



TANZANIA TEA PACKERS LIMITED



CHAI
TAUSI



ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011





Table of Contents

	Page No
Chairman’s Statement	3-6
Financial Review	7
Directors’ report	8 - 16
Statement of directors’ responsibilities	17
Report of the independent auditor	18 - 19
<i>Financial statements:</i>	
Profit and loss accounts	20
Statements of comprehensive income	20
Balance sheet	21
Statements of changes in equity	22
Cash flow statements	23
Notes	24 – 57



Index to the notes to the financial statements

Note		Page
1	General information	24
2	Summary of significant accounting policies	24
3	Critical accounting estimates and judgments	31
4	Financial risk management	31
5	Business and geographical segments information	34
6	Cost of sales	39
7	Other operating income	40
8	Selling and marketing costs	40
9	Administrative expenses	40
10	Staff related costs	41
11	Finance costs	41
12	Income tax expense	41
13	Earnings per share	41
14	Dividend per share	42
15	Property, plant and equipment	42
16	Biological assets	43
17	Investment in subsidiaries	44
18	Loans receivable – Non current	45
19	Inventories	46
20	Trade and other receivables	46
21	Loan receivable – Current	47
22	Cash and cash equivalents	48
23	Trade and other payables	48
24	Borrowings	48
25	Bank overdraft	52
26	Deferred income tax liability	52
27	Employees gratuity	53
28	Commitments	53
29	Contingent liabilities	54
30	Share capital	54
31	Cash generated from operations	55
32	Subsequent events	55
33	Related party transactions and balances	55



Chairman's Statement



Overview

In 2011 your Group continued its expansion program with the launch of "Chai Tausi", its new branded tea, the further development of its avocado business and its hydro power initiative. Tatepa continued to maintain focus on the development of its primary agricultural interests, and further increased its work on smallholder initiatives.

Because of these development initiatives, profits declined from the breakeven performance reported for 2010 but, like that year, performance in 2011 was better than originally forecast, particularly regarding cash, where Group net working capital has improved significantly. On the more challenging side, some of the issues with smallholder production which were reported last year continued to affect production, resulting in the new Mwakaleli factory remaining closed. The impact of these issues remains significant despite the strongly positive role played by Government and Wakulima Tea Company Limited (**WTC**). Both parties have been working together to seek solutions to the issues.

Central to all that it does your Company's commitment to smallholder empowerment and ethical agri-business which saw great development in 2011. A program with the Wood Family Trust to assist the Rungwe Smallholders Tea Growers' Association (**RSTGA**) was rolled out in 2011; integral to that is a program to assist RSTGA in their management capability. This joint project provides for smallholder capacity-building as well as training to assist the smallholders in their requirement for both enhanced income and achievement of the coveted Rain Forest Alliance status – on which latter point the results of a final inspection are awaited. I am proud to announce that during the year WTC achieved ISO 22000 certification, a premier world certification for operating standards and governance.

The year also saw good progress on Rungwe Avocado Company (**RAC**), Tanzania's first mainstream avocado producer and exporter, as well as further development on the Suma Hydro project.

Dividends

Your Company's development plans will continue to have an impact on dividends and, as flagged in the AGM in 2010, it is not anticipated that dividends will be paid this year. Shareholders will see the benefit of these developments through long term capital growth as well as higher dividends in later years.

A Return to our Roots

Last year I reported that 2011 will see the return of Tatepa to tea blending and packaging through our subsidiary WTC in partnership with Tatepa's old distributor, Arusha Sundries Ltd. This was indeed the case and the new "Chai Tausi" brand was launched in December 2011 at premises in Vingunguti, Dar



Chairman's Statement (Continued)

es Salaam, where Hon. Dr. Mary Nagu (MP), Minister of State Prime Minister's Office – Investment and Empowerment graced the occasion. Operations commenced in Dar es Salaam but sales are already being made to most major districts and thus are above the original business target. This business, being a start up, contributed to the Group loss in 2011 but is expected to achieve close to breakeven in 2012 with profitability expected by the second full year of operations. This initiative returns your Company to its other core competence and is an exciting use of management resource and knowledge. Concentration will be on the mass market with Tatepa once again aiming to produce a wholesome, healthy product available to all.

Wakulima Tea Company Limited

Wakulima Tea Company Ltd (**WTC**) put in an exciting performance in spite of difficult circumstances with certain smallholder areas in 2011, returning an increased profit before tax of Tsh 855m against an initial target of Tsh 272m and an all time record production of over 5 million kgs. Your Board remains positive about the World Tea Market as the upward trend in global tea consumption continues, particularly in the developing countries. In addition, Kenya after a good year in 2010 suffered a slight production reversal in 2011 and has started 2012 with drought conditions. Production in India is also down in early 2012. Higher costs in Kenya effectively put a downward limit on prices as that country is the world's largest exporter of black tea. Your Board remains of the view that a sustained long term positive tea price is now more likely, than the cyclically declining prices that have been seen for over twenty years, and are confident that, going forward, the impact on demand for Tanzanian tea will be positive. Our concern for WTC centres around production and, despite the strong positive support from both local and central Government players, the disharmony in the Rungwe District continues to affect production negatively. Without these issues, in 2011 production could have been 1m kilos higher than was actually the case, with consequent benefits for all. Robust solutions must be found to avoid a repeat of the experience in other tea smallholder districts that have so badly impacted smallholders' livelihoods in those locations

The Smallholder

Access to cash is the oxygen that breathes life into tea production, particularly for smallholders. Mindful of this as prices have risen on the World Market so too has your Company been able to raise the green leaf price paid to the smallholder from Tsh 135/- in 2009, to Tsh 206/-, effective January 2012 resulting in an overall increase in revenues to smallholders of over 50%.

WTC maintained its Fairtrade registration in 2011 and sold in excess of 1,000 tons of Fairtrade teas. This resulted in over US\$500,000 being raised for the RSTGA in the form of Fairtrade premiums, raising the total Fairtrade funds received during the last 5 years to Tsh +1.7billion. During the year WTC also finalised a funding arrangement with a donor (the Wood Family Trust) for the supply of certain equipment to increase smallholder efficiency.

Smallholders are at the heart of TATEPA's philosophy and your Company is proud of its efforts to ensure that Smallholders are paid well for producing good quality tea. In addition to this WTC also funds the



Chairman's Statement (Continued)

management of extension services and training for smallholders to the extent of Tsh700m per annum and provides, on credit, inputs such as fertiliser, herbicides and shears for mechanical harvesting. Recently WTC also took over the management of all tea green leaf collection in order to improve efficiency and quality. The focus this year is on the continuation of these programs and, following the attainment of the coveted ISO 22000 in 2011, the attainment of "Rain Forest Alliance" certification in 2012.

Your Company has also continued to strengthen its focus on social responsibility. With a dispersed population, scattered far from urban centres, it is both expensive and time-consuming for rural communities such as those in Rungwe District to reach HIV Aids treatment and information centres. Therefore in a joint collaboration with GTZ, Egmont Trust, Champion and RSTGA, WTC has provided various transportation initiatives to alleviate these obstacles. Your Company continues to strengthen its commitment to environmental good governance, and continues with its support to the RSTGA and to education, health and clean water projects in the Rungwe District.

Rungwe Avocado Company Limited

Rungwe Avocado Company Limited (**RAC**) remains the Group's most exciting, yet still unproven, initiative, but progress continued according to plan in 2011 – indeed progress exceeded original expectations. RAC is expected to become a major player in the world avocado market, selling approximately 20 million avocados annually by 2015. In 2011 with the support of the African Enterprise Challenge Fund (**AECF**) RAC completed the construction of a \$2m state of the art avocado packing shed, the first of its kind in Tanzania allowing it to export avocados of a "first world" Quality standard. During 2011 and with the further assistance of the African Wildlife Foundation (**AWF**) RAC took its smallholder area close to 500ha of planted avocados. RAC has also increased its own commercial plantations which will account for circa 40% of production. However, it is particularly proud of its work with smallholders and with their resulting success in doubling their expected uptake of new seedlings. It remains your Company's ambition that RAC will achieve annual sales in excess of US\$5 million within the next 5-6 years, and will generate significant annual profits at maturity in about 10 years' time.

The Global Market in avocados continues to grow strongly, despite rising production worldwide, and prices remain strong for RAC's class of product. In Rungwe, the fruit grows naturally and its March to May harvest season provides a very favourable sales window to the global market, at a time when there is a low production season in other parts of the world. RAC has a marketing arrangement with the United Kingdom's largest fresh fruit distributor for onward sale to Marks & Spencer and Sainsbury and have already started exporting at favourable prices. The challenge now is to ensure the establishment of an efficient transport link by road and sea to Europe through Dar es Salaam, Mombasa or Cape Town. Initial trials have been very positive.

Although production commenced in 2007, it will take time for RAC to mature and it is expected to continue making losses of over half a million dollars in 2012, as the project develops, with 2013 hopefully heralding its first profitable year "ceteris paribus".



Chairman's Statement (Continued)

Small Hydro Power

Finally, regarding the Suma Hydro-electricity project, I am pleased to report that the initial feasibility consultancy is now complete and it is hoped that financing will be completed in 2012 with the project commencing towards the end of this year. We are seeking funding from our RAC partners, AECF as well as long term debt from CRDB but I am delighted to report that NEMC approval has been received and your Company has commenced the process of obtaining land title.

Long Term Debt:

In respect to Company financing, the Term Loan from CRDB to WTC for the Mwakaleli development was reduced in 2011 to US\$1.26m from \$1.5m, and the new loan of US\$1m (to finance a "Green Leaf" collection fleet for the smallholders) was reduced to US\$0.7m. Therefore, WTC's Secured Long Term debt is \$2m against an asset value at last valuation of over \$10m. In addition Net Current Assets (after deduction of overdrafts) are a positive of \$1m.

Your Company is pleased to be currently financing the avocado project out of Group profits; the AECF repayable grant facility and now additional funding from a new environmental development facility established by AWF.

Although the development of the RAC avocado project and the "Chai Tausi" tea packing project are denying shareholders the prospect of dividends for the next two years, both are expected to develop into very exciting and profitable new businesses with strong cashflow and dividend potential. They will also provide you and your Company with a good hedge against raw tea production and a robust diversification initiative.

Conclusion

During the Financial Year 2012, TATEPA will undertake two small pieces of housekeeping both the subject of an EGM after this meeting. The first is to officially change the name of the company to TATEPA – a long overdue change reflecting the Company's current activities and the common usage of the name. The second is to change the Year End to September 30th in order to fit better the seasonality of the Group's business. I trust you will follow all directors in giving these changes your unanimous approval. As I touched on at the beginning of this statement, your Company's activities are underpinned by a commitment to empowering smallholder farmers and making agriculture ethical. The Company's three new initiatives - the launch of RAC; the return to its tea packing roots through "Chai Tausi"; and the harnessing of energy from water - provide strong synergies with its existing tea interests, and continue to make TATEPA a company of which we should all be proud.

Once again, I would like to express my gratitude to all my colleagues on the Board of TATEPA and to the management and staff of its management company (Tanganyika Finance Company Limited), for their commitment, vision and entrepreneurial flair that continue to ensure your Company remains at the forefront of its special type of agricultural development in Tanzania.

