and marketing costs	8	<b>(904,043)</b>	(726,020)	-	-
Administrative expenses	9	<b>(1,601,766)</b>	(887,858)	<b>(338,745)</b>	(207,849)
Profit/(loss) on disposal of subsidiary	34	<b>4,970,778</b>	(2,609,657)	<b>5,215,581</b>	558,292
Operating profit		<b>6,443,498</b>	(1,595,185)	<b>7,132,314</b>	1,798,491
Finance income		<b>1,976</b>	212,768	<b>1,976</b>	-
Finance costs		<b>(368,489)</b>	(210,181)	-	-
Finance costs – net	11	<b>(366,513)</b>	2,587	-	-
Profit/(loss) from continuing operations		<b>6,076,985</b>	(1,592,600)	<b>7,134,290</b>	1,798,491
Income tax expense	12	<b>(498,701)</b>	(371,920)	<b>(95,317)</b>	(38,885)
<b>Profit / (loss) from continuing operations after tax</b>		<b>5,578,284</b>	(1,964,520)	<b>7,038,973</b>	1,759,606
<b>Discontinued operations</b>					
(Loss) / profit from discontinued operations after tax	33	<b>(248,850)</b>	1,422,234	-	-
<b>Profit / (Loss) for the year</b>		<b>5,329,434</b>	(542,286)	<b>7,038,973</b>	1,759,606
<b>Attributable to:</b>					
Minority interests		<b>130,652</b>	169,337		
Equity holders of the Company		<b>5,198,782</b>	(711,623)		
Earnings per share attributable to the equity holders of the Company during the year (expressed in TShs per share)					
Basic	13	<b>291.43</b>	(39.85)		
Diluted	13	<b>291.43</b>	(39.85)		



**TANZANIA TEA PACKERS LIMITED  
FINANCIAL STATEMENTS**



**BALANCE SHEETS  
AS AT 31ST DECEMBER 2008  
(All amounts in TShs thousands unless otherwise stated)**

ASSETS	Notes	Group		Company	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Non-current assets</b>					
Property, plant and equipment	15	5,514,990	4,639,175	-	-
Biological assets	16	1,007,829	1,051,997	-	-
Intangible assets - trade marks		-	750	-	-
Investment in subsidiaries	17	-	-	1,826,007	1,926,009
Long term receivable	18	-	-	1,800,000	-
		<u>6,522,819</u>	<u>5,691,922</u>	<u>3,626,007</u>	<u>1,926,009</u>
<b>Current assets</b>					
Inventories	19	1,969,133	3,592,140	-	-
Trade and other receivables	20	1,780,708	3,000,972	234,634	10,159
Loan receivable	21	-	-	666,365	2,207,187
Income tax recoverable		161,308	93,568	161,308	93,568
Bank and cash balances	22	534,899	628,358	357,822	56,303
		<u>4,446,048</u>	<u>7,315,038</u>	<u>1,420,129</u>	<u>2,367,217</u>
<b>Total assets</b>		<u><b>10,968,867</b></u>	<u><b>13,006,960</b></u>	<u><b>5,046,136</b></u>	<u><b>4,293,226</b></u>
<b>EQUITY</b>					
Capital and reserves attributable to the Company's equity holders					
Share capital	30	446,429	446,429	446,429	446,429
Share premium	30	3,748,429	3,748,429	3,748,429	3,748,429
Retained earnings		649,945	1,969,028	573,114	52,006
		<u>4,844,803</u>	<u>6,163,886</u>	<u>4,767,972</u>	<u>4,246,864</u>
Minority interests		634,889	1,104,237	-	-
Total equity		<u>5,479,692</u>	<u>7,268,123</u>	<u>4,767,972</u>	<u>4,246,864</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	24	2,228,730	1,687,423	-	-
Deferred tax liability	26	279,126	318,857	-	-
Employees' gratuity	27	78,754	100,700	-	-
		<u>2,586,610</u>	<u>2,106,980</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Trade and other payables	23	1,520,139	1,701,861	278,164	34,546
Income tax payable		156,054	226,210	-	-
Borrowings	24	1,226,372	1,703,786	-	11,816
		<u>2,902,565</u>	<u>3,631,857</u>	<u>278,164</u>	<u>46,362</u>
<b>Total liabilities</b>		<u><b>5,489,175</b></u>	<u><b>5,738,837</b></u>	<u><b>278,164</b></u>	<u><b>46,362</b></u>
<b>Total equity and liabilities</b>		<u><b>10,968,867</b></u>	<u><b>13,006,960</b></u>	<u><b>5,046,136</b></u>	<u><b>4,293,226</b></u>

The Board of Directors approved the financial statements on 8 May 2009 and they were signed on its behalf by:-

Chairman - Joseph J Mungai (MP)



**TANZANIA TEA PACKERS LIMITED  
FINANCIAL STATEMENTS**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2008  
(All amount in TShs thousands unless otherwise stated)**

<b>GROUP</b>	<b><u>Share capital</u></b>	<b><u>Share premium</u></b>	<b><u>Retained earnings</u></b>	<b><u>Minority interest</u></b>	<b><u>Total</u></b>
<b>Year ended 31 December 2007</b>					
At start of year	410,762	3,192,021	5,205,739	1,034,900	9,843,422
Shares issued	35,667	556,408	-	-	592,075
(Loss)/profit for the year	-	-	(711,623)	169,337	(542,286)
Dividend paid	-	-	(2,525,088)	(100,000)	(2,625,088)
	<u>446,429</u>	<u>3,748,429</u>	<u>1,969,028</u>	<u>1,104,237</u>	<u>7,268,123</u>
As at 31 December 2007	<u>446,429</u>	<u>3,748,429</u>	<u>1,969,028</u>	<u>1,104,237</u>	<u>7,268,123</u>
<b>Year ended 31 December 2008</b>					
At start of year	446,429	3,748,429	1,969,028	1,104,237	7,268,123
Profit for the year	-	-	5,198,782	130,652	5,329,434
Dividend paid	-	-	(6,517,865)	(600,000)	(7,117,865)
	<u>446,429</u>	<u>3,748,429</u>	<u>649,945</u>	<u>634,889</u>	<u>5,479,692</u>
As at 31 December 2008	<u>446,429</u>	<u>3,748,429</u>	<u>649,945</u>	<u>634,889</u>	<u>5,479,692</u>

<b>COMPANY</b>	<b><u>Share capital</u></b>	<b><u>Share premium</u></b>	<b><u>Retained earnings</u></b>	<b><u>Total</u></b>
<b>Year ended 31 December 2007</b>				
At start of year	410,762	3,192,021	817,488	4,420,271
Shares issued	35,667	556,408	-	592,075
Profit for the year	-	-	1,759,606	1,759,606
Dividend paid	-	-	(2,525,088)	(2,525,088)
	<u>446,429</u>	<u>3,748,429</u>	<u>52,006</u>	<u>4,246,864</u>
As at 31 December 2007	<u>446,429</u>	<u>3,748,429</u>	<u>52,006</u>	<u>4,246,864</u>
<b>Year ended 31 December 2008</b>				
At start of year	446,429	3,748,429	52,006	4,246,864
Profit for the year	-	-	7,038,973	7,038,973
Dividend paid	-	-	(6,517,865)	(6,517,865)
	<u>446,429</u>	<u>3,748,429</u>	<u>573,114</u>	<u>4,767,972</u>
As at 31 December 2008	<u>446,429</u>	<u>3,748,429</u>	<u>573,114</u>	<u>4,767,972</u>



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**CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2008  
(All amount in TShs thousands unless otherwise stated)**

	Notes	Group		Company	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>					
Cash generated from operations	31	<b>947,866</b>	3,001,094	<b>3,478,674</b>	481,202
Interest expense paid		<b>(306,907)</b>	(681,008)	-	-
Income tax paid		<b>(608,992)</b>	(845,194)	<b>(163,057)</b>	-
Net cash generated from operating activities		<u><b>31,967</b></u>	<u>1,474,892</u>	<u><b>3,315,617</b></u>	<u>481,202</u>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	15	<b>(1,925,329)</b>	(1,149,880)	-	-
Cost incurred on biological assets	16	<b>(102,744)</b>	(134,853)	-	-
Proceeds from sale of property, plant, and equipment		<b>25,899</b>	172,699	-	-
Interest received		<b>9,589</b>	19,490	-	-
Loan advanced to subsidiary		-		<b>(1,800,000)</b>	-
Proceeds from sale of subsidiary	34	<b>7,847,805</b>	2,025,014	<b>5,315,583</b>	1,889,200
Net cash generated from investing activities		<u><b>5,855,220</b></u>	<u>932,470</u>	<u><b>3,515,583</b></u>	<u>1,889,200</u>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		<b>2,317,958</b>	355,226	-	-
Repayment s of borrowings		<b>(116,297)</b>	(360,420)	-	-
Dividend paid		<b>(7,117,865)</b>	(2,033,013)	<b>(6,517,865)</b>	(1,933,013)
Net cash used in financing activities		<u><b>(4,916,204)</b></u>	<u>(2,038,207)</u>	<u><b>(6,517,865)</b></u>	<u>(1,933,013)</u>
Net increase in cash and cash equivalents		<b>970,983</b>	369,155	<b>313,335</b>	437,389
Cash and cash equivalents at start of year		<b>(861,153)</b>	(1,230,308)	<b>44,487</b>	(392,902)
Cash and cash equivalents at end of year (Note 22)		<u><b>109,830</b></u>	<u>(861,153)</u>	<u><b>357,822</b></u>	<u>44,487</u>



## TANZANIA TEA PACKERS LIMITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in TShs thousands unless otherwise stated)

### NOTES

#### 1. GENERAL INFORMATION

Tanzania Tea Packers Limited is incorporated in Tanzania under the Companies Act 2002 as a limited liability company and listed on the Dar es Salaam Stock Exchange. It is domiciled in Tanzania.

