

**TANZANIA TEA PACKERS LTD**

**CHAI  
BORA**

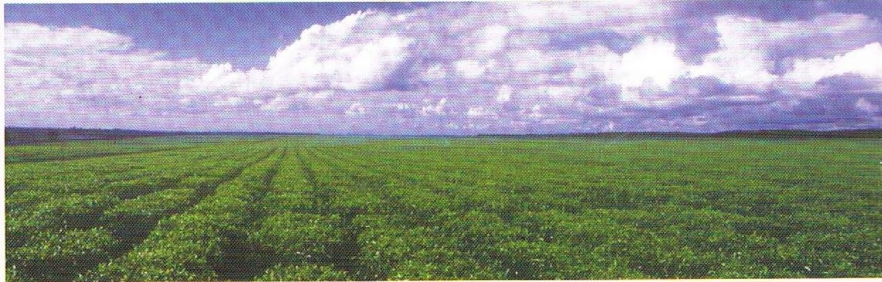
**Annual Report & Accounts**

**2001**

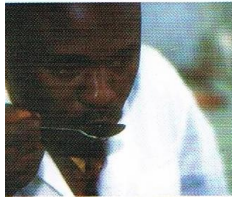


**TATEPA**

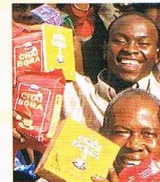
In February 2002, TATEPA reached yet another milestone in its colourful history by becoming the largest integrated tea business in Tanzania, following the purchase of Kibena Tea Company from CDC.



Kibena's entry into the TATEPA fold follows the acquisition of Wakulima Tea Company, a smallholder tea processing business in Rungwe district, in 2001.



As a result of both these acquisitions, TATEPA has now consolidated its interests across the entire tea supply chain, controlling availability, cost and quality, from the tea bush to the teacup. The expanded TATEPA has become a truly integrated Tanzanian company, reaching into the lives of an increasingly significant portion of the population of Tanzania. TATEPA itself has nearly 2,000 shareholders and employs 1,000 people, many of whom are shareholders themselves. There are 14,000 smallholder tea growers who own shares in Wakulima. Last but not least, more than 20 million people in Tanzania continue to be loyal consumers of Chai Bora.



## Quality from leaf to cup

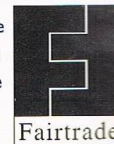
The Kibena estate has almost 700 hectares of high clonal tea and boasts the country's most modern tea processing facilities, producing top quality tea that fetches premium prices on the world tea market.



Kibena boasts state-of-the-art processing facilities

Wakulima has two factories and purchases green leaf from 14,000 smallholder farmers, rather than having its own tea estates. The smallholders have a significant shareholding in Wakulima, giving them their own vested interest in improving yields and tea quality. Wakulima has provided agricultural extension services including advice and fertiliser to the smallholders, who have already enjoyed a 50% increase in green leaf prices since Wakulima was privatised.

Both Wakulima and Kibena have been approved as Fair Trade operations and registered with the international Fair Trade Mark, for their social & community policies. In addition, the Chai Bora brand has an approved international licence to pack organic tea.



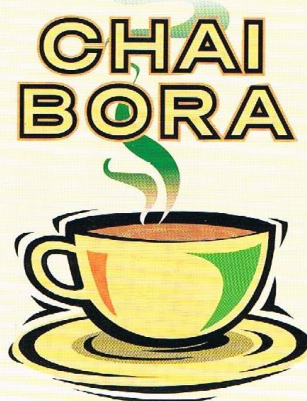
TATEPA now has a guaranteed supply of top quality tea for its market leading Chai Bora brand. The company is also supplying tea for auction on the world tea market, strengthening the reputation of Tanzania as an important tea exporter. With its Fair Trade mark and organic tea, the company has further potential to increase margins through sales of these added value products.

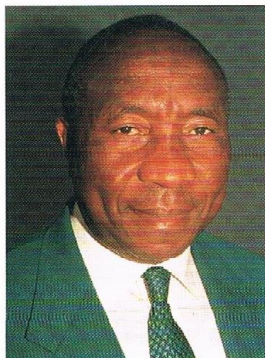


A Tea Research Institute of Tanzania (TRIT) team assess agricultural extension requirements on smallholder farms near Wakulima

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## CHAIRMAN'S STATEMENT

On behalf of the Board I would like to present the Group's operating results for the year ended 31<sup>st</sup> December 2001, and to advise you on a strategic investment your Company has made.

Following the purchase of Wakulima Tea Company in Rungwe District, Mbeya on 30<sup>th</sup> May 2001, we embarked on a further initiative, the acquisition of Kibena Tea Limited. This was approved at an Extraordinary General Meeting held on 14<sup>th</sup> February 2002. I am now delighted to advise shareholders that this purchase was completed on 28<sup>th</sup> February 2002, and the additional listing of 3,028,000 new TATEPA shares was thereafter approved by the Capital Markets and Securities Authorities. The new shares were listed on the Dar es Salaam Stock Exchange on 13<sup>th</sup> March 2002. Strategically, the Kibena purchase is a "win-win" situation for TATEPA and for tea consumers, and is yet further proof of the Group's promise to promote local investment and local products, for both domestic consumption and export.

The year 2001 was the first truly challenging year for TATEPA in terms of competition. Largely, we managed to overcome these pressures utilising the combined forces of management strength, powerful product innovation, continued focus on quality, good marketing, and an understanding of consumer needs. Partly because of this (and the overriding need to protect market share), and partly because of the earlier Wakulima purchase, profit growth was not the over-riding priority in 2001. Nonetheless operating profit held up better than we expected at Tzs 211m, although this was reduced by interest on borrowings to finance our investment in Wakulima. Final after tax profit for the year was Tzs 113m for the Company (as compared to Tzs 553m in the previous year) and Tzs 8m for the Group, which is on a par with what had been forecast. Earnings per share decreased to Tzs 10.68.

Notwithstanding the drop in the profit, the company's overall business performance remained strong despite stiff competition and a stagnant market. Chai Bora sales grew by 5% to 1,763,759 kgs and the Company consolidated its market share of 70%.

As a result, your Board is recommending a final dividend of Tzs 40 per share, at parity with last year, despite the recent increase in share capital. The dividend yield is 10.15% based on the price as of the 31<sup>st</sup> December 2001, contrasting favourably to comparable investments in Treasury Bonds or bank deposits in the year under review.

