

THE **TATEPA**
GROUP OF COMPANIES

Building prosperity for Tanzania

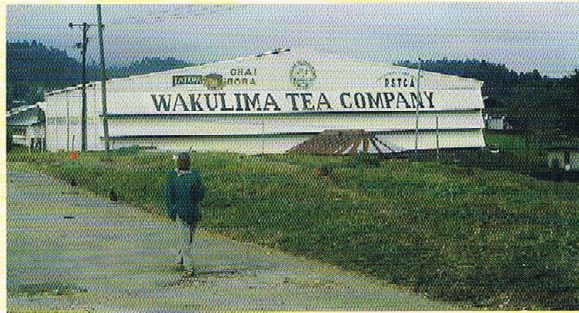
TANZANIA TEA PACKERS LTD

Annual Report & Accounts

2003

TATEPA

Three years ago Tanzania Tea Packers embarked on an aggressive vertical integration programme to secure and strengthen its position across the tea supply chain. During this period, TATEPA acquired tea estates and tea factories, complementing its existing business as packer & distributor of the leading Chai Bora brand. This process remains ongoing.

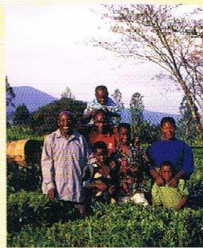


As a result, TATEPA has now become Tanzania's largest integrated tea business, with over 3,000 employees, 14,000 smallholder tea growers, and a consumer base of more than 22 million people across the country.

Small scale tea farmers working for TATEPA have benefited through extension services provided by the Tanzania Tea Research Institute founded by TATEPA. This has improved yields and profitability for the farmers.

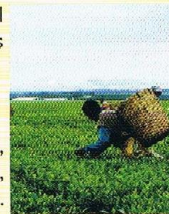
Kibena Tea Ltd

Kibena Tea Limited is Tanzania's most modern tea estate laid out for drip irrigation & mechanical harvesting. With 700 hectares of high quality clonal tea and a perfect altitude, Kibena produces Tanzania's finest quality teas, the majority of which are auctioned for overseas markets.



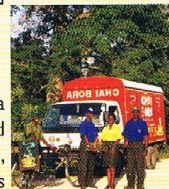
Wakulima Tea Company

Wakulima consists of two tea processing factories in Rungwe district, served by 14,000 smallholder tea growers. With TATEPA's assistance, the smallholders have purchased a 20% shareholding in Wakulima. Additionally TATEPA has provided technical support that has increased smallholder income by nearly six times.



Chai Bora

Chai Bora continues to be Tanzania's most popular tea brand with a 70% share of the local market. The brand is 100% consumer focused and in particular prides itself in its ability to service the poorer rural consumers with affordable, good quality and well-packaged tea. Chai Bora is a major contributor to Government revenues through tax payments.



Fair Trade & Organic

TATEPA has been recognised for its ethical policies, with both its Kibena & Wakulima operations being registered as Fair Trade operators by the International Fair Trade Foundation. TATEPA is also registered as an organic tea packer by Ecocert.

CONTENTS

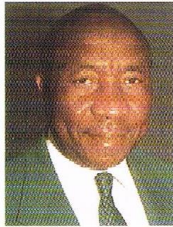
CHAIRMAN'S STATEMENT	2
FINANCIAL REVIEW	3
REPORT OF THE DIRECTORS	4
AUDITORS' REPORT	8
PROFIT AND LOSS ACCOUNTS	9
STATEMENTS OF CHANGES IN EQUITY	10
BALANCE SHEETS	11
CASH FLOW STATEMENTS	12
NOTES TO THE FINANCIAL STATEMENTS	13
NOTICE OF ANNUAL GENERAL MEETING	21
PROXY	23

**CHAI
BORA**





CHAIRMAN'S STATEMENT



On behalf of the Board, I would like to present the Group's operating results for the year ended 31 December 2003 which show a 40% increase in operating profits. TATEPA continued to be the number 1 tea packer and the number 2 raw tea producer in Tanzania, and the overall size of your Group has increased whilst cash reserves remained stable.

Profit before tax was however less favourable than in 2002, as a result of the large impact of exchange losses consequent upon our growth strategy.

Revenues, operating profits and tax contributions to the Government have all increased from last year. Group revenue increased by 27% to Tzs 12.5 billion, whilst Group operating profits rose by 40% to Tzs 1.4 bn although profit before tax fell to Tzs 241m from Tzs 447m in 2002 as a result of exchange losses. Whilst Wakulima Tea Company Limited (Wakulima) has performed ahead of budget and better than last year, Kibena Tea Limited (Kibena) profits suffered due to exchange losses. Chai Bora was affected by strong market competition and a relatively higher blend cost towards the end of the year.

