TANZANIA TEA PACKERS LIMITED

REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

TANZANIA TEA PACKERS LIMITED

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TANZANIA TEA PACKERS LIMITED AND ITS SUBSIDIARIES
DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

The Directors submit their report together with the audited financial statements for the year ended 31 December 2006, which disclose the state of affairs of Tanzania Tea Packers Limited (TATEPA or 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 2006, 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	Resigned 30 June 2006
Mr. D Henderson	British	Resigned 30 June 2006
Mr. V Rweyemamu	Tanzanian	Resigned 30 June 2006
Mr. R W Cox	British	Resigned 30 June 2006
Mr. P D Rowland	British	
Ms. K D Bandawe	Tanzanian	Resigned 30 June 2006
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 2 out of 5 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

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

2 COMPANY SHAREHOLDING:

As at 31 December 2006 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 three subsidiary companies, Wakulima Tea Company Limited, 75% (2005: 75%), Kibena Tea Limited, 100% (2005: 100%) and Chai Bora Limited, 100%. Chai Bora Limited was incorporated on 26 May 2006 in order to take over the blending and packaging business of the group effective from 1 January 2007. The assets relating to the blending and packaging business were transferred on 31 December 2006 (more details see Note 34). The Group's principal activities continue to be 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. In 2006, the Company's principal activities were 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.

	2006 Actual TShs'000	2006 Budgeted TShs'000	2005 Actual TShs'000
Company			
Sales	**8,045,047**	7,546,000	6,410,158
Gross profit	**1,993,687**	1,626,809	1,274,616
Operating profit	**1,190,916**	235,141	345,836
Group			
Sales	**19,415,363**	17,701,471	13,549,011
Gross profit	**8,747,744**	5,389,046	2,728,806
Operating profit/	**3,940,255**	1,047,973	(824,564)
		2006 Tons	**2005 Tons**
Company (Activity)			
Production - Packed tea	**2,270**	2,750	2,239
Sales – Packed tea	**2,254**	2,750	2,284
Group (Activity)			
Production - Made tea	**6,776**	7,151	6,138
Production - Packed tea	**2,270**	2,750	2,239
Sales – Made tea	**6,531**	7,079	6,217
Sales – Packed tea	**2,254**	2,750	2,284

OVERVIEW OF 2006

Despite a drought experienced across Tanzania which has seen production (and sales in unit terms) of made and packed tea for the Group fall below budget, the Tatepa Group has experienced a growth in profit both from budget and prior year.

Gross profit achieved by the Group was Tshs 3.9 billion. This represents an increase of nearly 3 times from budget and is primarily the result of the appreciation of the world tea price in 2006. This resulted in profit for the year of Tshs 2.3 billion, which is a significant improvement for the Group from prior year (2005; loss of Tshs 1.9 billion).

Cash position for the Group has improved significantly as compared to budget and last year largely due to the improved profitability and refinancing arrangement secured for Kibena, whereby the Barclays Bank Loan was replaced by a CRDB Bank Loan. The CRDB Bank loan has a longer repayment term and a one year repayment moratorium.

3 ACTIVITIES (CONTINUED)

Chai Bora Ltd (100% owned by the Company) was incorporated on 26 May 2006 to take over the blending and packaging business from the Company with effect from 1 January 2007. Tanzania Tea Packers Limited will remain to be a holding company with three operating subsidiaries, that is, Kibena Tea Limited (100%), Chai Bora Limited (100%) and Wakulima Tea Company Limited (75%).

The growing and processing of tea business contributed more than 80% of the Group's operating profit.

FUTURE DEVELOPMENTS

The production and sale of made tea will continue to be the Group's principal business. The Group is continuing to pursue an expansion strategy to increase hectares under tea and/ (or) smallholder processing capability; partnerships with small holder groups and Tea Research Institute of Tanzania continue to be improved so as to increase the group's production of made tea.

4 RESULTS AND DIVIDEND

The Directors recommend a cash dividend of Tshs 45 per share for the year 2006, with an option to take Scrip (2005: Nil), subject to financiers and shareholders' approval. Tshs 137.75 millions (2005: 118.92 millions) was paid to the minority shareholder in Wakulima Tea Company Ltd.

5 AUDITORS

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

BY ORDER OF THE BOARD

……………………………….....
~~V K Tewari~~
DIRECTOR ~~-~~: G C THEOBALD

DATE: 13 MARCH 2007

TANZANIA TEA PACKERS LIMITED AND ITS SUBSIDIARIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

The Companies Act 2002 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 Act 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and the group and of their profit or 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.

Chairman ~~-~~: J J Mungai MP **Director ~~-~~: G C Theobald**

Date: 13 March 2007

REPORT OF THE INDEPENDENT AUDITOR

TO MEMBERS OF TANZANIA TEA PACKERS LIMITED

We have audited the accompanying financial statements of Tanzania Tea Packers (the Company) Limited and its subsidiaries (together, the Group), which comprise the balance sheet as at 31 December 2006, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 December 2006 and of their respective profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Tanzanian Companies Act 2002.

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

Report on Other Legal and Regulatory Requirements

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

As required by the the Tanzanian Companies Act 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

PRICEWATERHOUSECOOPERS
Certified Public Accountants
Dar es Salaam

Date: 13 March 2007

Signed by Leonard C Mususa

TANZANIA TEA PACKERS LIMITED

PROFIT AND LOSS ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts in TShs thousands)

		Group		**Company**	
	Notes	**2006**	2005	**2006**	2005
Sales	6	**19,415,363**	13,549,011	**8,045,047**	6,410,158
Gain / (loss) arising from changes in fair value less estimated point of sale costs of biological assets	17	**551,212**	(666,290)	**-**	-
		19,966,575	12,882,721	**8,045,047**	6,410,158
Cost of sales		**(11,218,831)**	(10,153,915)	**(6,051,360)**	(5,135,542)
Gross profit		**8,747,744**	2,728,806	**1,993,687**	1,274,616
Other operating income	7	**71,658**	201,631	**600,661**	295,539
Selling and marketing costs	10	**(2,238,272)**	(1,938,231)	**(1,182,631)**	(981,365)
Administrative expenses	11	**(2,640,875)**	(1,816,770)	**(220,800)**	(242,954)
Operating profit / (loss)	8	**3,940,255**	(824,564)	**1,190,917**	345,836
Finance costs - net	12	**(1,684,423)**	(1,680,669)	**(538,372)**	(563,834)
Profit / (Loss)before income tax		**2,255,832**	(2,505,233)	**652,545**	(217,998)
Income tax	13	**65,699**	576,367	**(79,520)**	80,137
Profit /(Loss) for the year		**2,321,531**	(1,928,866)	**573,025**	(137,861)
Attributable to:					
Minority interests		**358,059**	(82,087)		
Equity holders of the Company		**1,963,472**	(1,846,779)		
(Earnings)/loss per share for profit/(loss)profit attributable to the equity holders of the Company during the year (expressed in Tshs per share)					
Basic	14	**119.50**	(112.40)		
Diluted	14	**119.50**	(112.40)		

Notes and related statements forming part of these financial statements appear on pages 15 to 47.