The Group is involved in growing, processing and sale of tea in the local as well as the export markets. Partially during the year it was involved in blending, packaging and marketing of blended tea mainly for the local market through a subsidiary that was disposed of during the year. The Company's principal activity is that of a holding company.

The address of its registered office is:

Nyerere Road,  
Vingunguti Industrial Area,  
Plot 7/7A,  
P O Box 1344,  
Dar es Salaam – Tanzania

And its principal places of business are given below:-

Subsidiary  
Wakulima Tea Company Limited  
Tukuyu Township,  
Katumba Factory,  
P O Box 700 Tukuyu - Mbeya

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### (a) Basis of preparation

The financial statements of Tanzania Tea Packers Limited are prepared in compliance with the requirements of International Financial Reporting Standards ("IFRS") and on the historical costs basis, except for biological assets and employee gratuity that have been measured at fair value. The financial statements are presented in Tanzania shillings and the values are rounded to the nearest thousand, except where otherwise indicated.

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised.



**TANZANIA TEA PACKERS LIMITED  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2008**  
(All amounts in TShs thousands unless otherwise stated)  
**NOTES (CONTINUED)**



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(a) Basis of preparation (continued)**

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

### **Interpretations effective in 2008**

In 2008, the following new interpretations became effective for the first time but have not had an impact on the Group's financial statements:

- IFRIC 11 – IFRS 2 - Group and treasury share transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 – IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
- IAS 39 and IFRS 7 – Reclassification of financial assets.

### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

One new standard (IFRS 8 – Operating Segments) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Group's accounting periods beginning on or after 1 January 2009, but the Group has not early adopted any of them.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group, other than IFRS 8, which may result in changes to the reportable segments and the information disclosed in respect of those segments and the amendments to IAS 1 - Presentation of Financial Statements, which will require non-owner changes in equity to be presented in a 'Comprehensive Statement of Income'.

### **(b) Consolidation**

#### **Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. This generally accompanies a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control passes to the Group and are de-consolidated from the date that control ceases. The Group uses the purchase method of accounting to account for the acquisition of subsidiaries.

The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets and liabilities and contingent liabilities assumed are measured at fair value, at acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.



## TANZANIA TEA PACKERS LIMITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in TShs thousands unless otherwise stated)

### NOTES (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Consolidation (Continued)

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit and loss account.

Inter-company transactions, balances and unrealized gains on transactions between Group Companies are eliminated.

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### (c) Revenue recognition

Revenue represents the fair value of the consideration receivable for sale of goods and services, and is stated net of value-added tax (VAT), rebates and discounts and is accounted for in the period in which it is earned. Revenue is recognized as follows:

#### (i) Sales of goods

Sale of goods is recognised when the Group has transferred to the customer the significant risks and rewards of ownership of the goods, the amount of revenue can be measured reliably and the customer has accepted the products and collectability of the related receivable is reasonably assured.

#### (ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

### (e) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency for all entities in the Group is the Tanzania Shilling. The consolidated financial statements are presented in the Tanzania shilling, which is the Company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Tanzania Shillings at rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.



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FINANCIAL STATEMENTS**

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**NOTES (CONTINUED)**



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(f) Property, plant and equipment**

Leasehold improvements and buildings comprise mainly tea factory and offices. All property, plant and equipment are shown at cost, less subsequent depreciation and impairment. Cost includes expenditure directly attributable to the acquisition of the items. Subsequent costs are included in asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over the estimated useful life as follows:

	<b>Rate (%)</b>
Leasehold improvements	Tenure of lease
Buildings	2.0 - 4.0
Motor vehicles	25.0
Machinery, equipment, furniture and fittings	12.5
Computers	33.3

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance expenditures are charged to the profit and loss account during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the profit and loss account.

### **(g) Biological assets**

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less estimated point-of-sale costs are recognised in the profit and loss account in the year in which they arise. The cost of upkeep and maintenance of biological assets is expensed in the period incurred.

### **(h) Impairment of assets**

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash-generating units).



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**FOR THE YEAR ENDED 31 DECEMBER 2008**

(All amounts in TShs thousands unless otherwise stated)

**NOTES (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Operating leases**

Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

**(j) Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of processed tea comprises the fair value of tea harvested from the Company's plantations less point of sale costs at the point of harvest or cost of purchasing leaf from out growers, direct labour, other direct costs and related production overheads. The cost of packed tea comprises raw tea, packing materials, direct labour, other direct costs and related production overheads based on the normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Stores and consumables are stated at cost less any provision for obsolescence.

**(k) Investments in subsidiaries**

Investments in subsidiaries are carried at cost. If there is objective evidence that an impairment loss has been incurred on investments in subsidiaries, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Any subsequent reversal of an impairment loss is recognised in profit or loss.

**(l) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities.

**(m) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Borrowing costs are expensed in the period they accrue. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**(n) Income tax**

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act, 2004.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income



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**NOTES (CONTINUED)**



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(n) Income tax (Continued)**

tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that the directors consider that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is recognised as income tax benefit or expense in the year in which it arises.

### **(o) Employees benefits**

#### *Retirement benefit obligations*

The Group Companies have defined benefits and defined contributions plans. The Group Companies have an unfunded non-contributory employee gratuity arrangement (the "Arrangements"), which provides for lump sum payments to its employees on their retirement at the age of 55, based on length of service and salary at retirement and qualifies as a defined benefit plan. The payments to the retired employees are made from Group Companies internally generated funds.

The liability recognised in the balance sheet in respect of the defined benefits plan is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service costs. A full actuarial valuation of the retirement benefit obligations is performed after every three years by independent actuaries using the projected unit credit method. An update valuation is performed at the end of each year in the intervening period. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the profit and loss account in the period in which they occur.

For defined contribution plan, all Companies in the Group pay contributions to publicly administered pension plans (NSSF or PPF) on a mandatory basis. The Group Companies have no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefits expense when they are due.

### **(p) Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### **(q) Trade payables**

Contractual obligations to deliver cash or another financial asset to another entity are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortized cost using the effective interest method.

### **(r) Trade receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is



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### NOTES (CONTINUED)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Trade receivables (Continued)

established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

### (s) Loans receivable

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans receivable are carried at cost, unless there is objective evidence that an impairment loss is likely to be incurred on the receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the net realizable value. Any subsequent reversal of an impairment loss is recognized in the profit and loss account.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (i) Critical accounting estimates and assumptions

#### *Biological assets*

Critical assumptions are made by the directors in determining the fair values of biological assets. The carrying amounts and key assumptions are set out in Note 16.

#### *Post-employment benefit obligations*

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations. The carrying amounts and key assumptions are set out in Note 27.

### (ii) Critical judgments in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made judgments in determining whether assets are impaired.

## 4. FINANCIAL RISK MANAGEMENT

The Group's and Company's activities expose them to a variety of financial risks: foreign currency risk, credit risk, commodity price fluctuation risk and cash flow interest-rate risk. The Group's overall risk management programme seeks to minimize potential adverse effects on the Group's financial performance. Risks management is carried out by the management on behalf of the Board of Directors.

### Credit risk

Credit risk arises from cash equivalents as well as credit exposure to buyers of tea, including outstanding receivables and committed transactions. For banks and financial institutions only reputable banks and financial institutions are used by the Group Companies for banking services. Customers are assessed for credit quality by taking into account their financial position, past experience and other factors before being approved to buy goods or services on credit. Individual credit limits are set based on internal ratings in accordance with authority limits set by the Management. The utilization of credit limits is regularly monitored.



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**FOR THE YEAR ENDED 31 DECEMBER 2008**  
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**NOTES (CONTINUED)**



#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Credit risk (Continued)

The table below shows the credit limits and balances of the brokers and dealers.

	<u>31 December 2008</u>		<u>31 December 2007</u>	
	<u>Credit limit</u>	<u>Utilized</u>	<u>Credit limit</u>	<u>Utilized</u>
Brokers and Packers	-	371,902	1,695,000	1,582,940
Dealers	-	-	Nil	284,114

The above dealers/brokers have an excellent credit history. Due to the nature of the Group's operations, credit limits were sometimes exceeded on a temporary basis with appropriate approvals. Management does not expect losses from non-performance by these dealers/brokers.

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31 December 2008 is made up as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash equivalents	534,899	628,358	357,822	56,303
Trade receivables	372,394	1,981,042	-	-
Loans to related companies	-	-	2,466,365	2,207,187
Other receivables	1,408,314	1,019,930	234,632	10,159
	<u>2,315,607</u>	<u>3,629,330</u>	<u>3,058,819</u>	<u>2,273,649</u>

No collateral is held for any of the above assets except for fertilizer loans amounting to TShs 431 million (2007: TShs 75 million) to outgrower farmers in Rungwe District who supply green leaf to the subsidiary. The farmers' organization has deposited TShs 198 million (2007: Shs 198 million) as security against default by its members.

##### Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group and the Company maintain flexibility in funding by maintaining availability under committed credit lines and through inter-company short term advances. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows:



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FINANCIAL STATEMENTS**

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(All amounts in TShs thousands unless otherwise stated)

**NOTES (CONTINUED)**

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (Continued)**

Forecast liquidity reserve as at 31 December 2008 is as follows:

**Group**

	<u>2009</u>	<u>2010-2011</u>
Opening balance for the period	109,830	443,053
Cash inflows from operating activities	1,045,747	356,134
Cash outflows used in investing activities	(384,742)	(871,630)
Proceeds from sale of investments	591,667	-
Repayment of borrowings	(919,449)	(934,223)
Payment of dividends to shareholders	-	-
Closing balance for the period	<u>443,053</u>	<u>(1,006,666)</u>

**Company**

	<u>2009</u>	<u>2010-2011</u>
Opening balance for the period	357,825	1,494,579
Cash inflows from operating activities	545,087	17,583
Proceeds from sale of investments	591,667	-
Closing balance for the period	<u>1,494,579</u>	<u>1,512,162</u>

The overdraft facilities approved by CRDB Bank Limited as at the end of the year are detailed in Note 25.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



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FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2008**  
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**NOTES (CONTINUED)**



#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Liquidity risk (Continued)

Group	Within 1 <u>year</u>	Between 1 <u>and 2 years</u>	Between 2 and 5 <u>years</u>	Over 5 <u>years</u>
<b>At 31 December 2008</b>				
Borrowings and interest liabilities	1,415,027	459,962	1,172,913	1,084,712
Employees' retirement gratuity	-	-	-	457,351
Deferred tax liability	-	279,126	-	-
Income tax payable	156,054	-	-	-
Trade and other payables	1,537,519	-	-	-
<b>At 31 December 2007</b>				
Borrowings and interest liabilities	2,053,818	646,864	881,881	593,719
Employees' retirement gratuity	-	-	-	509,695
Deferred tax liability	-	318,857	-	-
Income tax payable	226,210	-	-	-
Trade and other payables	1,716,366	-	-	-
<b>Company</b>				
<b>At 31 December 2008</b>				
Trade and other payables	278,164	-	-	-
<b>At 31 December 2007</b>				
Borrowings	11,816	-	-	-
Trade and other payables	34,546	-	-	-

##### Interest rates risk

The Group's interest rate risk arises from long and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Where necessary the Group refinances its borrowings in order to ensure its borrowing terms remain competitive.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

Based on the simulation performed at 31 December 2008, an increase/decrease of 200 basis points would have resulted in an decrease/increase in consolidated post tax profit of TShs 51 million(2007: TShs 124 million), mainly as a result of higher/lower interest charges on variable rate borrowings.

The Company do not have any external borrowings as such it is not subject to interest rate risks.



## TANZANIA TEA PACKERS LIMITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in TShs thousands unless otherwise stated)

### NOTES (CONTINUED)

#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Exchange rate risk management

The Group Companies frequently enter into transactions denominated in foreign currencies (primarily United States Dollars ("US\$")). In addition, the Group Companies have assets and liabilities denominated in United States Dollars ("US\$"). As a result, the Group Companies are subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Exposure to foreign currency risk is mitigated by the fact that almost 85% (2007:40%) of its earnings are in foreign currencies (mainly US dollars).

At 31 December 2008, if the Tanzania shilling (TShs) had strengthened / weakened by 10% against the US dollar with all other variables held constant, The Group's profit after tax for the year and equity would have been TShs 179m (2007: 131m) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade receivables, trade payables and borrowings. Profit and equity are more sensitive to movement of TShs / US\$ in 2008 than 2007 because of the increase in US dollar-denominated borrowings.

The strengthening / weakening by 10% of the Tanzania shilling against the US dollar at 31 December 2008 with all other variables held constant, the Company's profit after tax for the year and equity would have been Tshs 39m (2007:nil) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade receivables, trade payables and borrowings. Profit and equity are more sensitive to movement of TShs / US\$ in 2008 than 2007 because of the increase in US dollar-denominated cash balances and creditors in 2008.

The movement of the Tanzania shilling against other currencies is insignificant because the number of transactions in other foreign currencies entered into by the Group Companies is insignificant.

##### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as a net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.



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#### **4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **Capital risk management (Continued)**

During the year 2008, the Group's strategy, which was unchanged from 2007, was to maintain the gearing ratio within 25% to 50%. The gearing ratios at 31 December 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
<b>Group</b>		
Total borrowings (Note 24)	<b>3,455,102</b>	3,391,210
Less cash and cash equivalents (Note 22)	<b>(534,899)</b>	(628,358)
Net debt	<b>2,920,203</b>	2,762,852
Total equity	<b>5,479,692</b>	7,268,123
Total capital	<b>8,399,895</b>	10,030,975
Gearing ratio	<b>34.76%</b>	27.54%

The significant increase in gearing during the year 2008 resulted primarily from the utilization of the CRDB Bank loan facility obtained by Wakulima Tea Company Limited in 2007 to finance the rehabilitation of Mwakaleli factory.

The Company does not hold external borrowings.

#### **5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION**

##### **Revenue**

An analysis of the Group's revenue for the year, for both continuing and discontinued operations is as follows:

	<u>2008</u>	<u>2007</u>
<b>Continuing operations</b>		
Export sales of made tea	<b>8,836,142</b>	6,019,013
Local sales of made tea	<b>1,389,028</b>	1,659,198
Less intercompany sales	-	(1,637,026)
Consolidated	<b>10,225,170</b>	6,041,185
<b>Discontinued operations</b>		
Local sales of packed tea	<b>5,391,086</b>	12,271,844
Export sales of made tea	-	3,743,532
Local sales of made tea	-	634,276
Less intercompany sales	-	(623,801)
<b>Total (Note 33)</b>	<b>5,391,086</b>	16,020,278
Total Sales (continuing and discontinued operations)	<b>15,616,256</b>	22,061,463

The Group is currently organised into two operating divisions – growing & processing of tea and blending & packaging of tea.

## 5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (CONTINUED)

During the year, the Group sold its tea blending and packaging business. Segment information about the Group's operations is presented below.

### (a) Primary Reporting format – Business Segment

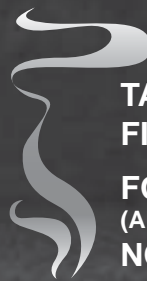
2008	Continuing operations		Discontinued operations	Eliminations	Consolidated
	Growing & processing tea	Other			
<b>REVENUE</b>					
- Export sales	8,836,142	-	-	-	8,836,142
- Local sales	1,389,028	-	5,391,086	-	6,780,114
- Inter-segmental sales	-	-	-	-	-
	10,225,170	-	5,391,086	-	15,616,256
<b>Operating profit from operations</b>	<b>1,652,834</b>	<b>1,916,733</b>	<b>(71,980)</b>	<b>(2,096,845)</b>	<b>1,400,742</b>
Profit/(loss) from disposal of investment	-	5,215,581	-	(244,805)	4,970,776
Finance costs	(726,840)	1,976	(282,076)	358,351	(648,589)
<b>Profit before tax</b>	<b>925,994</b>	<b>7,134,290</b>	<b>(354,056)</b>	<b>(1,983,299)</b>	<b>5,722,929</b>
Income tax (charge)/ credit	(403,384)	(95,317)	105,206	-	(393,495)
<b>Profit for the year</b>	<b>522,610</b>	<b>7,038,973</b>	<b>(248,850)</b>	<b>(1,983,299)</b>	<b>5,329,434</b>
Other segment items included in the profit and loss account					
Depreciation	376,128	-	68,648	-	444,776
Fair value adjustment on biological assets	146,912	-	-	-	146,912

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**5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (CONTINUED)**  
**(a) Primary Reporting format – Business Segment (Continued)**

Segment assets and liabilities  
and capital expenditure

	Continuing operations		Discontinued operations		Eliminations	Consolidated
	Growing & processing tea	Other	Blending & packaging tea			
<b>Assets</b>						
Non-current assets	6,522,819	3,626,007	-	(3,626,007)		6,522,819
Current Assets	3,692,284	1,420,129	-	(666,365)		4,446,048
<b>Total assets</b>	<b>10,215,103</b>	<b>5,046,136</b>	<b>-</b>	<b>(4,292,372)</b>		<b>10,968,867</b>
<b>Liabilities</b>						
Current liabilities	4,386,610	-	-	(1,800,000)		2,586,610
Non current liabilities	3,290,766	278,164	-	(666,365)		2,902,565
<b>Total liabilities</b>	<b>7,677,376</b>	<b>278,164</b>	<b>-</b>	<b>(2,466,365)</b>		<b>5,489,175</b>
<b>Capital additions</b>	<b>1,792,087</b>	<b>-</b>	<b>133,242</b>	<b>-</b>		<b>1,925,329</b>

- The Group's blending and packaging business was sold during the year under review, thus the results reported here relate to the seven months to the date of disposal.
- All the Group assets are located in Tanzania.