Further to a request from shareholders, this year all TATEPA shareholders are being offered the option to receive ordinary shares in lieu of the cash dividend payment as set out in the enclosed agenda. After all necessary approvals are received including approval by this AGM, new shares will be issued based on the market price prevailing on 28<sup>th</sup> May 2002.

Smuggled teas continued to be a thorn in the side of the business, but to a lesser degree than in previous years. I would like to thank the Tanzania Tea Board (TTB) and other Tanzania Government authorities for their continued support to the domestic tea industry by their efforts to curb illegal tea sales and restrict imports. It is a slow and on-going task, but the industry is slowly beginning to reap the rewards.

The results I present to you are a product of the consolidated efforts of all Group employees. I wish to take this opportunity to thank every one of them for their efficient control of the Company's affairs and their continued commitment to achieving our goals. I am also grateful to management and to my fellow Board members for their performance and guidance, which continues to be fundamental to our success.

Finally, there are some welcomes and farewells on the Board. Since the last AGM:

Mr. B. Eyakuze has retired from the Board, and Mr. C. Groom has been appointed. On behalf of all shareholders I would like to welcome Mr. Groom and to thank Mr. Eyakuze for all his efforts.

Last but not least I thank all our dealers, wholesalers, retailers and customers for their support. I assure you that we will continue to provide you with the best possible service and of course with CHAI BORA, Wakulima and now Kibena Teas.

Joseph Mungai M.P.

BOARD CHAIRMAN

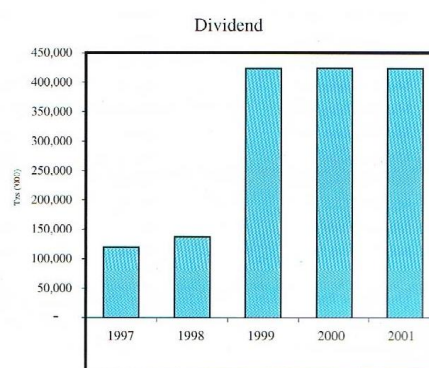
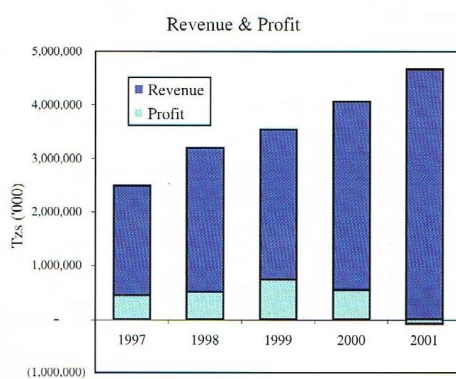


## FINANCIAL REVIEW

For the years ended 31st December.

|                               | 2001      | 2000      | 1999      | 1998      | 1997      |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| Group                         |           |           |           |           |           |
|                               | Tzs '000  | Tzs '000  | Tzs '000  | Tzs '000  | Tzs '000  |
| Turnover                      | 4,641,777 | 4,063,466 | 3,544,088 | 3,201,635 | 2,489,246 |
| Profit/(Loss) Before Taxation | (29,470)  | 552,955   | 744,085   | 513,627   | 447,828   |
| Dividends                     | 423,920   | 423,920   | 423,920   | 137,280   | 120,000   |
| Cash Generated From Operation | (211,979) | 821,900   | 493,134   | 497,136   | 194,576   |
| Net Cash Invested             | 1,453,874 | 93,133    | 236,343   | 466,873   | 147,658   |
| Interest Bearing Debt         | 829,132   |           |           | 160,000   |           |
| Gearing %                     | 37        |           |           | 14        |           |
| Earnings Per Share (Tzs)      | 0.78      | 52        | 84        | 61        | 56        |
| Dividends Per Share (Tzs)     | 40        | 40        | 40        | 16        | 15        |

NOTE: Figures for 2001 are for the Group as a whole and include Wakulima Tea Company Limited.





## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2001

1. The Directors present their report together with the Consolidated Financial Statements for the year ended 31 December 2001, which disclose the state of affairs of the Company and the Group as at that date.

### 2. Principal activities

The Group's principal activities are the processing, blending, marketing and distribution of tea and instant coffee under the Chai Bora and Kahawa Bora brand names, and the sale of made tea at auction.

### 3. Acquisition of subsidiary

On 31 May 2001, the Company acquired a 75% shareholding in Wakulima Tea Company Limited and a further 7.7% shareholding was acquired in October 2001. Wakulima Tea had been set up in 2000 as an investment vehicle through which CDC Group Plc (as majority shareholder) and the Rungwe Smallholder Tea Growers Association acquired the Rungwe Unit of the Tanzania Tea Authority from the Government of Tanzania.

### 4. Results and appropriations

|                                                            | 2001<br>Tzs '000 | 2000<br>Tzs '000 |
|------------------------------------------------------------|------------------|------------------|
| Group loss after taxation (2000 - Company profit)          | (29,470)         | 552,955          |
| Minority interests                                         | 37,746           | -                |
| Profit attributable to shareholders                        | 8,276            | 552,955          |
| Less: Appropriations                                       |                  |                  |
| Interim dividend paid - Nil (2000 - Tzs 17) per share      | -                | (180,166)        |
| Final dividend proposed - Tzs 40 (2000 - Tzs 23) per share | (423,920)        | (243,754)        |
| <b>(Withdrawn from)/Added to retained earnings</b>         | <b>(415,643)</b> | <b>129,035</b>   |

The Directors intend to recommend a final dividend of Tzs 40 per ordinary share on the issued share capital of the company, payable out of accumulated retained earnings.

### 5. Board of Directors

The Directors of the Company at the date of this report, all of whom have served during the year except as indicated are:-

| Name                   | Nationality |                            |
|------------------------|-------------|----------------------------|
| Hon. J. J. Mungai (MP) | Tanzanian   | Chairman                   |
| Mr. G. C. Theobald     | British     | Managing Director          |
| Mr. G. P. Theobald     | British     |                            |
| Mr. D. Henderson       | British     |                            |
| Mr. D. Pallangyo       | Tanzanian   |                            |
| Mr. C. Barkess         | British     | Resigned 28 February 2001  |
| Mr. B. Eyaakuze        | Tanzanian   | Resigned 31 July 2001      |
| Mr. V. Rweyemamu       | Tanzanian   |                            |
| Mr. R. W. Cox          | British     |                            |
| Mr. C. Groom           | British     | Appointed 1 August 2001    |
| Mr. D. Owen            | British     | Appointed 28 February 2001 |

During the Extraordinary General Meeting of the Company held on 14 February 2002, an addition was made to the Articles of Association empowering the Board of Directors to appoint non-voting directors for a term of three years - provided that such appointment could only be for a seat vacant after appointment of all shareholder Directors.