TANZANIA TEA PACKERS LIMITED

BALANCE SHEETS
AS AT 31 DECEMBER 2006
(All amounts in TShs thousands)

	Notes	Group 2006	Group 2005	Company 2006	Company 2005
ASSETS					
Non-current assets					
Plant, property and equipment	16	**6,626,557**	7,123,723	**-**	546,866
Biological assets	17	**6,822,911**	6,124,875	**-**	-
Intangible assets - trade marks		**750**	750	**-**	750
Deferred tax asset	27	**913,125**	630,739	**26,149**	57,247
Investment in subsidiaries	18	**-**	-	**3,256,917**	3,156,915
Long term receivable	19	**-**	-	**578,252**	747,869
		14,363,343	13,880,087	**3,861,318**	4,509,647
Current assets					
Inventories	20	**3,436,619**	2,715,582	**-**	1,075,481
Biological assets (seedlings)		**86,847**	148,122	**-**	-
Accounts receivable	21	**2,494,633**	1,576,288	**683,802**	1,338,071
Loan receivable	22	**-**	-	**1,009,976**	-
Income tax recoverable		**132,528**	137,259	**106,307**	111,035
Bank and cash balances	23	**433,335**	213,573	**114,194**	90,968
		6,583,962	4,790,824	**1,914,278**	2,615,555
Total assets		**20,947,305**	18,670,911	**5,775,596**	7,125,202
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	31	**410,762**	410,762	**410,762**	410,762
Share premium		**3,192,021**	3,192,021	**3,192,021**	3,192,021
Retained earnings		**4,667,870**	2,704,398	**817,488**	244,463
		8,270,653	6,307,181	**4,420,271**	3,847,246
Minority interests		**930,574**	710,265	**-**	-
Total equity		**9,201,227**	7,017,446	**4,420,271**	3,847,246
LIABILITIES					
Non-current liabilities					
Borrowings	25	**6,797,865**	5,709,700	**578,252**	1,903,663
Employees' gratuity	28	**92,812**	128,669	**-**	55,260
		6,890,677	5,838,369	**578,252**	1,958,923
Current liabilities					
Trade and other payables	24	**2,315,694**	1,177,045	**38,677**	577,348
Corporate tax payable		**118,108**	-	**-**	-
Borrowings	25	**2,421,599**	4,638,051	**738,396**	741,685
		4,855,401	5,815,096	**777,073**	1,319,033
Total liabilities		**11,746,078**	11,653,465	**1,355,325**	3,277,956
Total equity and liabilities		**20,947,305**	18,670,911	**5,775,596**	7,125,202

Directors approved the financial statements on pages 10 to 47 on **13 March 2007** and they were signed on their behalf by:-

Chairman - J J Mungai MP

Director - G C Theobald

Notes and related statements forming part of these financial statements

TANZANIA TEA PACKERS LIMITED

BALANCE SHEETS
AS AT 31 DECEMBER 2006
(All amounts in TShs thousands)

appear on pages 15 to 47.

TANZANIA TEA PACKERS LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts in TShs thousands)

GROUP	**Share capital**	**Share premium**	**Retained earnings**	**Minority interest**	**Total**
Year ended 2005					
Balance at 1 January 2005	410,762	3,194,021	4,551,177	892,120	9,048,080
Issue of shares (Note 30)	-	-	-	19,154	19,154
Share issue costs	-	(2,000)	-	-	(2,000)
Profit for the year	-	-	(1,846,779)	(82,087)	(1,928,866)
Dividend paid	-	-	-	(118,922)	(118,922)
Balance at 31 December 2005	**410,762**	**3,192,021**	**2,704,398**	**710,265**	**7,017,446**
Year ended 2006					
Balance at 1 January 2006	**410,762**	**3,192,021**	**2,704,398**	**710,265**	**7,017,446**
Dividend paid	-	-	-	(137,750)	(137,750)
Profit / (loss) for the year	-	-	1,963,472	358,059	2,321,531
Balance at 31 December 2006	**410,762**	**3,192,021**	**4,667,870**	**930,574**	**9,201,227**

Notes and related statements forming part of these financial statements
appear on pages 15 to 47.

TANZANIA TEA PACKERS LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts in TShs thousands)

COMPANY	**Share capital**	**Share premium**	**Retained earnings**	**Total**
Year ended 2005				
Balance at 1 January 2005	410,762	3,194,021	382,324	3,987,107
Share issue costs	-	(2,000)	-	(2,000)
Profit for the year	-	-	(137,861)	(137,861)
Dividend paid	-	-	-	-
Balance at 31 December 2005	**410,762**	**3,192,021**	**244,463**	**3,847,246**
Year ended 2006				
Balance at 1 January 2006	410,762	3,192,021	244,463	3,847,246
Profit for the year	-	-	573,025	573,025
Balance at 31 December 2006	**410,762**	**3,192,021**	**817,488**	**4,420,271**

Notes and related statements forming part of these financial statements
appear on pages 15 to 47

TANZANIA TEA PACKERS LIMITED

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts in TShs thousands)