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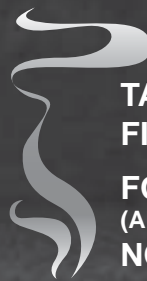
(All amounts in TShs thousands unless otherwise stated)

**NOTES (CONTINUED)**

**5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (CONTINUED)**

**(a) Primary Reporting format – Business Segment (Continued)**

2007	Continuing operations		Discontinued operations		Eliminations	Consolidated
	Growing & processing tea	Other	Blending & packaging tea	Growing & processing tea		
<b>REVENUE</b>						
- Export sales	6,019,013	-	-	3,737,959	-	9,756,972
- Local sales	22,173	-	12,271,844	10,475	-	12,304,492
- Inter-segmental sales	1,637,026	-	-	623,801	(2,260,827)	-
	<u>7,678,212</u>	<u>-</u>	<u>12,271,844</u>	<u>4,372,235</u>	<u>(2,260,827)</u>	<u>22,061,464</u>
<b>Operating profit from operations</b>	<b>925,270</b>	<b>1,240,199</b>	<b>2,438,166</b>	<b>431,550</b>	<b>(1,370,892)</b>	<b>3,664,293</b>
Profit/(loss) on disposal of investment	-	558,292	-	-	(3,167,949)	(2,609,657)
Finance costs	85,112	-	(263,570)	(439,796)	137,368	(480,886)
<b>Profit before tax</b>	<b>1,010,382</b>	<b>1,798,491</b>	<b>2,174,596</b>	<b>(8,246)</b>	<b>(4,401,473)</b>	<b>573,750</b>
Income tax credit/(charge)	(333,035)	(38,885)	(680,940)	(63,176)	-	(1,116,036)
<b>Profit/(loss) for the year</b>	<b>677,347</b>	<b>1,759,606</b>	<b>1,493,656</b>	<b>(71,422)</b>	<b>(4,401,473)</b>	<b>(542,286)</b>
Other segment items included in the profit and loss account	-	-	-	-	-	-
Depreciation and amortization	550,538	106,762	-	-	-	657,300
Fair value adjustment on biological assets	(361,996)	-	363,302	-	-	1,306



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**NOTES (CONTINUED)**



**5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (CONTINUED)**

**(a) Primary Reporting format – Business Segment (Continued)**

2007	Continuing operations		Discontinued operations		<u>Eliminations</u>	<u>Consolidated</u>
	<u>Growing &amp; processing tea</u>	<u>Other</u>	<u>Blending &amp; packaging tea</u>	<u>Growing &amp; processing tea</u>		
Segment assets and liabilities and capital expenditure						
<b>Assets</b>						
Non current assets	5,159,713	1,926,009	532,209	-	(1,926,009)	5,691,922
Current Assets	3,073,914	2,367,217	4,733,579	-	(2,859,672)	7,315,038
<b>Total assets</b>	<b>8,233,627</b>	<b>4,293,226</b>	<b>5,265,788</b>	<b>-</b>	<b>(4,785,681)</b>	<b>13,006,960</b>
<b>Liabilities</b>						
Current liabilities	2,958,347	46,364	3,425,313	-	(2,798,167)	3,631,857
Non current liabilities	860,163	-	1,246,817	-	-	2,106,980
<b>Total liabilities</b>	<b>3,818,510</b>	<b>46,364</b>	<b>4,672,130</b>	<b>-</b>	<b>(2,798,167)</b>	<b>5,738,837</b>
<b>Capital additions</b>	<b>877,296</b>	<b>-</b>	<b>272,584</b>	<b>-</b>	<b>-</b>	<b>1,149,880</b>

• All Group assets are located in Tanzania.



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**NOTES (CONTINUED)**

**5. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (CONTINUED)**

**(b) Secondary Reporting Format – Geographical Segment**

	<u>Local sales</u>	<u>Mombasa auction sales</u>	<u>Private sales (United Kingdom)</u>	<u>Consolidated</u>
<b>Sales : 2008</b>				
Attributable to continuing operations	1,389,028	2,268,217	6,567,925	10,225,170
Attributable to discontinued operations	5,391,086	-	-	5,391,086
	<u>6,780,114</u>	<u>2,268,217</u>	<u>6,567,925</u>	<u>15,616,256</u>
<b>Sales : 2007</b>				
Attributable to continuing operations	22,172	2,307,733	3,711,280	6,041,185
Attributable to discontinued operations	12,282,319	1,265,376	2,472,583	16,020,278
	<u>12,304,491</u>	<u>3,573,109</u>	<u>6,183,863</u>	<u>22,061,463</u>

**6. OTHER OPERATING INCOME**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
Management service income	<b>200,348</b>	-	<b>200,348</b>	-
Income from sale of scraps and wastages	<b>(1,183)</b>	19,228	-	-
Recovery of previously written off debtors	-	-	-	-
Interest income	-	-	<b>250,000</b>	148,048
Dividend income	-	-	<b>1,800,000</b>	1,300,000
Gain on disposal of plant property and equipment	<b>17,216</b>	71,229	-	-
Other income	<b>21,412</b>	3,385	<b>5,130</b>	-
	<u>237,793</u>	<u>93,842</u>	<u>2,255,478</u>	<u>1,448,048</u>
<b>Attributable to:</b>				
Continuing operations	<b>217,310</b>	19,445	-	-
Discontinued operations	<b>20,483</b>	74,397	-	-
	<u>237,793</u>	<u>93,842</u>	<u>-</u>	<u>-</u>



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**7. COST OF SALES**

	<b>Group</b>		<b>Company</b>	
	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>
Processing costs	2,256,018	3,039,696	-	-
Blending costs	1,386,417	1,551,585	-	-
Packing materials costs	1,090,177	2,828,277	-	-
Greenleaf purchased from out growers	3,339,023	2,327,344	-	-
Field costs	923,474	2,680,827	-	-
Changes in stock of finished goods and work in progress	319,029	413,408	-	-
Depreciation charges (Note 15 )	374,805	567,665	-	-
	<u><b>9,688,943</b></u>	<u><b>13,408,802</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
<b>Attributable to:</b>				
Continuing operations	6,317,039	3,974,277	-	-
Discontinued operations	3,371,904	9,614,525	-	-
	<u><b>9,688,943</b></u>	<u><b>13,408,802</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
<b>8. SELLING AND MARKETING COSTS</b>				
Transport, distribution & handling charges	853,484	937,001	-	-
Salesmen remuneration	165,280	374,794	-	-
Advertising and promotion activities	146,415	240,060	-	-
Travelling expenses	84,515	157,594	-	-
Cess and other government levies	115,300	49,207	-	-
(Reversal)/ write-off of impaired receivables	(3,860)	14,112	-	-
Other selling costs	213,386	370,795	-	-
	<u><b>1,574,520</b></u>	<u><b>2,143,563</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
<b>Attributable to:</b>				
Continuing operations	904,043	726,020	-	-
Discontinued operations	670,477	1,417,543	-	-
	<u><b>1,574,520</b></u>	<u><b>2,143,563</b></u>	<u><b>-</b></u>	<u><b>-</b></u>



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**NOTES (CONTINUED)**

**9. ADMINISTRATIVE EXPENSES**

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Staff related costs	1,456,202	1,591,797	-	-
Travelling costs	222,025	316,906	3,443	-
Consultancy and professional fees	509,138	275,102	255,143	77,874
Directors fees and allowances	31,770	19,185	16,729	-
Office expenses	233,140	243,763	23,977	-
Auditors' remuneration	51,643	70,927	12,131	11,455
Research expenses on new crops	40,385	26,380	-	-
Depreciation (Note 15)	69,974	89,635	-	-
Exchange loss/ (gain) on working capital items	18,612	165,553	(96,783)	94,859
Other administration costs	410,045	138,092	124,105	23,661
	<u>3,042,934</u>	<u>2,937,340</u>	<u>338,745</u>	<u>207,849</u>
<b>Attributable to:</b>				
Continuing operations	1,601,766	887,858	338,745	-
Discontinued operations	1,441,168	2,049,482	-	-
	<u>3,042,934</u>	<u>2,937,340</u>	<u>338,745</u>	<u>-</u>
<b>10. STAFF RELATED COSTS</b>				
Salaries, wages and bonuses	1,787,275	2,657,637	-	-
Terminal benefits (**)	612,524	329,903	-	-
Medical expenses	25,614	53,457	-	-
Canteen costs, uniforms and other amenities	208,572	311,229	-	-
Defined contribution schemes (NSSF)	122,553	168,338	-	-
Defined benefit scheme	47,033	91,474	-	-
Leave travel assistance	31,223	49,828	-	-
	<u>2,834,794</u>	<u>3,661,866</u>	<u>-</u>	<u>-</u>
<b>Attributable to:</b>				
Continuing operations	1,004,660	748,879	-	-
Discontinued operations	1,830,134	2,912,987	-	-
	<u>2,834,794</u>	<u>3,661,866</u>	<u>-</u>	<u>-</u>

\*\* Terminal benefits relate to contractual benefits that the Group paid to staff whose contracts were terminated as a result of the disposal of subsidiaries.