## TANZANIA TEA PACKERS LIMITED

### 6. Directors' shareholdings

The Directors' interests in the issued and paid up shares of the Company at 31 December 2001 were as follows:

|                      | 2001      |                       | 2000      |                       |
|----------------------|-----------|-----------------------|-----------|-----------------------|
|                      | Number    | Par value<br>Tzs '000 | Number    | Par value<br>Tzs '000 |
| Hon. J J Mungai (MP) | 1,009,500 | 25,237                | 1,010,000 | 25,250                |
| Mr. G C Theobald     | 844,799   | 21,120                | 973,776   | 24,344                |
| Mr. G P Theobald     | 200,000   | 5,000                 | 200,000   | 5,000                 |

### 7. Major shareholdings

|                                | Number of shares | % Shareholding |
|--------------------------------|------------------|----------------|
| Tanzania Venture Capital Fund  | 3,387,735        | 31.98          |
| Freshfields Investment Limited | 2,785,488        | 26.28          |
| Hon. J J Mungai (MP)           | 1,009,500        | 9.53           |
| Mr. G C Theobald               | 844,799          | 7.97           |
| Social Action Trust Fund       | 530,000          | 5.00           |

### 8. Business developments

On 11 March 2002, following receipt of the necessary approvals from the Capital Markets and Securities Authority, the Company completed the purchase of Kibena Tea Limited for USD 2 million from Freshfields Investment Limited, effective from 28 February 2002. The purchase consideration will be settled through the issue of 3,028,000 new ordinary shares in the Company by way of private placement to Freshfields, with existing members waiving their rights to the new shares.

The purchase of Kibena Tea Limited, and the issue and listing of the 3,028,000 new ordinary shares ranking pari passu in all respects with the existing shares, were unanimously approved by the members during the Extraordinary General Meeting held on 14 February 2002.

### 9. Fixed assets

Movements in fixed assets during the year are shown in Note 7 on page 15. In the opinion of the Directors, the market value of the Group's properties is not lower than the value shown in the financial statements.

### 10. Donations

During the year the following donations were made:

|                             | Tzs ' 000 |
|-----------------------------|-----------|
| Tea Association of Tanzania | 2,271     |
| Others                      | 372       |

### 11. Distribution centres

The Company has seven distribution centres with over 100 distributors in Dar es Salaam and seven up country regions. Our subsidiary's made teas are sold primarily through the Mombasa Tea Auction.

### 12. Suppliers

The Group obtains its requirements from both local and foreign suppliers. The local suppliers include ten major suppliers of raw teas, coffee powder and packing materials. In addition, smallholders supply green leaf to our subsidiary factories for processing.

Foreign suppliers include suppliers of tea machinery, spares and packaging materials.



### 13. Marketing strategy

The objective of the Company is to grow Chai Bora's share of the tea market in Tanzania and to drive further growth of the tea market itself.

The specific objective for the Group is to achieve the budgeted volume target in this year.

How will this be achieved?

- Production of an increased volume of high quality tea for export.
- Drive new distribution, expanding and intensifying our distribution network to ensure market saturation.
- Encourage the government to sustain the tempo on the clamp down on smuggled tea and maintain the status quo on imported teas.
- Build consumer loyalty.
- Combat competition.

### 14. Employment and employees

#### • Health, safety and welfare

The Group provides canteen facilities at the factories and DSM office for its employees. Full medical coverage is provided for staff at the appointed Government and private hospitals.

It is a basic policy of the Group to maintain a safe working environment at all times in its factories and offices. Measures to ensure the achievement of this objective are under constant review.

#### • Employee involvement and training

The Group believes that the professional and technical expertise of its managers and staff constitutes a major asset; investment in developing such skills continues to receive constant attention. The Group skills base has been steadily expanding within the range of training provided; including short courses, that has broadened the opportunities for career development within the Group.

Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these schemes include bonuses.

#### • Employee share scheme

The employees continued to repay their loans from bonuses and dividends.

### 15. Directors' responsibilities

The Directors are required under the Companies Ordinance to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of their profits or losses for the year. In doing so they ensure that:

- proper accounting records are maintained,
- applicable accounting standards are followed,
- suitable accounting policies are adopted and consistently applied,



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TANZANIA TEA PACKERS LIMITED

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- judgements and estimates made are reasonable and prudent,
- the going concern basis is used, unless it is appropriate to presume that the Company will not continue in business, and
- internal control procedures are instituted which, as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities.

The accounts of the Company and of the Group were approved at a meeting of the Board of Directors held on 1 March 2002.

**16. Auditors**

The auditors, KPMG Peat Marwick, have indicated their willingness to continue in office. A resolution to re-appoint KPMG Peat Marwick will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in dark ink, appearing to read "A. M. M. M. M. M.", is written over the printed name "A. M. M. M. M. M.".

Company Secretary

Date: 15 March 2002



## AUDITORS' REPORT TO THE MEMBERS OF TANZANIA TEA PACKERS LIMITED

We have audited the consolidated financial statements set out on pages 9 to 18, which have been prepared on the basis of the accounting policies set out in Note 1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and to provide a reasonable basis for our opinion. The financial statements of the Company are in agreement with its books of account.

### Respective responsibilities of directors and auditors

Under the provisions of the Companies Ordinance (Cap 212), the directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs of the Company and of the Group and of their operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with both International Auditing Standards and Tanzania Auditing Standards. Those Standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, proper books of account have been kept by the Company and the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the results of their operations and cash flows for the year then ended in accordance with Tanzania Financial Accounting Standards and comply with the Companies Ordinance (Cap 212).