	Notes	Group 2006	Group 2005	Company 2006	Company 2005
Cash flows from operating activities					
Cash generated from operations	32	**2,643,798**	**(409,088)**	**397,269**	**419,233**
Income tax paid		**(93,849)**	**(41,639)**	**(43,693)**	**(41,519)**
Net cash (outflow to)/inflow from operating activities		**2,549,949**	**(450,727)**	**353,576**	**377,714**
Cash flows from investing activities					
Purchase of property, plant and equipment		**(293,663)**	**(328,833)**	**(71,389)**	**(12,661)**
Cost incurred on biological assets		**(146,824)**	**(31,160)**	**-**	**-**
Proceeds from sale of property, plant, and equipment		**17,089**	**2,120**	**17,665**	**-**
Net cash outflow to investing activities		**(423,398)**	**(357,873)**	**(53,724)**	**(12,661)**
Cash flows from financing activities					
Proceeds from borrowings		**5,548,462**	**-**	**-**	**-**
Repayments of borrowings		**(6,484,231)**	**(1,791,894)**	**(585,941)**	**(522,232)**
Dividend paid		**(137,750)**	**(118,922)**	**-**	**-**
Scrip issue expenses		**-**	**(2,000)**	**-**	**(2,000)**
Proceeds from issue of shares		**-**	**19,154**	**-**	**-**
Net cash outflow to financing activities		**(1,073,519)**	**(1,893,662)**	**(585,941)**	**(524,232)**
Net increase/(decrease) in cash and cash equivalent		**1,053,032**	**(2,702,262)**	**(286,089)**	**(159,179)**
Cash and cash equivalents at the start of year		**(2,283,340)**	**418,922**	**(106,813)**	**52,366**
Cash and cash equivalents at the end of year (Note 23)		**(1,230,308)**	**(2,283,340)**	**(392,902)**	**(106,813)**

Notes and related statements forming part of these financial statements appear on pages 15 to 47

1 GENERAL INFORMATION

Tanzania Tea Packers Limited is incorporated in Tanzania under the Companies Act 2004 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

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

2 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

(a) Standards, amendments and interpretations effective in 2006 relevant to the Group

In the current year there were no new and/or revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are relevant to the operations of the Group and effective for annual reporting periods beginning on 1 January 2006.

(b) Standards, amendments and Interpretations effective in 2006 but not relevant

The following Standards and Interpretations were issued by the International Accounting Standards Board (IASB) for annual reporting periods beginning on 1 January 2006 but were not relevant to the operations of the Group during the year.

- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

(c) Standards, amendments and Interpretation that are in issue but not yet effective that are relevant to the Group

The following Standards and Interpretations were issued by the International Accounting Standards Board (IASB) which are relevant to the operations of the Group but were not effective for annual reporting periods beginning on 1 January 2006 and have not been early adopted by the Group.

- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments-where the identifiable consideration received is less than the fair value of the equity instrument issued to establish whether or not they fall within the scope of IFRS 2. The group will apply IFRIC 8 from 1 January 2007, but it is not to have any impact on the Group's accounts and;

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

2 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

(d) Standards, amendment and Interpretation that are in issue but not effective that are not relevant to the Group.

The following Standards and Interpretations were issued by the International Accounting Standards Board (IASB) which are relevant to the operations of the group but were not effective for annual reporting periods beginning on 1 January 2006 and have not been early adopted by the Group.

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations; and ;

- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, IFRIC 9 is not relevant to the Group's operations.

3 ACCOUNTING POLICIES

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

A. BASIS OF PREPARATION

The consolidated financial statements are prepared in compliance with the requirements of IFRS and on the historical basis, except for biological assets and financial instruments that have been measured at fair value in accordance with IAS 32 “Financial Instruments: Disclosure and Presentation” , IAS 39 “Financial Instruments: Recognition and Measurements” and IAS 41 “Agriculture”. The consolidated financial statements are presented in Tanzania shillings and the values are rounded to the nearest thousand, except where otherwise indicated.

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

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.

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.

3 ACCOUNTING POLICIES (continued)

C. REVENUE RECOGNITION

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

(i) Sales of goods

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

(ii) Dividends

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

D. SEGMENT REPORTING

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

E. FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

F. PROPERTY, PLANT AND EQUIPMENT

Leasehold 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.

3 ACCOUNTING POLICIES (continued)

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.

G. 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. Tea bushes are defined as biological assets within the meaning of IFRS 41 and the price of processed tea is used in the estimation of their fair value, with appropriate adjustments being made for the cost of harvesting and processing of tea leaf. Changes in fair value are taken to the profit and loss account in the period they are incurred. Cost of upkeep and maintenance of biological assets is expensed in the period incurred.

H. 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).

I. OPERATING LEASES

Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3 ACCOUNTING POLICIES (CONTINUED)

J. INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and unprocessed products comprises field upkeep and harvesting costs, 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.

K. FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

L. CASH AND CASH EQUIVALENTS

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

M. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds (net of transaction costs) and the redemption value is recognised in the 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.

3 ACCOUNTING POLICIES (continued)

N. INCOME TAX

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

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

O. EMPLOYEES BENEFITS

Pension obligations

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

The liability recognised in the balance sheet in respect of the defined benefits plan is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service costs. 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 the profit and loss account over the employees’ expected average remaining working lives.

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

P. PROVISIONS

Provisions are recognised when a G~~g~~roup ~~c~~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~~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.

3 ACCOUNTING POLICIES (continued)

Q. RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred.

An intangible asset arising from the development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

R. 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.

S. TRADE PAYABLES

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

T. TRADE RECEIVABLES

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

4 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 strict credit terms.

Foreign currency risk

The Group frequently 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). Of all the companies in the Group, only the blending and packaging business conducts its sales in the local currency, in all others sales are made 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 their 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 advances from sister companies within the Group, bank borrowings and overdrafts from financial institutions.

Commodity price fluctuation risk

The G~~g~~roup C~~c~~ompanies anticipate that the world tea prices will continue to fluctuate significantly. Currently the G~~g~~roup C~~c~~ompanies review the outlook for world tea prices regularly and enter into appropriate short-term forward sales.

5 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 17.

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 28.

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 3(f) 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.

6 BUSINESS AND GEOGRAPHICAL SEGMENT 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 C~~c~~ompany and its subsidiaries. Segment information about the Group's operations is presented below.

(a) Primary Reporting format – Business Segment

2006

	Growing & processing tea ~~Tshs'000~~	Blending & packaging tea ~~Tshs'000~~	Eliminations ~~Tshs'000~~	Total for Group ~~Tshs'000~~
REVENUE				
- Export sales	11,358,785	-	-	11,358,785
- Local sales	11,531	8,045,047	-	8,056,578
- Inter-segmental sales	1,665,686	-	(1,665,686)	-
	13,036,002	**8,045,047**	**(1,665,686)**	**19,415,363**
Operating profit from operations	3,349,805	1,190,916	(600,467)	3,940,254
Finance costs	(1,298,608)	(538,372)	152,557	(1,684,423)
Profit before tax	2,051,197	652,544	(447,910)	2,255,831
Income tax credit / (charge)	145,219	(79,520)	-	65,699
Profit for the year	**2,196,416**	**573,025**	**(448,160)**	**2,321,281**
Other segment items included in the profit and loss account				
Depreciation	667,077	115,393	-	782,470
Fair value adjustment on biological assets	(551,212)	-	-	(551,212)
Segment assets and liabilities And capital expenditure				
Assets				
Non-current assets	14,116,540	4,252,254	(4,005,451)	14,363,343
Current Assets	3,970,895	3,831,273	(1,218,206)	6,583,962
	18,087,435	**8,083,527**	**(5,223,657)**	**20,947,305**
Liabilities & Equity				
Current liabilities	3,841,444	2,188,410	(1,174,453)	4,855,401
Non current liabilities	9,651,719	1,474,846	(4,235,888)	6,890,677
Owner's equity	4,594,272	4,420,271	(743,890)	8,270,653
Minority interest	-	-	930,574	930,574
	18,087,435	**8,083,527**	**(5,223,657)**	**20,947,305**
Capital additions	**340,103**	**71,389**	**(8,584)**	**402,908**

* All the Group assets are located in Tanzania.