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**11. FINANCE COSTS-NET**

	<b>Group</b>		<b>Company</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Interest income	(9,589)	(19,490)	-	-
Interest expense	350,031	681,008	-	-
Net foreign exchange transaction (gains)/losses	321,006	(180,632)	-	-
	<b>661,448</b>	<b>480,886</b>	<b>-</b>	<b>-</b>
<b>Attributable to:</b>				
Continuing operations	366,513	(2,587)	-	-
Discontinued operations	294,935	483,473	-	-
	<b>661,448</b>	<b>480,886</b>	<b>-</b>	<b>-</b>

**12. INCOME TAX EXPENSE**

Current income tax charge	529,830	976,103	95,317	12,736
Deferred income tax (credit)/charge (Note 26)	(136,335)	139,933	-	26,149
Income tax charge	<b>393,495</b>	<b>1,116,036</b>	<b>95,317</b>	<b>38,885</b>

The tax on the profit before income tax for the Group and Company differs from the theoretical amount that would arise using the basic income tax rate as follows:

	<b>Group</b>		<b>Company</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Profit before income tax	5,722,927	573,750	7,134,289	1,798,491
Tax calculated at a rate of 30%	1,716,878	172,125	2,140,287	539,547
Income not subject to tax	(18,452)	29,203	(540,000)	(401,850)
Expenses not deductible for tax	210,090	166,407	200,480	181,725
(Profit) / loss on disposal of subsidiary not subject to tax	(1,632,008)	661,157	(1,705,450)	(277,378)
Adjustments to tax in respect of prior years	116,987	61,387	-	(5,073)
Penalties	-	25,757	-	1,914
Income tax charge	<b>393,495</b>	<b>1,116,036</b>	<b>95,317</b>	<b>38,885</b>
<b>Attributable to:</b>				
Continuing operations	498,701	371,920	95,317	38,885
Discontinued operations	(105,206)	744,116	-	-
	<b>393,495</b>	<b>1,116,036</b>	<b>95,317</b>	<b>38,885</b>



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**NOTES (CONTINUED)**

**13. EARNINGS PER SHARE**

	<u>2008</u>	<u>2007</u>
Net profit / (loss) attributable to shareholders (TShs'000)	<b>5,198,780</b>	(711,623)
Weighted average number of share in issue (Note 30)	<b>17,857,165</b>	17,857,165
Basic and diluted earnings/(loss) per share (TShs)	<b>291.43</b>	(39.85)

There being no dilutive or potentially dilutive share options, the basic and diluted earnings per share are the same.

**14. DIVIDEND PER SHARE**

The company paid an interim dividend of Tshs 365 (2007: Tshs 100) per share in September 2008 in respect of the year 2008.



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**15. PROPERTY, PLANT & EQUIPMENT - GROUP**

	<b>Leasehold improvements &amp; buildings</b>	<b>Motor vehicles</b>	<b>Machinery, equipment, furniture &amp; fittings</b>	<b>Capital work in progress</b>	<b><u>Total</u></b>
1 January 2007					
Cost	4,591,961	462,067	5,330,795	7,704	10,392,527
Accumulated depreciation	(656,560)	(393,747)	(2,715,663)	-	(3,765,970)
Net book amount	<u>3,935,401</u>	<u>68,320</u>	<u>2,615,132</u>	<u>7,704</u>	<u>6,626,557</u>
Year ended 31 December 2007					
Opening net book amount	3,935,401	68,320	2,615,132	7,704	6,626,557
Additions	39,000	46,952	226,923	837,005	1,149,880
Transfers	-	-	23,914	(23,914)	-
Disposals	(1,539,970)	(93,530)	(846,462)	-	(2,479,962)
Depreciation charge	(106,998)	(16,113)	(534,189)	-	(657,300)
<b>Net book amount</b>	<b><u>2,327,433</u></b>	<b><u>5,629</u></b>	<b><u>1,485,318</u></b>	<b><u>820,795</u></b>	<b><u>4,639,175</u></b>
At 31 December 2007					
Cost	2,765,231	155,465	3,556,494	820,795	7,297,985
Accumulated depreciation	(437,798)	(149,836)	(2,071,176)	-	(2,658,810)
<b>Net book amount</b>	<b><u>2,327,433</u></b>	<b><u>5,629</u></b>	<b><u>1,485,318</u></b>	<b><u>820,795</u></b>	<b><u>4,639,175</u></b>
Year ended 31 December 2008					
Opening net book amount	2,327,433	5,629	1,485,318	820,795	4,639,175
Additions	-	105,544	206,063	1,613,722	1,925,329
Transfers	149,850	-	-	(149,850)	-
Disposals	(215,967)	(54,704)	(334,064)	-	(604,735)
Depreciation charge	(59,804)	(13,302)	(371,673)	-	(444,779)
<b>Net book amount</b>	<b><u>2,201,512</u></b>	<b><u>43,167</u></b>	<b><u>985,644</u></b>	<b><u>2,284,667</u></b>	<b><u>5,514,990</u></b>
At 31 December 2008					
Cost	2,574,401	79,214	2,546,915	2,284,667	7,485,197
Accumulated depreciation	(372,889)	(36,047)	(1,561,271)	-	(1,970,207)
<b>Net book amount</b>	<b><u>2,201,512</u></b>	<b><u>43,167</u></b>	<b><u>985,644</u></b>	<b><u>2,284,667</u></b>	<b><u>5,514,990</u></b>

Capital work in progress relates to the rehabilitation expenditure by Wakulima Tea Company Limited at its Mwakaleli factory, of which TShs 1,759.59 million (2007: TShs 435.53 million) relates to expenditure on plant and machinery and TShs 525.08 million (2007: TShs 385.27 million) on buildings, all the ongoing projects are expected to be completed in the course of 2009.



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**15. PROPERTY, PLANT & EQUIPMENT - GROUP (CONTINUED)**

Depreciation expense of TShs 374.81 million (2007: TShs 567.67 million) has been charged to cost of goods sold, and TShs 69.97 million (2007: TShs 89.64 million) is classified under administrative expenses.

**Attributable to:**

	<u>2008</u>	<u>2007</u>
Continuing operations	<b>376,130</b>	356,396
Discontinued operations	<u><b>68,649</b></u>	<u>300,904</u>
	<u><b>444,779</b></u>	<u>657,300</u>

The Group's property, plant and equipment have been charged to secure loans as set out in Note 24 to the financial statements.

**16 BIOLOGICAL ASSETS- GROUP**

	<u>Tea Bushes</u>		<u>Forestry</u>		<u>Total</u>
	<u>Mature</u>	<u>Immature</u>	<u>Pine</u>	<u>Eucalyptus</u>	
<b>Fair value</b>					
<b>Year ended 2007</b>					
At 1 January 2007	6,494,893	252,918	11,813	63,287	6,822,911
Increases due to new planting	-	134,853	-	-	134,853
Loss arising from changes in fair value less estimated point of sale costs	(109,818)	-	17,754	90,757	(1,307)
Disposals	(5,545,291)	(175,558)	(29,567)	(154,044)	(5,904,460)
<b>At 31 December 2007</b>	<u><b>839,784</b></u>	<u><b>212,213</b></u>	<u>-</u>	<u>-</u>	<u><b>1,051,997</b></u>
<b>Year ended 2008</b>					
At 1 January 2008	839,784	212,213	-	-	1,051,997
Increases due to new planting	-	102,744	-	-	102,744
Loss arising from changes in fair value less estimated point of sale costs	(146,912)	-	-	-	(146,912)
<b>At 31 December 2008</b>	<u><b>692,872</b></u>	<u><b>314,957</b></u>	<u>-</u>	<u>-</u>	<u><b>1,007,829</b></u>

Tea bushes and forestry are carried at fair value less estimated point-of-sale costs. The forestry plantations are maintained to provide wood fuel which is required in withering of tea green leaf and drying of made tea. In determining the fair values of tea bushes, the directors have made certain assumptions about the yields and market prices of tea in future years, and the costs of running the estates.

The key assumptions made concerning the future (projected over 10 years) in respect of tea bushes are as follows:



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**16. BIOLOGICAL ASSETS- GROUP (CONTINUED)**

Climatic conditions will be average;

The average market price of made tea, will be US \$ 1.45 in 2009, US\$1.47 in 2010 and thereafter capped at US\$1.49 (2007: US \$1.34 constant) per kilogram throughout the projection period, based on the average tea price for the past 4 years.

Cost of inflation will be at 8.5% throughout the projection period (2007: 7.2%) per annum.

The discount rate applied to the expected net cash flows was 22 % (2007: 22%).

The Group has 316 hectares (2007:316) and 256 hectares (2007: 256) of mature tea bushes and forestry, respectively, located in Tukuyu district in Tanzania.

The Group's tea estates produced 2.53m (2007: 2.78 million) kilograms of green tea leaf and 232 (2007: nil) tons of forest reserve were harvested during year ended 31 December 2008. All the firewood harvested from the Group's reserves were used in the withering of the tea at Wakulima Tea Company Limited.

**17. INVESTMENT IN SUBSIDIARIES**

	<u>2008</u>	<u>2007</u>
Equity investment		
Wakulima Tea Company Limited (a)	<b>1,826,007</b>	1,826,007
Chai Bora Limited (b)	-	100,002
	<u><b>1,826,007</b></u>	<u>1,926,009</u>

The equity investment relates to:

Nature of business	Number and description of share held		% of issued shares held	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
(a) Growing, processing and sale of made tea from green leaf supplied by smallholder tea farmers and its own tea estates.	<b>1,647,528</b> <b>ordinary shares</b>	1,647,528 ordinary shares	<b>75%</b>	75%
(b) Blending, packaging and marketing of packed tea	-	100,002 Ordinary shares	<b>100%</b>	100%

The investment in Chai Bora Limited was disposed of during the year (Note 34).

**18. LONG TERM RECEIVABLE**

	<b>Group</b>		<b>Company</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Wakulima Tea Company Limited	-	-	1,800,000	-
Less: Current portion	-	-	-	-
Net amount	<u>-</u>	<u>-</u>	<u>1,800,000</u>	<u>-</u>



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**NOTES (CONTINUED)**

**18. LONG TERM RECEIVABLE (CONTINUED)**

During the year the Company lent TShs1.8bn to Wakulima Tea Company Limited at an interest rate of 1% less the CRDB Bank lending rate applicable to Corporate customers of similar credit rating to Wakulima Tea Company Limited, the loan is not secured and will be repaid after 2009, the repayment date will be mutually agreed by both parties. The average effective rate for the year under review was 15%.