J J MUNGAI MP

Chairman:

14 March, 2012

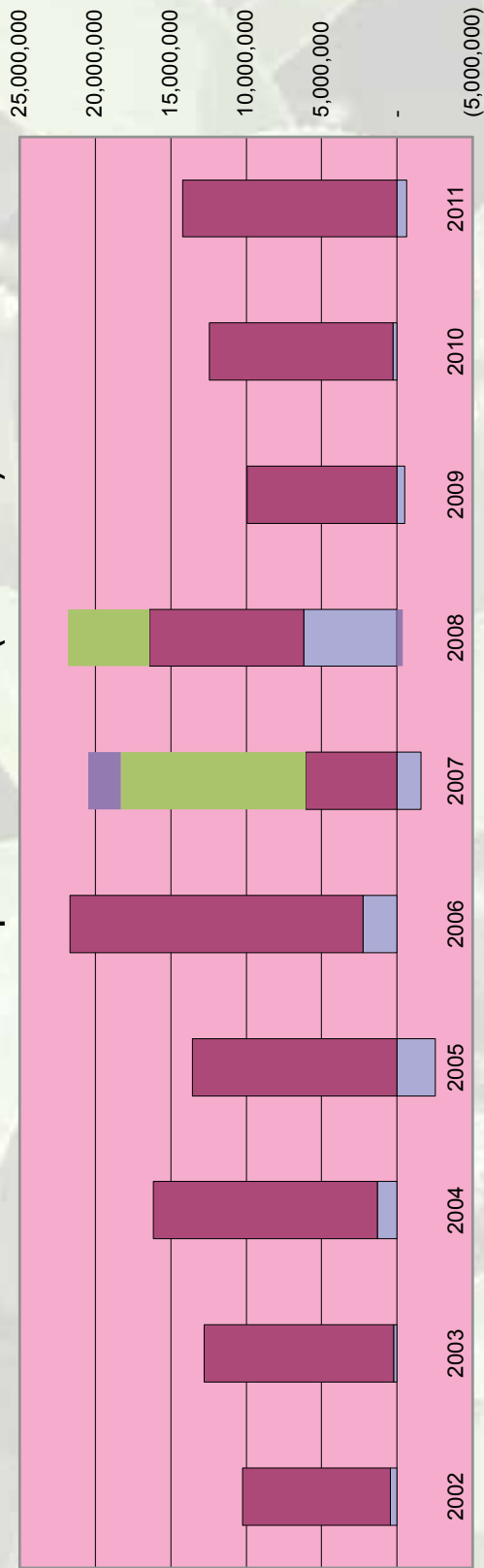


Financial Review

For the year ended 31st December

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Turnover	14,191,143	12,152,841	9,947,794	10,225,170	6,041,186	19,415,363	13,549,011	14,857,485	12,545,159	9,812,547
Continuing Operations	-	-	-	5,391,086	12,271,844	-	-	-	-	-
Discontinued Operations	14,191,143	12,152,841	9,947,794	15,616,256	18,313,030	19,415,363	13,549,011	14,857,485	12,545,159	9,812,547
Group turnover	14,191,143	12,152,841	9,947,794	15,616,256	18,313,030	19,415,363	13,549,011	14,857,485	12,545,159	9,812,547
Profit/(Loss) Before Taxation	(627,780)	292,439	(503,756)	6,168,870	(1,592,600)	2,255,832	(2,505,233)	1,293,792	241,214	446,871
From continuing operations	-	292,439	(503,756)	(354,056)	2,166,350	2,255,832	(2,505,233)	1,293,792	241,214	446,871
From Discontinued operations	(627,780)	292,439	(503,756)	5,814,814	573,750	2,255,832	(2,505,233)	1,293,792	241,214	446,871
Group profit / (loss) before taxation	(627,780)	292,439	(503,756)	5,814,814	573,750	2,255,832	(2,505,233)	1,293,792	241,214	446,871
Dividends	-	-	-	6,517,865	2,525,088	739,372	-	-	611,212	576,312
Cash Generated From Operations	(814,245)	747,906	573,828	947,866	2,731,108	2,643,798	(409,088)	1,892,712	1,749,971	1,414,353
Net Cash from Investment activities	(1,516,129)	(2,358,066)	(586,510)	5,845,631	1,202,456	(423,398)	(357,873)	(794,121)	(1,895,491)	(1,698,220)
Interest Bearing Debt	4,972,602	3,656,592	2,649,153	3,030,033	1,901,699	7,555,821	7,850,838	8,647,876	9,202,735	7,639,039
Interest Free Debt	1,761,890	1,166,109	-	-	0	-	-	-	-	-
Earnings Per Share (TZs)	(28)	(2)	(27)	294	(40)	120	(112)	73	15	33
Dividends Per Share (TZs)	0	0	0	365	100	45	-	-	40	40

Group Turnover & Profit (in Tshs'000) 2002 - 2011





Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors submit their report together with the audited financial statements for the year ended 31 December 2011, which disclose the state of affairs of Tanzania Tea Packers Limited (TATEPA or the "Company") and its subsidiaries ("the Group").

1 Incorporation

The Company is incorporated in Tanzania under the Companies Act, CAP 212 Act No. 12 of 2002 as a public limited liability company.

2 Group Vision

The Group's vision is to become Tanzania's premier "green" agricultural business, being both environmentally and commercially aware and giving fair returns to all stakeholders. The Group aims to deliver sustainable development, to develop businesses with smallholder partners and other stakeholders, and gradually to empower them to own these businesses.

3 Company Mission

TATEPA's mission is to invest, develop and manage businesses that will deliver broad participation and benefits for all stakeholders. All businesses in which TATEPA invests endeavour to be commercially, socially and environmentally sustainable and pursue best practices in the management and development of their activities. TATEPA is able to participate in new ideas and start-ups in all areas of the Tanzanian agricultural value chain, including logistics, and seeks to assist in the development of effective regulations and other Governance matters where it can make a difference.

4 Principal Activities

The Group holds:

1. a majority equity stake of 70% in Wakulima Tea Company Limited (WTCL) (2010: 70%);
2. an aggregated majority stake of 74.27% (2010: 74.27%) in the equity of Rungwe Avocado Company Limited (RACL), of which 58.27% (2010: 58.27%) is held directly by Tatepa and 22.85% is held indirectly through WTCL..
3. a stake of 50% + 1 share (2010: nil) in the equity of Kyimbila Tea Packing Company Limited (KTPCL) and has control over the management of KTPCL through the Board of Directors.

Wakulima Tea Company Limited undertakes the growing, processing and sale of tea in both local and export markets. Exports are made through the Mombasa Tea Auction as well as through private contracts. Rungwe Avocado Company Ltd undertakes the growing, packing and export of avocados. Exports are made through private contract.

Kyimbila Tea Packing Company Limited, which started operations in December 2011, blends and packs black tea for the local market and for export.

During the year, the Company's principal activities continued to be the holding and financing of the investments described above; in addition the Company has taken on the management function of KTPCL.



Directors' Report (Continued)

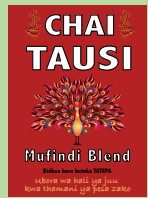
5 Composition of the Board of Directors

The Directors of the Company at the date of this report, all of whom have served since 01 January 2011 unless otherwise stated, are:

	Name	Position	Age/ Years	Qualifications	Nationality	Date of appointment
1	Joseph J Mungai	Chairman	68	MPA (Master of Public Admin)	Tanzanian	09.06.2010
2	George C Theobald	Member	53	BA –Economics	Tanzanian	09.06.2010
3	Peter D Rowland	Member	57	Msc. Agric Eng. C. Eng	British	09.06.2010
4	Stephen S Alfred	Member	42	BA (Economics) & Master of Business & Fin Admin)	Tanzanian	09.06.2010
5	Keith Alexander	Member	56	B Sc., FCA.	British	09.06.2010
6	Robin Harrison	Member	54	MA (History, Archaeology & Anthropology	British	13.12.2011

	Name	Position	Age/ Years	Qualifications	Nationality	Date of appointment
1	Joseph J Mungai	Chairman	68	MPA (Master of Public Admin)	Tanzanian	09.06.2010
2	George C Theobald	Member	53	BA –Economics	Tanzanian	09.06.2010
3	Peter D Rowland	Member	57	Msc. Agric Eng. C. Eng	British	09.06.2010
4	Stephen S Alfred	Member	42	BA (Economics) & Master of Business & Fin Admin)	Tanzanian	09.06.2010
5	Keith Alexander	Member	56	B Sc., FCA.	British	09.06.2010
6	Robin Harrison	Member	54	MA (History, Archaeology & Anthropology	British	13.12.2011

	Name	Position	Age/ Years	Qualifications	Nationality	Date of appointment
1	Joseph J Mungai	Chairman	68	MPA (Master of Public Admin)	Tanzanian	09.06.2010
2	George C Theobald	Member	53	BA –Economics	Tanzanian	09.06.2010
3	Peter D Rowland	Member	57	Msc. Agric Eng. C. Eng	British	09.06.2010
4	Stephen S Alfred	Member	42	BA (Economics) & Master of Business & Fin Admin)	Tanzanian	09.06.2010
5	Keith Alexander	Member	56	B Sc., FCA.	British	09.06.2010
6	Robin Harrison	Member		MA (History, Archaeology & Anthropology		13.12.2011



Directors' Report (Continued)

The Company Secretary at the date of this report, who served in this capacity since 1 January 2011 was Mr. V. K. Tewari (Indian).

In accordance with the Company's Articles of Association, the directors are elected by the Shareholders in an Annual General Meeting, to hold office for a period of two years, after which they retire but are eligible for re-election. All the above directors, except Mr. Robin Harrison, were appointed in the Annual General Meeting held on 9 June 2010 for a period of two years and they are eligible for re-election. The Board recommends that all the directors due for re-election, including Hon J J Mungai who has attained his 65th year, be considered by the shareholders in the next AGM for re-election for a period of two years as Directors of the Company. The Board also recommends that Mr. Robin Harrison who was appointed on 13 Dec 2011 be considered by the shareholders in the next AGM for election for a period of two years.

The disclosures of directors' emoluments are set out in note 33 to the financial statements.

6 Corporate Governance

The Board of TATEPA consists of six Directors. The Board takes overall responsibility for the Company, including identification of key risk areas, considering and monitoring investment decisions, considering financially significant matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring the comprehensive systems of internal control policies and procedures are operating, and for compliance with sound governance principles.

The Board meetings are held at regular intervals; there were 5 meetings during the year 2011. The Board delegates the day to day management of the business of the Group to a corporate management and consultancy company, Tanganyika Finance Company Limited (TFC). Senior management of TFC are invited to attend board meetings and this facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all various business units.

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

The Board of TATEPA has the following sub-committees to ensure a high standard of corporate governance throughout the Company and in all of its subsidiaries. Its meetings are held as necessary and as directed by the Board.

Audit Committee

	Name	Position
1	Mr. K Alexander	Chairman
2	Mr. G C Theobald	Member
3	Mr. P D Rowland	Member

Directors' Report (Continued)

The Audit Committee reports to the Board of Directors of the Company. The Audit Committee met twice during the year.

