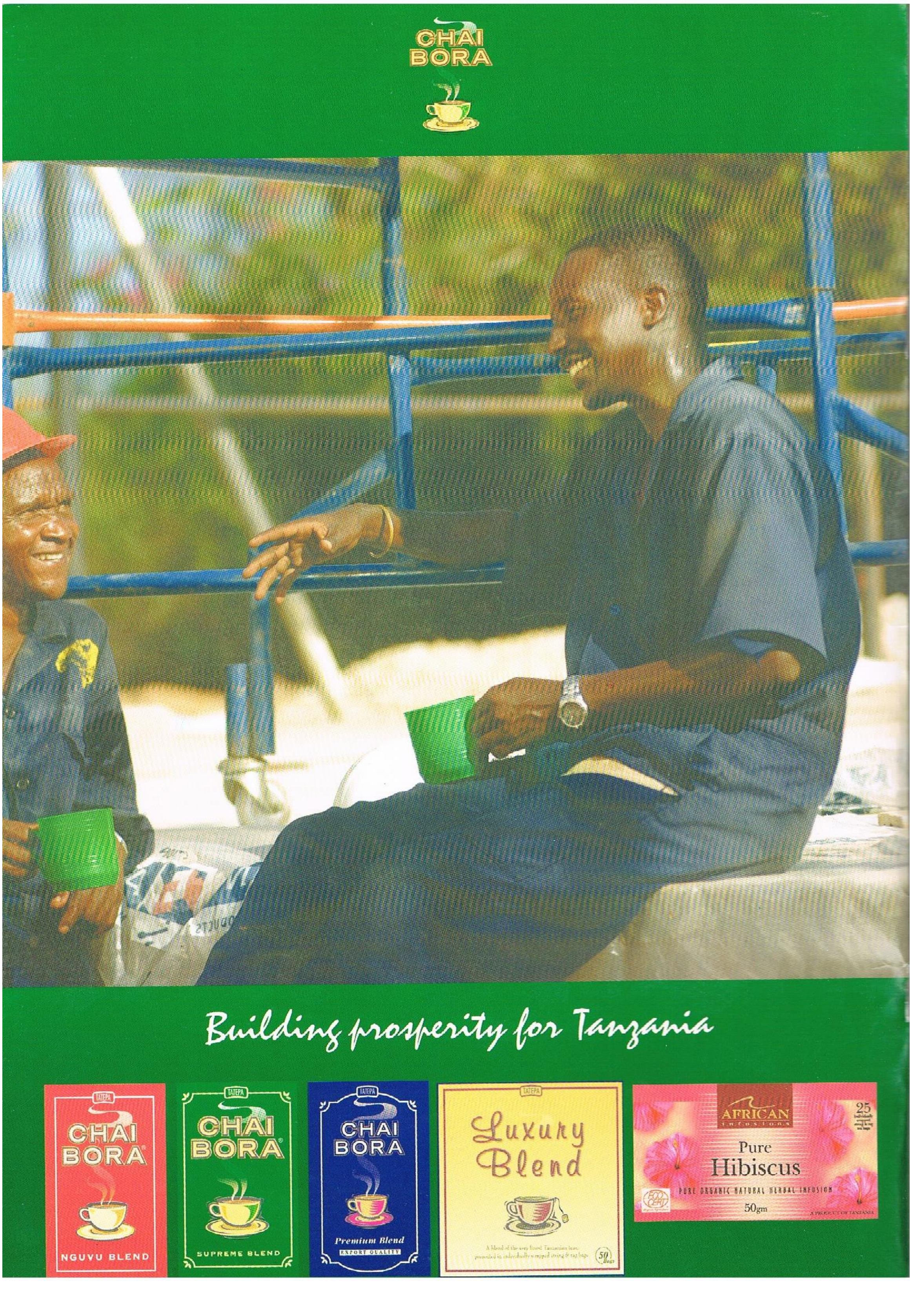
TATEPA

Tanzania Tea Packers Ltd.

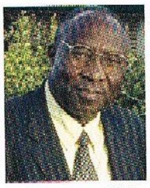
Annual Report 2005



CHAI
BORA
Building prosperity for Tanzania
TATEPA
CHAI
BORA
NGUVU BLEND
TATEPA
CHAI
BORA
SUPREME BLEND
TATEPA
CHAI
BORA
Premium Blend
EXPORT QUALITY
TATEPA
Luxury
Blend
AFRICAN
Infusions
Pure
Hibiscus
PURE ORGANIC NATURAL HERBAL INFUSION
50gm
A PRODUCT OF TANZANIA

CONTENTS

CHAIRMAN'S STATEMENT



Joseph Mungai M.P.
BOARD CHAIRMAN

As ever, I stand proudly as Chairman of Tanzania Tea Packers as our company continues to pioneer innovative developments in the tea industry, and in particular provide strong, secure and growing businesses to tens of thousands of smallholder shareholders who help to supply tea to our factories.

Although financially it has been a tough 12 months there have been some very significant achievements. Not least amongst these is Chai Bora's continued dominance as Tanzania's number 1 tea brand with a 60% market share, and the consolidation of our fair traded tea supply to Tea Direct which was recently listed as a public company on the AIM Exchange in London and is the world's largest fair trade tea packer. The respect that Tea Direct holds for TATEPA is a significant accolade to our performance.

Summarising our financial performance, it was a challenging year because of the effects of a serious drought combined with a fall in world tea prices. Economic theory suggests that prices rise when supply falls, but unfortunately we suffered the worst of all situations, because whilst our rains have been below the long term average for the last 4 years they have been good in Kenya, bringing world prices down at a time when our own production was also suffering. As a consequence, overall profit before tax was a loss of Tsh 2.5 billion against a profit of Tshs 1.1bn in 2004, with the loss coming exclusively from our raw tea divisions. The regrettable result of these losses, as forewarned at the last AGM, is that there can be no dividend payment for this last financial year with potentially even a small cash injection yet required.

With the drought moving north in 2006 the situation is rapidly improving with tea prices increasing. In addition, we are investigating a new water supply installation on our Kibena estates, which we hope will significantly reduce the effects of fluctuations in rainfall. Production will take time to recover, but with higher tea prices we anticipate 2006 to be a profitable year.

More good news.

Since the abolition of VAT on packaged tea, volumes for Chai Bora have been increasing, and we have now started export sales to Kenya and England. Our herbal tea brand, African Infusions, has grown from strength to strength, wooing customers both locally and across the world. We have a big supply contract with a Kenyan firm, and interest in supply from as far afield as South Africa and Iceland. It is a superb product, and still excites me that we have been the first company in this country to produce a range of organic herbal teas, that are locally grown and packed.

I mentioned Fair Trade earlier; for every single kilogramme of tea we sell to Tea Direct, our stakeholders [smallholder and employees] benefit directly, being paid a premium price as paid by overseas customers. Last year our stakeholders received more than 470m.TShs. in premiums.

We have also been pivotal in the development of the AIDS Business Coalition Tanzania (ABCT), a private sector organisation that is fighting the spread of HIV/AIDS in the workplace and beyond, through the sharing of information and pooling of resources. TATEPA management is chairing ABCT, which now has more than 50 members. These include some of Tanzania's biggest and highest profile businesses as well as many small and medium sized firms who were previously too limited in capacity or knowledge to administer HIV/AIDS programmes. These companies are now able to tap into this bank of information and ideas, and start to influence positively the health of their workforces.

Looking ahead, there are two significant strategic developments that we intend to implement.

A. SHAREHOLDER LOAN.

At this AGM on behalf of the Board I am presenting a resolution to approve the principle of a loan to the company from those shareholders who wish to subscribe to be used for the further development of the company. This is for a number of reasons. Firstly, we want to develop potentially exciting smallholder projects in the Southern Highlands and your directors believe that to finance these through a loan structure would give the most flexibility, since although timing and exact financial requirements remain uncertain, we nonetheless need to react quickly when they come. Secondly, and in order to secure additional water resources for the irrigation that will protect Kibena's tea against future droughts, we are planning to invest in boreholes to supplement the water supply from our dam. Finally, and depending on the quantum of the tea price improvement, we may also require such a facility to increase the working capital of the company.

Our need to be flexible in the dynamic conditions in which we are operating, make a shareholder loan the obvious choice, since actual amounts can be drawn down as required. The tenure is longer than bank finance, and it allows more flexibility in repayment. Let me assure you that in approving such a facility you are not required to participate in it. However should individuals and other smaller shareholders wish to do so, I would ask you to write directly to our company requesting participation..