**19. INVENTORIES**

	Group		Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Finished products	855,009	1,174,038	-	-
Unprocessed products	-	668,065	-	-
Stores and consumables	1,075,499	1,711,805	-	-
Goods in transit	56,004	52,741	-	-
Impairment provision	(17,379)	(14,509)	-	-
	<u>1,969,133</u>	<u>3,592,140</u>	<u>-</u>	<u>-</u>

The cost of inventories recognized as expenses during the period, in respect of both continuing and discontinued operations was TShs 6,235 million (2007: TShs 3,671 million).

**20. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Trade receivables	377,378	2,091,497	-	-
Less: Provision for impairment loss	(4,984)	(110,455)	-	-
Trade receivables-net	372,394	1,981,042	-	-
Advances to tea growers	431,277	74,926	-	-
VAT recoverable	606,384	123,648	26,112	-
Other receivables	-	108,152	-	10,159
Deposits and prepaid expenses	368,370	674,628	208,522	-
Due from directors	-	600	-	-
Due from related parties (Note 32 (iv))	2,283	37,976	-	-
	<u>1,780,708</u>	<u>3,000,972</u>	<u>234,634</u>	<u>10,159</u>

Trade receivables that are less than 14 days outstanding (2007: 30 days) are within the Group's credit period. As of 31 December 2008, trade receivables of TShs 218 million (2007: TShs 834 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The remainder was neither past due nor impaired.

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.



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**NOTES (CONTINUED)**



**20. TRADE AND OTHER RECEIVABLES (CONTINUED)**

The ageing analysis of trade receivables that were past due but not impaired is as follows:

	<u>2008</u>	<u>2007</u>
1 – 30 days overdue	199,035	746,223
31 to 60 days overdue	18,299	12,524
Over 60 days	360	75,742
	<u>217,694</u>	<u>834,489</u>

Movements on the provision for impairment of trade receivables are as follows:

	<b>Group</b>		<b>Company</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
At start of year	110,455	110,455	-	-
Provision in the year	4,984	-	-	-
Receivables written off during the year as uncollectible		-	-	-
Unused amounts transferred on disposal of subsidiary	<u>(110,455)</u>	-	-	-
At end of year	<u>4,984</u>	<u>110,455</u>	<u>-</u>	<u>-</u>

**21. LOANS RECEIVABLE**

	<b>Group</b>		<b>Company</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Loan to Chai Bora Limited (Note 32)	-	-	-	1,402,603
Loan to Wakulima Tea Company Limited (Note 32)	-	-	666,365	804,584
	<u>-</u>	<u>-</u>	<u>666,365</u>	<u>2,207,187</u>

**22. BANK AND CASH BALANCES**

Cash at bank and in hand	<u>534,899</u>	<u>628,358</u>	<u>357,822</u>	<u>56,303</u>
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For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

Cash and bank balances	534,899	628,358	357,822	56,303
Bank overdrafts (Note 24)	<u>(425,069)</u>	<u>(1,489,511)</u>	-	<u>(11,816)</u>
	<u>109,830</u>	<u>(861,153)</u>	<u>357,822</u>	<u>44,487</u>



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**NOTES (CONTINUED)**

**23. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Trade payables	994,448	979,379	234,508	8,879
Interest payables	43,124	-	-	-
Other payables and accrued expenses	438,911	567,787	-	-
Due to directors	-	124,160	-	-
Due to related parties (Note 32 (iv))	-	4,868	-	-
Unclaimed dividends	43,656	25,667	43,656	25,667
	<u>1,520,139</u>	<u>1,701,861</u>	<u>278,164</u>	<u>34,546</u>

**24. BORROWINGS**

Bank and other borrowings (a)	3,455,102	3,391,209	-	11,816
Less: Current portion (b)	<u>(1,226,372)</u>	<u>(1,703,786)</u>	-	<u>(11,816)</u>
Due after more than 12 months (d)	<u>2,228,730</u>	<u>1,687,423</u>	-	-

(a) This is made up as follows:

Borrowings (c)	3,030,033	1,901,698	-	-
Bank overdraft	425,069	1,489,511	-	11,816
	<u>3,455,102</u>	<u>3,391,209</u>	-	<u>11,816</u>

b) Due within one year

Bank overdraft	425,069	1,489,511	-	11,816
Rungwe Small Holder Tea Growers Trust Fund	500,000	-	-	-
Current portion of bank borrowings	301,303	214,275	-	-
	<u>1,226,372</u>	<u>1,703,786</u>	-	<u>11,816</u>

(c) This is made up as follows:

CRDB Bank Ltd (i)	2,530,033	622,650	-	-
CRDB Bank Ltd (ii)	-	1,279,048	-	-
Rungwe Smallholder Tea Growers Trust Fund (iii)	500,000	-	-	-
	<u>3,030,033</u>	<u>1,901,698</u>	-	-

**(i) CRDB Bank Loan**

In July 2007, Wakulima Tea Company Limited obtained financing from CRDB Bank Limited to fund the rehabilitation of Mwakaleli factory and paid back the outstanding loan with Standard Chartered Bank Tanzania Limited. The facility amounts to USD 2,050,000, which was fully drawn down as at 31 December 2008. A part of the amount drawn down was used to pay the outstanding loan to Standard Chartered Tanzania Bank



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**NOTES (CONTINUED)**



**24. BORROWINGS (CONTINUED)**

**(i) CRDB Bank Loan (Continued)**

Limited in 2007; the balance has been used to rehabilitate the Mwakaleli factory. The loan is repayable in 84 equal monthly installments beginning October 2008. This loan carries an interest rate of 2% above twelve months US dollar LIBOR with a minimum of 8% per annum calculated on daily debit balances and payable monthly in arrears. The Company also obtained an overdraft facility amounting to USD 1,000,000 which is jointly secured with the long term facility. The facilities (loan and overdraft) are secured by corporate guarantee and indemnity of the holding Company (TATEPA), a debenture over the Wakulima Tea Company's floating assets and mortgage and debenture on its estates and factory buildings.

**(ii) CRDB Bank Loan**

Chai Bora Limited obtained a medium term financing facility from CRDB Bank Limited in 2007; a USD 1,150,000 term loan and a TShs 2 billion overdraft facility. USD 1,129,812 was drawn in September 2007 and the proceeds applied to repay the Standard Chartered Bank Tanzania Limited loan facility. All the shares of the Company in Chai Bora Limited were sold in July 2008, the Company was also relieved of its Cross Company guarantee and Indemnity that it had given to CRDB Bank to enable Chai Bora Limited obtain this loan.

**(iii) Rungwe Smallholders Tea Growers Trust Fund**

During the year, Wakulima Tea Company Limited obtained a short term loan from the Rungwe Small Holders Trust Fund (the investment vehicle of the minority shareholders in Wakulima) amounting to shillings five hundred million. The loan is denominated in Tanzania shillings and carries an interest rate of 1% less the CRDB Bank Plc lending rate, the loan is not secured and payable on demand. The entire loan amount was drawn on 1 September 2008 and has been used to finance working capital and rehabilitation of Mwakaleli factory.

**(d) The maturity of the non-current borrowings is as follows:-**

	<b>Group</b>		<b>Company</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Between 1 and 2 years	<b>301,303</b>	514,262	-	-
Between 2 and 5 years	<b>903,909</b>	701,131	-	-
Over 5 years	<b>1,023,518</b>	472,030	-	-
	<b><u>2,228,730</u></b>	<b><u>1,687,423</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

In the opinion of the directors, the carrying amounts of borrowings approximate to their fair values. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Company and its subsidiary at the balance sheet date.



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### NOTES (CONTINUED)

#### 25. BANK OVERDRAFT

Bank	Beneficiary Company	Overdraft facility made available		Amount drawn	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Standard Chartered Bank (T) Limited	(a) TATEPA	-	-	-	11,816
<b>Total (Company)</b>				<u>-</u>	<u>11,816</u>
CRDB Bank Limited	(b) Wakulima Tea	<b>\$1,000,000</b>	\$1,000,000	<b>425,069</b>	681,967
CRDB Bank Limited	(c) Chai Bora	<b>n/a</b>	Shs 2bn	<b>n/a</b>	795,728
<b>Total (Group)</b>				<u><b>425,069</b></u>	<u>1,489,511</u>

a) This facility was replaced by a facility secured by Chai Bora Limited from CRDB Bank.

b) This facility was obtained along with the long term facility described under note 24 above and is jointly secured along with the long term loan. The overdraft carries a floating rate of interest of the 12 month LIBOR plus a 2% margin with a minimum of 8% per annum. The interest rate shall be reviewed yearly. The interest accrues daily on the outstanding balance of the overdraft.

c) This facility was obtained by Chai Bora Limited and therefore ceased to form part of the Group financing arrangement following the sale of Chai Bora Limited during the year.

#### 26 DEFERRED TAX LIABILITIES / (ASSET)

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 30% (2007:30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
At the beginning of year	<b>318,857</b>	(913,125)	-	(26,149)
(Credited)/charged into the profit and loss account (Note 12)	<b>(136,335)</b>	139,933	-	26,149
Deferred tax on entity disposed of (Note 34)	<b>96,604</b>	1,092,049	-	-
<b>At the end of year</b>	<u><b>279,126</b></u>	<u>318,857</u>	<u>-</u>	<u>-</u>
Details of the deferred tax liability / (asset) are:-				
Accelerated tax allowances	<b>153,909</b>	192,585	-	-
Biological asset fair valuation	<b>158,702</b>	171,951	-	-
Other temporary differences	<b>(33,485)</b>	(45,679)	-	-
<b>At the end of year</b>	<u><b>279,126</b></u>	<u>318,857</u>	<u>-</u>	<u>-</u>



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**NOTES (CONTINUED)**



## 27 EMPLOYEES' GRATUITY

	Group		Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
As at 1 January	1009700	92,812	-	-
Interest cost	5,886	-	-	-
Current service cost	41,147	91,071	-	-
Utilization	(68,979)	(83,183)	-	-
As at 31 December	<u>78,754</u>	<u>100,700</u>	<u>-</u>	<u>-</u>

The Group Companies have an unfunded non-contributory employee gratuity arrangement (the "Arrangement"), which provides for lump sum payments to its employees on their retirement at the age of 55, based on length of service and salary at retirement and qualifies as a defined benefits plan. A firm of professional actuaries, Alexander Forbes Financial Services of Nairobi, Kenya, carried out a full actuarial valuation of the Arrangement as at 31 December 2007, using the Projected Unit Credit Method.