Remunerations Committee

	Name	Position
1	Hon J J Mungai	Chairman
2	Mr K Alexander	Member
3	Mr G C Theobald	Member

The Remuneration Committee reports to the Board of Directors of the Company. There was no requirement for the Remuneration Committee to meet during the year.

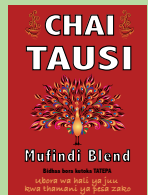
7 Capital Structure

The Group and Company capital structures as at year end are as shown below

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Ordinary share capital	446,429	446,429	446,429	446,429
Share premium	3,748,429	3,748,429	3,748,429	3,748,429
Retained reserves	(215,588)	277,689	127,452	270,896
Total owners equity	3,979,270	4,472,547	4,322,310	4,465,754
Non-controlling interests	974,313	987,683	-	-
Total equity	4,953,583	5,460,230	4,322,310	4,465,754
Borrowings	8,576,946	5,508,908	-	-

8 Management

The Management of the Company and that of its subsidiaries is organised through a management agreement with Tanganyika Finance Company Limited, a corporate management and consultancy firm incorporated in Tanzania.



Directors' Report (Continued)

9 Shareholders of the Company

The total number of shareholders at 31 December 2011 is 1,673 shareholders (2010:1,681 shareholders). Three of the directors had interests in the issued and fully paid up shares of the Company and details are provided below:

Name	Nationality	Number of ordinary share
Mr. J.J. Mungai (Rtd MP)	Tanzanian	2,231,146 shares
Mr. P. D. Rowland	British	2,232,146 shares
Mr. G. C. Theobald	Tanzanian	4,013,758 shares

The shares of the Company are held as follows:

S/N	Name	Number of ordinary shares held	
		Current year	Prior year
1	Freshfields Investments Limited	-	9,719,594
2	Thompson Lloyd & Ewart Limited	4,241,112	455,499
3	Mr. G. C. Theobald	4,013,758	1,138,475
4	Mr. P. D. Rowland	2,232,146	-
5	Hon J. J. Mungai (rtd MP)	2,231,146	1,405,594
6	Parastatal Pension Fund	2,009,552	2,009,552
7	National Social Security Fund	894,384	894,384
8	James Eluter Luhanga Trust	309,739	309,739
9	George P Theobald & Josephine M Theobald	244,354	244,354
10	Various others	1,680,974	1,679,974
	Total	17,857,165	17,857,165

During the year and following an Extraordinary General Meeting on 22nd September 2011, Freshfields Investments Limited sold its entire interest in the Company to a combination of new and existing shareholders, namely Thompson Lloyd & Ewart Limited, Mr G C Theobald, Mr P D Rowland and Hon J J Mungai.

10 Stock Exchange Information

The Company is listed with the Dar es Salaam Stock Exchange (DSE) since 1999. The share price as at the end of the year was Tshs. 265 (2010: Tshs 480). The market capitalization as at 31 December 2011 was Tshs 4.7billion. (2010: Tshs 8.5billion)



Directors' Report (Continued)

11 Results and Dividend

	<u>2011</u> Actual	<u>2011</u> Budgeted	<u>2010</u> Actual
	TShs'000	TShs'000	TShs'000
Company			
Profit on disposal of shares	-	-	25,834
Other operating income	390,829	278,949	298,392
Administrative expenses	(563,569)	(192,255)	(368,389)
(Loss) / profit before tax	(172,740)	86,694	(44,163)
Group			
Revenue- made tea	13,702,805	12,125,664	12,132,645
Revenue- avocado	166,329	271,362	20,197
Revenue- packed tea	322,009	2,236,435	-
Gross profit	4,592,078	4,339,926	4,024,130
(Loss)/profit before tax	(627,780)	(819,297)	292,439
Group (Activity)			
	Tons	Tons	Tons
Production - Made tea	5,302	4,676	4,554
Production and sales – Avocado	6	74	15
Sales – Packed tea	57	370	-
Sales – Made tea	4,829	4,678	4,778

Considering the results for the year and financial position, the Company did not pay any dividend in 2011 (2010: nil), and the board is not recommending a dividend for 2011 (2010: nil).

12 Performance for the Year

The performance of Wakulima Tea Company Limited was better than budget in terms of production, tea prices and profitability. Production at 5,302 tons was an all time record and it was 13% higher than budget. Sales volume was also ahead of budget and stocks of made tea were high at the year end. In 2011 tea prices remained strong averaging USD 182 per Kg. Profit before tax of WTCL was Tsh 855 million, comfortably ahead of both budget 2011 and the result for 2010.

As an early stage start-up business Rungwe Avocado Company Limited is particularly sensitive to the unexpected and in 2011 production fell short of budget due to unfavourable weather conditions. However it recorded a loss of Tsh 732 million in 2011 which was Tsh 172 million better than budget as a result of tight cost control and savings in financing cost.



Directors' Report (Continued)

Kyimbila Tea Packing Company Limited, was originally scheduled to start operations in mid-year but was delayed by late deliveries and the time required to obtain various Government approvals. In the event it commenced production in December 2011 and therefore it only achieved sales of 56 tons against a budget of 370 tons and it recorded a loss of Tsh 577 million in 2011 against a budgeted loss of Tsh 237m.

The Group loss for the year at Tsh 806 million as compared to a profit of Tsh 14m in 2010 is mainly due to increased exchange loss on dollar loans amounting to Tsh 322m, loss of Tsh 577m in new operations of Kyimbila Tea packing Company Ltd which was not there last year.

The Board considers that the outlook for all Tatepa's operations remains encouraging.

13 Risk Management And Internal Control

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

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2011 and is of the opinion that they met accepted criteria.

14 Solvency

The Board of directors confirms that applicable International Financial Reporting Standards ('IFRS') have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that TATEPA and its subsidiary Companies have adequate resources to continue in operational existence for the foreseeable future.

15 Employees' Welfare

Management and Employees' Relationship

There were continued good relation between Group employees and management for the year 2011. There were no unresolved complaints received by management from the employees during the year. A healthy relationship continues to exist between management and the Trade Union.



Directors' Report (Continued)

TATEPA and its subsidiaries remain equal opportunity employers. They give equal access to employment opportunities and ensure that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge relevant duties.

Training Facilities

When presenting its annual budget for the year 2011, the Group allocated a sum of TShs 25.9 million (2010: TShs 20.5 million) for staff training in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels, all employees have some form of annual training to upgrade skills and enhance development.

Medical Assistance

All members of staff with a maximum number of four beneficiaries (dependants) for each employee were availed medical assistance (payment of certain medical bills) at government hospitals within their locations or through medical insurance schemes.

Health and Safety

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

Financial Assistance to Staff

Loans are available to all confirmed employees on commercial terms depending on the assessment of and the discretion of management as to the need and circumstances. However, the Group advises its employees to seek independent financial assistance from financial institutions wherever possible.

Persons with Disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Group that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees Benefit Plans

The Group Companies pay contributions to a publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan.

The Group Companies also maintain an unfunded non-contributory employee gratuity arrangement (the "Arrangements"), which provides for lump sum payments to eligible 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. The payments to the retired employees are made from Group companies internally generated funds. The Group Companies also pay contributions to publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan.

The average number of employees in the Group during the year was 237 (2010:156).



Directors' Report (Continued)

16 Gender Parity

As at 31 December 2011, the Group had 263 employees (2010: 202 employees), out of whom 57 (2010: 35) were female and 206 (2010: 167) were male.

17 Related Party Transactions

All related party transactions and balances are disclosed in note 33 to these financial statements.

18 Political and Charitable Donations

The Group did not make any political donations during the year. Donations made to public institutions and charitable organizations during the year amounted to TShs 0.63 million (2010: TShs 8.79 million).

19 Environmental Control Programme

Wakulima Tea Company Limited uses firewood as a source of power in the process of tea manufacturing. As part of its environmental control programme WTCL has adopted policies aimed at the protection of the environment by distributing low energy stoves and forest nurseries to its small holder tea growers free of charge. Furthermore, the Company also discourages the harvesting of immature forests by not buying firewood harvested from immature forests.

The Group Companies also have programmes, policies and independent standards that involve the training of farmers on good agricultural practice, the use of pesticides and fertiliser and the safe disposal of used containers. Additional steps are taken to enhance environmental management with control of waste and management of energy.

20 Corporate Social Responsibility

The Group companies continue to ensure that its employees, stakeholders and the environment are responsibly managed through collective bargain agreements, pursuit of international standards (Fairtrade, HACCP, ISO 22000 and Rain Forest Alliance), innovative HIV/AIDS awareness and prevention schemes and continual dialogue.

21 Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and are eligible for reappointment.

BY ORDER OF THE BOARD;

J J MUNGAI (RTD MP)- CHAIRMAN

Date: 14th March 2012



Statement of Directors' Responsibilities in Respect of the Annual Financial Statements for the year ended 31 December 2011

The Companies Act, CAP 212 Act No. 12 of 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 and Company'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 Companies Act, CAP 212 Act No. 12 of 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.

J J MUNGAI (RTD MP) - CHAIRMAN

Date 14th March 2012



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 2011, the profit and loss accounts and statements of comprehensive income, 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

The 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 Companies Act, CAP 212 Act No. 12 of 2002 and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the company's and group's affairs at 31 December 2011 and of their profits and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act No. 12 of 2002.



Report of the Independent Auditor (Continued)

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 Companies Act, CAP 212 Act No. 12 of 2002 and for no other purposes.

As required by the the Companies Act, CAP 212 Act No. 12 of 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 the financial statements are not in agreement with the 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 

Certified Public Accountants
Dar es Salaam



Signed by: Michael Sallu

2 April 2012

Date





Profit and Loss Accounts

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Group		Company	
		2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Revenue		14,191,143	12,152,841	-	-
Gain/(loss) arising from changes in fair value less estimated point of sale costs of biological assets	16	-	104,676	-	-
		14,191,143	12,257,517	-	-
Cost of sales	6	(9,599,065)	(8,233,387)	-	-
Gross profit		4,592,078	4,024,130	-	-
Other operating income	7	253,515	196,774	390,829	298,392
Selling and marketing costs	8	(1,470,696)	(1,140,249)	-	-
Administrative expenses	9	(3,213,197)	(2,503,300)	(563,569)	(368,389)
Fair value gain on AECF loan		46,384	27,629	-	-
Write off of coffee estate costs		(17,655)	(40,851)	-	-
Gain on disposal of investment	17	-	25,834	-	25,834
Operating profit/(loss)		190,429	589,967	(172,740)	(44,163)
Finance costs	11	(818,209)	(297,528)	-	-
(Loss)/profit before income tax expense		(627,780)	292,439	(172,740)	(44,163)
Income tax expense	12	(178,867)	(277,632)	29,296	(29,932)
(Loss)/profit for the year		(806,647)	14,807	(143,444)	(74,095)
STATEMENTS OF COMPREHENSIVE INCOME					
(Loss)/profit for the year		(806,647)	14,807	(143,444)	(74,095)
Total comprehensive (loss)/income for the year		(806,647)	14,807	(143,444)	(74,095)
Attributable to:					
Non-controlling interests		(313,370)	47,253		
Equity holders of the Company		(493,277)	(32,446)		
Earnings per share attributable to the equity holders of the Company during the year (expressed in TShs per share)					
Basic and Diluted	13	(27.62)	(1.82)		