6 BUSINESS AND GEOGRAPHICAL SEGMENTS INFORMATION (CONTINUED)

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

2005

	Growing & processing tea	Blending & packaging tea	Eliminations	Total for Group
	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~
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)	-
	8,427,993	**6,410,158**	**(1,289,140)**	**13,549,011**
Operating profit from operations	(988,300)	345,836	(182,100)	(824,564)
Finance costs	(1,295,649)	(563,834)	178,814	(1,680,669)
Profit before tax	(2,283,949)	(217,998)	(3,286)	(2,505,233)
Income tax credit	496,230	80,137	-	576,367
Profit for the year	**(1,787,719)**	**(137,861)**	**(3,286)**	**(1,928,866)**
Other segment items included in the profit and loss account				
Depreciation & amortization	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	13,312,900	4,509,647	(3,904,881)	13,917,666
Current Assets	2,915,627	2,615,555	(777,937)	4,753,245
	16,228,527	**7,125,202**	**(4,682,818)**	**18,670,911**
Liabilities & Equity				
Current liabilities	5,264,808	1,319,033	(768,745)	5,815,096
Non current liabilities	8,014,660	1,958,923	(4,135,214)	5,838,369
Owner's equity	2,949,059	3,847,246	(489,124)	6,307,181
Minority interest	-	-	710,265	710,265
	16,228,527	**7,125,202**	**(4,682,818)**	**18,670,911**

Capital additions	316,172	12,661	-	328,833

* All Group assets are located in Tanzania.

6 BUSINESS AND GEOGRAPHICAL SEGMENTS INFORMATION (CONTINUED)

(b) Secondary Reporting Format – Geographical Segment

	Local sales	Mombasa auction	Private sales (United Kingdom)	Total for Group
	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~
Sales				
2006	**8,056,578**	**3,959,375**	**7,399,375**	**19,415,363**
2005	6,419,462	4,052,201	3,077,348	13,549,011

7 OTHER OPERATING INCOME

	Group		**Company**	
	2006	2005	**2006**	2005
Management service income	**9,571**	21,480	**1,250**	2,100
Income from sale of scraps and wastages	**7,198**	13,841	**262**	151
Recovery of previously written off debtors	**7,693**	75,101	**7,693**	75,101
Interest income	**14,043**	40,711	**85,150**	102,814
Rental income	**1,200**	1,612	**-**	-
Dividend income	**-**	-	**413,250**	-
Gain / (loss) on disposal of fixed assets	**8,728**	(6,747)	**4,990**	(53)
Exchange gain on working capital items	**11,213**	748	**88,066**	115,426
Other income	**12,012**	54,885	**-**	-
	71,658	201,631	**600,661**	295,539

8 OPERATING (PROFIT)/LOSS

The following items have been charged in arriving at operating profit / (loss)

Depreciation on property, plant and equipment (Note 16)	**782,470**	775,160	**115,393**	146,696
(Profit) / Loss on disposal of property, plant and equipment	**(8,728)**	6,747	**(4,990)**	53
Operating lease expenses	**2,479**	2,479	**338**	338
Fair value (credit) / charge arising from biological assets	**(551,212)**	666,290	**-**	-
Write down of inventories	**34,748**	63,633	**-**	47,483
Employee benefit costs (Note 9)	**195,623**	211,759	**54,350**	68,935

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006
(All amounts in TShs thousands)

		Group		Company	
		2006	2005	**2006**	2005
9	**EMPLOYEES' BENEFIT COSTS**				
	The following items are included within employees' benefit costs				
	Post employment benefit costs:				
	- Employees' Gratuity (Note 26)	**31,127**	47,262	**5,064**	19,649
	- National Social Security Fund	**164,496**	164,497	**49,286**	49,286
		195,623	211,759	**54,350**	68,935
10	**SELLING AND MARKETING COSTS**				
	Transport & handling charges	**1,406,583**	829,782	**1,007,893**	403,314
	Port charges	**217,769**	141,196	**-**	-
	Brokerage & Commissions	**149,843**	96,186	**55,074**	38,914
	Marketing costs	**265,475**	626,018	**119,664**	495,824
	Cess	**198,602**	245,049	**-**	43,313
		2,238,272	1,938,231	**1,182,631**	981,365
11	**ADMINISTRATIVE EXPENSES**				
	Staff related costs	**1,406,666**	1,026,025	**102,131**	100,648
	Travelling costs	**313,759**	237,363	**35,655**	12,246
	Consultancy fees	**162,588**	70,704	**-**	-
	Auditors' remuneration – audit services	**67,273**	41,561	**32,569**	16,014
	Auditors' remuneration–non audit services	**39,414**	26,758	**17,870**	9,566
	Office expenses	**390,119**	169,347	**13,835**	38,951
	Research expenses on new crops	**47,210**	-	**-**	-
	Other administration costs	**213,846**	245,012	**18,740**	65,529
		2,640,875	1,816,770	**220,800**	**242,954**
12	**FINANCE COSTS-NET**				
	Interest income	**-**	-	**-**	(64,265)
	Interest expense	**848,347**	657,646	**339,319**	323,894
	Net foreign exchange transaction losses	**836,076**	1,023,023	**199,053**	304,205
		1,684,423	1,680,669	**538,372**	563,834

13 INCOME TAX

	Group 2006	Group 2005	Company 2006	Company 2005
Current income tax charge	**216,688**	6,588	**48,422**	-
Deferred income tax (credit) / charge (Note 25)	**(282,387)**	(582,955)	**31,098**	(80,137)
Income tax (credit) / charge	**(65,699)**	(576,367)	**79,520**	(80,137)