B. TRANSFER PACKING DIVISION TO SEPARATE COMPANY

Secondly I am proposing a resolution for transfer of the tea packing business of our Group into a new 100%-owned subsidiary, Chai Bora Limited. This is in line with our other divisions all of which are separate companies, and it will allow more flexibility in operations at a time when we are preparing to expand and create further new divisions such as the smallholder developments in the Southern Highlands. The cost implications are modest and the advantages of preserving TATEPA as a holding company are significant.

As agreed last year, this AGM needs to appoint Directors under the changes in the Memorandum and Articles. I am proposing a smaller Board to reduce cost but in the interests of all shareholders I am also aiming to involve directors with deeper tea industry and commercial experience.

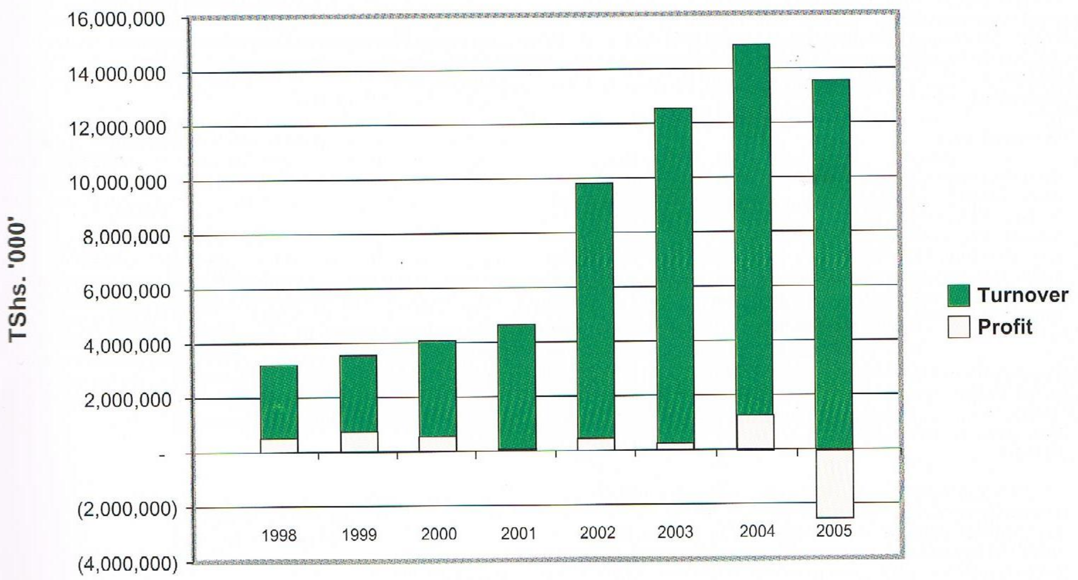
These are exciting times for our Company. We continue to lead in innovation, ethical agricultural practice, and helping to alleviate poverty through the development of secure livelihoods for very many thousands of people. The tea industry in Tanzania, compared with some of its neighbours, is still young; but we have good quality product and a continuing potential to compete very strongly on the global market as we improve production processes and efficiencies. There is no doubt that the industry and TATEPA have but started their journey to maturity.

Joseph Mungai M.P.
BOARD CHAIRMAN

FINANCIAL REVIEW
For the year ended 31st December

	2005 Group TShs'000'	2004 Group TShs'000'	2003 Group TShs'000'	2002 Group TShs'000'	2001 Group TShs'000'	2000 Group TShs'000'	1999 Group TShs'000'	1998 Group TShs'000'
Turnover	13,549,011	14,857,485	12,545,159	9,812,547	4,641,777	4,063,466	3,544,088	3,201,635
Profit/(Loss) Before Taxation	(2,505,233)	1,104,472	227,717	446,871	(29,470)	552,955	744,085	513,627
Dividends	-	-	611,212	576,312	545,040	423,920	423,920	137,280
Cash Generated From Operations	273,502	1,892,712	1,717,339	1,414,353	(211,979)	821,900	493,134	497,136
Net Cash Invested	357,873	794,121	1,879,996	1,698,220	1,453,874	93,133	236,343	466,873
Interest Bearing Debt	7,850,838	8,647,875	9,202,735	7,639,039	1,683,858	-	-	160,000
Earnings Per Share (Tzs)	(112)	(62)	15	33	(4)	52	84	61
Dividends Per Share (Tzs)	-		40	40	40	40	40	16

Turnover & Profit 1998-2005



REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2005

The Directors submit their report together with the audited financial statements for the year ended 31 December 2005, which disclose the state of affairs of Tanzania Tea Packers Limited (the "Company and Group").

1 DIRECTORS

The Directors of the Company at the date of this report, all of whom have served since 1 January 2005, unless otherwise stated are:

Name	Nationality	Position
Hon. J J Mungai (MP)	Tanzanian	(Chairman)
Mr. G C Theobald	British	(Managing Director)
Mr. G P Theobald	British	
Mr. D Henderson	British	
Mr. V Rweyemamu	Tanzanian	
Mr. R W Cox	British	
Mr. P D Rowland	British	(Executive Director)
Mr. B A Patel	British	Resigned on 4th March 2005
Ms. K D Bandawe	Tanzanian	
Mr. F Mbala	Tanzanian	
Mr. K Alexander	British	

In accordance with the Company's Articles of Association, the directors are not required to retire by rotation. With the exception of two directors, the rest of the directors are non-executive and only 3 out of 10 board members, as listed hereunder, have an interest in the issued and fully paid up shares of the company.

	Holding
Hon. J.J. Mungai (MP)	1,145,188 shares
Mr. G. C. Theobald	1,032,151 shares
Mr. G. P. Theobald	244,354 shares

The directors are not paid any directors fees. However, they are entitled to a sitting allowance of US $ 400 each for every sitting. The Chairman of the Board, who is a non-executive director, and the two executive directors receive salaries of TShs 50.095 million and TShs 222.37 million, respectively, per annum.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

2 COMPANY SHAREHOLDING:

As at 31 December 2005 the company had 1,683 shareholders. Ten major shareholders are listed below:

	Name	Nationality	% of Holding
1	Freshfields Investments Limited	Tanzanian	53.37
2	Parastatal Pension Fund	Tanzanian	11.09
3	Hon. J. J. Mungai (MP)	Tanzanian	6.97
4	Mr. G. C. Theobald	British	6.28
5	National Social Security Fund	Tanzanian	5.44
6	Social Action Trust Fund	Tanzanian	5.34
7	Thompson Lloyd & Ewart Limited	British	2.51
8	Mr. G. P. Theobald	British	1.49
9	The Heritage A.I.I.Insurance Company (T) Ltd.	Tanzanian	0.31
10	TATEPA Employee Share Trust	Tanzanian	0.30
	Total		93.10

3 ACTIVITIES

The Company owns two subsidiary companies, Wakulima Tea Company Limited (75% owned as at 31 December 05) and Kibena Tea Limited (100% of shares). The Group's principal activities are the growing, processing, blending, marketing and distribution of tea. Wakulima Tea Company Limited and Kibena Tea Limited undertake growing and processing of tea. The Group exports made tea for sale at the Mombasa auction and privately. The Company's principal activities are blending and packing of tea at the Mafinga factory for local and export marketing under the Chai Bora, Highlands Organic and African infusions brand names. The performances of the Company and Group during the year were as follows:

	2005 Actual TShsí000	2005 Budgeted TShsí000	2004 Actual TShsí000
Company			
Sales	**6,410,158**	7,546,000	6,090,112
Gross profit	**1,274,616**	1,967,006	1,662,598
Operating profit	**345,836**	857,716	840,657
Group			
Sales	**13,549,011**	17,504,078	14,857,485
Gross profit	**2,728,806**	7,545,736	5,432,495
Operating (loss)/profit	**(824,564)**	2,720,862	1,320,203

	2005 Tons	2005 Tons	2004 Tons
Company (Activity)			
Production - Packed tea	**2,239**	2,600	2,305
Sales - Packed tea	**2,284**	2,600	2,255
Group (Activity)			
Production - Made tea	**6,138**	7,218	6,417
Production - Packed tea	**2,239**	2,600	2,305
Sales - Made tea	**6,217**	6,934	6,359
Sales - Packed tea	**2,284**	2,600	2,255

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

3 ACTIVITIES (continued)

Company
The lower gross profit than budgeted was recorded due to the increased processing costs arising from write off of obsolete packing materials and the irrecoverable VAT input payments. Exemption from VAT meant that all input VAT is now added to cost. Furthermore, packed tea is produced as per demand and the 12 % lower sales than budget is due to intense competition.

Group
The operating loss reported for the year was principally due to the lower than budgeted gross margin in the Company and then lower production and the low level of made tea prices (at an all time historic low) from the black tea divisions.