Balance Sheets

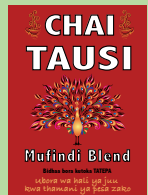
AS AT 31 DECEMBER 2011

	Notes	Group		Company	
		2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
ASSETS					
Non-current assets					
Property, plant and equipment	15	7,545,369	6,972,458	-	-
Biological assets	16	1,600,238	1,600,238	-	-
Deferred tax asset	26	-	-	29,552	-
Investment in subsidiaries	17	-	-	2,402,462	2,402,462
Loan receivable	18	153,645	92,385	1,753,492	1,440,498
		9,299,252	8,665,081	4,185,506	3,842,960
Current assets					
Inventories	19	3,783,810	2,298,986	-	-
Biological asset - nurseries		60,799	39,957	-	-
Trade and other receivables	20	2,131,806	1,515,250	59,328	23,263
Loans receivable	21	-	-	106,230	597,168
Income tax recoverable		205,002	182,751	195,228	164,853
Bank and cash balances	22	545,736	252,263	9,398	9,993
		6,727,153	4,289,207	370,184	795,277
Total assets		16,026,405	12,954,288	4,555,690	4,638,237
EQUITY					
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		(215,588)	277,689	127,452	270,896
		3,979,270	4,472,547	4,322,310	4,465,754
Non-controlling interests		974,313	987,683	-	-
Total equity		4,953,583	5,460,230	4,322,310	4,465,754
LIABILITIES					
Non-current liabilities					
Borrowings	24	5,887,352	4,091,461	-	-
Deferred tax liability	26	511,941	702,402	-	-
Employees' gratuity	27	302,755	260,181	-	-
		6,702,048	5,054,044		
Current liabilities					
Trade and other payables	23	1,681,180	1,022,567	233,380	172,483
Borrowings	24	2,689,594	1,417,447	-	-
		4,370,774	2,440,014	233,380	172,483
Total liabilities		11,072,822	7,494,058	233,380	172,483
Total equity and liabilities		16,026,405	12,954,288	4,555,690	4,638,237

The financial statements on pages 20 to 57 were approved for issue by the board of directors and signed on its behalf by:-

J J MUNGAI - CHAIRMAN

DATE 14 MARCH 2012



Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

GROUP	Share capital TShs '000	Share premium TShs '000	Retained earnings TShs '000	Non-controlling interest TShs '000	Total TShs '000
Year ended 31 December 2010					
At start of year	446,429	3,748,429	310,135	818,696	5,323,689
Total comprehensive loss for the year	-	-	(32,446)	47,253	14,807
<i>Transactions with owners:</i>					
Shares issued during the year	-	-	-	121,734	121,734
As at 31 December 2010	446,429	3,748,429	277,689	987,683	5,460,230
Year ended 31 December 2011					
At start of the year	446,429	3,748,429	277,689	987,683	5,460,230
Total comprehensive loss for the year	-	-	(493,277)	(313,370)	(806,647)
<i>Transactions with owners:</i>					
Shares issued during the year	-	-	-	300,000	300,000
As at 31 December 2011	446,429	3,748,429	(215,588)	974,313	4,953,583
COMPANY	Share capital TShs '000	Share premium TShs '000	Retained earnings TShs '000	Total TShs '000	
Year ended 31 December 2010					
At start of year	446,429	3,748,429	344,991	4,539,849	
Total comprehensive loss for the year	-	-	(74,095)	(74,095)	
As at 31 December 2010	446,429	3,748,429	270,896	4,465,754	
Year ended 31 December 2011					
At start of year	446,429	3,748,429	270,896	4,465,754	
Total comprehensive loss for the year	-	-	(143,444)	(143,444)	
As at 31 December 2011	446,429	3,748,429	127,452	4,322,310	



Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Group		Company	
		2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Cash flows from operating activities					
Cash generated from operations	31	(814,245)	747,906	(147,908)	(23,158)
Interest paid		(468,236)	(320,808)	-	-
Income tax paid		(391,580)	(155,724)	(30,631)	(29,676)
Interest received		8,677	7,319	-	-
Net cash (utilised in)/generated from operating activities		(1,665,384)	278,693	(178,539)	(52,834)
Cash flows from investing activities					
Purchase of property, plant and equipment	15	(1,467,878)	(2,414,881)	-	-
Proceeds from sale of property, plant, and equipment		13,009	1,633	-	-
Long term loan to third parties		(61,260)	(92,385)	-	-
Long term loans to subsidiaries (net)		-	-	177,944	(46,020)
Investment in subsidiaries		-	-	-	(50,490)
Proceeds from sale of investment		-	147,567	-	147,567
Net cash (utilized in)/generated from investing activities		(1,516,129)	(2,358,066)	177,944	51,057
Cash flows from financing activities					
Proceeds from borrowings		1,750,695	1,439,305	-	-
Repayment of borrowings		(506,748)	(637,926)	-	-
Proceeds from issue of shares		300,000	-	-	-
Interest free borrowings and grant		774,792	1,344,036	-	-
Net cash generated from financing activities		2,318,739	2,145,415	-	-
Net (decrease)/increase in cash and cash equivalents		(862,774)	66,042	(595)	(1,777)
Cash and cash equivalents at start of year		(433,944)	(499,986)	9,993	11,770
Cash and cash equivalents at end of year	22	(1,296,718)	(433,944)	9,398	9,993



Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011

1 General Information

Tanzania Tea Packers Limited is incorporated in Tanzania under the Companies Act, CAP 212 Act No. 12 of 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. It also produces and exports Avocado.

The address of its registered office is:

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

And its principal places of business are given below:-

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

Rungwe Avocado Company Limited
Tukuyu Township,
P O Box 700 Tukuyu – Mbeya

Kyimbila Tea Packing Company Limited
Vingunguti Industrial Area,
Plot 7/7A, Nyerere Road,
Dar es Salaam - Tanzania

2 Summary of Significant Accounting Policies

The principal accounting policies applied 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 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRIC interpretations. These financial statements have been prepared under the historical cost convention, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings and the values are rounded to the nearest thousands, except where otherwise indicated.



Notes to the Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) Amended Standards that became effective during the year

During the year, the amendments to the following standards became effective

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of financial statements	1 January 2011
IAS 24	Related party disclosures	1 January 2011
IFRS 7	Financial instruments disclosure	1 January 2011

The amendment to IAS 1 and IAS 24 had no significant impact to the Group's financial statements.

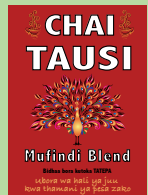
The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments have also removed the requirement to disclose the following:

- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated loans that would otherwise be past due but not impaired.

The application of the above amendment simplified financial risk disclosures made by the Group.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

During the year, new standards, amendments and interpretations to several existing accounting standards were issued but are not yet effective. The directors have assessed the relevance of the amendments and interpretations with respect to the Group's operations and concluded that they do not have a material impact on the Group's financial statements.



Notes to the Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

(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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc. 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. Acquisition related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed are measured at fair value, at acquisition date, irrespective of the extent of any non-controlling 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.

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.

Non-controlling interests represent portion of profit or loss and net assets in subsidiaries not fully held by the Group and are presented separately in the consolidated financial statements.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(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

The Group exports tea and avocados. In addition it sells some of its products to the local market. 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.



Notes to the Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

(ii) Dividend income

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

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of the directors that makes strategic decisions.

(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

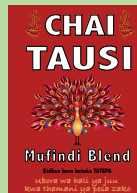
Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Tanzania Shillings at rates ruling at that 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.

(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 the 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:

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



Notes to the Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

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 expenditure 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) Investments in subsidiaries

In the Company's balance sheet, 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.

(h) 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.

(i) 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).

(j) 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.

(k) 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. Net realisable



Notes to the Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

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.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks 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. 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 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 benefits 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 by the directors 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.



Notes to the Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

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 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 those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans receivable 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 is established when 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 present value of expected cash flows, discounted at the effective interest rate. The amount of the provision and any subsequent reversal of an impairment loss are recognised in the profit and loss account.

(t) Financial instruments

The company classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose of acquisition. Management determines the classification at initial recognition and re-evaluates this designation at each reporting date.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories; financial assets held for trading and those designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the management. Assets in this category are classified as current assets.



Notes to the Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

(ii) *Loans and receivables*

These are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor without the intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in the receivables in the balance sheet and are carried at amortised cost using the effective interest rate method.

(iii) *Available-for-sale financial assets*

These comprise principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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, cash flow and 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 trade and other receivables. 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. The account balances and length of time outstanding are regularly monitored.



Notes to the Financial Statements (Continued)

4 Financial Risk Management (Continued)

No collateral is held for cash equivalents and trade and other receivables, except for fertilizer loans amounting to Tshs 612 million (2010: Tshs 334million) to outgrower farmers in Rungwe District who supply green leaf. The farmers' organization deposited Tshs 12 million (2010: Shs 149 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.

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.

Group	Within 1 year TShs'000	Between 1 and 2 years TShs'000	Between 2 and 5 years TShs'000	Over 5 years TShs'000
At 31 December 2011				
Borrowings and interest liabilities	2,991,080	1,160,421	3,937,343	1,618,556
Trade and other payables	1,681,183	-	-	-
Total financial liabilities	4,672,263	1,160,421	3,937,343	1,618,556
At 31 December 2010				
Borrowings and interest liabilities	1,721,542	807,163	2,113,846	539,755
Trade and other payables	1,022,567	-	-	-
Total financial liabilities	2,744,109	807,163	2,113,846	539,755
Company				
At 31 December 2011				
Trade and other payables	233,380	-	-	-
Total financial liabilities	233,380	-	-	-
At 31 December 2010				
Trade and other payables	172,483	-	-	-
Total financial liabilities	172,483	-	-	-



Notes to the Financial Statements (Continued)

4 Financial Risk Management (Continued)

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 2011, an increase/decrease of 200 basis points would have resulted in a decrease/increase in consolidated post tax profit of TShs 172 million (2010: TShs 110 million), mainly as a result of higher/lower interest charges on variable rate borrowings.

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

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 88% (2010:91%) of its earnings are in foreign currencies (mainly US dollars).

At 31 December 2011, 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 414m (2010: TShs 298m) 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 2011 than 2010 because of the increase in US dollar-denominated borrowings.

The movement of the Tanzania shilling against other currencies is insignificant because the number and value 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.



Notes to the Financial Statements (Continued)

4 Financial Risk Management (Continued)

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 noncurrent 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.

During the year 2011, the Group's strategy, which was unchanged from 2010, was to maintain the gearing ratio within 25% to 50% on a long term basis. The gearing ratios at 31 December 2011 and 2010 were as follows:

Group	2011	2010
	TShs '000	TShs '000
Total borrowings (Note 24)	8,576,949	5,508,908
Less cash and cash equivalents (Note 22)	(545,736)	(252,263)
Net debt	8,031,213	5,256,645
Total equity	4,953,582	5,460,229
Total capital	12,984,795	10,716,874
Gearing ratio	61.85%	49.05%

The increase in gearing during the year 2011 resulted from the losses in Rungwe Avocado Company Limited and Kyimbila Tea Packing Company Limited, which are start up businesses and increased financing in Rungwe Avocado Company Limited and a new loan taken by Kyimbila Tea Packing Company Limited for machineries and structural improvement of the hired factory building. The increase in gearing is as expected in a start up situation and once these new businesses start to generate profit and cashflow, gearing is expected to return to a level within the long term strategic target.