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:

	Group 2006	Group 2005	Company 2006	Company 2005
(Profit)/loss before tax	**2,255,831**	(2,651,657)	**652,544**	(214,793)
Tax calculated at a rate of 30%	**676,749**	(795,497)	**195,763**	(64,438)
Income not subject to tax	**-**	-	**(123,975)**	-
Expenses not deductible for tax expenses	**56,254**	250,520	**6,300**	312
Utilization of previously unrecognized tax losses	**(798,702)**	(31,390)	**1,432**	(16,011)
Tax (credit)/charge	**(65,699)**	(576,367)	**79,520**	(80,137)

14 EARNINGS PER SHARE

	Group 2006	Group 2005
Net (Profit)/loss attributable to shareholders (Tshs'000)	**1,963,472**	(1,846,779)
Weighted average number of share in issue (Note 29)	16,430,480	16,430,480
Basic and diluted (loss)/earnings per share (Tshs)	**119.50**	(112.40)

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

15 DIVIDEND PER SHARE

The directors recommend ~~a~~ payment of a cash dividends of TShs 45 per share, with an option to take Scrip, in respect of the year of income of 2006 (2005: nil). The dividend paid during the year relates to a payment made by a subsidiary company to its shareholders of TShs 250.83 per share, the amount relating to the C~~c~~ompany have been eliminated at consolidation, for dividend declared during the year.

16 PROPERTY, PLANT & EQUIPMENT - GROUP

	Leasehold land & buildings	Motor vehicles & aircraft	Machinery, equipment, furniture & fittings	Capital work in progress	Total
1 January 2005					
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)
Net book amount	**4,046,743**	**31,986**	**2,933,539**	**111,455**	**7,123,723**
At 31 December 2006					
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**
Year ended 31 December 2006					
Opening net book amount	**4,046,743**	**31,986**	**2,933,539**	**111,455**	**7,123,723**
Additions	25,298	62,160	148,045	58,160	293,663
Transfers	-	-	161,911	(161,911)	-
Disposals	-	(4,899)	(3,461)	-	(8,360)
Depreciation charge	(136,640)	(20,927)	(624,902)	-	(782,469)
Net book amount	**3,935,401**	**68,322**	**2,615,132**	**7,704**	**6,626,557**
At 31 December 2006					
Cost	4,591,961	462,067	5,330,795	7,704	10,392,527
Accumulated depreciation	(656,560)	(393,747)	(2,715,663)	-	(3,765,970)
Net book amount	**3,935,401**	**68,320**	**2,615,132**	**7,704**	**6,626,557**

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

16 PROPERTY, PLANT & EQUIPMENT - COMPANY

	Leasehold land & buildings	Motor vehicles & aircraft	Machinery, equipment, furniture & fittings	Total
1 January 2005				
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)
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**
Year ended 31 December 2006				
Opening net book amount	247,431	10,067	289,368	546,866
Additions	-	-	71,389	71,389
Disposals	(234,125)	(1,627)	(267,111)	(502,863)
Depreciation charge	(13,306)	(8,440)	(93,646)	(115,392)
Net book amount	-	-	-	-
At 31 December 2006				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book amount	**-**	**-**	**-**	**-**

The Company's property, plant and equipment were charged to secure loans as set out in Note 25 to the financial statements.

17 BIOLOGICAL ASSETS

	Tea Bushes		Forestry		
	Mature	Immature	Pine	Eucalyptus	Total
Group					
Fair value					
Year ended 2005					
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
(Loss)/ gain arising from changes in fair value less estimated point of sale costs	(649,638)	(9,200)	(1,182)	(6,270)	(666,290)
At 31 December 2005	**5,964,696**	**91,462**	**10,848**	**57,869**	**6,124,875**
Year ended 2006					
At 1 January 2006	5,964,696	91,462	10,848	57,869	6,124,875
Increases due to new planting	-	146,824	-	-	146,824
Gain / (loss) arising from changes in fair value less estimated point of sale costs	537,436	7,611	978	5,187	551,212
At 31 December 2006	**6,494,893**	**252,918**	**11,813**	**63,287**	**6,822,911**
At 31 December 2005	5,964,696	91,462	10,848	57,869	6,124,875

Tea bushes and forestry are carried at fair value less estimated point-of-sale costs. The forestry plantations are maintained to provide wood fuel which is required in withering of tea green leaf and drying of made tea. The tea bushes and forestry have been valued as a group of related assets and their fair values 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 average;
- The market price of made tea, will be US $ 1.41 (2005: US $1.35) per kilogram throughout the projection period;
- Cost inflation will be at 5% throughout the projection period (2005: 5%) per annum.

The discount rate applied to the expected net cash flows was 17.5 % (2005: 17.5%).

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 12.4 million kilograms of green tea leaf with a fair value of Shs 1,610 million in the year ended 31 December 2006 (2005: 11.6m kilograms of tea leaf worth Shs 1,581). Nothing was harvested from its forest reserve during year ended 31 December 2006 (2005: nil).

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18 INVESTMENT IN SUBSIDIARIES

	2006	2005
	~~TShs'000~~	~~TShs'000~~
Equity investment		
Wakulima Tea Company Limited (a)	**1,826,007**	1,826,007
Kibena Tea Limited (b)	**1,330,908**	1,330,908
Chai Bora Limited (c)	**100,002**	-
	3,256,917	3,156,915

The equity investment relates to:

	Nature of business	Number and description of share held 2006	2005	% of issued shares held 2006	2005
(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%
(c)	Blending, packaging and marketing of packed tea (Note 34)	**100,002 Ordinary shares**	-	**100%**	-

19 LONG TERM RECEIVABLE

	Group 2006	5	Company 2006	2005
Wakulima Tea Company Limited	**-**	-	**809,552**	961,546
Less: Current portion	**-**	-	**(231,300)**	(213,677)
Net amount	**-**	-	**578,252**	747,869

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.
The directors believe that the value above approximates to the fair value of this receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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20 INVENTORIES

	Group		Company	
	2006	2005	**2006**	2005
Finished products	**1,380,696**	846,221	**-**	220,574
Unprocessed products	**939,055**	180,125	**-**	189,312
Stores and consumables	**997,477**	1,481,956	**-**	479,640
Goods in transit	**119,391**	207,280	**-**	185,955
	3,436,619	2,715,582	**-**	1,075,481