4 FUTURE DEVELOPMENTS

The production and sale of made tea is the principal business of the Group. The Group is continuing to pursue an expansion strategy to increase hectares under tea and/(or) smallholder processing capability.

5 RESULTS AND DIVIDEND

The Directors do not recommend a dividend for the year 2005 in view of the insufficient reserves of the Company [2004: Nil].

6 AUDITORS

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

By order of the Board

SECRETARY
31 January 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2005

The Companies Ordinance requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of its 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. The directors 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 and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Ordinance, CAP 212. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and the group and of their loss. 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 adequate systems of internal financial control.

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

Director **Director**

31 January 2006

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

We have audited the financial statements of Tanzania Tea Packers (the Company) and its subsidiaries (together the Group) on pages 9 to 41 for the year ended 31 December 2005. The company's financial statements are in agreement with its accounting records and we obtained the information and explanations we required.

Respective responsibilities of directors and auditors

As described on page 7, the Company's Directors are responsible for the preparation of the financial statements. Our responsibility is to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 December 2005 and of the results of their operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Tanzanian Companies Ordinance, CAP 212.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 (a) to the financial statements which states that the Group and Company incurred losses during the year ended 31 December 2005 and, as of that date, the Group's current liabilities exceeded its current assets. The financial statements have been prepared on a going concern basis and, as described in Note 2 (a), the validity of this depends on the realisation of the positive business prospects as assessed by the directors or the shareholders initiating actions to provide additional funds to the Group and Company, as required, to meet their obligations, as and when they fall due, and to finance any losses that may arise in the foreseeable future.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
Certified Public Accountants
DAR ES SALAAM

Date: 20 March 2006

PROFIT AND LOSS ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

		Group		Company	
	Notes	**2005**	2004 (Restated)	**2005**	2004
Sales	6	**13,549,011**	14,857,485	**6,410,158**	6,090,112
Gain arising from changes in fair value less estimated point of sale costs of biological assets	16	**915,027**	2,429,850	**-**	-
		14,464,038	17,287,335	**6,410,158**	6,090,112
Cost of sales		**(11,735,232)**	(11,854,840)	**(5,135,542)**	(4,427,514)
Gross profit		**2,728,806**	5,432,495	**1,274,616**	1,662,598
Other operating income		**201,631**	36,395	**295,539**	1,188,461
Selling and marketing costs	9	**(1,938,231)**	(1,944,077)	**(981,365)**	(1,044,082)
Administrative expenses	10	**(1,816,770)**	(2,204,610)	**(242,954)**	(966,320)
Operating (loss)/profit	7	**(824,564)**	1,320,203	**345,836**	840,657
Finance costs - net	11	**(1,680,669)**	(215,731)	**(563,834)**	(18,833)
(Loss)/profit before income tax		**(2,505,233)**	1,104,472	**(217,998)**	821,824
Income tax	12	**576,367**	35,079	**80,137**	14,455
(Loss)/profit for the year		**(1,928,866)**	1,139,551	**(137,861)**	836,279
Attributable to:					
Minority interests		**(82,087)**	128,731		
Equity holders of the Company		**(1,846,779)**	1,010,820		
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in Tshs per share)					
Basic	13	**(112.40)**	61.52		
Diluted	13	**(112.40)**	61.52		

Notes and related statements forming part of these financial statements appear on pages 13 to 42

BALANCE SHEETS
AS AT 31 DECEMBER 2005
(All amounts in TShs thousands)

	Notes	Group 2005	Group 2004 (Restated)	Company 2005	Company 2004
ASSETS					
Non-current assets					
Plant, property and equipment	15	**7,123,723**	7,578,917	**546,866**	680,954
Biological assets	16	**6,124,875**	6,760,005	**-**	-
Intangible assets - trade marks		**750**	750	**750**	750
Deferred tax asset	25	**630,739**	47,784	**57,247**	-
Investment in subsidiaries	17	**-**	-	**3,156,915**	3,156,915
Long term receivable	18	**-**	-	**747,869**	860,442
		13,880,087	14,387,456	**4,509,647**	4,699,061
Current assets					
Inventories	19	**2,715,582**	2,620,300	**1,075,481**	1,019,784
Biological assets (seedlings)		**148,122**	135,942	**-**	-
Accounts receivable	20	**1,576,288**	1,692,444	**1,338,071**	1,696,288
Income tax recoverable		**137,259**	102,209	**111,035**	69,516
Bank and cash balances	21	**213,573**	585,910	**90,968**	65,633
		4,790,824	5,136,805	**2,615,555**	2,851,221
Total assets		**18,670,911**	19,524,261	**7,125,202**	7,550,282
EQUITY					
Capital and reserves attributable to the Companyís equity holders					
Share capital	29	**410,762**	410,762	**410,762**	410,762
Share premium		**3,192,021**	3,194,021	**3,192,021**	3,194,021
Retained earnings		**2,704,398**	4,551,177	**244,463**	382,324
		6,307,181	8,155,960	**3,847,246**	3,987,107
Minority interests		**710,265**	892,120	**-**	-
Total equity		**7,017,446**	9,048,080	**3,847,246**	3,987,107
LIABILITIES					
Non-current liabilities					
Borrowings	23	**5,709,700**	6,871,368	**1,903,663**	2,190,216
Deferred tax liabilities	25	**-**	-	**-**	22,890
Employeesí gratuity	26	**128,669**	102,623	**55,260**	35,611
		5,838,369	6,973,991	**1,958,923**	2,248,717
Current liabilities					
Trade and other payables	22	**1,177,045**	1,558,695	**577,348**	814,477
Borrowings	23	**4,638,051**	1,943,495	**741,685**	499,981
		5,815,096	3,502,190	**1,319,033**	1,314,458
Total liabilities		**11,653,465**	**10,476,181**	**3,277,956**	**3,563,175**
Total equity and liabilities		**18,670,911**	19,524,261	**7,125,202**	7,550,282

Directors approved the financial statements on pages 8 to 42 on **31 January 2006** and they were signed on their behalf by:-

Chairman

Director

Notes and related statements forming part of these financial statements appear on pages 13 to 40.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

GROUP	Attributable to equity holders of the company Share capital	Share premium	Retained earnings	Minority interest	Total
Balance at 1 January 2004					
- As previously stated	382,008	2,667,946	716,427	625,641	4,392,022
- Prior year adjustment (Note 5)	-	-	3,435,142	-	3,435,142
Restated	382,008	2,667,946	4,151,569	625,641	7,827,164
Issue of shares (Note 29)	28,754	529,075	-	169,000	726,829
Share issue costs		(3,000)	-	-	(3,000)
Profit for the year	-	-	1,010,820	128,731	1,139,551
Dividend paid	-	-	(611,212)	(31,252)	(642,464)
Balance at 31 December 2004	**410,762**	**3,194,021**	**4,551,177**	**892,120**	**9,048,080**
Balance at 1 January 2005					
- As previously stated	410,762	3,194,021	1,305,355	892,120	5,802,258
- Prior year adjustment (Note 5)	-	-	3,245,822	-	3,245,822
Balance at 1 January 2005	410,762	3,194,021	4,551,177	892,120	9,048,080
Issue of shares	-	-	-	19,154	19,154
Dividend paid	-	-	-	(118,922)	(118,922)
Share issue costs (Note 29)	-	(2,000)	-	-	(2,000)
Loss for the year	-	-	(1,846,779)	(82,087)	(1,928,866)
Balance at 31 December 2005	**410,762**	**3,192,021**	**2,704,398**	**710,265**	**7,017,446**

Notes and related statements forming part of these financial statements appear on pages 13 to 42.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

COMPANY	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2004	382,008	2,667,946	157,257	3,207,211
Issue of shares (Note 29)	28,754	529,075	-	557,829
Share issue costs	-	(3,000)	-	(3,000)
Profit for the year	-	-	836,279	836,279
Dividend paid	-	-	(611,212)	(611,212)
Balance at 31 December 2004	**410,762**	**3,194,021**	**382,324**	**3,987,107**
Balance at 1 January 2005	410,762	3,194,021	382,324	3,987,107
Share issue costs	-	(2,000)	-	(2,000)
Loss for the year	-	-	(137,861)	(137,861)
Balance at 31 December 2005	**410,762**	**3,192,021**	**244,463**	**3,847,246**

Notes and related statements forming part of these financial statements appear on pages 13 to 42.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