5 Business Segment Information

The Group has determined its operating segments based on the review by management in consultation with the board.

The Group is currently organized into three main operating segments; growing and processing of tea; blending and packaging of black tea; and growing & processing of avocado. Management considers the business from both market and product perspectives. Market wise, management considers the main lines through which the Group derives its revenue. At the moment the major lines of selling the Group's made tea is through the auction at Mombasa, private sale by a broker in the UK and directly to blenders. Both sales to the auction and the broker in the UK are export sales while direct sales to blenders are mainly to local blenders. Packed tea is currently sold locally through a dealer who distributes it throughout the Country.



Notes to the Financial Statements (Continued)

5 Business Segment Information (Continued)

An analysis of the Group's revenue for the year is as follows:

2011	Growing & processing tea TShs '000	Other TShs '000	Avocado and other fruits TShs '000	Blending and packing of black tea TShs '000	Eliminations TShs '000	Consolidated TShs '000
REVENUE						
- Export sales	12,532,626	-	26,338	-	-	12,558,964
- Local sales	1,170,179	-	139,992	322,008	-	1,632,179
	13,702,805	-	166,330	322,008	-	14,191,143
Operating profit/(loss) from operations	1,678,782	(172,740)	(450,345)	(527,501)	(337,767)	190,429
Finance costs	(823,510)	-	(282,112)	(50,354)	337,767	(818,209)
Profit /(loss) before tax	855,272	(172,740)	(732,457)	(577,855)	-	(627,780)
Income tax credit/(charge)	(370,027)	29,296	-	161,864	-	(178,867)
Profit for the year	485,245	(143,444)	(732,457)	(415,991)	-	(806,647)
Other segment items included in the profit and loss account:						
Depreciation	823,630	-	31,280	30,478	-	885,388
Fair value adjustment on biological assets	-	-	-	-	-	-

Notes to the Financial Statements (Continued)

5 Business Segment Information (Continued)

2011

Segment assets and liabilities and capital expenditure:

Assets

Non-current assets

Current assets

Total assets

Liabilities

Current liabilities

Non current liabilities

Total liabilities

Additions: Property plant and equipment and biological assets

	Growing & processing tea TShs '000	Other TShs'000	Avocado and other fruits TShs '000	Blending and packing of tea TShs'000	Eliminations TShs '000	Consolidated TShs '000
	6,789,881	4,185,509	2,343,261	663,073	(4,682,471)	9,299,253
	5,134,591	370,179	1,389,167	880,103	(1,046,888)	6,727,152
	11,924,472	4,555,688	3,732,428	1,543,176	(5,729,359)	16,026,405
	3,945,840	233,377	96,592	1,141,852	(1,046,888)	4,370,773
	4,207,088	-	4,222,206	217,484	(1,944,729)	6,702,049
	8,152,928	233,377	4,318,798	1,359,336	(2,991,617)	11,072,882
	210,046	-	725,965	531,867	-	1,467,878





Notes to the Financial Statements (Continued)

5 Business Segment Information (Continued)

2010	Growing & processing tea TShs '000	Other TShs '000	Avocado and other fruits TShs '000	Eliminations TShs '000	Consolidated TShs '000
REVENUE					
- Export sales	11,086,810	-	20,197	-	11,107,007
- Local sales	1,045,834	-	-	-	1,045,834
	12,132,644	-	20,197	-	12,152,841
Operating profit from operations	1,433,009	(44,163)	(485,400)	(313,480)	589,967
Finance costs	(613,948)	-	2,940	313,480	(297,528)
Profit/(loss) before tax	819,061	(44,163)	(482,460)	-	292,439
Income tax (charge)/credit	(247,700)	(29,932)	-	-	(277,632)
Profit/(loss) for the year	571,361	(74,095)	(482,460)	-	14,807
Other segment items included in the profit and loss account					
Depreciation and amortization	637,496	-	22,056	-	659,552
Loss arising from changes in fair value of biological assets	(104,676)	-	-	-	(104,676)

Notes to the Financial Statements (Continued)

5 Business Segment Information (Continued)

2010

	Growing & processing tea TShs '000	Other TShs '000	Avocado and other fruits TShs '000	Eliminations TShs '000	Consolidated TShs '000
Segment assets and liabilities and capital expenditure					
Assets					
Non-current assets	7,223,282	3,842,961	1,587,316	(3,988,478)	8,665,081
Current assets	3,642,403	795,274	452,893	(601,363)	4,289,207
Total assets	10,865,685	4,638,235	2,040,209	(4,589,841)	12,954,288
Liabilities					
Current liabilities	2,774,162	172,481	94,734	(601,363)	2,440,014
Non current liabilities	4,695,154	-	1,799,388	(1,440,498)	5,054,044
Total liabilities	7,469,316	172,481	1,894,122	(2,041,861)	7,494,058
Additions: Property plant and equipment and biological assets	1,145,881	-	1,269,000	-	2,414,881





Notes to the Financial Statements (Continued)

5 Business Segment Information (Continued)

Transactions between segments are carried out at arm's length. The revenue from external parties reported is measured in a manner consistent with that in the financial statement. During the year the Blending and Packing Division bought teas from the Tea Growing and processing division, there were no other inter-segment transactions during 2011 and 2010.

The amounts with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and physical location of the asset.

The Company, together with all its subsidiary companies are domiciled in the United Republic of Tanzania. The results of its revenue from external customers are as follows:

	Group		Company	
	<u>2011</u> TShs '000	<u>2010</u> TShs '000	<u>2011</u> TShs '000	<u>2010</u> TShs '000
United Republic of Tanzania	1,632,179	1,079,857	-	-
United Kingdom	12,394,032	10,330,445	-	-
Republic of Kenya	164,932	742,539	-	-
Total	14,191,143	12,152,841	-	-

Revenues are allocated based on the country from which sales proceeds are received.

All Group assets are located in Tanzania.

6 COST OF SALES	Group		Company	
	<u>2011</u> TShs '000	<u>2010</u> TShs '000	<u>2011</u> TShs '000	<u>2010</u> TShs '000
Processing costs	2,416,247	1,712,942	-	-
Blending cost	134,319	-	-	-
Packing materials costs	358,515	283,510	-	-
Greenleaf purchased from outgrowers	5,098,960	4,111,994	-	-
Field costs	1,886,625	1,338,024	-	-
Changes in stock of finished goods and work in progress	(873,957)	380,669	-	-
Depreciation charges (Note 15)	578,356	406,248	-	-
	9,599,065	8,233,387	-	-



Notes to the Financial Statements (Continued)

7 OTHER OPERATING INCOME

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Management service income	-	-	112,448	-
Income from sale of scraps and wastages	6,274	8,055	-	-
Sale of seedlings and livestock products	-	35,903	-	-
Interest income	8,677	7,319	278,381	298,392
Gain / (loss) on disposal of plant property and equipment	3,088	(14,868)	-	-
Other income	235,476	160,365	-	-
	253,515	196,774	390,829	298,392

8 SELLING AND MARKETING COSTS

Transport, distribution & handling charges	971,489	777,680	-	-
Salesmen remuneration	135,267	104,332	-	-
Non recoverable VAT expenses	147,927	77,923	-	-
Cess and other government levies	113,274	94,965	-	-
Other selling costs	102,730	85,349	-	-
	1,470,696	1,140,249	-	-

9 ADMINISTRATIVE EXPENSES

Staff related costs	520,582	469,932	66,898	-
Travelling costs	141,196	102,574	19,284	11,391
Consultancy and professional fees	1,192,543	1,048,359	310,176	193,961
Directors fees and allowances	129,620	99,695	69,677	58,238
Office expenses	448,791	243,493	35,901	16,763
Auditors' remuneration	125,384	75,968	39,590	20,615
Research expenses on new products	9,151	11,229	-	-
Rental charges	70,375	-	-	-
Depreciation (Note 15)	307,032	253,304	-	-
Foreign currency exchange (gains)/losses	(28,267)	14,423	(64,282)	15,250
Other administration costs	257,120	184,323	86,325	52,171
Pre-operational costs	39,670	-	-	-
	3,213,197	2,503,300	563,569	368,389



Notes to the Financial Statements (Continued)

10 STAFF RELATED COSTS

	Group		Company	
	2011 TShs '000	2011 TShs '000	2011 TShs '000	2011 TShs '000
Salaries, wages and bonuses	1,416,731	397,715	60,152	-
Medical expenses	8,743	4,856	836	-
Canteen costs, uniforms and amenities	171,904	133,911	-	-
Defined contribution schemes (NSSF)	104,527	56,744	5,910	-
Defined benefit scheme	53,919	186,908	-	-
	1,755,824	780,134	66,898	-

11 FINANCE COSTS

Interest expense	476,913	320,808	-	-
Net foreign exchange transaction losses	341,296	(23,280)	-	-
	818,209	297,528	-	-

12 INCOME TAX EXPENSE

Current income tax charge	369,328	131,623	257	29,932
Deferred income tax charge (Note 26)	(190,461)	146,009	(29,552)	-
Income tax charge/(credit)	178,867	277,632	(29,296)	29,932

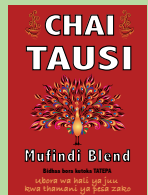
The tax on the profit before income tax for the Group and Company differs from the theoretical amount that would arise using the basic income tax rate as follows:

(Loss)/profit/before income tax	(627,780)	292,439	(172,740)	(44,163)
Tax calculated at a rate of 30%	(188,334)	87,732	(51,822)	(13,249)
Expenses not deductible for tax	74,108	53,857	-	50,931
Income not subject to tax	(3)	(7,750)	-	(7,750)
Tax losses for which no deferred income tax asset was recognised	166,044	143,793	-	-
Losses	22,526	-	22,526	-
Adjustments to tax in respect of prior years	104,526	-	-	-
Income tax charge/(credit)	178,867	277,632	(29,296)	29,932

13 EARNINGS PER SHARE

	Group	
	2011 TShs '000	2010 TShs '000
Loss attributable to shareholders (TShs'000)	(493,277)	(32,446)
Weighted average number of share in issue (Note 30)	17,857,165	17,857,165
Basic and diluted loss per share (TShs)	(27.62)	(1.82)

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



Notes to the Financial Statements (Continued)

14 DIVIDEND PER SHARE

The Company does not intend to pay any dividend in respect of the year 2011(2010: nil).