In all its operations, I believe TATEPA sets an exemplary standard, but this year I would like to highlight our achievements at Wakulima, of which we are particularly proud. Production at Wakulima has increased five-fold from 560,000 kgs to 2.5 million kgs since purchase in 2001; and annual revenues to our 14,000 smallholders have increased from approximately Tzs 200 million to Tzs 1 billion today. In light of this performance, I am pleased to announce that Wakulima has recommended a dividend payment to its shareholders (TATEPA and RSTGA) for the first time. During this year, Wakulima also invested further in estate assets, purchasing two tea gardens comprised of 308 hectares of planted tea.

All of our operations are committed to FAIRTRADE and both Wakulima and Kibena supply tea directly to ethically motivated packing operations in the U.K.. Most important is the teadirect brand and I am delighted to advise you that our teas make up approximately 60% of their volume. In 2003 this resulted in additional premiums of Tzs 440 million which were all returned to our employees and smallholders in the form of support projects e.g. school buildings, provision of books, water projects, and health projects amongst others.

Chai Bora sales of blended teas grew by 10% to 2.2 m kgs with the company retaining its dominant market share of 70%. However I must caution you that the positioning of this

business will change in 2004 with Government's commitment to open up the market to imported teas, especially from Kenya. We welcome this move with caution and would like to remind the relevant Government authorities to adhere to their promise to exempt the tea industry from VAT in order to make it competitive on a level playing field.

Without this relief, there would be a severe negative impact both on this part of our business and on Government Tax revenues in the long term. I would like to thank once again, the Tanzania Tea Board, TRA and other Tanzania Government authorities for their support to the domestic tea industry, but urge for their continued co-operation to curb illegal tea sales, reduce the tax burden by exempting VAT, and thereby encourage a higher standard of business principles and Corporate Governance.

In light of its banking covenants, your Board is recommending a final dividend of Tzs 40 per share, at parity with the previous year. This is a dividend yield is 6.7% based on the share price as of 31 December 2003, which once again compares favourably to investments in bank deposits both in the year under review and currently.

Shareholders will be offered the option to receive ordinary shares in lieu of cash dividend payment as proposed 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 the date of the AGM.

Since the last AGM, Mr Michael Turner retired from the Board in June 2003 and was succeeded by Mr Charles Groom. On behalf of the Board and all shareholders, I welcome Mr. Groom and wish to thank Mr. Turner for his valuable contribution to TATEPA Group.

I wish to take this opportunity to thank management and our Group employees at all levels for their continued commitment to achieving our goals, and last but not least I thank all our dealers, wholesalers, retailers and customers for their continued support. I assure you that we will continue to provide you with the best possible services, and of course with Chai Bora, Wakulima and Kibena teas of best quality.

Joseph Mungai M.P.
BOARD CHAIRMAN



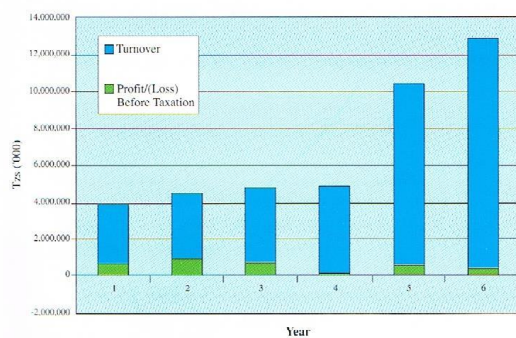
TANZANIA TEA PACKERS LIMITED

FINANCIAL REVIEW

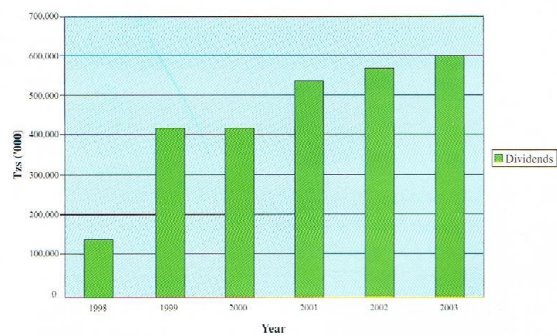
For the years ended 31st December

	2003 Group Tzs'000'	2002 Group Tzs'000'	2001 Group Tzs'000'	2000 Tzs'000'	1999 Tzs'000'	1998 Tzs'000'
Turnover	12,545,159	9,812,547	4,641,777	4,063,466	3,544,088	3,201,635
Profit/(Loss) Before Taxation	241,214	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	1,749,971	1,414,353	(211,979)	821,900	493,134	497,136
Net Cash Invested	1,895,491	1,698,220	1,453,874	93,133	236,343	466,873
Interest Bearing Debt	9,202,735	7,639,039	1,683,858	-	-	160,000
Earnings Per Share (Tzs)	15.20	32.53	(3.94)	52	84	61
Dividends Per Share (Tzs)	40	40	40	40	40	40

Turnover and Profit



Dividends



**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003**

1. The Directors present their report together with the Consolidated Financial Statements for the year ended 31 December 2003, 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 growing, processing, blending, marketing and distribution of tea and of instant coffee. The Katumba and Kibena factories undertake growing and processing while blending is done at the Mafinga factory for local marketing under the Chai Bora, Highlands Organic and Kahawa Bora brand names. The Group exports made tea for sale at the Mombasa auction and privately.