		Group		Company	
	Notes	**2005**	2004	**2005**	2004
Cash flows from operating activities					
Cash generated from operations	30	**273,502**	1,892,713	**657,887**	478,250
Interest paid		**(682,590)**	(353,131)	**(238,654)**	(135,460)
Income tax paid		**(41,639)**	(79,937)	**(41,519)**	(7,265)
Net cash (outflow to)/inflow from operating activities		**(450,727)**	1,459,645	**377,714**	335,525
Cash flows from investing activities					
Purchase of property, plant and equipment		**(328,833)**	(767,222)	**(12,661)**	(60,058)
Cost incurred on biological assets		**(31,160)**	(66,107)	**-**	-
Proceeds from sale of property, plant, and equipment		**2,120**	39,208	**-**	27,527
Net cash outflow to investing activities		**(357,873)**	(794,121)	**(12,661)**	(32,531)
Cash flows from financing activities					
Repayments of borrowings		**(1,791,894)**	(382,586)	**(522,232)**	(151,148)
Dividend paid	29	**(118,922)**	(642,464)	**-**	(611,212)
Scrip issue expenses	29	**(2,000)**	(3,000)	**(2,000)**	(3,000)
Proceeds from issue of shares	29	**19,154**	726,829	**-**	557,829
Net cash outflow to financing activities		**(1,893,662)**	(301,221)	**(524,232)**	(207,531)
Net (decrease)/increase in cash and cash equivalent		**(2,702,262)**	364,303	**(159,179)**	95,464
Cash and cash equivalents at the start of year		**418,922**	54,619	**52,366**	(43,096)
Cash and cash equivalents at the end of year (Note 21)		**(2,283,340)**	418,922	**(106,813)**	52,366

Notes and related statements forming part of these financial statements appear on pages 13 to 42.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1 GENERAL INFORMATION

Tanzania Tea Packers Limited is incorporated in Tanzania under the Companies Ordinance as a limited liability company listed on the Dar es Salaam Stock Exchange and it is domiciled in Tanzania. The principal activities of the company and its subsidiaries are disclosed in the Directors Report and in Note 6. The address of its registered office is:

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

And its principal places of business are given below:-

Company
Blending and Packaging factory,
Mafinga Township, Mufindi District,
P O Box 228,
Mafinga - Iringa.

Subsidiaries

Kibena Tea Limited
Farm no. 827
Kibena - Njombe
P O Box 19 Njombe - Iringa

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

2 ACCOUNTING POLICIES

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

A. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis despite the fact that the Group and Company reported losses for the year ended 31 December 2005 and the Group's current liabilities exceeded its current assets as of the balance sheet date. This is based on the directors' assessment of positive business prospects for the Group and Company in 2006 and beyond and the fact that the shareholders of the Company are considering the actions that may be necessary to provide the funds required to meet any shortfall in the Group's working capital and necessary capital expenditure needs for the foreseeable future.

The positive business prospects arise from the recovery of tea prices on the world market which the directors expect to be sustained in the medium term and plans for further cost reduction. While the medium term prospects are positive, there is a material uncertainty over the Group operations being able to generate sufficient funds during the financial year 2006 to enable it to meet working capital obligations and necessary capital expenditure requirements. As a result of this, the shareholders of the company are considering what actions are required to fund the potential shortfall.

If the Group and/or Company were unable to continue as a going concern, adjustments would have to be made to reduce the balance sheet values of the assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities into current assets and liabilities.

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

B. CONSOLIDATION

Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

2 ACCOUNTING POLICIES (continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

C. SEGMENT REPORTING

A business segment is a group of assets or operations engaged in providing products (i.e. made tea and blended tea) that are subject to risks and returns that are different from those of other business segments.

D. 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 Shillings. The consolidated financial statements are presented in the Tanzania shilling, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rate 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

2 ACCOUNTING POLICIES (continued)

E. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

F. BIOLOGICAL ASSETS

Biological assets are carried at fair value less estimated point of sale costs from initial measurement of biological assets up to the point of harvest. Changes in fair value are shown in the income statement in the period. Cost of planting, upkeep and maintenance is expensed in the period incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

2 ACCOUNTING POLICIES (continued)

G. IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subjected to amortization and are tested annually for impairment. 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).

H. 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 income statement on a straight-line basis over the period of the lease.

I. 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 finished goods and unprocessed products comprises the fair value green leaf at the point of harvest, direct material costs, direct labour, other direct costs and related production overheads in both the tea and blending and packing factories, as appropriate, up to the stage of completion of the product. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Stores and consumables are stated at cost less any provision for obsolescence.

J. ACCOUNTS RECEIVABLE

Receivables are initially recognised at fair value and subsequently measured at their amortised costs using the effective interest method. A provision for impairment trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the expected cash flows discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

K. CASH AND CASH EQUIVALENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

2 ACCOUNTING POLICIES (continued)

L. 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 income statement over the period of the borrowings using the effective interest method.

Borrowing costs are expensed in the period they accrue unless they can be related, with certainty, to fixed assets construction projects in which case they are capitalised as part of the asset's cost.

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.

M. 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.

N. EMPLOYEES BENEFITS

Pension obligations

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

2 ACCOUNTING POLICIES (continued)

N. EMPLOYEES BENEFITS (continued)

For defined contribution plan, all companies in the group pay contributions to pub l i c l 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. 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. The defined retirement benefit obligations are calculated after every three years by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

O. PROVISIONS

Provisions are recognised when a group company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where the Group company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

P. SALES

Sales comprise the invoiced value for the sale of goods and services, net of value-added-tax, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

(i) Sales of goods
Sale of goods is recognised when the company has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Dividends
Dividend income is recognised when the right to receive payment is established.

Q. 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.

R. INVESTMENTS

The Group investments in subsidiaries are carried at cost. The Group assesses at each balance sheet date whether there is objective evidence that the investment is impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

3 FINANCIAL RISK MANAGEMENT

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

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that the sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via strictly credit terms.

Foreign currency risk

As and when the need arises, the Group enters into transactions denominated in foreign currencies (primarily United States Dollars ("US$"). In addition, the Group has assets and liabilities denominated in United States Dollars ("US$"). As a result, the Group is 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 65% of its earnings are in hard currencies (US dollars and sometimes Euros). All the companies in the Group maintain their sales proceeds in US Dollars. Occasionally, when considered prudent exposure to foreign currency risk is hedged, by forward contracts.

Interest rates and liquidity risk

Fluctuation in interest rates impact on the operating activities. In the ordinary course of business, the Company and Group receive cash from its operations and are required to fund working capital and capital expenditure requirements. Funding deficits for the Group companies' operations have mainly been financed through cash advance from sister companies within the Group, bank borrowings and overdrafts from financial institutions.

Commodity price fluctuation risk

The group companies do anticipate the world tea prices to fluctuate significantly. Currently the Group Companies' review its outlook for world tea prices regularly and enter into appropriate short-term forward sales.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience 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 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 key assumptions are set out in Note 26.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment and their residual values. The rates used are set out in Note 2(e) above.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

6 Business and geographical segments information

The group is currently organised into two operating divisions - growing & processing of tea and blending & packaging of tea. Costs relating to the general group management are shared between the company and its subsidiaries. Segment information about the group's operations is presented below.

2005

	Growing & processing tea	Blending & packaging tea	Eliminations	Total for Group
REVENUE				
- Export sales	7,129,549	-	-	7,129,549
- Local sales	9,304	6,410,158	-	6,419,462
- Inter-segmental sales	1,289,140	-	(1,289,140)	-
	8,427,992	**6,410,158**	**(1,289,140)**	**13,549,011**
Operating (loss)/profit from operations	(1,137,930)	349,042	(182,100)	(970,988)
Finance costs	1,295,648	563,834	(178,814)	1,680,668
Profit before tax	(2,433,578)	(214,793)	(3,286)	(2,651,657)
Income tax credit / (charge)	496,230	80,137	-	576,367
Loss for the year	(1,938,248)	(134,656)	(2,386)	(2,075,290)
Other segment items included in the profit and loss account				
Depreciation	628,465	146,696	-	775,161
Fair value adjustment on biological assets	(915,027)	-	-	(915,027)
Segment assets and liabilities and capital expenditure				
Assets				
Non-current assets	13,119,564	4,509,647	(3,904,784)	13,724,427
Current Assets	2,953,203	2,615,555	(777,934)	4,790,824
	16,072,767	**7,125,202**	**(4,682,718)**	**18,515,251**
Liabilities & Equity				
Current liabilities	5,264,808	1,319,033	(768,744)	5,815,096
Non current liabilities	8,008,632	1,955,718	(4,135,218)	5,829,133
Owner's equity	2,799,327	3,850,451	(489,022)	6,160,757
Minority interest	-	-	710,265	710,265
	16,072,767	**7,125,202**	**(4,682,718)**	**18,515,251**
Capital additions	316,172	12,661	-	328,833

Geographical segmental information (*)

	Local Sales	Mombasa auction	Private sale (United Kingdom)	Total for Group
	Tshsí000	**Tshsí000**	**Tshsí000**	**Tshsí000**
Sales	6,419,462	4,052,201	3,077,348	**13,549,011**