15 PROPERTY, PLANT & EQUIPMENT - GROUP

	Leasehold improvements & buildings TShs '000	Motor vehicles TShs '000	Machinery, equipment, furniture & fittings TShs '000	Capital work in progress TShs '000	Total TShs '000
1 January 2010					
Cost	3,161,008	103,998	4,557,629	31,936	7,854,571
Accumulated depreciation	(442,021)	(44,594)	(2,134,326)	-	(2,620,941)
Net book amount	2,718,987	59,404	2,423,303	31,936	5,233,630
Year ended 31 December 2010					
Opening net book amount	2,718,987	59,404	2,423,303	31,936	5,233,630
Additions	-	1,145,912	60,641	1,208,328	2,414,881
Transfers	27,839	-	-	(27,839)	-
Disposals	-	-	(2,762)	(13,739)	(16,501)
Depreciation charge	(68,268)	(68,531)	(522,753)	-	(659,552)
Net book amount	2,678,558	1,136,785	1,958,429	1,198,686	6,972,458
At 31 December 2010					
Cost	3,188,849	1,249,910	4,613,070	1,198,686	10,250,515
Accumulated depreciation	(510,291)	(113,125)	(2,654,641)	-	(3,278,057)
Net book amount	2,678,558	1,136,785	1,958,429	1,198,686	6,972,458
Year ended 31 December 2011					
Opening net book amount	2,678,558	1,136,785	1,958,429	1,198,686	6,972,458
Additions	259,667	141,028	294,480	772,703	1,467,878
Transfers	-	12,213	21,252	(33,465)	-
Disposals	-	(9,579)	-	-	(9,579)
Depreciation charge	(87,230)	(331,295)	(466,863)	-	(885,388)
Net book amount	2,850,995	949,152	1,807,298	1,937,924	7,545,369
At 31 December 2011					
Cost	3,448,514	1,379,393	4,928,802	1,937,924	11,694,633
Accumulated depreciation	(597,519)	(430,241)	(3,121,504)	-	(4,149,264)
Net book amount	2,850,995	949,152	1,807,298	1,937,924	7,545,369



Notes to the Financial Statements (Continued)

15 Property, Plant & Equipment - Group (continued)

Capital work in progress relates to the pack house and associated equipments for Rungwe Avocado Company Limited of which TShs 1,067 million (2010: TShs 727 million) relates to expenditure on plant and machinery for the pack house, TShs 758 million (2010: TShs 447 million) on the pack house building, and Tshs 113 million (2010: Tshs 25 million) on the manager's house for Rungwe Avocado Company Limited. There was no Capital work in progress for Wakulima Tea Company, Kyimbila Tea Packing Company Limited and TATEPA at the end of the year. All the ongoing projects are expected to be completed in the first quarter of 2012.

Depreciation expense of TShs 578.36 million (2010: TShs 406.25 million) has been charged to cost of goods sold, and TShs 307.03 million (2010: TShs 253.30 million) is classified under administrative expenses.

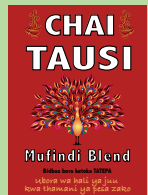
The Group's property, plant and equipment have been charged to secure loans as set out in Note 24 to the financial statements.

16 BIOLOGICAL ASSETS- GROUP

	Others			<u>Total</u> TShs '000
	<u>Tea Bushes</u> TShs '000	<u>Forestry</u> TShs '000	<u>Fruits</u> TShs '000	
Fair value				
Year ended 2010				
At 1 January 2010	1,006,879	319,083	210,451	1,536,413
Disposals and write offs*	-	-	(40,851)	(40,851)
(Loss) /gain arising from changes in fair value less estimated point of sale costs	423,759	(319,083)	-	104,676
At 31 December 2010	1,430,638	-	169,600	1,600,238
Year ended 2011				
At 1 January 2011	1,430,638	-	169,600	1,600,238
Gain arising from changes in fair value less estimated point of sale costs	-	-	-	-
At 31 December 2011	1,430,638	-	169,600	1,600,238

* The write off during the year relates to costs incurred in 2009 by Rungwe Avocado Company Limited in the research of viability of coffee growing in the area. The Directors have decided to expense the amount because coffee is not the main business of the Company.

Tea bushes and forestry are carried at fair value less costs to sell. 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.



Notes to the Financial Statements (Continued)

16 Biological Assets- Group (continued)

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

Climatic conditions are expected to be average;

In 2011 the key assumptions were; average market price of made tea of US\$1.80 throughout the projection period, based on the average tea price for the past 4 years. Cost of inflation will be 11.70% in 2012, 5.7% in 2013 and 5.6% in 2014; and thereafter it will be capped at 6% throughout the projection period.

In 2010 the key assumptions were; average market price of made tea of US\$1.70 throughout the projection period, based on the average tea price for the past 4 years. Cost of inflation will be 4% in 2011, 6.2% in 2012 and 5.4% in 2013; and thereafter it will be capped at 6% throughout the projection period.

The pre-tax discount rate applied to the expected net cash flows in 2011 was 23.98% (2010: 20.59%).

The impact of the change in key assumptions did not have a material impact on the movement of the carrying value of the Group's biological assets.

The Group has 316 hectares (2010:316) and 198.2 hectares (2010: 198.2) of mature tea bushes and forestry, respectively, located in Tukuyu district in Tanzania.

The Group's tea estates produced 3.14m (2010: 2.74 million) kilograms of green tea leaf and nothing was harvested from the forest reserve during year ended 31 December 2011.

17 INVESTMENT IN SUBSIDIARIES

Equity investment:

- Wakulima Tea Company Limited (a)
- Rungwe Avocado Company Limited (RACL) (b)

	<u>2011</u> TShs '000	<u>2010</u> TShs '000
	1,704,272	1,704,272
	698,190	698,190
	2,402,462	2,402,462

The equity investment relates to:

Nature of business

	Number and description of share held		% of issued shares held	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
(a) Growing, processing and sale of made tea from green leaf supplied by smallholder tea farmers and own tea estates. (i)	1,537,694 ordinary shares	1,537,694 ordinary shares	70%	70%
(b) Growing, processing and sale of avocado and other fruits (ii)	69,819 Ordinary shares	69,819 Ordinary shares	58.27%	58.27%



Notes to the Financial Statements (Continued)

17 Investment In Subsidiaries (continued)

In RACL, Wakulima currently hold 22.85% (2010: 22.85%) of the issued shares in Rungwe Avocado Company Limited while Tatepa holds 58.27% (2010: 58.27%), the balance 18.88% (2010: 18.88%) of the shares are held by Robert Clowes.

During the year, Wakulima bought 50% plus 1 share in the issued shares of Kyimbila Tea Packing Company Limited (KTPCL), the Company has a contract to manage the new packing company and the chairmanship of KTPCL's board is appointed by Wakulima. The other remaining shares are held by Mr. Sandesh Aggarawal

During the year 2010 Tatepa sold 109,834 shares (5% of the issued shares in Wakulima Tea Company Limited) to the Smallholder growers that sell green leaf to Wakulima Tea Company Limited through their investment arm, Rungwe Smallholders Tea Growers Association Trust. Below is the table showing the proceeds and profits realized during this transaction:

	<u>2011</u> TShs '000	<u>2010</u> TShs '000
Proceeds from shares sold	-	147,568
Cost of shares sold (108,834 shares @ Tshs1,108.33)	-	(121,734)
Profit on disposal of investment / shares	-	25,834

The cost of the shares sold has been credited to minorities' interest while the profit on disposal of the shares has been credited to profit and loss account.

18 LOAN RECEIVABLE – Non current

	<u>Group</u>		<u>Company</u>	
	<u>2011</u> TShs '000	<u>2010</u> TShs '000	<u>2011</u> TShs '000	<u>2010</u> TShs '000
Wakulima Tea Company Limited	-	-	800,000	800,000
Rungwe Avocado Company Limited	-	-	953,492	640,498
Moravian	153,645	92,385	-	-
	153,645	92,385	1,753,492	1,440,498

The TShs800 million (2010: 800 million) loan to Wakulima Tea Company Limited carries interest rate of 15% which is subject to revision should the CRDB Bank's lending rate applicable to corporate customers of similar credit rating to Wakulima Tea Company Limited move by a margin of 50 basis points, the loan is not secured and is repayable after the CRDB bank loans have been fully repaid or CRDB approves repayment based on the gearing of Wakulima Tea Company Ltd. The repayment date will be mutually agreed by both parties. On this basis the loan is classified as a non current asset as at 31 December 2011. The average effective rate for the year under review was 15% (2010: 15%).



Notes to the Financial Statements (Continued)

18 Loan Receivable – Non current (continued)

The loan to Rungwe Avocado Company is a medium term facility denominated in US dollar and carries interest at the rate of 12% per annum. Repayment of this loan is subject to the financial position of the borrower, however repayment is not expected earlier than December 2015 and for this reason it is classified as a non current receivable.

Rungwe Avocado Company (RAC) entered into a plantation management agreement with The Registered Trustees of Moravian Church in Southern Tanganyika (Moravian) whereby RAC will manage the Moravian plantations in Rungwe and assist them with the planting of avocados. Among other things, RAC will provide development finance necessary to plant and manage avocado plants on the Moravian plantation. This development finance will attract interest at the rate of 8% per annum and will be deducted from the sale proceeds of the avocados produced from the Moravian Plantation. RAC will have the exclusive rights to purchase all the avocados grown on the Moravian plantation at the ruling market price.

The fair value of the loan receivable balance is approximately the carrying value.

19 INVENTORIES

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Finished products	1,558,358	634,937	-	-
Unprocessed products	158,834	-	-	-
Stores and consumables	1,926,254	1,581,689	-	-
Goods in transit	147,444	90,268	-	-
Impairment provision	(7,080)	(7,907)	-	-
	3,783,810	2,298,986	-	-

The cost of inventories (credited) / expense and included in 'cost of sales' amounted to TShs (874) million (2010: TShs 381million).

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Trade receivables	525,976	112,550	-	-
Less: Provision for impairment	-	-	-	-
Trade receivables-net	525,976	112,550	-	-
Advances to tea growers	611,672	333,559	-	-
VAT recoverable	383,891	641,077	13,559	13,700
Other receivables	141,962	47,842	98	94
Deposits and prepayments	468,305	372,056	1,303	1,303
Due from related parties (Note 33 (iii))	-	8,166	44,368	8,166
	2,131,806	1,515,250	59,328	23,263



Notes to the Financial Statements (Continued)

20 Trade and Other Receivables (continued)

Trade receivables that are less than 14 days (tea growing outstanding (2010: 14 days) are within the Group's credit period. As of 31 December 2011, trade receivables of TShs 18 million (2009: TShs 134 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.

The fair value of the trade and other receivable balance is approximately the carrying value.

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

	<u>2011</u> TShs '000	<u>2010</u> TShs '000
1 – 30 days overdue	514,370	94,797
31 to 60 days overdue	11,606	17,753
Over 60 days	-	-
	525,976	112,550

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

	Group		Company	
	<u>2011</u> TShs'000	<u>2010</u> TShs'000	<u>2011</u> TShs'000	<u>2010</u> TShs'000
At start of year	-	4,984	-	-
Written off during the year	-	(4,984)	-	-
At end of year	-	-	-	-

21 LOANS RECEIVABLE – Current

	Group		Company	
	<u>2011</u> TShs '000	<u>2010</u> TShs '000	<u>2011</u> TShs '000	<u>2010</u> TShs '000
Term loan denominated in TShs Wakulima Tea Company Limited	-	-	106,230	575,858
Term loan denominated in US Dollar – Rungwe Avocado Company Limited (Note 32 (iii))	-	-	-	21,310
	-	-	106,230	597,168

The fair value of the loan receivable is approximately the carrying value.