3. Subsidiaries

The Company owns two subsidiary companies, Wakulima Tea Company Limited (79.81% shares as at the end of the year) and Kibena Tea Limited (100% of shares). Wakulima was acquired in 2001, and Kibena in 2002.

4. Results and appropriations

	2003 Tzs '000	2002 Tzs '000
Group profit after taxation	264,853	447,341
Minority interests	(39,249)	(5,662)
Profit attributable to shareholders	<u>225,604</u>	<u>441,679</u>
Less: Appropriations		
Dividend for 2001 on additional shares	-	(121,120)
Final dividend proposed of Tzs 40 (2002 – Tzs 40) per share	<u>(611,212)</u>	<u>(576,312)</u>
Withdrawn from group retained earnings	<u>(385,608)</u>	<u>(255,753)</u>

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 the Group's retained earnings.

In accordance with the Company's recent practice, whilst still constrained by its loan covenants to exercise prudence with respect to cash dividends, it is expected that shareholders will again be offered the option of receiving their dividend by way of scrip issue. On the basis that there is a take up of this option in line with the level of take up in the past two years, the cash dividend to be paid out is expected by the directors to be well within the amount of the holding company's available resources at the time of payment.

5. Major shareholdings

	Number of shares	%
Freshfields Investments Limited	8,100,668	53.01
Parastatal Pension Fund	1,689,505	11.06
Hon. J J Mungai (MP)	1,057,454	6.92
Mr. G C Theobald	957,157	6.26
National Social Security Fund	829,400	5.43
Social Action Trust Fund	813,157	5.32



TANZANIA TEA PACKERS LIMITED

6. 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. V Rweyemamu	Tanzanian	
Mr. R W Cox	British	
Mr. C Groom	British	Appointed 3 June 2003
Mr. M Turner	British	Resigned 3 June 2003
Mr. P D Rowland	British	
Mr. B A Patel	British	
Ms. K D Bandawe	Tanzanian	
Mr. F Mbala	Tanzanian	

7. Directors' shareholdings

The Directors' interests in the issued and paid up shares of the Company at 31 December 2003 were as follows:

	2003		2002	
	Number	Par value Tzs '000	Number	Par value Tzs '000
Hon. J J Mungai MP	1,057,454	26,436	930,245	23,256
Mr. G C Theobald	957,157	23,929	900,148	22,504
Mr. G P Theobald	226,600	5,665	213,104	5,328

8. Fixed assets

Movements in fixed assets during the year are shown in Note 7 on page 16. 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.

9. Donations

During the year the following donations were made:

	Tzs '000
Shauritanga Development Association	1,000
Wamoja D G	10
Uhuru torch	20

10. Distribution centres

The Company closed one depot in Kigoma and remains with four of its own distribution centres and five principal external distributors. This network ensures that TATEPA's products are actively distributed to 25 regions in mainland Tanzania and Zanzibar. The Group's made teas are sold through Mombasa Auction and by private sale for export to the United Kingdom and other countries.



11. 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 for tea machinery, spares and packing materials.

12. Marketing strategy

The objective of the Company is to increase local sales through growth of the market for packed teas and maintaining the dominant market share. Export potential is also being explored.

The specific objective of the Group is to achieve or exceed the budgeted volume and price targets in the current year by:

- Production of an increased volume of high quality tea for export.
- Further streamlining the distribution network to ensure cost effective market saturation.
- Increasing the distribution coverage.
- Building and maintaining consumer loyalty.
- Combating competition with the best prices, best distribution and best quality products.
- Lobbying Government to sustain its activities against illegal teas and to create the conditions for a level, legal competitive atmosphere in the market for packed teas.
- Campaigning to reduce taxes (particularly VAT) to improve social welfare.

13. 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 skill 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.



TANZANIA TEA PACKERS LIMITED

14. 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:

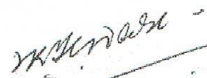
- proper accounting records are maintained,
- applicable accounting standards are followed,
- suitable accounting policies are adopted and consistently applied,
- judgements and estimates made are reasonable and prudent,
- the going concern basis is used, unless it is appropriate to presume that the 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 financial statements of the Company and of the Group were approved at a meeting of the Board of Directors held on 18 March 2004.