21 ACCOUNTS RECEIVABLE

	Group		Company	
	2006	2005	**2006**	2005
Trade receivables	**1,477,152**	944,965	**-**	746,388
Less: Provision for impairment loss	**(110,455)**	(110,455)	**-**	(110,455)
Trade receivables-net	**1,366,697**	834,510	**-**	635,933
Advances to tea growers	**259,068**	282,379	**-**	-
VAT recoverable	**259,655**	157,372	**-**	-
Other receivables	**75,362**	74,074	**-**	49,248
Deposits and prepaid expenses	**520,759**	226,466	**100,550**	62,117
Due from directors	**3,750**	-	**154**	-
Due from related parties (Note 33 (iv))	**9,342**	1,487	**583,098**	590,773
	2,494,633	1,576,288	**683,802**	1,338,071

22 LOAN RECEIVABLE

Loan to Chai Bora L~~td~~imited (N~~n~~ote 34~~5~~)	**-**	-	**1,009,976**	-

23 BANK AND CASH BALANCES

Cash at bank and in hand	**433,335**	213,573	**114,194**	90,968

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

Cash and bank balances	**433,335**	213,573	**114,194**	90,968
Bank overdrafts (Note 2~~4~~5)	**(1,663,643)**	(2,496,913)	**(507,096)**	(197,781)
	(1,230,308)	(2,283,340)	**(392,902)**	(106,813)

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
Trade payables	**1,099,252**	515,704	**-**	336,393
Interest payables	**80,288**	40,736	**16,798**	38,112
Other payables and accrued expenses	**1,114,275**	511,206	**-**	120,797
Due to directors	**-**	8,514	**-**	8,514
Due to related parties (Note 33 (iv))	**-**	82,336	**-**	54,983
Unclaimed dividends	**21,879**	18,549	**21,879**	18,549
	2,315,694	1,177,045	**38,677**	577,348

25 BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
Bank and other borrowings (a)	**9,219,464**	10,347,751	**1,316,648**	2,645,348
Less: Current portion (b)	**(2,421,599)**	(4,638,051)	**(738,396)**	(741,685)
Due after more than 12 months (d)	**6,797,865**	5,709,700	**578,252**	1,903,663

(a) This is made up as follows:

	Group 2006	Group 2005	Company 2006	Company 2005
Borrowings (c)	**7,555,821**	7,850,838	**809,552**	2,447,567
Bank overdraft (Note 23)	**1,663,643**	2,496,913	**507,096**	197,781
	9,219,464	10,347,751	**1,316,648**	2,645,348

(b) Due within one year

	Group 2006	Group 2005	Company 2006	Company 2005
Bank overdraft (Note 23)	**1,663,643**	2,496,913	**507,096**	197,781
Current portion of bank borrowings	**757,956**	2,141,138	**231,300**	543,904
	2,421,599	4,638,051	**738,396**	741,685

(c) This is made up as follows:

	Group 2006	Group 2005	Company 2006	Company 2005
PROPARCO (i)	**2,060,679**	2,447,567	**-**	2,447,567
Barclays Bank (Tanzania) Limited (ii)	**-**	5,144,270	**-**	-
Standard Chartered Bank Tanzania Limited (iii)	**70,090**	259,001	**-**	-
CRDB Bank Ltd (iv)	**5,425,052**	-	**-**	-
	7,555,821	7,850,838	**-**	2,447,567

(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

25 BORROWINGS (CONTINUED)

(PROPARCO) to repay the existing loans and finance the second equity call in Wakulima Tea Company Limited (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. Tatepa has transferred the outstanding balance, as at 31 December 2006, of its loan to Chai Bora Limited as part of the business sale agreement. The loan which is denominated in US dollars, carries an interest rate calculated at six months US dollar LIBOR plus 300-basis points, interest rate at year end was 8.16% (2005:7.29%) payable half yearly starting from 5 October 2004.

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

(ii) Barclays Bank Tanzania Limited loan

This was a medium-term loan facility from Barclays Bank Tanzania Limited to Kibena Tea Limited ("Kibena"), a subsidiary of Tatepa, the loan was repaid in November by another loan secured from CRDB Bank Ltd.

Whilst denominated in US dollar, interest accrued at the rate determined by the bank to be 2% per annum above the cost to the bank of US dollar deposits. Interest rate at the time of termination was 7.33% (2005: 6.22%)

(iii) Standard Chartered Bank Tanzania Limited loan

In 2003, Wakulima, 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; interest rate at year end was 9.39% (2005: 5.85%), interest accrues on the daily overdrawn balance and is 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.

~~iv)~~(iv) CRDB Bank Loan

During the year, Kibena secured a medium term financing facility from CRDB Bank Ltd; a USD 4,300,000 term loan and a USD 1,000,000 overdraft facility. The term loan was drawn in full in November and applied party to repay the Barclays Bank (T) Ltd loan facility.

The loan caries a floating rate of interest of the 12 months LIBOR plus a 2% margin, which is 7.45% for the first year of the loan. The interest rate shall be reviewed yearly. The principal is payable in 84 equal monthly instalments effective from November 2007.

The loan is secured by the following:

a) First Charge Legal mortgage over Farm no. 827 with CT no. 8371 MBYRL, L.O no.185373 with an area of 2,199.64 hectares, out of which 726.3 is currently tea estates located in

25 BORROWING (continued)

Njombe District, Iringa Region in the name of Kibena Tea Ltd of P O Box 1344 Dar es Salaam.
b) First charge fixed and floating debentures over entire assets of the company,
c) Letter of comfort from Tatepa.

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

	Group		Company	
	2006	2005	**2006**	2005
Between 1 and 2 years	**1,363,772**	1,855,751	**231,301**	543,905
Between 2 and 5 years	**3,208,170**	3,853,949	**386,951**	1,359,758
Over 5 years	**2,225,923**	-	**-**	-
	6,797,865	5,709,700	**578,252**	1,903,663

(e) Effective interest rates at year end were:

	2006	2005
Bank overdrafts – TShs	**18.5%**	16.5%
Bank overdrafts – USD	**8%**	6.25%
Bank borrowings-USD	**8.33%**	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.

26 BANK OVERDRAFT

Bank		**Beneficiary Company**	**Overdraft facility made available**		**Amount drawn**	
			2006	2005	**2006**	2005
Standard Chartered Bank (T) Limited	(a)	Tatepa	**Shs 1bn**	Shs 1bn	**507,096**	197,781
Sub-total (Company)			**Shs 1bn**	Shs 1bn	**507,096**	197,781
Standard Chartered Bank (T) Limited	(b)	Wakulima	**$ 1,000,000**	$ 1,000,000	**658,380**	1,159,780
Barclays Bank (T) Limited	(c)	Kibena	**-**	$1,000,000	**-**	1,139,352
CRDB Bank Limited	(d)	Kibena	**$1,000,000**	-	**498,167**	-
Total (Group)					**1,663,643**	2,496,913

a) This facility is secured by a debenture over Company's floating assets shared on pari pasu basis with PROPARCO (Note 25 c (i) for US$ 437, 000.