Certified Public Accountants

Dar es Salaam

Date: 15 March 2002



**PROFIT AND LOSS ACCOUNTS**  
For the year ended 31 December 2001

|                                                         | Notes | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | Company<br>2000<br>Tzs '000 |
|---------------------------------------------------------|-------|---------------------------|-----------------------------|-----------------------------|
| Revenue                                                 |       | 4,641,777                 | 4,285,602                   | 4,063,466                   |
| Cost of sales                                           |       | (2,897,769)               | (2,630,823)                 | (2,425,927)                 |
| <b>Gross profit</b>                                     |       | <u>1,744,008</u>          | <u>1,654,779</u>            | <u>1,637,539</u>            |
| Other income                                            |       | 18,691                    | 31,697                      | 21,981                      |
|                                                         |       | <u>1,762,699</u>          | <u>1,686,476</u>            | <u>1,659,520</u>            |
| <b>Operating expenses</b>                               |       |                           |                             |                             |
| Marketing and distribution costs                        |       | (1,341,831)               | (1,275,038)                 | (918,969)                   |
| Administrative expenses                                 |       | (306,387)                 | (200,798)                   | (171,236)                   |
| <b>Operating profit</b>                                 |       | <u>114,481</u>            | <u>210,640</u>              | <u>569,315</u>              |
| Finance costs                                           | 2     | (143,951)                 | (97,465)                    | (16,360)                    |
| <b>(Group loss)/Company profit before taxation</b>      | 3     | <u>(29,470)</u>           | <u>113,175</u>              | <u>552,955</u>              |
| Taxation                                                | 4     | -                         | -                           | -                           |
| <b>Group loss before minority interests</b>             |       | <u>(29,470)</u>           |                             |                             |
| Minority interests                                      |       | 37,746                    |                             |                             |
| <b>Profit for the year attributable to shareholders</b> |       | <u><u>8,276</u></u>       | <u><u>113,175</u></u>       | <u><u>552,955</u></u>       |
| <br>                                                    |       |                           |                             |                             |
| Earnings per share                                      | 5     | Tzs 0.78                  | Tzs 10.68                   | Tzs 52.17                   |
| Dividend per share                                      | 6     | <u>Tzs 40.00</u>          | <u>Tzs 40.00</u>            | <u>Tzs 40.00</u>            |

Notes and related statements forming part of these financial statements appear on pages 13 to 18.

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# STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2001

|                                        | Share<br>capital<br>Tzs '000 | Share<br>premium<br>Tzs '000 | Retained<br>income<br>Tzs '000 | Total<br>Tzs '000 |
|----------------------------------------|------------------------------|------------------------------|--------------------------------|-------------------|
| <i>Company</i>                         |                              |                              |                                |                   |
| Balance at 1 January 2000              | 264,950                      | 619,737                      | 1,160,775                      | 2,045,462         |
| Share issue expenses                   |                              | (15,500)                     |                                |                   |
| Net profit for the year                | -                            |                              | 552,955                        | 537,455           |
| Dividends                              | -                            | -                            | (423,920)                      | (423,920)         |
| Balance at 31 December 2000            | 264,950                      | 604,237                      | 1,289,810                      | 2,158,997         |
| Net profit for the year                | -                            | -                            | 113,175                        | 113,175           |
| Dividends                              | -                            | -                            | (423,920)                      | (423,920)         |
| Balance at 31 December 2001            | 264,950                      | 604,237                      | 979,065                        | 1,848,252         |
| <i>Group</i>                           |                              |                              |                                |                   |
| Balance at 1 January 2001              | 264,950                      | 604,237                      | 1,289,810                      | 2,158,997         |
| Net profit for the year                | -                            | -                            | 8,276                          | 8,276             |
| Dividends                              | -                            | -                            | (423,920)                      | (423,920)         |
| Change in minority interest percentage | -                            | -                            | 56,151                         | 56,151            |
| Balance at 31 December 2001            | 264,950                      | 604,237                      | 930,317                        | 1,799,504         |

Notes and related statements forming part of these financial statements appear on pages 13 to 18.

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# BALANCE SHEETS AT 31 December 2001

|                                            | Notes | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | 2000<br>Tzs '000 |
|--------------------------------------------|-------|---------------------------|-----------------------------|------------------|
| <b>Assets</b>                              |       |                           |                             |                  |
| <b>Non-current assets</b>                  |       |                           |                             |                  |
| Fixed assets                               | 7     | 3,252,298                 | 888,431                     | 730,338          |
| Investment in subsidiary                   | 8     | -                         | 1,274,772                   | -                |
|                                            |       | <u>3,252,298</u>          |                             |                  |
| Negative goodwill arising on consolidation |       | (503,100)                 |                             |                  |
|                                            |       | <u>2,749,198</u>          | <u>2,163,203</u>            | <u>730,338</u>   |
| <b>Current assets</b>                      |       |                           |                             |                  |
| Inventories                                | 9     | 991,116                   | 826,452                     | 882,911          |
| Trade and other receivables                | 10    | 1,093,755                 | 827,275                     | 704,733          |
| Tax recoverable                            |       | 67,682                    | 57,612                      | 4,704            |
| Bank and cash balances                     |       | <u>168,286</u>            | <u>78,317</u>               | <u>623,057</u>   |
|                                            |       | <u>2,320,839</u>          | <u>1,789,656</u>            | <u>2,215,405</u> |
|                                            |       | <u>5,070,037</u>          | <u>3,952,859</u>            | <u>2,945,743</u> |
| <b>Equity and liabilities</b>              |       |                           |                             |                  |
| <b>Shareholders equity</b>                 |       |                           |                             |                  |
| Issued share capital                       | 11    | 264,950                   | 264,950                     | 264,950          |
| Share premium                              |       | 604,237                   | 604,237                     | 604,237          |
| Retained earnings                          |       | 930,317                   | 979,065                     | 1,289,810        |
| Proposed dividend                          |       | <u>423,920</u>            | <u>423,920</u>              | <u>243,754</u>   |
|                                            |       | <u>2,223,424</u>          | <u>2,272,172</u>            | <u>2,402,751</u> |
| <b>Minority interests</b>                  | 12    | 362,061                   | -                           | -                |
| <b>Non-current liabilities</b>             |       |                           |                             |                  |
| Bank borrowings                            | 14    | 829,132                   | 495,180                     | -                |
| <b>Current liabilities</b>                 |       |                           |                             |                  |
| Trade and other payables                   | 13    | 567,997                   | 437,643                     | 542,856          |
| Current portion of bank borrowings         | 1     | 854,726                   | 687,750                     | -                |
| Bank overdrafts                            | 1     | <u>232,697</u>            | <u>60,114</u>               | <u>136</u>       |
|                                            |       | <u>1,655,420</u>          | <u>1,185,507</u>            | <u>542,992</u>   |
|                                            |       | <u>5,070,037</u>          | <u>3,952,859</u>            | <u>2,945,743</u> |