15. Auditors

The auditors, KPMG, have indicated their willingness to continue in office.

By order of the Board


.....
Company Secretary

18th March 2004
Date



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

We have audited the consolidated financial statements set out on pages 9 to 20, 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 Standards on Auditing 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 2003 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).

KPMG

Certified Public Accountants

Dar es Salaam

18th March, 2004

Date:



TANZANIA TEA PACKERS LIMITED

PROFIT AND LOSS ACCOUNTS
For the year ended 31 December 2003

	Notes	Group		Company	
		2003 Tzs '000	2002 Tzs '000	2003 Tzs '000	2002 Tzs '000
Revenue		12,545,159	9,812,547	5,456,983	4,911,957
Cost of sales		<u>(7,554,416)</u>	<u>(5,985,139)</u>	<u>(3,660,213)</u>	<u>(3,107,465)</u>
Gross profit		4,990,743	3,827,408	1,796,770	1,804,492
Other income		<u>269,995</u>	<u>184,616</u>	<u>482,288</u>	<u>267,881</u>
		5,260,738	4,012,024	2,279,058	2,072,373
Operating expenses					
Marketing and distribution costs		(1,920,525)	(1,661,212)	(1,107,444)	(1,051,955)
Administrative expenses		<u>(1,923,663)</u>	<u>(1,324,451)</u>	<u>(1,090,268)</u>	<u>(741,963)</u>
Operating profit		1,416,550	1,026,361	81,346	278,455
Finance costs	2	<u>(1,175,336)</u>	<u>(579,490)</u>	<u>(293,706)</u>	<u>(194,084)</u>
Profit/(loss) before taxation	3	241,214	446,871	(212,360)	84,371
Taxation credit	4	<u>23,639</u>	<u>470</u>	<u>23,639</u>	<u>470</u>
Group profit before minority interests		264,853	447,341		
Minority interests		<u>(39,249)</u>	<u>(5,662)</u>		
Profit/(loss) for the year attributable to shareholders		<u>225,604</u>	<u>441,679</u>	<u>(188,721)</u>	<u>84,841</u>
Earnings per share	5	<u>Tzs 15.20</u>	<u>Tzs 32.53</u>		
Dividend per share	6	<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 20.

Auditors' Report – page 8



TANZANIA TEA PACKERS LIMITED

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2003

<i>Group</i>	Share Capital Tzs '000	Share premium Tzs '000	Retained earnings Tzs '000	Proposed Dividend Tzs '000	Total Tzs '000
Balance at 1 January 2002	264,950	604,237	819,502	423,920	2,112,609
Dividends declared payable	-	-	(121,120)	(423,920)	(545,040)
Issue of new shares	95,245	1,569,405	-	-	1,664,650
Net profit for the year	-	-	441,679	-	441,679
Proposed dividends	-	-	(576,312)	576,312	-
Change in minority interest percentage	-	-	(29,149)	-	(29,149)
Balance at 31 December 2002	360,195	2,173,642	534,600	576,312	3,644,749
Dividends declared payable	-	-	-	(576,312)	(576,312)
Issue of new shares	21,813	501,689	-	-	523,502
Scrip issue expenses	-	(7,385)	-	-	(7,385)
Net profit for the year	-	-	225,604	-	225,604
Proposed dividends	-	-	(611,212)	611,212	-
Change in minority interest percentage	-	-	(2,731)	-	(2,731)
Balance at 31 December 2003	382,008	2,667,946	146,261	611,212	3,807,427
<i>Company</i>					
Balance at 1 January 2002	264,950	604,237	868,250	423,920	2,161,357
Dividends declared payable	-	-	(121,120)	(423,920)	(545,040)
Issue of new shares	95,245	1,569,405	-	-	1,664,650
Net profit for the year	-	-	84,841	-	84,841
Proposed dividends	-	-	(576,312)	576,312	-
Balance at 31 December 2002	360,195	2,173,642	255,659	576,312	3,365,808
Dividends declared payable	-	-	-	(576,312)	(576,312)
Issue of new shares	21,813	501,689	-	-	523,502
Scrip issue expenses	-	(7,385)	-	-	(7,385)
Net loss for the year	-	-	(188,721)	-	(188,721)
Proposed dividends	-	-	(611,212)	611,212	-
Balance at 31 December 2003	382,008	2,667,946	(544,274)	611,212	3,116,892

Notes and related statements forming part of these financial statements appear on pages 13 to 20.