26 BANK OVERDRAFT (CONTINUED)

a) The effective interest rate for the year was 18.5% (2005:14%). The facility is due for renewal in October 2007.

b) This facility is secured alongside the Standard Chartered medium term-loan described in Note 25 b (iii), and carries interest calculated at 4% above six months LIBOR (currently 9.70%) (2005: 8.75%) per annum calculated on the daily overdrawn balance and payable monthly in arrears. The facility is due for renewal in September 2007.

c) This facility was secured alongside the Barclays long-term loan described in Note 25 (c) (ii); this facility was replaced during the year by a facility from CRDB Bank. The facility carried interest at the rate of 0.75% (2005: 0.75%) below the Barclays' prime lending rate, at the time of terminating the facility the rate of interest was 8.75% (2005: 8.25%)

d) This facility was taken to replace a similar facility from Barclays Bank Ltd and is secured alongside the CRDB term loan facility described in Note 25 c (iv) above and carries interest of floating rate of interest of the 12 months LIBOR plus a margin of 2% (currently 7.45%) the facility is due for renewal on 31 October 2007.

27 DEFERRED TAX (ASSET)/LIABILITIES

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 30% (2005:30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2006	2005	**2006**	2005
At the beginning of the year	**(630,739)**	(47,784)	**(57,247)**	22,890
Income statement (credit) / charge (Note 13)	**(282,387)**	(582,955)	**31,098**	(80,137)
At the end of the year	**(913,125)**	(630,739)	**(26,149)**	(57,247)

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

	Group		Company	
	2006	2005	**2006**	2005
Accelerated tax allowances	**53,898**	627,565	**23,445**	37,558
Estimated tax losses	**(527,011)**	(1,015,211)	**(49,594)**	(20,579)
Provisions	**(440,012)**	(243,093)	**-**	(74,226)
At the end of the year	**(913,125)**	(630,739)	**(26,149)**	(57,247)

28 EMPLOYEES' GRATUITY

	Group		**Company**	
	2006	2005	**2006**	2005
As at 1 January	**128,669**	102,623	**55,260**	35,611
Interest cost	**11,589**	9,236	**4,973**	3,205
Current service cost	**19,538**	38,026	**91**	16,444
Payment made	**(67,083)**	(21,216)	**(57,391)**	-
As at 31 December	**92,812**	128,669	**2,933**	55,260

The Group has an unfunded non-contributory employee gratuity arrangement (the "Arrangement"), which provides for lump sum payments to its employees on their retirement at the age of 55, based on length of service and salary at retirement and qualifies as a defined benefits plan. A firm of professional actuaries, Alexander Forbes Financial Services of Nairobi, Kenya, carried out 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 C~~c~~ompanies 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 'notional' 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.

29 COMMITMENTS

Capital commitments

The Group had no capital commitments approved and contracted not recorded in its books as at 31 December 2006 (2005: 45million).

Operating lease commitments – where a group company is the lessee

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

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

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
Not later than 1 year	2,479	2,479	338	338
Later than 1 year and not less than 5 years	9,915	9,915	1,352	1,352
Later than 5 years	194,654	197,132	5,491	5,829

30 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.

31 SHARE CAPITAL

	Group		**Company**	
	2006	2005	**2006**	2005
Authorised:				
20,000,000 ordinary shares of Shs 25 each	**500,000**	500,000	**500,000**	500,000
Issued and fully paid (number)	**16,430,480**	16,430,480	**16,430,480**	16,430,480

	Share Capital	**Share Premium**	**Total**
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**
At 1 January 2006	410,762	3,192,021	3,602,783
At 31 December 2006	**410,762**	**3,192,021**	**3,602,783**

Total authorised number of shares is 16,430,480 (2005: 16,430,480) with a par value of TShs 40 (2005 TShs 40)

32 CASH GENERATED FROM OPERATIONS

	Group		Company	
	2006	2005	**2006**	2005
Profit / (loss) before tax and minority interests	**2,255,832**	(2,505,233)	**652,545**	(217,998)
Adjustments for:				
Depreciation	**782,469**	775,161	**115,392**	146,696
Fair value adjustment (net)	**(551,212)**	666,290	**-**	-
Employees' gratuity	**(35,857)**	26,046	**(52,327)**	19,649
Unrealised exchange loss on term loans	**640,753**	994,857	**199,052**	292,869
Changes in interest payable	**39,552**	(24,944)	**4,528**	20,975
Loss/(Gain) on disposal of fixed assets	**(8,728)**	6,747	**(4,990)**	53
Changes in working capital:				
Inventories	**(659,762)**	(107,462)	**(578,123)**	(55,697)
Receivables	**(918,345)**	116,156	**(449,482)**	470,790
Payables	**1,099,096**	(356,706)	**510,674**	(258,104)
Cash generated from operations	**2,643,798**	(409,088)	**397,269**	419,233

Note: Movements in working capital items in the Company were determined before the transfer of assets listed under Note 34.

33 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is controlled by Freshfields Investments Limited, which owns 53.37% (2005: 53.37%) of the Company's shares. The remaining 46.63% of shares are widely held. The Company owns t~~wo~~hree subsidiary companies, Wakulima Tea Company Limited (75 % shares as at the end of the year), ~~and~~ Kibena Tea Limited (100% of shares) and Chai Bora 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 owned Tanganyika Wattle Company (Tanwat) until it was sold in June 2006. 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	
	2006	2005	**2006**	2005
Wakulima Tea Company Limited – Management	-	-	-	-
Kibena Tea Limited - Management	-	-	-	-
Nomad Tanzania Limited - Management	7,189	**18,380**	-	-

(ii) Purchase of goods and services

	Group		Company	
	2006	2005	**2006**	2005
	~~**TShs'000**~~	~~TShs'000~~	~~**TShs'000**~~	~~TShs'000~~
Purchase of goods				
Wakulima Tea Company Limited-Made Tea	**-**	-	**1,131,884**	851,819
Kibena Tea Limited – Made Tea	**-**	-	**533,802**	437,321

Tanwat – Power and fire wood	**-**	271,332	**1,665,686**	-

33 RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)

	Group		**Company**	
	2006	2005	**2006**	2005
	~~**TShs'000**~~	~~TShs'000~~	~~**TShs'000**~~	~~TShs'000~~
Purchase of services				
Tanganyika Finance Company Ltd – Office Rent & Plane hire	**54,424**	**-**	**-**	-
Tanwat – Management and medical	**-**	70,743	**-**	-

Tanwat ceased to be a related party after being disposed of by CDC during the year.