Director

Date: 15 March 2002

Director

Date: 15 March 2002

Notes and related statements forming part of these financial statements appear on pages 13 to 18.  
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# **CASH FLOW STATEMENTS** For the year ended 31 December 2001

|                                                           | Notes | Group<br>2001<br>Tzs '000 | 2001<br>Tzs '000   | Company<br>2000<br>Tzs '000 |
|-----------------------------------------------------------|-------|---------------------------|--------------------|-----------------------------|
| <b>Cash flows from operating activities</b>               |       |                           |                    |                             |
| Net cash flow from operations                             | 17    | (211,979)                 | 147,421            | 821,900                     |
| Interest paid                                             |       | (94,261)                  | (58,171)           | (19,560)                    |
| Taxation paid                                             |       | (62,978)                  | (52,908)           | (4,424)                     |
| Dividends paid                                            |       | (230,647)                 | (230,647)          | (435,506)                   |
| <b>Net cash flow operating activities</b>                 |       | <b>(599,865)</b>          | <b>(194,305)</b>   | <b>362,410</b>              |
| <b>Cash flows from investing activities</b>               |       |                           |                    |                             |
| Acquisition of subsidiary, net of cash                    | 1     | (861,350)                 | (1,274,772)        | -                           |
| Purchase of fixed assets                                  |       | (613,264)                 | (333,639)          | (95,633)                    |
| Proceeds on disposal of fixed assets                      |       | 20,740                    | 15,068             | 2,500                       |
| <b>Net cash flow from investing activities</b>            |       | <b>(1,453,874)</b>        | <b>(1,593,343)</b> | <b>(93,133)</b>             |
| <b>Cash flows from financing activities</b>               |       |                           |                    |                             |
| Proceeds from medium term loans                           |       | 1,366,407                 | 1,182,930          | -                           |
| Loan repayments                                           |       | -                         | -                  | (160,000)                   |
| Share issue costs                                         |       | -                         | -                  | (22,518)                    |
| <b>Net cash flow from financing activities</b>            |       | <b>1,366,407</b>          | <b>1,182,930</b>   | <b>(182,518)</b>            |
| <b>Net movement in cash and cash equivalents</b>          |       | <b>(687,332)</b>          | <b>(604,718)</b>   | <b>86,759</b>               |
| <b>Cash and cash equivalents at the start of the year</b> |       | <b>622,921</b>            | <b>622,921</b>     | <b>536,162</b>              |
| <b>Cash and cash equivalents at the end of the year</b>   | 17    | <b>(64,411)</b>           | <b>18,203</b>      | <b>622,921</b>              |

Notes and related statements forming part of these financial statements appear on pages 13 to 18.

Auditors' Report - 8



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2001

#### 1. Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

##### (a) Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain assets, and in accordance with Tanzania Financial Accounting Standards.

##### (b) Consolidation

The Group financial statements include the financial statements of Tanzania Tea Packers Limited and its subsidiary, all made up to 31 December. All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

The negative goodwill on consolidation of the subsidiary represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the Group balance sheet as a deduction from the cost/valuation of fixed assets, and is amortised over the remaining weighted average useful life of the assets acquired.

##### (c) Revenue

This represents the invoiced value of goods sold net of VAT, and is recognised on delivery of goods to customers or when tea is sold at auction.

##### (d) Taxation

Current taxation is provided for on the basis of the results for the year adjusted in accordance with the tax legislation. Deferred taxation is provided at currently enacted tax rates using the balance sheet liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets arising from the carry forward of unutilised tax losses are recognised only to the extent that future taxable profits are likely to be available against which the losses may be utilised.

##### (e) Translation of foreign currencies

Transactions during the year are converted into Tanzanian Shillings at mean monthly rates obtained from Standard Chartered Bank. Assets and liabilities at the balance sheet date are converted at rates ruling at year-end. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

##### (f) Fixed assets

Fixed assets are stated at cost to the Group less accumulated depreciation. Cost to the Group, in the case of the fixed assets of the subsidiary, is represented by the fair value of the assets acquired at the date of acquisition of the subsidiary.

Depreciation is provided so as to write off the cost of fixed assets on a straight-line basis over their expected useful lives. The principal annual rates used for this purpose, which are consistent with those of last year, are:

|                                              | Rate (%) |
|----------------------------------------------|----------|
| Land                                         | -        |
| Buildings                                    | 4.0      |
| Motor vehicles and aircraft                  | 25.0     |
| Machinery, equipment, furniture and fittings | 12.5     |



## TANZANIA TEA PACKERS LIMITED

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the price at which goods can be sold in the normal course of business after deducting selling and other costs of delivery to buyers.

Cost of finished and unprocessed products includes the cost of green leaf, unprocessed coffee and other materials used on a weighted average basis, plus direct labour and overheads in both the tea and blending/packing factories as appropriate up to the stage of completion of the product. Stores and consumables are stated at cost less any provision for obsolescence.

### (h) Advances to growers

Advances to tea growers, in the form of fertiliser and other farm inputs, are carried at their net realisable values after deducting specific provisions for amounts considered to be doubtful of recovery. Income arising from margins on farm inputs is deferred until the related debt has been recovered from the tea grower.

### (i) Receivables

Trade and other receivables are carried at expected recoverable amounts, after making provisions for doubtful accounts.

### (j) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank, net of bank overdrafts.

### (k) Comparative figures

Where necessary, comparative figures have been reclassified to correspond with the presentation and analyses used in the current year accounts.

## 2.. Finance costs

|                  | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | 2000<br>Tzs '000 |
|------------------|---------------------------|-----------------------------|------------------|
| Interest expense | 89,626                    | 58,171                      | 16,360           |
| Exchange loss    | 54,325                    | 39,294                      | -                |
|                  | <u>143,951</u>            | <u>97,465</u>               | <u>16,360</u>    |

## 3. Profit before taxation

|                                                              | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | 2000<br>Tzs '000 |
|--------------------------------------------------------------|---------------------------|-----------------------------|------------------|
| Profit before taxation is stated after charging/(crediting): |                           |                             |                  |
| Directors' remuneration:                                     |                           |                             |                  |
| Executive                                                    | 86,255                    | 86,255                      | 85,457           |
| Non - executive                                              | 33,233                    | 33,233                      | 29,775           |
| Directors' fees:                                             |                           |                             |                  |
| Executive                                                    | 1,356                     | 1,356                       | 1,642            |
| Non - executive                                              | 8,798                     | 7,794                       | 7,795            |
| Depreciation expense                                         | 248,425                   | 168,443                     | 134,406          |
| Auditors' remuneration                                       | 23,423                    | 10,500                      | 10,000           |
| Gain on disposal of fixed assets                             | (12,002)                  | (7,965)                     | (2,500)          |



#### 4. Taxation

In view of the current period tax adjusted loss, no provision for taxation has been made in the accounts. The tax computation is however subject to agreement with the tax authorities.