Auditors' Report – page 8



BALANCE SHEETS
at 31 December 2003

	Notes	Group		Company	
		2003 Tzs '000	2002 Tzs '000	2003 Tzs '000	2002 Tzs '000
Assets					
Non-current assets					
Fixed assets	7	7,471,502	6,701,050	830,644	909,465
Biological assets	8	7,016,677	6,596,844	-	-
Investment in subsidiaries	9	-	-	3,156,915	3,156,915
		14,488,179	13,297,894	3,987,559	4,066,380
Negative goodwill arising on consolidation		(3,435,142)	(3,624,462)		
		11,053,037	9,673,432		
Current assets					
Inventories	10	2,375,411	2,082,620	1,204,305	933,110
Trade and other receivables	11	1,604,981	1,798,848	782,752	1,078,806
Tax recoverable		72,321	110,986	62,251	100,916
Bank and cash balances		461,819	819,500	120,630	216,015
		4,514,532	4,811,954	2,169,938	2,328,847
		<u>15,567,569</u>	<u>14,485,386</u>	<u>6,157,497</u>	<u>6,395,227</u>
Equity and liabilities					
Shareholders equity					
Issued share capital	12	382,008	360,195	382,008	360,195
Share premium		2,667,946	2,173,642	2,667,946	2,173,642
Retained earnings/(losses)		146,261	534,600	(544,274)	255,659
Proposed dividends		611,212	576,312	611,212	576,312
		3,807,427	3,644,749	3,116,892	3,365,808
Minority interests	13	625,641	579,496		
Non-current liabilities					
Bank and other borrowings	14	8,836,281	6,520,277	1,657,911	1,968,667
Deferred taxation	15	37,345	99,649	37,345	99,649
		8,873,626	6,619,926	1,695,256	2,068,316
Current liabilities					
Trade and other payables	16	1,487,221	1,528,438	1,030,904	680,768
Current portion of bank and other borrowings	14	366,454	1,460,025	150,719	-
Bank overdrafts		407,200	652,752	163,726	280,335
		2,260,875	3,641,215	1,345,349	961,103
		<u>15,567,569</u>	<u>14,485,386</u>	<u>6,157,497</u>	<u>6,395,227</u>

Director.....

18th March, 2004
Date.....

Director.....

18th March, 2004
Date.....

Notes and related statements forming part of these financial statements appear on pages 13 to 20.

Auditors' Report – page 8



**CASH FLOW STATEMENTS
for the year ended 31 December 2003**

	Notes	Group		Company	
		2003 Tzs '000	2002 Tzs '000	2003 Tzs '000	2002 Tzs '000
Cash flows from operating activities					
Net cash flow from operations	18	1,749,971	1,414,353	636,527	351,989
Interest paid		(441,295)	(387,733)	(126,386)	(89,371)
Taxation paid		-	(54,000)	-	(54,000)
Cash dividend paid including withholding tax for scrip issue		(52,810)	(96,201)	(52,810)	(96,201)
Net cash flow from operating activities		1,255,866	876,419	457,331	112,417
Cash flows from investing activities					
Acquisition of subsidiary, net of cash		-	(120,054)	-	(670,943)
Purchase of fixed assets		(1,394,776)	(1,486,152)	(154,361)	(231,492)
Costs incurred on biological assets		(51,868)	(97,694)	-	-
Acquisition of Kyimbila and Rungwe estates		(504,843)	-	-	-
Proceeds on disposal of fixed assets		55,996	5,680	52,996	-
Net cash flow from investing activities		(1,895,491)	(1,698,220)	(101,365)	(902,435)
Cash flows from financing activities					
Proceeds from long term loans		897,206	2,745,951	-	1,968,667
Loan repayments		(366,512)	(1,875,616)	(327,357)	(1,261,172)
Scrip issue expenses		(7,385)	-	(7,385)	-
Proceeds from shares in subsidiary issued to minority interests		4,187	182,625	-	-
Net cash flow from financing activities		527,496	1,052,960	(334,742)	707,495
Net movement in cash and cash equivalents		(112,129)	231,159	21,224	(82,523)
Cash and cash equivalents at the start of the year		166,748	(64,411)	(64,320)	18,203
Cash and cash equivalents at the end of the year	18	54,619	166,748	(43,096)	(64,320)

Notes and related statements forming part of these financial statements appear on pages 13 to 20.

Auditors' Report – page 8



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

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 two subsidiaries, 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 subsidiaries represents the excess of the fair value of the Group's share of the net assets acquired over the costs 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 a period of twenty years.

(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 Bank of Tanzania. 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 subsidiaries, is represented by the fair value of the assets acquired at the date of acquisition of each subsidiary.



TANZANIA TEA PACKERS LIMITED

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
Computers	33.3

(g) Biological assets

Biological assets are stated at cost less accumulated depreciation.

Costs incurred in respect of tea plantations are capitalised up to the time of maturity of the tea bushes, and are then depreciated over a period of 50 years from the first harvest. Costs incurred in respect of forestry plantations are charged off as consumable items based on the proportion of hectares harvested to hectares planted, using the total costs involved to maturity.

(h) 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.

(i) 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.