The amount utilized during the year relates to the balance in the books of Chai Bora Limited, in which the Company sold all its shares in July 2008.

The present value of the accrued (past service) liability in respect of retirement gratuity benefits at 31 December 2008 was TShs 78.75 million. The Group Companies have recognised the full liability at 31 December 2008. The principal assumptions used in the actuarial valuation are:

- (i) Discount rate of 9%; and
- (ii) Rate of salary escalation of 7% per annum.

An update valuation was performed at the year end based on assumptions similar to those applied in the latest full valuation, principally the average accrual rate of 4.9% of basic salaries per annum. The next valuation is due on 31 December 2010.

## 28. COMMITMENTS

### Capital commitments

The Group had the following capital commitments approved and contracted as at 31 December 2007.

	Group		Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Mwakaleli factory machinery- Wakulima	-	551,841	-	-

Operating lease commitments – where a group company is the lessee

The Group Companies have acquired land from the government of the United Republic of Tanzania with lease terms ranging from 33 years to 99 years, the lease terms can be renewed at the end of each term subject to the laws of the country at the time. The Group Companies are obliged to pay annual land rent to the Government so far as it continues to hold and use the land during the lease period. This land remains the property of the Tanzania Government as land under the present jurisdiction can not be owned on a freehold basis, by an individual.



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**NOTES (CONTINUED)**

**28. COMMITMENTS (CONTINUED)**

The future aggregate minimum lease payments under a non-cancellable operating lease relating to this land are as follows:

	<b>Group</b>		<b>Company</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Not later than 1 year	<b>1,041</b>	1,379	-	-
Later than 1 year and not less than 5 years	<b>4,163</b>	5,515	-	-
Later than 5 years	<b>89,194</b>	95,391	-	-

**29. CONTINGENT LIABILITIES**

The Company has received a demand notice from Tanzania Tea Board for additional cess of TShs 112 million. However, this liability is under dispute and in the opinion of directors is not likely to materialise.

**30. SHARE CAPITAL**

	<b>Group</b>		<b>Company</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Authorised: 20,000,000 ordinary shares of Shs 25 each	<b>500,000</b>	500,000	<b>500,000</b>	500,000
Issued and fully paid (number)	<b>17,857,165</b>	17,857,165	<b>17,857,165</b>	17,857,165
<b>Group and Company</b>		<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
At 1 January 2007		410,762	3,192,021	3,602,783
Share issued by scrip dividend		35,667	556,408	592,075
At 31 December 2007		446,429	3,748,429	4,194,858
At 1 January 2008		446,429	3,748,429	4,194,858
At 31 December 2008		<b>446,429</b>	<b>3,748,429</b>	<b>4,194,858</b>



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**NOTES (CONTINUED)**



**31. CASH GENERATED FROM OPERATIONS**

	<b>Group</b>		<b>Company</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Profit / (loss) for the year	<b>5,329,434</b>	(542,286)	<b>7,038,973</b>	1,759,606
Adjustments for:				
Income tax expense (Note 12)	<b>393,495</b>	1,116,036	<b>95,317</b>	38,885
Depreciation (Note 15)	<b>444,779</b>	657,300	-	-
Fair value adjustment (net)	<b>146,912</b>	1,307	-	-
Employees' gratuity	<b>(21,946)</b>	7,888	-	-
Interest expense	<b>350,031</b>	681,008	-	-
Interest income	<b>(9,589)</b>	(19,490)	-	-
Unrealised exchange loss/(gain) on term loans	<b>231,341</b>	(140,596)	-	-
Gain on disposal of property, plant and equipment	<b>(17,216)</b>	(71,229)	-	-
(Gain)/loss on disposal of subsidiary	<b>(5,440,029)</b>	2,203,857	<b>(5,684,832)</b>	(964,092)
Transaction costs on disposal of subsidiary	<b>469,251</b>	405,800	<b>469,251</b>	405,800
Changes in working capital:				
Inventories	<b>(1,634,444)</b>	(235,655)	-	-
Biological assets ( seedlings)	-	18,692	-	-
Receivables	<b>(95,846)</b>	(1,284,014)	<b>1,316,347</b>	(754,868)
Payables	<b>801,693</b>	202,476	<b>243,618</b>	(4,129)
Cash generated from operations	<b><u>947,866</u></b>	<b><u>3,001,094</u></b>	<b><u>3,478,674</u></b>	<b><u>481,202</u></b>



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**NOTES (CONTINUED)**

**32. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company is controlled by Freshfields Investments Limited, which owns 54.49% (2007: 54.43%) of the Company's shares. The remaining 45.57% of shares are widely held. The Company owns one subsidiary company, Wakulima Tea Company Limited (75 % shares as at the end of the year), The Company also owned Chai Bora Limited (100% of the shares), Chai Bora was sold in July 2008 to Trans-Century Limited. 25% of Wakulima Tea Company Limited shareholding is owned by Rungwe Smallholders Tea Development Trust Fund. The ultimate parent of the Group is CDC Group Plc, a public limited company incorporated in England & Wales. In addition, the Company's Managing Director owns Tanganyika Finance Company Limited and has shares in Nomad Tanzania Limited. The Managing Director is also a trustee of Selous Rhino Trust Limited. The following transactions were carried out with related parties:

**(i) Sale of good/services**

	<b>Group</b>		<b>Company</b>	
	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>
Tanganyika Finance Company Limited – Fixed assets	-	31,411	-	-

**(ii) Purchase of services**

Tanganyika Finance Company Ltd – Office Rent & Plane hire	-	63,826	-	-
Tanganyika Finance Company Limited – Management services	<u><b>379,754</b></u>	<u>-</u>	<u><b>224,248</b></u>	<u>-</u>

**(iii) Interest on loans**

Interest charged to Chai Bora Limited	-	-	<b>110,794</b>	135,658
Interest charged to Wakulima Tea Company Limited	<u>-</u>	<u>-</u>	<u><b>139,207</b></u>	<u>12,391</u>



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**NOTES (CONTINUED)**



**32. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**(iv) Year-end balances arising from sale/purchase of goods and services**

	Group		Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Receivable from related parties</b>				
Wakulima Tea Company Limited	-	-	-	-
Tanganyika Finance Company Limited	-	37,976	-	-
Kidahi Rhino Project	<b>2,283</b>	-	-	-
Rungwe Smallholder Tea Growers Association	-	-	-	-
	<u>2,283</u>	<u>37,976</u>	<u>-</u>	<u>-</u>
<b>Payable to related parties</b>				
Wakulima Tea Company Limited	-	-	-	-
Kibena Tea Limited	-	-	-	-
Tanganyika Finance Company Limited	-	-	-	-
Nomad Tanzania Limited	<b>4,868</b>	4,868	-	-
Rungwe Smallholders Tea Development Trust Fund	<b>3,126</b>	3,126	-	-
	<u>7,994</u>	<u>7,994</u>	<u>-</u>	<u>-</u>
	Group		Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Wakulima Tea Company Limited (a)	-	-	<b>666,365</b>	804,584
Chai Bora Limited (b)	-	-	-	1,402,603
Wakulima Tea Company Limited (c)	-	-	<b>1,800,000</b>	-
Total loans	-	-	<b>2,466,365</b>	2,207,187
Due after one year	-	-	<b>(1,800,000)</b>	-
Due within one year	<u>-</u>	<u>-</u>	<u><b>666,365</b></u>	<u>-</u>

**Loan to Wakulima Tea Company Limited**

This is a short term loan denominated in US dollars and carries interest at a rate of 5.5%, the loan is not secured and is payable on demand

**Loan to Chai Bora Limited**

This is a short term loan denominated in Tanzania shillings and carries an interest rate equivalent to that charged by CRDB Bank on the overdraft facility taken by Chai Bora Limited. The loan was paid in full during the year.



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**NOTES (CONTINUED)**

**32. RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)**

**Loan to Chai Bora Limited**

This is a medium term loan denominated in Tanzania shillings and carries an interest rate equivalent to 1% less the rate charged by CRDB Bank on the overdraft facility in shillings. The loan was paid in full during the year.

**(v) Directors and key management's remuneration**

Remuneration policy for directors and executives

The directors of the Company are to be paid an annual directors gross allowance of US\$6,000 each while the Chairman will be paid US\$7,500 this arrangement is effective from the 1 August 2008. No allowances have been paid under this arrangement for the year under review but a proportionate part of the expense have been provided in the books. Prior to this, directors and executives of the Company and its subsidiaries were not paid any directors fees. However, they were entitled to a sitting allowance of US \$ 400 each for every sitting. Executive directors and non – executive directors who devote extra time in the day to day running of the Company and its subsidiaries were paid salaries. Executive directors, together with other employees of the Group participated in a performance based bonus. Performance targets are set such that the director and/or the employee can increase his or her earnings when the profitability of the business is increased. Targets for directors were set and approved by the Board, whereas the bonus of other key management staff are set and agreed by the chief executive officer of the respective Company.