Notes to the Financial Statements (Continued)

22 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	545,736	252,263	9,398	9,993
--------------------------	----------------	---------	--------------	-------

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

Cash and bank balances	545,736	252,263	9,398	9,993
Bank overdraft (Note 25)	(1,842,454)	(686,207)	-	-
	(1,296,718)	(433,944)	9,398	9,993

23 TRADE AND OTHER PAYABLES

Trade payables	1,037,653	647,500	49,366	14,577
Interest payables	-	6,703	-	-
Other payables and accrued expenses	508,165	221,893	48,650	11,435
Due to directors	-	10,175	-	10,175
Unclaimed dividends	135,362	136,296	135,364	136,296
	1,681,180	1,022,567	233,380	172,483

The fair value of the trade and other payable is approximately the carrying value.

24 BORROWINGS

Bank and other borrowings (a)	8,576,946	5,508,908	-	-
Less: Current portion (b)	(2,689,594)	(1,417,447)	-	-
Due after more than 12 months (d)	5,887,352	4,091,461	-	-

(a) This is made up as follows:

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Borrowings (c)	6,734,492	4,822,701	-	-
Bank overdraft (Note 25)	1,842,454	686,207	-	-
	8,576,946	5,508,908	-	-

25((b) Due within one year

Bank overdraft	1,842,454	686,207	-	-
Rungwe Small Holder Tea Growers Trust Fund	91,970	91,970	-	-
SCF Fund	-	20,275	-	-
Current portion of bank borrowings	755,170	618,995	-	-
	2,689,594	1,417,447	-	-



Notes to the Financial Statements (Continued)

24 Borrowings (continued)

(c) This is made up as follows:

CRDB Bank Ltd (i)	1,980,022	2,213,373	-	-
CRDB Bank Ltd (ii)	1,162,282	1,351,249	-	-
AECF Loan (iii)	1,761,890	1,145,833	-	-
SCF Fund	-	20,275	-	-
Rungwe Smallholder Tea Growers Trust Fund (iv)	91,970	91,970	-	-
CRDB Bank Ltd (v)	250,000	-	-	-
AWC CB1 Ltd (vi)	1,488,328	-	-	-
	6,734,492	4,822,701	-	-

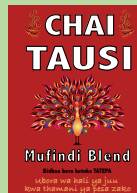
(i) CRDB Bank loan and overdraft

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 2011. Part of the amount drawn down was used to pay the outstanding loan to Standard Chartered Tanzania Bank Limited in 2007; the balance was used to rehabilitate the Mwakaleli factory. The loan is repayable in 84 equal monthly instalments beginning October 2008. This loan carries an interest rate of 2% above twelve months US dollar LIBOR with a minimum of 7.5% (2010: 7.5%) per annum calculated on daily debit balances and payable monthly in arrears. The subsidiary also obtained an overdraft facility from CRDB Bank, currently limited to USD 1.5 million (2010: US\$ 1.5 million) 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 – vehicle loan

In August 2010 Wakulima Tea Company Limited secured a long term facility to finance the purchase of green leaf transport trucks from CRDB Bank Plc. The facility amounts to USD 970,000 and was fully drawn by year end. The loan is repayable in 60 instalments and the facility is expected to expire on 30 September 2014. The loan attracts interest at the rate of 7.5% (2010: 7.5%) per annum; the interest rate shall be reviewed yearly.

The loan is secured by corporate guarantee and indemnity of the holding Company (Tatepa); a debenture over the Wakulima Tea Company's farms, a first charge fixed and floating mortgage and debenture on its assets and a first charge Chattel Mortgage over motor vehicles to be purchased.



Notes to the Financial Statements (Continued)

24 Borrowings (continued)

(iii) AECF loan

In January 2010, Rungwe Avocado Company Limited obtained financing from Alliance for a Green Revolution in Africa, AGRA, through the Africa Enterprise Challenge Fund, "AECF". AECF is a special partnership initiative of AGRA with funding provided by the African Development Bank (AfDB), the Consultative Group to Assist the Poor (CGAP), the UK's Department for International Development (DFID), and The International Fund for Agricultural Development (IFAD) and the Netherlands Ministry of Foreign Affairs (NMFA).

AGRA awards AECF Funds to successful applicants after demand-led (call for applications) competitive bidding rounds. The focus of the Fund is on the agribusiness sector, access to rural financial services, and information services for these sectors.

The total AECF Fund for this Project is USD 1,410,031 of which USD 1,171,858 is a repayable loan and the balance is a revenue grant. The repayable loan is specifically meant to finance the establishment of the pack house together with all the necessary machinery and infrastructure required to enable the Company pack its products. The revenue grant is meant to enable the Company obtain the necessary product certification and other necessary marketing activities that will enable the Company export its avocado fruits and those bought from small holder farmers and extension services to the smallholder farmers.

The facility of USD 1,410,031 was fully drawn down as at 31 December 2011. The loan is interest free and is repayable by 31 December 2014. The movement of the loan is as follows:

	2011 TShs '000	2010 TShs '000
Balance at the beginning of the year	1,145,834	0
Drawdown during the year	571,240	1,173,463
Fair value adjustment on initial recognition	(163,768)	(27,629)
Unwinding of discount	89,358	0
Exchange loss	119,226	0
Closing balance	1,761,890	1,145,834

(iv) Rungwe Smallholders Tea Growers Trust Fund

In 2008, 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 Tshs 500 million. The loan is denominated in Tanzania shillings and carries an interest rate of 15%. The loan is not secured and is payable on demand. The entire loan amount was drawn on 1 September 2008 and was used to finance working capital and rehabilitation of Mwakaleli factory. The outstanding balance of the loan is expected to be fully repaid in the year 2012.



Notes to the Financial Statements (Continued)

24 Borrowings (continued)

(v) CRDB Bank Loan

During the year, Kyimbila Tea Packing Company Limited obtained a medium term loan from CRDB Bank Plc to finance the purchase of tea packing machineries. The facility amounts to Tshs 250 million and was fully drawn by year end. The loan has a grace period of one year and is repayable in 48 instalments; the facility is expected to expire on 31 January 2016. The loan attracts interest at the rate of 15% per annum; the interest rate shall be reviewed yearly.

The loan is secured by corporate guarantee and indemnity of Wakulima Tea Company Limited and a first charge legal mortgage over the Wakulima Tea Company's farms.

(vi) AWC CB1 Limited

In June 2011, Rungwe Avocado Company Limited (RACL) secured a term loan amounting to US dollars nine hundred fifty thousand (USD 950,000) from AWC CB1 Limited of 4th Floor, Unicorn Centre, 18N Frère Felix de Valois Street, Port Louis, Mauritius, to finance the consolidation of outgrower relationships and operations so as to enable RACL obtain certifications required by the European market, and extension of seedling nursery and related operations to supply stock to outgrowers.

The loan bears interest at the rate of eight percent (8%) per year from the date the loan is received until it is repaid in full, interest is repayable every three months. The repayment of the principal amount of the loan has a grace period of three years and is payable in sixteen (16) three (3) monthly instalments after the expiry of the three years grace period. The loan amount was fully drawn by RACL at year end.

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

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Between 1 and 2 years	881,376	607,906	-	-
Between 2 and 5 years	3,517,651	3,014,270	-	-
Over 5 years	1,488,325	469,285	-	-
	5,887,352	4,091,461	-	-

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 similar to the borrowing rate that the directors expect would be available to the Group at the balance sheet date.



Notes to the Financial Statements (Continued)

25 BANK OVERDRAFT

Bank	Beneficiary	Overdraft facility limit		Amount utilised	
		2011	2010	2011	2010
		US\$1,500,000	US\$1,500,000	TShs '000	TShs '000
a) CRDB Bank Plc	Wakulima Tea Company Ltd			978,025	686,207
b) CRDB Bank Plc	Kyimbila Tea Packing Co. Ltd	TZS 900 m	-	864,429	-
				1,842,454	686,207

These facilities were obtained along with the long term facilities described under note 24 (i) & (ii) and 24 (vi) above for WTC and KTPCL respectively and are jointly secured along with the long term loans. The overdraft for Wakulima Tea Company Limited carries a floating rate of interest of the 12 month LIBOR plus a 2% margin with a minimum of 7.5% (2010:7.5%) per annum; on the other hand the overdraft for Kyimbila Tea Packing Company Limited carries a floating interest of 15%. The interest rates shall be reviewed annually.

26 DEFERRED INCOME TAX LIABILITY / (ASSET)

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 30% (2010:30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2011	2010	2011	2010
	TShs '000	TShs '000	TShs '000	TShs '000
At the beginning of year	702,402	556,393	-	-
Charged / (credited) into the profit and loss account (Note 12)	(190,461)	146,009	(29,552)	-
At the end of year	511,941	702,402	(29,552)	-

Details of the deferred tax liability / (asset) are:-

Accelerated tax allowances	441,516	359,977	-	-
Biological asset fair valuation	429,191	429,192	-	-
Losses	(257,835)	-	(29,552)	-
Other temporary differences	(100,931)	(86,767)	-	-
At the end of year	511,941	702,402	(29,552)	-



Notes to the Financial Statements (Continued)

27 EMPLOYEES' GRATUITY

	Group		Company	
	<u>2011</u> TShs '000	<u>2010</u> TShs '000	<u>2011</u> TShs '000	<u>2010</u> TShs '000
As at 1 January	260,181	103,387	-	-
Current service cost	53,919	196,012	-	-
Utilization	(11,345)	(39,218)	-	-
As at 31 December	302,755	260,181	-	-

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 2010, using the Projected Unit Credit Method.

The present value of the accrued (past service) liability in respect of retirement gratuity benefits at 31 December 2011 was TShs 302.76 million. The Group Companies have recognised the full liability at 31 December 2011. The principal assumptions used in the actuarial valuation are:

- (i) Discount rate of 13%;
- (ii) Rate of salary escalation of 10% per annum;
- (iii) Rate of repatriation allowance escalation of 10% per annum
- (iv) Retirement age – 25% at age 55 and the balance at age 60
- (v) Pre retirement mortality – A1949/52 Ultimate

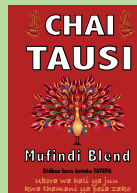
The "notional" Company contribution rate to meet the cost of future accrual of the gratuity benefit is estimated at 8.3% of basic salaries per annum for management and 3.7% of basic salaries per annum for non management. The next valuation is due on 31 December 2013.

28 COMMITMENTS

Capital commitments

The Group had the following capital commitments at the end of the year.

	Group		Company	
	<u>2011</u> TShs '000	<u>2010</u> TShs '000	<u>2011</u> TShs '000	<u>2010</u> TShs '000
Wakulima Tea Company - trucks	-	306,190	-	-
Rungwe Avocado Company – Pack shed building and equipment	-	518,712	-	-



Notes to the Financial Statements (Continued)

28 Commitments (continued)

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.