(j) Receivables

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

(k) 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.

2. Finance costs

	Group		Company	
	2003 Tzs '000	2002 Tzs '000	2003 Tzs '000	2002 Tzs '000
Interest expense	441,295	387,732	126,386	115,842
Exchange loss	734,041	191,758	167,320	78,242
	<u>1,175,336</u>	<u>579,490</u>	<u>293,706</u>	<u>194,084</u>



TANZANIA TEA PACKERS LIMITED

3. Profit before taxation

	Group		Company	
	2003 Tzs '000	2002 Tzs '000	2003 Tzs '000	2002 Tzs '000
Profit before taxation is stated after charging/(crediting):				
Directors' remuneration:				
Executive	261,598	228,984	261,598	228,984
Non-executive	41,988	39,483	41,988	39,483
Directors' fees:				
Executive	-	-	-	-
Non-executive	11,974	6,881	10,754	6,251
Depreciation and amortisation	736,898	757,478	185,759	210,458
Auditors' remuneration	48,786	50,000	15,959	14,650
(Gain)/loss on disposal of fixed assets	<u>(7,948)</u>	<u>7,553</u>	<u>(5,573)</u>	<u>-</u>

4. Taxation

Income tax expense

Current income tax at 30% of tax adjusted profits	38,665	10,696	38,665	10,696
Deferred tax (credit)	<u>(62,304)</u>	<u>(11,166)</u>	<u>(62,304)</u>	<u>(11,166)</u>
	<u>(23,639)</u>	<u>(470)</u>	<u>(23,639)</u>	<u>(470)</u>

Deferred tax provision

At 1 January	99,649	110,815	99,649	110,815
(Credit) for the year	<u>(62,304)</u>	<u>(11,166)</u>	<u>(62,304)</u>	<u>(11,166)</u>
At 31 December	<u>37,345</u>	<u>99,649</u>	<u>37,345</u>	<u>99,649</u>

Deferred tax arises principally from the claiming of accelerated depreciation for tax purposes and unrealised exchange losses (see note 15).

Tax rate reconciliation for the year

	Group %	Company %
Standard rate of income tax	30	30
The standard rate has been affected by:		
- Non-tax deductible expenses	16	(19)
- Utilisation of tax losses not recognised as deferred assets	(33)	-
- Goodwill amortisation not subject to tax	<u>(23)</u>	<u>-</u>
Effective tax rate	<u>(10)</u>	<u>11</u>

5. Earnings per share

The earnings per share is based on the Group profit attributable to shareholders of Tzs 225,604,000 (2002 – Tzs 441,679,000) and on the weighted average number of paid-up ordinary shares in issue throughout the year of 14,844,066 (2002 – 13,577,390).

6. Dividends

	Group		Company	
	2003 Tzs '000	2002 Tzs '000	2003 Tzs '000	2002 Tzs '000
Dividend proposed:				
Tzs 40 (2002-Tzs 40) per ordinary share	<u>611,212</u>	<u>576,312</u>	<u>611,212</u>	<u>576,312</u>



TANZANIA TEA PACKERS LIMITED

7. Fixed assets

<i>Group</i>	Land & buildings Tzs '000	Motor vehicles & aircraft Tzs '000	Machinery, equipment, furniture & fittings Tzs '000	Capital work in progress Tzs '000	Total Tzs '000
Cost					
At 1 January 2003	3,669,891	557,526	2,759,267	1,033,885	8,020,569
Additions	36,777	46,948	157,775	1,153,276	1,394,776
Transfers	660,251	-	670,856	(1,331,107)	-
Disposals	(42,878)	(52,509)	(8,295)	-	(103,682)
At 31 December 2003	<u>4,324,041</u>	<u>551,965</u>	<u>3,579,603</u>	<u>856,054</u>	<u>9,311,663</u>
Depreciation					
At 1 January 2003	182,388	368,479	768,652	-	1,319,519
Charge for the year	97,403	92,927	385,946	-	576,276
Disposals	-	(48,637)	(6,997)	-	(55,634)
At 31 December 2003	<u>279,791</u>	<u>412,769</u>	<u>1,147,601</u>	-	<u>1,840,161</u>
Net book value					
At 31 December 2003	<u>4,044,250</u>	<u>139,196</u>	<u>2,432,002</u>	<u>856,054</u>	<u>7,471,502</u>
At 31 December 2002	<u>3,487,504</u>	<u>189,484</u>	<u>1,990,177</u>	<u>1,033,885</u>	<u>6,701,050</u>
Company					
Cost					
At 1 January 2003	341,826	450,310	781,088	-	1,573,224
Additions	36,777	35,548	82,036	-	154,361
Disposals	(42,878)	(52,509)	(6,295)	-	(101,682)
At 31 December 2003	<u>335,725</u>	<u>433,349</u>	<u>856,829</u>	-	<u>1,625,903</u>
Depreciation					
At 1 January 2003	47,245	302,627	313,887	-	663,759
Charge for the year	11,452	67,626	106,681	-	185,759
Disposals	-	(48,637)	(5,622)	-	(54,259)
At 31 December 2003	<u>58,697</u>	<u>321,616</u>	<u>414,946</u>	-	<u>795,259</u>
Net book value					
At 31 December 2003	<u>277,028</u>	<u>111,733</u>	<u>441,883</u>	-	<u>830,644</u>
At 31 December 2002	<u>294,581</u>	<u>147,683</u>	<u>467,201</u>	-	<u>909,465</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.