* All Group's assets are located in Tanzania.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

6 **Business and geographical segments information (continued)**
2004

	Growing & processing tea Tshsí000	Blending & packaging tea Tshsí000	Eliminations Tshsí000	Total for Group Tshsí000
REVENUE				
- Export sales	8,759,649	-	-	8,759,649
- Local sales	7,724	6,090,112	-	6,097,836
- Inter-segmental sales	977,934	-	(977,934)	-
	9,745,307	**6,090,112**	**(977,934)**	**14,857,485**
Operating profit from operations	1,364,375	840,657	(884,829)	1,320,203
Finance costs	196,898	18,833	-	215,731
Profit before tax	1,167,477	821,824	(884,829)	1,104,472
Income tax credit	20,624	14,455	-	35,079
Profit for the year	1,188,101	836,279	(884,829)	1,139,551
Other segment items included in the profit and loss account				
Depreciation & amortization	457,227	174,906	-	632,133
Fair value adjustment on biological assets	(2,429,850)	-	-	(2,429,850)
Segment assets and liabilities and capital expenditure				
Assets				
Non current assets	13,782,642	4,699,061	(4,040,247)	14,387,456
Current Assets	3,716,386	2,851,221	(1,430,802)	5,136,805
	17,445,027	**7,550,282**	**(5,471,048)**	**19,524,261**
Liabilities & Equity				
Current liabilities	3,176,550	1,314,458	(988,818)	3,502,190
Non current liabilities	8,995,955	2,248,717	(4270,681)	6,973,991
Ownerís equity	5,272,522	3,987,107	(1,103,669)	8,155,960
Minority interest	-	-	892,120	892,120
	17,445,027	**7,550,282**	**(5,471,048)**	**19,524,261**
Capital additions	707,164	60,058	-	767,222

Geographical segremental information (*)

	Local sales Tshsí000	Mombasa auction Tshsí000	Private sale (United Kingdom) Tshsí000	Total for Group Tshsí000
Sales	6,097,836	6,566,861	2,192,788	14,857,485

* All Group's assets are located in Tanzania.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

6 **Business and geographical segments information (continued)**
2004

	Growing & processing tea Tshsí000	Blending & packaging tea Tshsí000	Eliminations Tshsí000	Total for Group Tshsí000
REVENUE				
- Export sales	8,759,649	-	-	8,759,649
- Local sales	7,724	6,090,112	-	6,097,836
- Inter-segmental sales	977,934	-	(977,934)	-
	9,745,307	**6,090,112**	**(977,934)**	**14,857,485**
Operating profit from operations	1,364,375	840,657	(884,829)	1,320,203
Finance costs	196,898	18,833	-	215,731
Profit before tax	1,167,477	821,824	(884,829)	1,104,472
Income tax credit	20,624	14,455	-	35,079
Profit for the year	1,188,101	836,279	(884,829)	1,139,551
Other segment items included in the profit and loss account				
Depreciation & amortization	457,227	174,906	-	632,133
Fair value adjustment on biological assets	(2,429,850)	-	-	(2,429,850)
Segment assets and liabilities and capital expenditure				
Assets				
Non current assets	13,782,642	4,699,061	(4,040,247)	14,387,456
Current Assets	3,716,386	2,851,221	(1,430,802)	5,136,805
	17,445,027	**7,550,282**	**(5,471,048)**	**19,524,261**
Liabilities & Equity				
Current liabilities	3,176,550	1,314,458	(988,818)	3,502,190
Non current liabilities	8,995,955	2,248,717	(4270,681)	6,973,991
Owneris equity	5,272,522	3,987,107	(1,103,669)	8,155,960
Minority interest	-	-	892,120	892,120
	17,445,027	**7,550,282**	**(5,471,048)**	**19,524,261**
Capital additions	707,164	60,058	-	767,222

Geographical segremental information (*)

	Local sales Tshsí000	Mombasa auction Tshsí000	Private sale (United Kingdom) Tshsí000	Total for Group Tshsí000
Sales	6,097,836	6,566,861	2,192,788	14,857,485

* All Group's assets are located in Tanzania.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

		Group		Company	
7	**OPERATING (LOSS)/PROFIT**	**2005**	2004	**2005**	2004
	The following items have been charged in arriving at operating (loss)/profit				
	Depreciation on property, plant and equipment (Note 15)	**775,160**	632,133	**146,696**	174,906
	Loss/(profit) on disposal of property, plant and equipment	**6,747**	(14,886)	**53**	3,963
	Operating lease expenses	**2,479**	2,479	**338**	338
	Fair value credit arising from biological assets	**(915,027)**	(2,429,850)	**-**	-
	Write down of inventories	**63,633**	107,821	**47,483**	61,285
	Employee benefits expenses (Note 8)	**211,759**	168,640	**68,935**	52,599
8	**EMPLOYEES' BENEFIT COSTS**				
	The following items are included within employees' benefits expenses				
	Post employment benefit costs:				
	- Employees' Gratuity (Note 26)	**47,262**	27,276	**19,649**	7,931
	- National Social Security Fund	**164,497**	141,364	**49,286**	44,668
		211,759	168,640	**68,935**	52,599
9	**SELLING AND MARKETING COSTS**				
	Transport & handling charges	**829,782**	655,104	**403,314**	230,377
	Port charges	**141,196**	124,675	**-**	-
	Brokerage & Commissions	**96,186**	160,992	**38,914**	82,155
	Marketing costs	**626,018**	730,182	**495,824**	690,656
	Cess	**245,049**	273,124	**43,313**	40,894
		1,938,231	1,944,077	**981,365**	1,044,082
10	**ADMINISTRATIVE EXPENSES**				
	Staff related costs	**1,026,025**	1,365,392	**100,648**	572,784
	Travelling costs	**237,363**	217,288	**12,246**	110,217
	Consultancy fees	**70,704**	-	**-**	-
	Auditors' remuneration - audit services	**41,561**	34,940	**16,014**	10,000
	Auditors' remuneration-non audit services	**26,758**	20,137	**9,566**	6,741
	Office expenses	**169,347**	329,346	**38,951**	187,698
	Other administration costs	**245,012**	237,507	**65,529**	78,880
		1,816,770	2,204,610	**242,954**	966,320

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

11 FINANCE COSTS-NET

	Group		Company	
	2005	2004	**2005**	2004
Interest income	**-**	-	**(64,265)**	(48,095)
Interest expense	**657,646**	381,501	**323,894**	132,640
Net foreign exchange transaction losses/(gains)	**1,023,023**	(165,770)	**304,205**	(65,712)
	1,680,669	215,731	**563,834**	18,833

12 INCOME TAX

Current income tax charge	**(6,588)**	(50,050)	**-**	-
Deferred income tax credit (Note 25)	**582,955**	85,129	**80,137**	14,455
Income tax credit	**576,367**	35,079	**80,137**	14,455

The tax on the company's profit before income tax differs from the theoretical amount that would arise using the basic income tax rate as follows:

(Loss)/profit before tax	**(2,651,657)**	1,104,472	**(214,793)**	821,824
Tax calculated at a rate of 30%	**(795,497)**	331,342	**(64,438)**	246,547
Income not subject to tax	**-**	(56,931)	**-**	(275,858)
Expenses not deductible for tax expenses	**250,520**	3,666	**312**	5,657
Utilization of previously unrecognized tax losses	**(31,390)**	(313,156)	**(16,011)**	9,199
Tax (loss)/credit	**(576,367)**	(35,079)	**(80,137)**	(14,455)

13 EARNINGS PER SHARE

	Group	
	2005	2004
Net (loss)/profit attributable to shareholders	**(1,846,779)**	1,010,820
Weighted average number of share in issue (Note 29)	**16,430,480**	16,430,480
Basic and diluted (loss)/earnings per share	**(112.40)**	61.52

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

14 DIVIDEND PER SHARE

The directors do not recommend the payment of dividends in respect of the year of income of 2005 (2004: nil). The dividend paid during the year relates to a payment made by a subsidiary company to minority shareholders for dividend declared in the prior years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