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

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Not later than 1 year	1,041	1,041	-	-
Later than 1 year and not less than 5 years	4,163	4,163	-	-
Later than 5 years	86,072	87,113	-	-

29 CONTINGENT LIABILITIES

The Company 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

Authorised:
20,000,000 ordinary shares of Shs 25 each

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
	500,000	500,000	500,000	500,000

Group and Company

Number of Issued and fully paid shares

2011 Number	2010 Number
17,857,165	17,857,165

Share capital and premium

Group and Company

At 1 January and 31 December 2011

Share Capital TShs '000	Share Premium TShs '000	Total TShs '000
446,429	3,748,429	4,194,858



Notes to the Financial Statements (Continued)

31 CASH GENERATED FROM OPERATIONS

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Profit/(loss) profit before income tax	(627,780)	292,439	(172,740)	(44,163)
Adjustments for:				
Depreciation (Note 15)	885,388	659,552	-	-
Fair value (gain)/loss on biological assets (Note 16)	-	(104,676)	-	-
Fair value gain on EACF loan	(46,384)	(27,629)	-	-
Employees' gratuity	42,574	156,794	-	-
Interest expense	468,236	320,808	-	-
Interest income	(8,677)	(7,319)	-	-
Unrealised exchange loss on term loans	173,802	212,585	-	-
Revenue grant (EACF/SCF)	(234,365)	(156,824)	-	-
Gain on disposal of property, plant and equipment	(3,430)	55,719	-	-
Gain on disposal of investment	-	(25,834)	-	(25,834)
<i>Changes in working capital:</i>				
Inventories	(1,484,824)	(11,928)	-	-
Biological asset (nurseries)	(20,842)	(22,938)	-	-
Receivables	(616,559)	(369,546)	(36,065)	3,699
Payables	658,616	(223,297)	60,897	43,140
Cash generated from operations	(814,245)	747,906	(147,908)	(23,158)

32 SUBSEQUENT EVENTS

There are no significant events that have occurred since the balance sheet date that would require separate disclosure or adjustment to the financial statements for the year ended 31 December 2011.

33 RELATED PARTY TRANSACTIONS AND BALANCES

The Company was controlled by Freshfields Investments Limited until November 2011 when they sold their controlling interest to a consortium. As at year end there was no shareholder with a controlling interest in the Company. The Company owns two subsidiary companies, Wakulima Tea Company Limited and Rungwe Avocado Company. 30% of Wakulima Tea Company Limited shareholding is owned by Rungwe Smallholders Tea Development Trust Fund, and 18.88% of Rungwe Avocado Company Limited is owned by Robert Clowes. There is no ultimate parent of the companies in the TATEPA Group (2010: CDC Group Plc, a public limited company incorporated in England & Wales). Wakulima Tea Company Limited owns 50% plus 1 shares in the equity of Kyimbila Tea Packing Company Limited (KTPCL), TATEPA has a contract to manage KTPCL; the later also buys raw tea from Wakulima Tea Company Limited. A Company shareholder and director, Mr George Theobald, owns Tanganyika Finance Company Limited and has shares in Nomad Tanzania Limited. Also he is a trustee of Selous Rhino Trust.



Notes to the Financial Statements (Continued)

33 Related Party Transactions and Balances (Continued)

The following transactions were carried out with related parties:

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
i) Purchase of services				
Kyimbila Tea Packing Company Limited – Management services	-	-	112,449	-
Tanganyika Finance Company Limited – Management services	876,348	890,922	97,471	182,726

ii) Interest on loans

	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Interest charged to Rungwe Avocado Company Limited	-	-	170,969	33,255
Interest charged to Wakulima Tea Company Limited	-	-	107,411	265,137

iii) Year-end balances arising from sale/purchase of goods and services

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Receivable from related parties				
Tanganyika Finance Company Limited	-	8,166	-	8,166
Kyimbila Tea Packing Company Limited	-	-	44,368	-
	-	8,166	44,368	8,166

Loan receivable from related parties

	Group		Company	
	2011 TShs '000	2010 TShs '000	2011 TShs '000	2010 TShs '000
Wakulima Tea Company Limited	-	-	906,230	1,375,858
Rungwe Avocado Company Limited	-	-	953,492	661,808
Total	-	-	1,859,722	2,037,666

(iv) Directors and key management's remuneration

Remuneration policy for directors and executives.

The directors of the Company are paid an annual allowance of US\$6,000 each, while the Chairman is paid US\$8,000. In addition to the annual fees, Directors are entitled to a refund of their actual travelling expenses or a sum of US\$500 per sitting as well as payment of an allowance of \$ 500 for attending each meeting to cover their incidental expenses. During the year, it was resolved to pay a gross salary of Tshs 58,472,000 per annum to the Chairman effective 1 January 2011 in addition to the agreed annual fees and allowances.

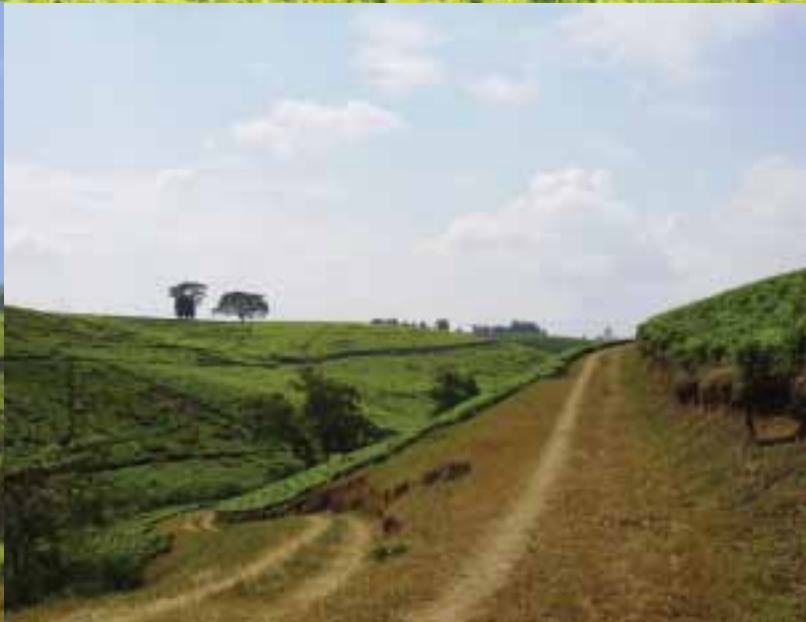


Notes to the Financial Statements (Continued)

33 Related Party Transactions and Balances (Continued)

Directors and executive remuneration;

2011	Short term employee benefits			Directors Fees	Sitting allowances	Post employment benefits	Other long-term benefits	Share based payments	Total
	Salary	Bonus	Children school fees						
Non executive directors									
J J Mungai (rtd MP)	58,472	-	-	12,592	4,046	-	-	-	75,110
S Alfred	-	-	-	9,444	4,046	-	-	-	13,490
K Alexander	-	-	-	9,444	3,230	-	-	-	12,674
G C Theobald	-	-	-	9,444	4,046	-	-	-	13,490
P D Rowland	-	-	-	9,444	4,046	-	-	-	13,490
Robin Harrison	-	-	-	-	-	-	-	-	-
2010									
Non executive directors									
J J Mungai (rtd MP)	-	-	-	12,943	2,115	-	-	-	15,058
W Erio	-	-	-	3,326	-	-	-	-	3,326
S Alfred	-	-	-	6,381	2,115	-	-	-	8,496
K Alexander	-	-	-	9,707	2,115	-	-	-	11,822
G C Theobald	-	-	-	9,707	2,115	-	-	-	11,822
P D Rowland	-	-	-	9,707	1,379	-	-	-	11,086



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of the Company in respect of the year ended 31st December 2011 will be held at Dar es Salaam Serena Hotel, Ohio Street, Dar es Salaam on Friday the 22nd June 2012 at 11:00 a.m.

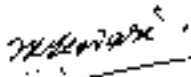
AGENDA

1. Confirmation of the minutes of the 17th Annual General Meeting.
2. To receive and adopt the Annual Directors' Report for the year ended 31st December 2011.
3. The audited Annual Accounts for the year ended 31st December 2011 are being laid 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 2012.
5. To re-appoint the following Directors for a period of 2 years:
 - Hon J J Mungai Rtd MP, 68 years of age, as recommended by the Board of Directors of the Company in accordance with the Articles of Association.
 - Mr. G C Theobald.
 - Mr. P D Rowland
 - Mr. Keith AlexanderTo appoint Mr. Robin Harrison, who was appointed by the Board of Directors during the year, for a period of 2 years.
To appoint Mr. Johannes Gunnell of Maris Capital -UK, a new investor who bought shares of PPF, for a period of 2 years.
6. To confirm that no dividend to be declared for the year 2011 as recommended by the Board of Directors of the Company
7. 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
21 May 2012

Registered Office

Tanzania Tea Packers Limited
Plot 7/7A, Nyerere Road,
Vingunguti Industrial Area
P. O. Box 1344 Dar es Salaam Tanzania



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

I, (name) _____ confirm that

I will be attending the **TATEPA AGM** on 22nd June 2012.

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 22nd day of June 2012 and at any adjournment thereof.

Signed _____

This _____ Day of _____ 2012

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

TANZANIA TEA PACKERS LIMITED

(Incorporated in Tanzania under the Companies Act 2002 with the registration number 24970)

NOTICE OF EXTRA-ORDINARY GENERAL MEETING

Notice is hereby given that an Extra-ordinary General Meeting of Tanzania Tea Packers Limited will be held at , Dar es Salaam Serena Hotel, Ohio Street, Dar es Salaam on Friday the 22nd June 2012 at 12:30 hours.

AGENDA

1. To consider and approve following Special Resolution for change of name of the Company from Tanzania Tea Packers Limited to Tatepa Limited.

RESOLUTION

"Resolved that the name of the Company be and is hereby changed from Tanzania Tea Packers Limited to Tatepa Limited".

2. To consider and approve following Resolution for change of accounting reference date of the Company from December to September.

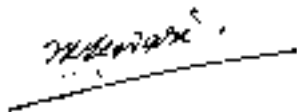
RESOLUTION

"Resolved that the accounting reference date of the Company be and is hereby changed from December to September. Thus, the accounting year end for the current year will be 30th September 2012 and the current accounts will cover period 1st January 2012 to 30th September 2012.

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
21 May 2012

Registered Office

Tanzania Tea Packers Limited
Plot 7/7A, Nyerere Road,
Vingunguti Industrial Area
P. O. Box 1344 Dar es Salaam Tanzania



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

I, (name) _____ confirm that

I will be attending the **TATEPA EGM** on 22nd June 2012.

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 22nd Day of June 2012 and at any adjournment thereof.

Signed _____

This _____ Day of _____ 2012

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









**CHAI
TAUSI**



Mufindi Blend

Bidhaa bora kutoka TATEPA
Ubora wa hali ya juu
kwa thamani ya pesa zako

Tanzania Tea Packers Limited

P O Box 1344 Dar es Salaam, Tanzania

Tel. +255 22 2861390-91,

E-mail: general@tatepa.com

**CHAI
TAUSI**



Rungwe Blend

Bidhaa bora kutoka TATEPA
Ubora wa hali ya juu
kwa thamani ya pesa zako