(iii) Interest on a term loan

Interest charged to Wakulima Tea Company Limited	**-**	-	**75,703**	94,584

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

	Group		**Company**	
	2006	2005	**2006**	2005
Receivable from related parties				
Wakulima Tea Company Limited	**-**	-	**249,636**	234,266
Kibena Tea Limited	**-**	-	**350,741**	355,020
~~Selous Rhino Trust Limited~~	~~**-**~~	~~-~~	~~**-**~~	~~-~~
Tanganyika Finance Company Limited		210	**-**	210
Kidahi Rhino Project	**1,283**	1,277	**1,283**	1,277
Rungwe Smallholder Tea Growers Association	**8,059**	-	**8,059**	-
	9,342	1,487	**609,719**	590,773
Payable to related parties				
Wakulima Tea Company Limited	**-**	-	**453,981**	22,705
Kibena Tea Limited	**-**	-	**96,293**	30,708
Tanganyika Wattle Company Limited	**-**	80,175	**-**	-
Tanganyika Finance Company Limited	**5,773**	-	**-**	-
Nomad Tanzania Limited	**-**	1,570	**-**	1,570
Rungwe Smallholders Tea Development Trust Fund	**1,201**	591	**-**	-
	6,974	82,336	**550,274**	54,983

33 RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)

(v) Directors and key management's remuneration

Remuneration policy for directors and executives

The directors and executives of the Company and its subsidiaries are not paid any directors fees. However, they are entitled to a sitting allowance of US $ 400 each for every sitting. Executive directors and non – executive directors who devote extra time in the day to day running of the Company and its subsidiaries are paid salaries. Executive directors, together with other employees of the Group participate in a performance based bonus. Performance targets are set such that the director and/or the employee can increase his or her earnings when the profitability of the business is increased. Targets for directors are set and approved by the board, whereas the bonus of other key management staff are set and agreed by the chief executive officer of the respective company.

(vi) Transactions related to business reorganisation

These are detailed in paragraph 34.

33 RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)

a) Directors and executive remuneration

During the year, the directors and executive directors of the Group received the following amounts as compensation for their services as directors and executives of the companies in the group.

	Short term employee benefits								
2006	**Salary**	**Bonus**	**Children school fees**	**Chairman's Fees**	**Sitting allowances**	**Post employment benefits**	**Other long-term benefits**	**Share based payments**	**Total**
	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~
Non executive directors									
Hon J J Mungai	-	-	-	55,580	-	-	-	-	55,580
G P Theobald	-	-	-	-	651	-	-	-	651
D Henderson	-	-	-	-	-	-	-	-	-
V Rweyemamu	-	-	-	-	501	-	-	-	501
R W Cox	-	-	-	-	-	-	-	-	-
K D Bandawe	-	-	-	-	972	-	-	-	972
F Mbala	-	-	-	-	972	-	-	-	972
K Alexander	-	-	-	-	-	-	-	-	
Executive officers									
G C Theobald	102,161	63,082	87,805	-	-	-	-	-	253,048
P D Rowland	117,627	164,013	11,958	-	-	-	-	-	293,598

TANZANIA TEA PACKERS LIMITED

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33 RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)

(a) Directors and executive remuneration (continued)

	Short term employee benefits								
2005	**Salary**	**Bonus**	**Children school fees**	**Chairman's fees**	**Sitting allowances**	**Post employment benefits**	**Other long-term benefits**	**Share based payments**	**Total**
	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~	~~Tshs'000~~
Non executive directors									
Hon J J Mungai	-	-	-	50,095	-	-	-	-	50,095
G P Theobald	-	-	-	-	-	-	-	-	-
D Henderson	-	-	-	-	-	-	-	-	-
V Rweyemamu	-	-	-	-	2,291	-	-	-	2,291
R W Cox									
K D Bandawe	-	-	-	-	4,582	-	-	-	4,582
F Mbala	-	-	-	-	1,370	-	-	-	1,370
K Alexander	-	-	-	-	-	-	-	-	-
Executive officers									
G C Theobald	113,136	72,506	61,537	-	-	-	-	-	247,179
P D Rowland	84,852	38,728	27,343	-	-	-	-	-	150,923

(vi) The option granted to a director

During the year, the Managing Director of the C~~c~~ompany exercised his option to buy the C~~c~~ompany's aircraft, which was acquired in 1998 at a cost of Shs 49.7 million, at the written down value after five years. At the time of exercising this option the plane had a book value of 0.76 million (2005: 2.6m)

34 BUSINESS REORGANISATION

A new company, Chai Bora Limited, 100% owned by Tatepa was incorporated on 26 May 2006. The new company is to take over the blending and packaging business of Tatepa after acquiring the assets and liabilities (listed below) of Tatepa on 31 December 2006, the new company starts operation on 1 January 2007. Tanzania Tea Packers Ltd remains to be the holding company of all the companies in the group, that is Kibena Tea Limited (100%), Wakulima Tea Limited (75%) and Chai Bora Limited (100%).

PROCEEDS FROM SALE OF BUSINESS UNIT BY TATEPA TO CHAI BORA LTD

	2006	2005
Assets		
Plant, property and equipment	**490,188**	-
Intangible assets – Trade mark	**750**	-
Inventories	**1,653,604**	-
Trade and other receivables	**1,273,368**	-
Total assets disposed	**3,417,908**	-
Liabilities		
Trade and other payables	**1,053,873**	-
Borrowings – Proparco Loan (Note 245 (i))	**1,251,123**	-
Employees gratuity	**2,933**	-
Total liabilities transferred	**2,307,929**	-
Net book value of assets and liabilities disposed of	**1,109,977**	-
Net proceeds from disposal of business unit	**1,109,977**	
Profit on sale of business unit	**-**	

Chai Bora Limited issued 100,001 shares of Tshs 1000 each to T~~ATEPA~~atepa and 1 share was issued to Mr. G C Theobald who is a nominee shareholder of T~~ATEPA~~atepa as part of the settlement for the net assets acquired. The balance was settled by a short term loan to Chai Bora Limited.

35 ULTIMATE HOLDING COMPANY

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