15 PROPERTY, PLANT & EQUIPMENT - GROUP

	Leasehold land & buildings	Motor vehicles & aircraft	Machinery, equipment, furniture & fittings	Capital work in progress	Total
1 January 2004					
Cost	4,324,041	551,965	3,579,603	856,054	9,311,663
Accumulated depreciation	(283,143)	(412,769)	(1,147,601)	-	(1,843,513)
Closing net book amount	4,040,898	139,196	2,432,002	856,054	7,468,150
Year ended 31 December 2004					
Opening net book amount	4,040,898	139,196	2,432,002	856,054	7,468,150
Additions -		6,000	58,648	702,574	767,222
Transfers	73,929	-	872,320	(946,249)	-
Disposals -		(18,664)	(5,658)	-	(24,322)
Depreciation charge	(104,113)	(67,707)	(460,313)	-	(632,133)
Closing net book amount	4,010,714	58,825	2,896,999	612,379	7,578,917
At 31 December 2004					
Cost	4,397,970	500,899	4,429,681	612,379	9,940,929
Accumulated depreciation	(387,256)	(442,074)	(1,532,682)	-	(2,362,012)
Net book amount	**4,010,714**	**58,825**	**2,896,999**	**612,379**	**7,578,917**
Year ended 31 December 2005					
Opening net book amount	4,010,714	58,825	2,896,999	612,379	7,578,917
Additions	-	3,259	61,057	264,517	328,833
Transfers	178,448	9,349	577,644	(765,441)	-
Disposals	(7,364)	-	(1,503)	-	(8,867)
Depreciation charge	(135,055)	(39,447)	(600,658)	-	(775,160)
Closing net book amount	4,046,743	31,986	2,933,539	111,455	7,123,723
At 31 December 2005					
Cost	4,566,663	512,229	5,045,816	111,455	10,236,163
Accumulated depreciation	(519,920)	(480,243)	(2,112,277)	-	(3,112,440)
Net book amount	**4,046,743**	**31,986**	**2,933,539**	**111,455**	**7,123,723**

The Group's fixed assets have been charged to secure loans as set out in Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

16 PROPERTY, PLANT & EQUIPMENT - COMPANY

	Leasehold land & buildings	Motor vehicles & aircraft	Machinery, equipment, furniture & fittings	Total
1 January 2004				
Cost	335,725	433,349	856,829	1,625,903
Accumulated depreciation	(62,049)	(321,616)	(414,946)	(798,611)
Closing net book amount	273,676	111,733	441,883	827,292
Year ended 31 December 2004				
Opening net book amount	273,676	111,733	441,883	827,292
Additions	-	-	60,058	60,058
Disposals		(21473)	(10,017)	(31,490)
Depreciation charge	(12,939)	(52,691)	(109,276)	(174,906)
Closing net book amount	260,737	37,569	382,648	680,954
At 31 December 2004				
Cost	335,725	398,731	876,268	1,610,724
Accumulated depreciation	(74,988)	(361,162)	(493,620)	(929,770)
Net book amount	**260,737**	**37,569**	**382,648**	**680,954**
Year ended 31 December 2005				
Opening net book amount	260,737	37,569	382,648	680,954
Additions	-	-	12,661	12,661
Disposals	-	-	(53)	(53)
Depreciation charge	(13,306)	(27,502)	(105,888)	(146,696)
Closing net book amount	247,431	10,067	289,368	546,866
At 31 December 2005				
Cost	335,725	398,731	868,486	1,602,942
Accumulated depreciation	(88,294)	(388,664)	(579,118)	(1,056,076)
Net book amount	**247,431**	**10,067**	**289,368**	**546,866**

The Company's fixed assets have been charged to secure loans as set out in Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

17 BIOLOGICAL ASSETS

	Tea Bushes		Forestry		
	Mature	Immature	Pine	Eucalyptus	Total
<u>Group</u>					
Fair value					
At 1 January 2005	6,621,441	63,877	12,042	62,645	6,760,005
Increases due to new planting	-	29,892	-	1,268	31,160
Gain arising from changes in fair value less estimated point of sale costs	892,158	12,635	1,623	8,611	915,027
Decrease due to harvesting	(1,548,903)	(14,942)	(2,817)	(14,655)	(1,581,317)
Carrying value					
At 31 December 2005	**5,964,696**	**91,462**	**10,848**	**57,869**	**6,124,875**
At 31 December 2004	6,621,441	63,877	12,042	62,645	6,760,005

Tea bushes and forestry are carried at fair value less estimated point-of-sale costs. The fair values of tea bushes and forestry were determined based on the discounted net present values of expected net cash flows from the assets, discounted at the current market-determined pre-tax rate. In determining the fair values of tea bushes, the directors have made certain assumptions about the yields and market prices of tea in future years, and the costs of running the estates.

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

- Climatic conditions will be normal
- The market price of made tea, will be US $ 1.35 per kilogram throughout the projection period; and
- Cost inflation will be at 5% throughout the projection period (2004: 5%) per annum.

The discount rate applied to the expected net cash flows was 17.5 % (2004: 14.5%).

The Group has 1,010 hectares and 1,100 hectares of mature tea bushes and forestry, respectively, and 16 hectares of immature tea bushes located in Njombe and Tukuyu districts in Tanzania. The Group's tea estates produced 11.6 million kilograms of green tea leaf with a fair value of Shs 1,581 million in the year ended 31 December 2005. Nothing was harvested from its forest reserve during year ended 31 December 2005.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

18 INVESTMENT IN SUBSIDIARIES

	2005 TShsí000	2004 TShsí000
Equity investment		
Wakulima Tea Company Limited (a)	**1,826,007**	1,826,007
Kibena Tea Limited (b)	**1,330,908**	1,330,908
	3,156,915	3,156,915

The equity investment relates to:

	Nature of business	Number and description of share held 2005	Number and description of share held 2004	% of issued shares held 2005	% of issued shares held 2004
(a)	Growing, processing and sale of made tea from green leaf supplied by smallholder tea farmers and its own tea estates.	**1,647,528 ordinary shares**	1,647,528 ordinary shares	**75%**	75.4%
(b)	Growing, processing and sale of made tea from its tea estate and green leaf supplied by smallholder tea farmers.	**2,234,927 ordinary shares**	2,234,927 ordinary shares	**100%**	100%

19 LONG TERM RECEIVABLE

	Group 2005	Group 2004	Company 2005	Company 2004
Wakulima Tea Company Limited	-	-	**961,546**	1,051,418
Less: Current portion	-	-	**(213,677)**	(191,209)
Net amount	-	-	**747,869**	860,442

The loan to Wakulima, which is a subsidiary of TATEPA, is denominated in US dollars and carries an interest rate, calculated at six month US dollar LIBOR plus 300 basis points.

20 INVENTORIES

	Group 2005	Group 2004	Company 2005	Company 2004
Finished products	**846,221**	992,984	**220,574**	333,066
Unprocessed products	**180,125**	186,067	**189,312**	99,339
Stores and consumables	**1,481,956**	1,044,029	**479,640**	552,447
Goods in transit	**207,280**	397,220	**185,955**	34,932
	2,715,582	2,620,300	**1,075,481**	1,019,784

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

21 ACCOUNTS RECEIVABLE

	Group		Company	
	2005	2004	**2005**	2004
Trade receivables	**944,965**	905,402	**746,388**	632,222
Less: Provision for impairment loss	**(110,455)**	(125,497)	**(110,455)**	(125,497)
Trade receivables-net	**834,510**	779,905	**635,933**	506,725
Advances to tea growers	**282,379**	266,606	**-**	-
VAT recoverable	**157,372**	167,809	**-**	-
Other receivables	**74,074**	88,422	**49,248**	33,182
Deposits and prepaid expenses	**226,466**	388,423	**62,117**	167,504
Due from directors	**-**	229	**-**	229
Due from related parties (Note 31 (iv))	**1,487**	1,050	**590,773**	988,648
	1,576,288	1,692,444	**1,338,071**	1,696,288

22 BANK AND CASH BALANCES

Cash at bank and in hand	**213,573**	585,910	**90,968**	65,633

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

Cash and bank balances	**213,573**	585,910	**90,968**	65,633
Bank overdrafts (Note 23)	**(2,496,913)**	(166,988)	**(197,781)**	(13,267)
	(2,283,340)	418,922	**(106,813)**	52,366

23 TRADE AND OTHER PAYABLES

Trade payables	**515,704**	614,861	**336,393**	175,660
Interest payables	**40,736**	65,680	**38,112**	17,137
Other payables and accrued expenses	**511,206**	837,077	**120,797**	199,110
Due to directors	**8,514**	1,362	**8,514**	1,362
Due to related parties (Note 31 (iv))	**82,336**	21,387	**54,983**	402,880
Unclaimed dividends	**18,549**	18,328	**18,549**	18,328
	1,177,045	1,558,695	**577,348**	814,477

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

24 BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
Bank and other borrowings (a)	**10,347,751**	8,814,863	**2,645,348**	2,690,197
Less: Current portion (b)	**(4,638,051)**	(1,943,495)	**(741,685)**	(499,981)
Due after more than 12 months (d)	**5,709,700**	6,871,368	**1,903,663**	2,190,216

(a) This is made up as follows:

Borrowings (c)	**7,850,838**	8,647,875	**2,447,567**	2,676,930
Bank overdraft (Note 21)	**2,496,913**	166,988	**197,781**	13,267
	10,347,751	8,814,863	**2,645,348**	2,690,197

(b) Due within one year

Bank overdraft (Note 21)	**2,496,913**	166,988	**197,781**	13,267
Current portion of bank borrowings	**2,141,138**	1,776,507	**543,904**	486,714
	4,638,051	1,943,495	**741,685**	499,981

(c) This is made up as follows:

PROPARCO (i)	**2,447,567**	2,676,930	**2,447,567**	2,676,930
Barclays Bank (Tanzania) Limited (ii)	**5,144,270**	5,579,835	**-**	-
Standard Chartered Bank Tanzania Limited (iii)	**259,001**	391,110	**-**	-
	7,850,838	8,647,875	**2,447,567**	2,676,930

(i) PROPARCO Loan

This is a loan to TATEPA. In 2003, TATEPA secured a US dollars 2,800,000 long-term loan facility from Societe De Promotion et de Participation Pour La Co-operation Economique S.A (PROPARCO) to repay the existing loans and finance the second equity call in Wakulima. US dollars 1,100,000 was on lent to Wakulima from TATEPA as per agreement, of which the full amount had been drawn down by 31 December 2003. The loan, which is denominated in US dollars, carries an interest rate calculated at six months US dollar LIBOR plus 300-basis points payable half yearly starting from 5 October 2004.

The loan is secured by a debenture creating a first specific fixed and floating charge over TATEPAís assets and mortgage deed on the Right of Occupancy of the subsidiary's factory in Mafinga. This loan is repayable half yearly over a period of six years from 5 October 2004.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

24 BORROWING (continued)

(ii) Barclays Bank (T) Limited loan

This is a medium-term loan facility from Barclays Bank (T) Limited to Kibena Tea Limited ('KTL'), a subsidiary of TATEPA, with the following terms and conditions:

- KTL may elect to convert the loan into Tanzania Shillings by giving notice to the bank before commencement of any interest period, and may subsequently convert back in the same way;
- the loan is repayable in 60 equal, consecutive, monthly instalments commencing 25 January 2005. In December 2005 the Company renegotiated the payment terms to pay only 25% of the normal monthly instalments for the period November 2005 to October 2006. At the end of this period it will repay the remaining 75% of the instalments and resume normal instalments henceforth;
- each month's instalment shall be made in the currency in which the amount to be repaid is then denominated;
- whilst denominated in US dollars, interest will accrue at the rate determined by the bank to be 2% per annum above the cost to the bank of US dollar deposits; and
- whilst denominated in Tanzania shillings, interest will accrue monthly in arrears on the outstanding daily balance at 5.75% below the bank's base rate.

The loan is secured by a first:

- legal mortgage over the right of occupancy of KTL's farm 827 in Njombe District;
- legal mortgage over all KTL's estates or interest in land (both present and future) together with all buildings, plant, machinery and fixtures and fittings thereon; and
- ranking pledge over all KTL's movable assets including fixtures and fittings, all plant and machinery, all stocks, shares, debentures, bonds, notes or other securities, uncalled capital and goodwill as per the Debenture between the KTL and the Bank.

The loan is guaranteed by the holding company, Tanzania Tea Packers Limited (TATEPA).

(iii) Standard Chartered Bank Tanzania Limited loan

In 2003, Wakulima Tea Company Limited ('Wakulima'), another subsidiary of TATEPA obtained a medium-term loan of US$ 500,000 from Standard Chartered Bank Tanzania Limited to finance the acquisition of Rungwe and Kyimbila tea estates.

The loan carries interest calculated at 4% above LIBOR, on the daily overdrawn balance, payable monthly in arrears. The loan principal is repayable in 36 equal monthly instalments from June 2004.

The Standard Chartered loan to Wakulima is secured by a corporate guarantee issued by TATEPA for US $ 375,000, a debenture over Wakulima's floating assets shared pari passu with PROPARCO for US $ 375,000, and a mortgage and debenture deed on the Kyimbila and Rungwe estates for US $ 1,250,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

24 BORROWING (continued)

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

	Group		Company	
	2005	2004	**2005**	2004
Between 1 and 2 years	**1,855,751**	1,776,509	**543,905**	486,715
Between 2 and 5 years	**3,853,949**	4,851,502	**1,359,758**	1,460,144
Over 5 years	-	243,357	-	243,357
	5,709,700	6,871,368	**1,903,663**	2,190,216

(e) Weighted average effective interest rates at year end were:

	2005	2004
Bank overdrafts - TShs	**18%**	16.5%
Bank overdrafts - USD	**8%**	6.25%
Bank borrowings-USD	**6.22%**	6.12%

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

25 BANK OVERDRAFT

Bank	Beneficiary Company	Overdraft facility made available		Amount drawn	
		2005	2004	2005	2004
Standard Chartered Bank (T) Limited	(a) TATEPA	**Shs 1bn**	Shs 350m	**197,781**	13,267
Sub-total (Company)				**197,781**	13,267
Standard Chartered Bank (T) Limited	(b) WAKULIMA	**$ 1,000,000**	$ 400,000	**1,159,780**	153,721
Barclays Bank Tanzania Limited	(c) KIBENA	**$1,000,000**	$ 600,000	**1,139,352**	-
Total (Group)				**2,496,913**	166,988

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

25 BANK OVERDRAFT (continued)

(a) This facility is secured by a debenture over Company's floating assets shared on pari pasu basis with PROPARCO (Note 23 b (i)) for US$ 437, 000.

The weighted average interest rate for the year was 14% (2004:14%). The facility was due for renewal in October 2005 and is being processed.

(b) This facility is secured alongside the Standard Chartered medium term-loan described in Note 23 b (iii), and carries interest Bankís base lending rate for US$ (as set by the Bank from time to time) less 2% (currently 8.75%) (2004: 6.75%) per annum calculated on the daily overdrawn balance and payable monthly in arrears. The facility is due for renewal in September 2006.

(c) This facility is secured alongside the Barclays long-term loan described in Note 23 (b) (ii), and carries interest at 0.75% (2004: 0.75%) per annum below the Barclayís prime rate for US dollars lending. Currently, the bank's prime rate is 8.25% (2004: 7.5%). The facility is due for renewal in September 2006.

26 DEFERRED TAX (ASSET)/LIABILITIES

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 30% (2004:30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2005	2004	**2005**	2004
At the beginning of the year	**(47,784)**	37,345	**22,890**	37,345
Income statement credit (Note 12)	**(582,955)**	(85,129)	**(80,137)**	(14,455)
At the end of the year	**(630,739)**	(47,784)	**(57,247)**	22,890
Details of the deferred tax (asset)/liability are:-				
Accelerated tax allowances	**627,565**	616,902	**37,558**	56,322
Estimated tax losses	**(1,015,211)**	(221,966)	**(20,579)**	(2,123)
Provisions	**(243,093)**	(442,720)	**(74,226)**	(31,309)
At the end of the year	**(630,739)**	(47,784)	**(57,247)**	22,890

The deferred tax asset has been recognised despite the loss reported for the year due to the fact that the directors expect the Company and the Group to return to profitability in the coming year. The amount of recognised asset can be recovered fully from future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

27 EMPLOYEES' GRATUITY

	Group		Company	
	2005	2004	**2005**	2004
As at 1 January 2005	**102,623**	75,347	**35,611**	27,680
Interest cost	**9,236**	-	**3,205**	-
Current service cost	**38,026**	27,276	**16,444**	7,931
Payment made	**(21,216)**	-	-	-
As at 31 December	**128,669**	102,623	**55,260**	35,611

The Group has an unfunded non-contributory employee gratuity arrangement (the 'Arrangement'), which provides for lump sum paymen ts 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 the first actuarial valuation of the Arrangement as at 31 December 2004, using the Projected Unit Credit Method.

The present value of the accrued (past service) liability in respect of retirement gratuity benefits at 31 December 2004 was Tshs 102.623 million. The Group companies recognised the full liability at 31 Dec 2004. The principal assumptions used in the actuarial valuation are:

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

The 'national' contribution rate to meet the cost of future accrual of gratuity benefits is estimated at 4.7% of basic salaries per annum. The next valuation is due on 31 December 2007.

28 COMMITMENTS

Capital commitments

The Group had capital commitments approved and contracted not recorded in its books as at 31 December 2005 of Shs 45 million (2004: nil).