The Company enjoyed a tax holiday granted under the National Investment Promotion and Protection Act, 1990 up to 31 May 2001.

#### 5. Earnings per share

The earnings per share is based on the profit attributable to shareholders of Tzs 8,276,000 and on the number of paid up ordinary shares in issue throughout the period.

#### 6. Dividends

|                                           | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | 2000<br>Tzs '000 |
|-------------------------------------------|---------------------------|-----------------------------|------------------|
| Interim dividend paid:                    |                           |                             |                  |
| Nil (2000 - Tzs 17) per ordinary share    | -                         | -                           | 180,166          |
| Final dividend proposed:                  |                           |                             |                  |
| Tzs 40 (2000 - Tzs 23) per ordinary share | 423,920                   | 423,920                     | 243,754          |
| Total for the year                        | <u>423,920</u>            | <u>423,920</u>              | <u>423,920</u>   |

The directors recommend a final dividend of Tzs 40 per ordinary share for the year. However, the shareholders will be given the option to receive ordinary shares in lieu of the dividend payment, subject to approval by the Capital Market & Securities Authority and the Dar es Salaam Stock Exchange.

Dividends payable to shareholders are subject to the deduction of appropriate withholding taxes, which are then remitted to the Tanzania Revenue Authority.

#### 7. Fixed assets

|                              | Land &<br>buildings<br>Tzs '000 | Motor<br>vehicles<br>& aircraft<br>Tzs '000 | Machinery,<br>equipment,<br>furniture<br>& fittings<br>Tzs '000 | Capital<br>work in<br>progress<br>Tzs '000 | Total<br>Tzs '000 |
|------------------------------|---------------------------------|---------------------------------------------|-----------------------------------------------------------------|--------------------------------------------|-------------------|
| <i>Group</i>                 |                                 |                                             |                                                                 |                                            |                   |
| <b>Cost</b>                  |                                 |                                             |                                                                 |                                            |                   |
| At 1 January 2001            | 298,948                         | 299,380                                     | 463,160                                                         | -                                          | 1,061,488         |
| On acquisition of subsidiary | 1,702,029                       | 52,216                                      | 227,769                                                         | 179,210                                    | 2,161,224         |
| Additions                    | 93,331                          | 101,975                                     | 202,155                                                         | 220,438                                    | 617,899           |
| Disposals                    | -                               | (26,665)                                    | (29,533)                                                        | -                                          | (56,198)          |
| At 31 December 2001          | <u>2,094,308</u>                | <u>426,906</u>                              | <u>863,551</u>                                                  | <u>399,648</u>                             | <u>3,784,413</u>  |
| <b>Depreciation</b>          |                                 |                                             |                                                                 |                                            |                   |
| At 1 January 2001            | 24,341                          | 147,477                                     | 159,332                                                         | -                                          | 331,150           |
| Charge for the year          | 32,920                          | 91,210                                      | 124,295                                                         | -                                          | 248,425           |
| Disposals                    | -                               | (24,759)                                    | (22,701)                                                        | -                                          | (47,460)          |
| At 31 December 2001          | <u>57,261</u>                   | <u>213,928</u>                              | <u>260,926</u>                                                  | <u>-</u>                                   | <u>532,115</u>    |
| <b>Net book value</b>        |                                 |                                             |                                                                 |                                            |                   |
| At 31 December 2001          | <u>2,037,047</u>                | <u>212,978</u>                              | <u>602,625</u>                                                  | <u>399,648</u>                             | <u>3,252,298</u>  |
| At 31 December 2000          | <u>274,607</u>                  | <u>151,903</u>                              | <u>303,828</u>                                                  | <u>-</u>                                   | <u>730,338</u>    |



|                       | Land &<br>buildings<br>Tzs '000 | Motor<br>vehicles<br>& aircraft<br>Tzs '000 | Machinery,<br>equipment,<br>furniture<br>& fittings<br>Tzs '000 | Capital<br>work in<br>progress<br>Tzs '000 | Total<br>Tzs '000 |
|-----------------------|---------------------------------|---------------------------------------------|-----------------------------------------------------------------|--------------------------------------------|-------------------|
| <i>Company</i>        |                                 |                                             |                                                                 |                                            |                   |
| <b>Cost</b>           |                                 |                                             |                                                                 |                                            |                   |
| At 1 January 2001     | 298,948                         | 299,380                                     | 463,160                                                         |                                            | 1,061,488         |
| Additions             | 42,879                          | 95,620                                      | 195,140                                                         |                                            | 333,639           |
| Disposals             | -                               | (23,861)                                    | (29,533)                                                        |                                            | (53,394)          |
| At 31 December 2001   | 341,827                         | 371,139                                     | 628,767                                                         |                                            | 1,341,733         |
| <b>Depreciation</b>   |                                 |                                             |                                                                 |                                            |                   |
| At 1 January 2001     | 24,341                          | 147,477                                     | 159,332                                                         |                                            | 331,150           |
| Charge for the year   | 11,452                          | 84,875                                      | 72,116                                                          |                                            | 168,443           |
| Disposals             | -                               | (23,590)                                    | (22,701)                                                        |                                            | (46,291)          |
| At 31 December 2001   | 35,793                          | 208,762                                     | 208,747                                                         |                                            | 453,302           |
| <b>Net book value</b> |                                 |                                             |                                                                 |                                            |                   |
| At 31 December 2001   | <u>306,034</u>                  | <u>162,377</u>                              | <u>420,020</u>                                                  |                                            | <u>888,431</u>    |
| At 31 December 2000   | <u>274,607</u>                  | <u>151,903</u>                              | <u>303,828</u>                                                  |                                            | <u>730,338</u>    |

Included in fixed assets is an aircraft, which the Managing Director of the company has the option of buying at its written down value five years after acquisition. The aircraft was acquired in 1998 at a cost of Tzs 49.7 million.