TANZANIA TEA PACKERS LIMITED

8. Biological assets	Tea Bushes			Forestry		Total Tzs '000
	Mature Tzs '000	Immature Tzs '000	Nurseries Tzs'000	Pine Tzs '000	Eucalyptus Tzs '000	
Group						
Cost						
At 1 January 2003	6,610,199	27,553	47,546	11,889	62,365	6,759,552
On acquisition of Kyimbila and Rungwe estate	504,843	-	-	-	-	504,843
Additions	-	14,559	34,562	527	2,220	51,868
Transfers	-	<u>23,744</u>	<u>(23,744)</u>	-	-	-
At 31 December 2002	<u>7,115,042</u>	<u>65,856</u>	<u>58,364</u>	<u>12,416</u>	<u>64,585</u>	<u>7,316,263</u>
Depreciation						
At 1 January 2003	162,708	-	-	-	-	162,708
Charge for the period	<u>136,878</u>	-	-	-	-	<u>136,878</u>
At 31 December 2003	<u>299,586</u>	-	-	-	-	<u>299,586</u>
Net book value						
At 31 December 2003	<u>6,815,456</u>	<u>65,856</u>	<u>58,364</u>	<u>12,416</u>	<u>64,585</u>	<u>7,016,677</u>
At 31 December 2002	<u>6,447,491</u>	<u>27,553</u>	<u>47,546</u>	<u>11,889</u>	<u>62,365</u>	<u>6,596,844</u>

9 Investment in subsidiaries	2003	2002
	Tzs '000	Tzs '000
Wakulima Tea Company Limited	1,826,007	1,826,007
Kibena Tea Limited	<u>1,330,908</u>	<u>1,330,908</u>
	<u>3,156,915</u>	<u>3,156,915</u>

The Company acquired a 75% shareholding in Wakulima in May 2001 - subsequently increased to an 82.7% shareholding through an equity call in October 2001. The Company shareholding in Wakulima was reduced to 79.8% due to the minority shareholders subscribing to an equity call made in 2002.

The Company acquired a 100% shareholding in Kibena in February 2002 from Freshfields Investments Ltd through an exchange of 3,028,000 shares with a market price of Tzs 400 per share. The investment in Kibena above represents the value of shares issued plus other incidental costs incurred for completion.

10 Inventories	Group		Company	
	2003 Tzs '000	2002 Tzs '000	2003 Tzs '000	2002 Tzs '000
Finished products	258,405	223,314	258,405	223,314
Unprocessed products	741,568	777,446	226,155	128,687
Stores and consumables	1,081,908	1,057,724	426,215	556,974
Goods in transit	293,530	24,136	293,530	24,135
	<u>2,375,411</u>	<u>2,082,620</u>	<u>1,204,305</u>	<u>933,110</u>
11 Trade and other receivables				
Trade debtors	680,839	867,160	397,533	562,526
Advances to tea growers	228,786	153,332	-	-
VAT recoverable	332,941	327,259	22,928	-
Other receivables	126,084	175,299	104,361	147,863
Deposits and prepaid expenses	166,014	227,798	75,657	93,453
Due from directors	21,497	11,603	20,509	10,978
Due from related parties	48,817	36,397	161,764	263,986
	<u>1,604,981</u>	<u>1,798,848</u>	<u>782,752</u>	<u>1,078,806</u>



TANZANIA TEA PACKERS LIMITED

17 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.