Operating lease commitments - where a group company is the lessee

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	Group		Company	
	2005	**2004**	**2005**	**2004**
Not later than 1 year	2,479	5,262	338	19
Later than 1 year and not less than 5 years	9,915	26,237	1,352	79
Later than 5 years	197,132	100,084	5,829	450

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

29 CONTINGENT LIABILITIES

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

30 SHARE CAPITAL

	Group		Company	
	2005	2004	**2005**	2004
Authorised:				
20,000,000 ordinary shares of Shs 25 each	**500,000**	500,000	**500,000**	500,000
Issued and fully paid:				
Number of shares at beginning of the year	**16,430,480**	15,280,320	**16,430,480**	15,280,320
Issues during the year	**-**	1,150,160	**-**	1,150,160
Number of shares at the end of the year	**16,430,480**	16,430,480	**16,430,480**	16,430,480

	Share Capital	**Share Premium**	**Total**
At 1 January 2004	382,008	2,667,946	3,049,954
Issue of shares	28,754	529,075	557,829
Share issue costs	-	(3,000)	(3,000)
At 31 December 2004	**410,762**	**3,194,021**	**3,604,783**
At 1 January 2005	410,762	3,194,021	3,604,783
Share issue costs	-	(2,000)	(2,000)
At 31 December 2005	**410,762**	**3,192,021**	**3,602,783**

Year ended 31 December 2005

On 15 August 2005 TShs 19.154 million was received from issue of 12,282 shares to the minority shareholder (Rungwe Smallholders Tea Development Trust Fund) in Wakulima Tea Company Limited this was the final payment towards their allotted shareholding of 25% in the company.

Share issue cost in 2005 of TShs 2m relates to the script issue expenses for the shares issued on 30 June 2004, which were not fully paid in 2004 when the shares were issued.

Year ended 31 December 2004

On 30 June 2004 a bonus issue of 1,150,160 ordinary shares of TShs.25 each was made towards the dividend of 2003 at a premium of TShs.457 per share.

TShs 169 million was received from issue of 120,197 shares to the minority shareholder (Rungwe Smallholders Tea Development Trust Fund - RSTGA) in Wakulima Tea Company Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

31 CASH GENERATED FROM OPERATIONS

	Group		Company	
	2005	2004	**2005**	2004
(Loss)/profit before tax and minority interests	**(2,505,233)**	1,104,472	**(217,998)**	821,824
Adjustments for:				
Depreciation	**775,161**	632,133	**146,696**	174,906
Fair value adjustment (net)	**666,290**	165,782	**-**	-
Employees' gratuity	**26,046**	27,267	**19,649**	7,931
Unrealised exchange loss/(gains) on term loans	**994,857**	(172,274)	**292,869**	(32,205)
Interest expense	**657,646**	381,501	**259,629**	132,640
Loss/(gain) on disposal of fixed assets	**6,747**	(14,886)	**53**	3,963
Changes in working capital:				
Inventories	**(107,462)**	(322,467)	**(55,697)**	184,522
Receivables	**116,156**	(22,705)	**470,790**	(1,774,726)
Payables	**(356,706)**	113,890	**(258,104)**	959,395
Cash generated from operations	**273,502**	1,892,713	**657,887**	478,250

32 RELATED PARTY TRANSACTIONS & BALANCES

The Company is controlled by Freshfields Investments Limited, which owns 53.37% (2004: 53.37%) of the Company's shares. The remaining 46.63% of shares are widely held. The Company owns two subsidiary companies, Wakulima Tea Company Limited (75 % shares as at the end of the year) and Kibena Tea Limited (100% of shares). 25% of Wakulima Tea Company Limited shareholding is owned by Rungwe Smallholders Tea Development Trust Fund. The ultimate parent of the Group is CDC Group Plc, which owns Tanganyika Wattle Company Limited and has minority shareholdings in Tanzania Venture Capital Fund. In addition the Company's Managing Director owns Tanganyika Finance Company Limited and has shares in Nomad Tanzania Limited. The Managing Director is also a trustee of Selous Rhino Trust Limited. The following transactions were carried out with related parties:

(i) Sale of services

	Group		Company	
	2005	2004	**2005**	2004
Wakulima Tea Company Limited - Management	-	-	-	136,227
Kibena Tea Limited - Management	-	-	-	156,372
Nomad Tanzania Limited - Management	**18,380**	-	-	-

Sales to related parties were carried out on commercial terms and conditions and at market prices.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

32 RELATED PARTY TRANSACTIONS & BALANCES (continued)

(ii) Purchase of goods and services

	Group		Company	
	2005	2004	**2005**	2004
	TShs'000	TShs'000	**TShs'000**	TShs'000
Purchase of goods				
Wakulima Tea Company Limited-Made Tea	-	-	**851,819**	678,149
Kibena Tea Limited - Made Tea	-	-	**437,321**	299,785
TANWAT - Power and fire wood	**271,332**	257,226	**-**	-
Purchase of services				
TANWAT - Management and medical	**70,743**	**38,322**	**-**	-

Purchases of power from TANWAT are based on a long-term agreement, which enables Kibena Tea Limited to purchase the power slightly under the normal sales price.

(iii) Interest on a term loan

Interest charged to Wakulima Tea Company Limited	**-**	-	**94,584**	48,095

(iv) Year-end balances arising from sales/purchases of goods/services;

	Group 2005	Group 2004	Company 2005	Company 2004
Receivable from related parties				
Wakulima Tea Company Limited	**-**	-	**234,266**	627,722
Kibena Tea Limited	**-**	-	**355,020**	359,876
Selous Rhino Trust Limited	**-**	1,050	**-**	1,050
Tanganyika Finance Company Limited	**210**	-	**210**	-
Kidai Rhino Project	**1,277**	-	**1,277**	-
Nomad Tanzania Limited	**-**	-	**-**	-
	1,487	1,050	**590,773**	988,648
Payable to related parties				
Wakulima Tea Company Limited	**-**	-	**22,705**	98,794
Kibena Tea Limited	-	-	**30,708**	301,513
Tanganyika Wattle Company Limited	**80,175**	18,814	**-**	-
Tanganyika Finance Company Limited	**-**	141	**-**	141
Nomad Tanzania Limited	**1,570**	2,432	**1,570**	2,432
Rungwe Smallholders Tea Development Trust Fund	**591**	-	**-**	-
	82,336	21,387	**54,983**	402,880

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005
(All amounts in TShs thousands)

32 RELATED PARTY TRANSACTIONS & BALANCES (continued)

(v) Directors' remuneration

	Group		Company	
	2005	2004	**2005**	2004
	TShs'000	TShs'000	**TShs'000**	TShs'000
The remuneration to directors were as follows:				
Directors' remuneration:				
Executive	**333,127**	201,563	**-**	173,096
Non-executive	**50,095**	43,523	**-**	20,182
Sitting allowance	**7,732**	15,808	**7,732**	11,880

(vi) Key management's remuneration

	Group		Company	
	2005	2004	**2005**	2004
	TShsí000	TShsí000	**TShsí000**	TShsí000
Management salaries and other benefits	**243,497**	130,298	**99,326**	57,327

(vii) The option granted to a director

Included in plant, property and equipment 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 Shs 49.7 million and as at 31 December 2005, has a Shs 2.6m book value.

33 ULTIMATE HOLDING COMPANY

The ultimate parent of the Group is CDC Group Plc, a public limited company incorporated in England & Wales.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of the Company in respect of the year ended 31st December 2005 will be held at New Africa Hotel, Dar es Salaam on Friday 30th June 2006 at 11:00 a.m.

AGENDA

1. Confirmation of the minutes of the tenth Annual General Meeting.
2. To received and adopt the Annual Directors' Report for the year ended 31st December 2005.
3. To receive and adopt the Annual Accounts for the year ended 31st December 2005.
4. To appoint Pricewaterhouse Coopers, P. O. Box 45, Dar es salaam, as the Company Auditors as recommended by the Board of Directors for the year 2006.
5. To confirm total number of directors of the Company and appoint new directors as per amended Articles of Association.
6. To approve the incorporation of a new company 'Chai Bora Limited' as a 100% group subsidiary.
7. To approve the transfer of the entire tea packing business of the Tatepa Group, including all related assets and liabilities, to Chai Bora Limited.
8. To authorize the Directors to arrange a shareholder loan for the Company, should it be required in order to fund development, refinance the Balance Sheet or secure our water resources at Kibena, with interest at 15% and other terms and conditions to be agreed by the Directors.
9. Any other Business.

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

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

BY ORDER OF THE BOARD

V. K. Tewari
COMPANY SECRETARY

Tanzania Tea Packers Limited
P. O. Box 1344
DAR ES SALAAM
TANZANIA
4th May 2006

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

I, (name)...confirm that
I will be attending the TATEPA AGM on 30th June 2006.

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

CHAI BORA

Building prosperity for Tanzania