The above assets are utilised as security for the Group's banking facilities as described in Note 14.

#### 8. Investment in subsidiary

The company acquired a 75% shareholding in Wakulima Tea Company Limited on 31 May 2001 at a cost of Tzs 864,774,000; and subsequently increased this to an 82.7% shareholding through an equity call on 10 October 2001 at a further cost of Tzs 409,998,000.

#### 9. Inventories

|                        | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | 2000<br>Tzs '000 |
|------------------------|---------------------------|-----------------------------|------------------|
| Finished products      | 268,808                   | 268,808                     | 278,357          |
| Unprocessed products   | 204,102                   | 115,254                     | 147,990          |
| Stores and consumables | 503,892                   | 428,076                     | 318,244          |
| Goods in transit       | 14,314                    | 14,314                      | 138,320          |
|                        | <u>991,116</u>            | <u>826,452</u>              | <u>882,911</u>   |

#### 10. Trade and other receivables

|                               | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | 2000<br>Tzs '000 |
|-------------------------------|---------------------------|-----------------------------|------------------|
| Trade debtors                 | 476,532                   | 444,212                     | 349,498          |
| Advances to tea growers       | 164,650                   |                             | -                |
| Other receivables             | 212,323                   | 162,801                     | 233,151          |
| Deposits and prepaid expenses | 173,405                   | 138,713                     | 55,641           |
| Due from directors            | 4,450                     | 4,450                       | 6,954            |
| Due from related parties      | 62,395                    | 77,099                      | 59,489           |
|                               | <u>1,093,755</u>          | <u>827,275</u>              | <u>704,733</u>   |



## TANZANIA TEA PACKERS LIMITED

### 11. Share capital

|                                           | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | 2000<br>Tzs '000 |
|-------------------------------------------|---------------------------|-----------------------------|------------------|
| Authorised:                               |                           |                             |                  |
| 20,000,000 ordinary shares of Tzs 25 each | 500,000                   | 500,000                     | 500,000          |
| Issued and fully paid:                    |                           |                             |                  |
| 10,598,000 ordinary shares of Tzs 25 each | 264,950                   | 264,950                     | 264,950          |

### 12. Minority interests

The net assets of the subsidiary attributable to the minority interests at 31 December 2001 have been computed as follows:

|                     | Net assets of<br>subsidiary<br>Tzs '000 | Share of<br>minority<br>interest | Minority<br>Interests<br>Tzs '000 |
|---------------------|-----------------------------------------|----------------------------------|-----------------------------------|
| Share capital       | 1,329,538                               |                                  |                                   |
| Revaluation reserve | 1,152,268                               |                                  |                                   |
| Accumulated losses  | (388,966)                               |                                  |                                   |
|                     | 2,092,840                               | 17.3%                            | 362,061                           |

### 13. Trade and other payables

|                                      | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | 2000<br>Tzs '000 |
|--------------------------------------|---------------------------|-----------------------------|------------------|
| Trade creditors                      | 302,543                   | 246,688                     | 328,373          |
| Other creditors and accrued expenses | 219,316                   | 173,535                     | 210,298          |
| Due to directors                     | 825                       | 825                         | 697              |
| Due to related parties               | 6,480                     | -                           | -                |
| Deferred income                      | 22,238                    | -                           | -                |
| Unclaimed dividend warrants          | 16,595                    | 16,595                      | 3,488            |
|                                      | 567,997                   | 437,643                     | 542,856          |

### 14. Borrowing facilities

|                                             |           |           |   |
|---------------------------------------------|-----------|-----------|---|
| Standard Chartered Bank - Medium Term Loans | 1,683,858 | 1,182,930 | - |
| Less: Current portion                       | (854,726) | (687,750) | - |
| Due after more than 12 months               | 829,132   | 495,180   | - |

During the year, the Company obtained a USD 1,500,000 medium term loan facility from Standard Chartered Bank Tanzania Limited to finance the acquisition of Wakulima Tea Company Limited. This loan is repayable in monthly instalments over two years, and bears interest charged at the bank's base lending rate.

The bank has also provided the Company with an overdraft facility up to a limit of Tzs 250 million, to assist with working capital requirements. Both the loan and overdraft facilities are secured through a debenture giving a fixed and floating charge over all the assets of the Company, and by pledging the shares held by the Company in Wakulima Tea Company Limited.

The subsidiary has obtained a USD 900,000 medium term loan facility from Standard Chartered Bank Tanzania Limited for factory expansion and rehabilitation. Two tranches were drawn down during the year, totalling USD 546,686.

The loan carries an interest rate of 9.25% per annum and is secured by a corporate guarantee from the Company of USD 1.2 million and by fixed and floating charges over all the assets of the subsidiary. This loan is repayable quarterly over a period of three years with effect from 1 April 2002.



## TANZANIA TEA PACKERS LIMITED

In addition, the subsidiary also enjoys an overdraft facility with the bank up to a limit of USD 300,000 to finance working capital requirements. This facility is secured alongside the medium term loan described above, and carries interest at 0.25% above the bank's base lending rate.

### 15. Related party transactions

All transaction between Group companies or with other related parties were carried out in the normal course of business on an arm's length basis.

### 16. Contingent liabilities

The Directors are not aware of any contingent liabilities affecting the Group or the Company as at the date of this report. However, the subsidiary has a capital commitment contracted for but not provided as at 31 December 2001 amounting to Tzs 101 million in respect of the ongoing rehabilitation of its tea factory and an upgrading of processing facilities.