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**NOTES (CONTINUED)**



**32. RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)**

**(vi) Transactions related to business reorganisation**

These are detailed in note 34.

Directors and executive remuneration

2008	Short term employee benefits			Chairman's Fees	Sitting allowances	Post employment benefits	Other long-term benefits	Share based payments	Total
	Salary	Bonus	Children school fees						
<b>Non executive directors</b>									
Hon J J Mungai	-	-	-	30,760	-	-	-	-	30,760
F Mbala	-	-	-	-	-	-	-	-	-
K Alexander	-	-	-	-	-	-	-	-	-
<b>Executive officers</b>									
G C Theobald	52,600	8,902	45,778	-	-	-	311,004	-	418,284
P D Rowland	75,877	57,319	-	-	-	-	237,998	-	371,194
<b>2007</b>									
<b>Non executive directors</b>									
Hon J J Mungai	-	-	-	55,377	-	-	56,472	-	111,749
F Mbala	-	-	-	-	1,267	-	-	-	1,267
K Alexander	-	-	-	-	-	-	-	-	-
<b>Executive officers</b>									
G C Theobald	94,689	123,477	116,436	-	-	-	-	-	334,602
P D Rowland	124,550	101,616	-	-	-	-	-	-	226,166



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**NOTES (CONTINUED)**

**33. DISCONTINUED OPERATIONS**

On 30 July 2008, the Board of Directors entered into a sale agreement to dispose of the Group's Blending and Packaging of Tea operation. The proceeds of sale substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale.

The disposal of the Blending and Packaging of Tea operation is consistent with the Group's long-term policy to focus its activities in the purchase of green leaf from out growers and processing business model. The disposal was completed on 31 July 2008, on which date control of the Blending and Packaging of Tea operations passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in note 34.

The combined results of the discontinued operations (i.e. blending and packaging of tea and tea farming and processing of made tea for the year 2008 and 2007 respectively) included in the profit and loss account are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

**(a) Profit for the year from discontinued operations**

	<u>2008</u>	<u>2007</u>
Revenue	5,391,086	16,020,278
Fair value adjustment	-	(363,302)
	<u>5,391,086</u>	<u>15,656,976</u>
Cost of sales	(3,371,904)	(9,614,525)
Gross profit	2,019,182	6,042,451
Other operating income	20,483	74,397
Marketing and selling expenses	(670,477)	(1,417,543)
Administration expenses	(1,636,187)	(2,049,482)
Operating profit	(266,999)	2,649,823
Net finance costs	(282,076)	(483,473)
Add: intercompany income	195,019	-
(Loss)profit before tax	(354,056)	2,166,350
Income tax	105,206	(744,116)
Profit after tax for the year attributable to discontinued operations	<u>(248,850)</u>	<u>1,422,234</u>

**(b) Cash flows attributable to discontinued operations**

Net cash (out) / in flows from operations	(568,588)	344,320
Net cash (out) / in flows from investing activities	(131,242)	(177,313)
Net cash (out) / in flows from financing activities	(135,821)	355,226
Net cash (out) / in flows from discontinued operations	<u>(699,820)</u>	<u>522,233</u>



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**NOTES (CONTINUED)**



**34. DISPOSAL OF TEA BLENDING AND PACKAGING OPERATION**

During the year the Company sold its interest (100%) in Chai Bora Limited (in 2007 it sold 100% of its shares in Kibena Tea Limited) to Trans-Century Limited, a company registered and domiciled in the Republic of Kenya. Following the sale of Kibena Tea Limited in 2007 and Chai Bora in 2008, the Group is now comprised of Wakulima Tea Company Limited (75%) and Tanzania Tea Packers Ltd (the holding company).

The sale of Chai Bora Limited (Kibena Tea Limited in 2007) had the following transaction gain / (loss) to the Company and the Group.

Profit on disposal of Chai Bora Limited (CBL), and Kibena Tea Limited (KTL) in 2007, in the books of Tanzania Tea Packers Limited:

<b>Group</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>CBL</b>	<b>KTL</b>
Sales proceeds - CBL : US\$4,969,447.43 (KTL in 2007: US\$1,800,000)	<b>5,784,834</b>	2,295,000
Proceeds from intercompany loan	<b>1,266,782</b>	-
<b>Assets</b>		
Plant, property & Equipment	<b>596,051</b>	2,378,542
Biological assets	-	5,904,462
Trade Marks	<b>750</b>	-
Deferred Tax Assets	<b>96,604</b>	1,092,049
Stocks	<b>3,257,451</b>	707,820
Growing crops	-	68,156
Debtors	<b>1,075,601</b>	777,675
Corporate Tax receivable	<b>240,509</b>	16,154
Cash and cash equivalents	<b>(1,265,440)</b>	(135,815)
Total assets	<b>4,001,526</b>	10,809,043
Less		
Long term borrowing (CRDB Bank Loan)	<b>(1,315,192)</b>	(5,508,386)
Employees gratuity scheme	<b>(48,208)</b>	-
Creditors and accruals	<b>(1,026,539)</b>	(801,800)
Net assets sold	<b><u>1,611,587</u></b>	<u>4,498,857</u>
<b>Profit / (loss) on disposal of assets in CBL (2007:KTL)</b>	<b>5,440,029</b>	(2,203,857)
Expenses related to the sale of subsidiary	<b>(469,251)</b>	(405,800)
<b>Profit / (loss) on disposal of assets in CBL (KTL:2007)</b>	<b><u>4,970,778</u></b>	<u>(2,609,657)</u>
<b>Net cash inflow on disposal</b>		
Consideration received in cash and cash equivalents	<b>7,051,616</b>	2,295,000
Less cash and cash equivalent	<b>1,265,440</b>	135,814
Less transaction costs	<b>(469,251)</b>	(405,800)
	<b><u>7,847,805</u></b>	<u>2,025,014</u>



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**NOTES (CONTINUED)**

**34. DISPOSAL OF TEA BLENDING AND PACKAGING OPERATION (CONTINUED)**

<b>Company</b>	<u><b>2008</b></u> <b>CBL</b>	<u><b>2007</b></u> <b>KTL</b>
Sales proceeds(CBL US\$4,969,447.43, and KTL US\$1,800,000)	<b>5,784,834</b>	2,295,000
Less cost of investments in CBL (2007:KTL)	<u><b>(100,002)</b></u>	<u>(1,330,908)</u>
Gain on disposal of subsidiary	<b>5,684,832</b>	964,092
Selling expenses	<u><b>(469,251)</b></u>	<u>(405,800)</u>
<b>Net gain on Disposal</b>	<u><b>5,215,581</b></u>	<u>558,292</u>
<b>Net cash inflow on disposal</b>		
Consideration received in cash and cash equivalents	<b>5,784,834</b>	2,295,000
Less transaction costs	<u><b>(469,251)</b></u>	<u>(405,800)</u>
	<u><b>5,315,583</b></u>	<u>1,889,200</u>



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of the Company in respect of the year ended 31st December 2008 will be held at New Africa Hotel, Dar es Salaam on Saturday 27th June 2009 at 11:00 a.m.

### AGENDA

1. Confirmation of the minutes of the 14th Annual General Meeting.
2. To receive and adopt the Annual Directors' Report for the year ended 31st December 2008.
3. The laying of the Annual Accounts for the year ended 31st December 2008 before the shareholders.
4. To appoint PricewaterhouseCoopers, P. O. Box 45, Dar es Salaam, as the Company Auditors as recommended by the Board of Directors for the year 2009.
5. To confirm the interim dividend of Tsh 365 per share paid during the year 2008 as final dividend for the year 2008.
6. Any other Business.

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint any person (whether a member of the Company or not) to attend and vote on the member's behalf.

Proxy forms are attached in this report and must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

BY ORDER OF THE BOARD

**V. K. Tewari**  
**COMPANY SECRETARY**

Tanzania Tea Packers Limited  
P. O. Box 1344, DAR ES SALAAM, TANZANIA  
31 May 2009



*Please detach and return this slip to TATEPA if you can attend.*

I, (name) \_\_\_\_\_ confirm

that I will be attending the TATEPA AGM on 27th June 2009.

*Return to:* Company Secretary  
Tanzania Tea Packers Limited  
P. O. Box 1344  
Dar es Salaam  
Tanzania





## TANZANIA TEA PACKERS LIMITED



### PROXY

I/We of \_\_\_\_\_

of \_\_\_\_\_

Being a member/members of the above-named Company hereby appoint

\_\_\_\_\_ of \_\_\_\_\_ or  
failing

him/her \_\_\_\_\_ of \_\_\_\_\_

as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 27<sup>th</sup> day of June 2009 and at any adjournment thereof.

Signed \_\_\_\_\_

This \_\_\_\_\_ Day of \_\_\_\_\_ 2009.

**Note:** If the organization is a corporation, the proxy must be either under seal, or under the hand of an officer or attorney duly authorised.

*If you have appointed a proxy to vote on your behalf please detach and return to:*

Company Secretary  
Tanzania Tea Packers Limited  
P. O. Box 1344  
Dar es Salaam  
Tanzania

I, (name) \_\_\_\_\_ confirm

that I will be attending the TATEPA AGM on 27th June 2009.

*Return to:* Company Secretary  
Tanzania Tea Packers Limited  
P. O. Box 1344  
Dar es Salaam  
Tanzania