18 Notes to the cash flow statement

	Group		Company	
	2003 Tzs '000	2002 Tzs '000	2003 Tzs '000	2002 Tzs '000
A. Cash generated from operations				
Profit/(Loss) before tax and minority interests	241,214	446,871	(212,360)	84,371
Adjustments for:				
Depreciation and amortisation	713,154	757,478	185,759	210,458
Amortisation of goodwill on consolidation	(189,320)	(165,291)		
Exchange loss on long term loans and interest paid	691,717	191,758	167,320	78,242
Interest expense	441,295	387,732	126,386	89,371
(Gain)/ loss on disposal of fixed assets	(7,948)	7,553	(5,573)	-
Operating profit before working capital changes	1,890,112	1,626,101	261,532	462,442
(Increase)/Decrease in inventories	(292,791)	(425,627)	(271,195)	(106,658)
Decrease/(Increase) in receivables	193,867	(355,529)	296,054	(251,531)
Decrease/(Increase) in payables	(41,217)	569,408	350,136	247,736
Net cash flow from operations	1,749,971	1,414,353	636,527	351,989
B. Cash and cash equivalents				
Bank and cash balances	461,819	819,500	120,630	216,015
Bank overdrafts	(407,200)	(652,752)	(163,726)	(280,335)
Cash and cash equivalents	54,619	166,748	(43,096)	(64,320)

19 Contingent liabilities

The Company has received demand from Tanzania Tea Board for an additional Tzs 112 million as tea cess but this liability is under dispute and in the opinion of directors is not likely to materialise. The subsidiaries have capital commitments contracted for but not provided as at 31 December 2003 amounting to approximately Tzs 100 million in respect of the ongoing rehabilitation of their tea factories and an upgrading of processing facilities.

20 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 Tenth Annual General Meeting of the Company in respect of the year ended 31st December, 2003 will be held at New Africa Hotel, Dar es Salaam, on Tuesday 4th June, 2004 at 11:00 a.m.

AGENDA

1. Confirmation of the minutes of the Ninth Annual General Meeting.
2. To receive and adopt the Annual Directors' Report for the year ended 31st December 2003.
3. To receive and adopt the Annual Accounts for the year ended 31st December 2003.
4. To appoint PricewaterhouseCoopers, P.O. Box 45, Dar es Salaam, as the Company Auditors as recommended by the Board of Directors.
5. To consider the declaration of dividend/scrip issue for the year ended 31st December 2003.
6. Any other Business.

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

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

BY ORDER OF THE BOARD

V. K. Tewari
COMPANY SECRETARY

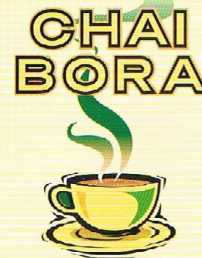
Tanzania Tea Packers Limited
P. O. Box 1344
DAR ES SALAAM
TANZANIA.
7th May, 2004



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

I (name) _____
confirm that I will be attending the TATEPA AGM on 4th June, 2004.

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 4th Day of June 2004

and at any adjournment thereof.

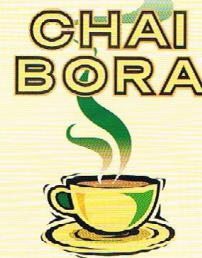
Signed _____

This _____ Day of _____ 2004.

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.



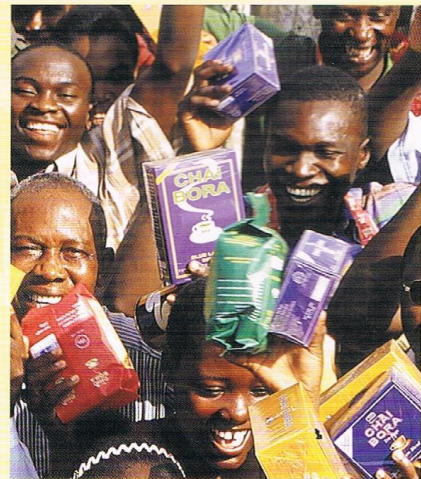
GHAI
BORA



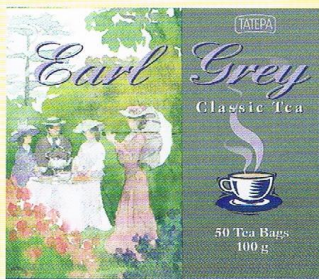
TANZANIA TEA PACKERS LIMITED

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 six blends come in a wide variety of pack sizes and a wide range of prices to suit tea consumers across the country.



Chai Bora Earl Grey

This is the newest product in the Chai Bora range and also the most specialised. A unique blend of black tea and oil of Bergamot; the refreshing flavour of Earl Grey has been popular across the centuries. Another first in Tanzania by TATEPA.

Premium Blend

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

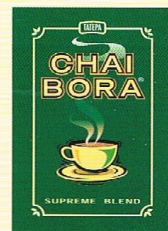


Tanzania Highlands Organic Tea.

There are stringent international standards required for producing organic Tea. TATEPA is the only Ecocert licenced packer in East Africa. In 2002, the company launched Tanzania's first organic tea bags into the domestic market.

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.



Luxury Blend

These premium 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, tourist lodges and restaurants.

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.



Ni Chafuo la Watanzania!

**CHAI
BORA**



Tanzania Tea Packers Ltd.
PO Box 1344, Dar es Salaam, Tanzania
Tel/Fax: 022 2865731
email: hq@chaibora.com