### 17. Notes to the cash flow statement

|                                                                                         | Group<br>2001<br>Tzs '000 | Company<br>2001<br>Tzs '000 | 2000<br>Tzs '000 |
|-----------------------------------------------------------------------------------------|---------------------------|-----------------------------|------------------|
| <b>A. Cash generated from operations</b>                                                |                           |                             |                  |
| (Loss)/Profit before tax and minority interests                                         | (29,470)                  | 113,175                     | 552,955          |
| Adjustments for:                                                                        |                           |                             |                  |
| Depreciation                                                                            | 248,425                   | 168,443                     | 134,406          |
| Interest expense                                                                        | 89,626                    | 58,171                      | 16,360           |
| Gain on disposal of fixed assets                                                        | (12,002)                  | (7,965)                     | (2,500)          |
| <b>Operating profit before working capital changes</b>                                  | <b>296,579</b>            | <b>331,824</b>              | <b>701,221</b>   |
| (Increase)/Decrease in inventories                                                      | (73)                      | 56,459                      | (392,324)        |
| (Increase)/Decrease in receivables                                                      | (318,434)                 | (122,542)                   | 344,834          |
| (Decrease)/Increase in payables                                                         | (190,051)                 | (118,320)                   | 168,169          |
| <b>Net cash flow from operations</b>                                                    | <b>(211,979)</b>          | <b>147,421</b>              | <b>821,900</b>   |
| <b>B. Acquisition of subsidiary</b>                                                     |                           |                             |                  |
| The fair value of assets and liabilities assumed on acquisition of the subsidiary were: |                           |                             |                  |
| Fixed assets                                                                            | 2,161,224                 |                             |                  |
| Inventories                                                                             | 108,132                   |                             |                  |
| Receivables                                                                             | 70,589                    |                             |                  |
| Net cash balances                                                                       | 3,424                     |                             |                  |
| Payables                                                                                | (202,085)                 |                             |                  |
| Long-term loans                                                                         | (317,451)                 |                             |                  |
| Minority interest in these net assets                                                   | (455,959)                 |                             |                  |
| Negative goodwill                                                                       | (503,100)                 |                             |                  |
| Total purchase price                                                                    | 864,774                   |                             |                  |
| Less: net cash of subsidiary                                                            | (3,424)                   |                             |                  |
| <b>Cash flow on acquisition (net)</b>                                                   | <b>861,350</b>            |                             |                  |
| <b>C. Cash and cash equivalents</b>                                                     |                           |                             |                  |
| Bank and cash balances                                                                  | 168,286                   | 78,317                      | 623,057          |
| Bank overdrafts                                                                         | (232,697)                 | (60,114)                    | (136)            |
| <b>Cash and cash equivalents</b>                                                        | <b>(64,411)</b>           | <b>18,203</b>               | <b>622,921</b>   |

### 18. Currency

These financial statements are presented in thousands of Tanzania Shillings (Tzs '000).



## TANZANIA TEA PACKERS LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighth Annual General Meeting of the Company in respect of the year ended 31st December 2001 will be held at New Africa Hotel, Dar es Salaam, on Tuesday 28th May 2002 at 11:00 a.m.

#### AGENDA

1. Confirmation of the minutes of the Seventh Annual General Meeting.
2. To receive and adopt the Annual Directors' Report for the year ended 31st December 2001.
3. To receive and adopt the Annual Accounts for the year ended 31st December 2001.
4. To reappoint the Company Auditors.
5. To consider the declaration of dividend/crip issue for the year ended 31st December 2001.
6. To confirm the appointment of non-voting Directors.
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

G. Asumwisyé  
COMPANY SECRETARY

Tanzania Tea Packers Limited  
P. O. Box 1344,  
DAR ES SALAAM,  
TANZANIA.  
20th April 2002.

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

I (name) \_\_\_\_\_  
confirm that I will be attending the TATEPA EGM on 28th May 2002.

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 28th Day of May 2002 and at my/our adjournment thereof.

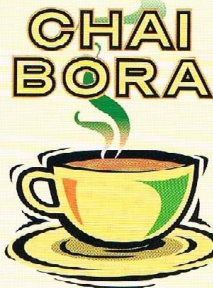
Signed \_\_\_\_\_

This \_\_\_\_\_ Day of \_\_\_\_\_ 2002.

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:

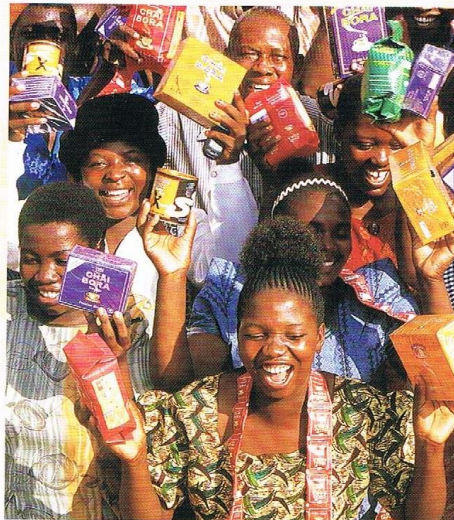
Company Secretary,  
Tanzania Tea Packers Limited,  
P. O. Box 1344,  
Dar es Salaam,  
Tanzania.



## Meeting consumer needs

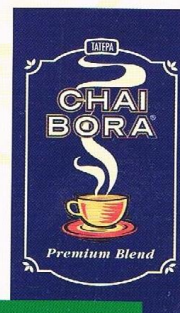
Chai Bora continues to dominate the local market, as Tanzania's most popular brand of tea. Consistent quality, affordability and availability have always been the key benchmarks for the brand's success. With TATEPA's interests in tea estates and tea processing, the company will move ahead rapidly to improve clonal varieties and processing techniques in the continual quest to provide better and better quality.

**Chai Bora's five blends come in a wide variety of pack sizes and range of prices to suit tea consumers across the country.**



**Luxury Blend** string and tag tea bags were launched in 2001. The blend is popular with the most discerning tea drinkers and the convenient pack format is used extensively in hotels and restaurants.

**Premium Blend** is available loose or in convenient tea bags. This blend is packed in foil sealed inner packets to guarantee freshness.

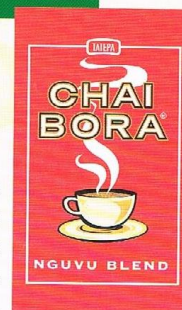


**Supreme Blend** is Chai Bora's most popular tea and consumed by tea drinkers across the country. The blend comes in a wide range of pack sizes, from 2g to 500g and now includes a new smaller 25g brick pack.



**Tanzania Highlands Organic Tea.** There are stringent international standards required for producing Organic Tea. TATEPA is the only eco-cert licenced packer in East Africa. This year, the company will launch Tanzania's first Organic tea bags into the domestic market.

**Nguvu Blend** provides the reassurance of a trusted brand at affordable prices. Chai Bora's most popular pack size, the 2.5g sachet is available in Nguvu Blend.





## CHAI BORA

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Tel: 022 2862173 • Fax: 022 2865731  
e-mail: [chaibora@intafrica.com](mailto:chaibora@intafrica.com)