TANZANIA TEA PACKERS LIMITED

REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

TANZANIA TEA PACKERS LIMITED

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TANZANIA TEA PACKERS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors submit their report together with the audited financial statements for the year ended 31 December 2007, 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 2007, unless otherwise stated are:

Name	Nationality	Position
Hon. J J Mungai (MP)	Tanzanian	(Chairman)
Mr. G C Theobald	Tanzanian	(Managing Director)
Mr. P D Rowland	British	
Mr. F Mbala	Tanzanian	
Mr. K Alexander	British	

In accordance with the Company's Articles of Association, the directors are elected by the General Meeting, to hold office for a period of two years, after which they will retire but shall be eligible for re-election. All above directors will be completing two years and the next General Meeting will consider re-electing them.

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)	1,419,492 shares
Mr. G. C. Theobald	1,138,475 shares

The disclosures of directors' emoluments are set out in note 32 to the financial statements.

2 COMPANY SHAREHOLDING:

As at 31 December 2007 the Company had 1,669 shareholders. The six major shareholders are listed below:

	Name	Nationality	% of Holding
1	Freshfields Investments Limited	Tanzanian	54.43
2	Parastatal Pension Fund	Tanzanian	11.25
3	Hon. J. J. Mungai (MP)	Tanzanian	7.95
4	Mr. G. C. Theobald	Tanzanian	6.38
5	National Social Security Fund	Tanzanian	5.01
6	Thompson Lloyd & Ewart Limited	British	2.55
	Total		87.57

3 ACTIVITIES

The Group had three subsidiary companies, Wakulima Tea Company Limited, 75% (2006: 75%), Kibena Tea Limited, 100% (2006: 100%) and Chai Bora Limited, 100% (2006:100%) at the beginning of the year under review. Kibena Tea Limited was sold on 31 July 2007 for sale proceeds of TShs 2.3 billion and a reduction of Group debt and overdraft of TShs 6 billion. The results of Kibena have been included in the consolidated income statement of the Group up to the date of sale.

Wakulima Tea Company Limited undertakes growing, processing and sale of tea in the local as well as the export markets. Exports are made through Mombasa Auction as well as against private contracts. Chai Bora Limited undertakes blending, packaging and marketing of blended tea in the local market with some small export sales.

In 2007, the Company's principal activities were investments and the financing of the above subsidiaries.

	2007 Actual TShs'000	2007 Budgeted TShs'000	2006 Actual TShs'000
Company			
Sales	**-**	-	8,045,047
Gross profit	**-**	-	1,993,687
Operating profit	**1,798,491**	111,347	1,190,917
Group			
Sales	**22,061,463**	20,044,043	19,415,363
Gross profit	**8,651,354**	7,147,714	9,266,336
Operating profit	**1,054,636**	2,619,629	4,444,804

		2007 Tons	
Company (Activity)			
Production - Packed tea	**-**	-	2,270
Sales – Packed tea	**-**	-	2,254
Group (Activity)			
Production - Made tea	**6,909**	6,022	6,776
Production - Packed tea	**2,713**	2,391	2,270
Sales – Made tea	**7,025**	5,854	6,531
Sales – Packed tea	**2,784**	2,391	2,254

Note: Made tea production and sale figures for the group include Kibena Tea Limited for the period up to July 2007 only.

OVERVIEW OF 2007

The Group has exceeded its budgeted figures on all counts except on operating profits due to balance sheet adjustments related to the sale of Kibena Tea Limited (see Note 33 asset carrying value adjustments).

The improvement seen in the Tanzanian Economy coupled with an increase in tea prices by Chai Bora Limited (CBL) has significantly improved the performance of CBL. Furthermore, significant increase in production and sale of tea by Wakulima Tea Company Limited (WTC) has returned better profits for WTC as against budget even though tea prices were lower than budgeted due to low prices in the world tea market.

OVERVIEW OF 2007 (CONTINUED)

The cash position for the Group has improved significantly when compared to budget due to better gross profits and the sale of Kibena Tea Limited which reduced Group bank debt and overdraft by TShs 6 billion.

4 RESULTS AND DIVIDEND

The Company paid during the year:

a) a cash dividend of TShs 45 per share for the year 2006.
b) an interim dividend of TShs 100 per share for the year 2007.

The Directors recommend that the interim dividend paid by the Company be treated as a final dividend for the year 2007.

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

…………………………………..... ……………………
DIRECTOR - G C THEOBALD **DATE**

TANZANIA TEA PACKERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Tanzania Companies Act 2002 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of their results. 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 judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Tanzania 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 results. 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: …………………………	**Date: …………………………**

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF TANZANIA TEA PACKERS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Tanzania Tea Packers Limited (the Company) and its subsidiaries (together, the Group), which comprise the balance sheets as at 31 December 2007, and the profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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 2007 and of their results 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 INDEPENDENT AUDITOR (CONTINUED)
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 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

Signed by Leonard C Mususa

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Date

PROFIT AND LOSS ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2007
(All amounts in TShs thousands unless otherwise stated)

		Group		Company	
	Notes	**2007**	2006	**2007**	2006
Sales	5	**22,061,463**	19,415,363	**-**	8,045,047
(Loss)/gain arising from changes in fair value less estimated point of sale costs of biological assets	16	**(1,307)**	551,212	**-**	-
		22,060,156	19,966,575	**-**	8,045,047
Cost of sales	7	**(13,408,802)**	(10,700,239)	**-**	(6,051,360)
Gross profit		**8,651,354**	9,266,336	**-**	1,993,687
Other operating income	6	**93,842**	46,402	**1,448,048**	512,595
Selling and marketing costs	8	**(2,143,563)**	(2,238,272)	**-**	(1,182,631)
Administrative expenses	9	**(3,343,140)**	(2,629,662)	**(613,649)**	(132,734)
(Loss)/profit on disposal of subsidiary	33	**(2,203,857)**	-	**964,092**	-
Operating profit		**1,054,636**	4,444,804	**1,798,491**	1,190,917
Finance income		**200,122**	14,043	**-**	-
Finance costs		**(681,008)**	(1,684,423)	**-**	(538,372)
Finance costs - net	11	**(480,886)**	(1,670,380)	**-**	(538,372)
Profit before income tax		**573,750**	2,774,424	**1,798,491**	652,545
Income tax (expense)/credit	12	**(1,116,036)**	65,699	**(38,885)**	(79,520)
(Loss)/profit for the year		**(542,286)**	2,840,123	**1,759,606**	573,025
Attributable to:					
Minority interests		**169,337**	453,902		
Equity holders of the Company		**(711,623)**	2,386,221		
Earnings per share attributable to the equity holders of the Company during the year (expressed in TShs per share)					
Basic	13	**(39.85)**	145.23		
Diluted	13	**(39.85)**	145.23		

The notes on pages 12 to 49 form an integral part of these financial statements.

TANZANIA TEA PACKERS LIMITED
FINANCIAL STATEMENTS

BALANCE SHEETS
AS AT 31 DECEMBER 2007
(All amounts in TShs thousands unless otherwise stated)

		Group		Company	
ASSETS	**Notes**	**2007**	2006	**2007**	2006
Non-current assets					
Plant, property and equipment	15	**4,639,175**	6,626,557	**-**	-
Biological assets	16	**1,051,997**	6,822,911	**-**	-
Intangible assets - trade marks		**750**	750	**-**	-
Deferred tax asset	26	**-**	913,125	**-**	26,149
Investment in subsidiaries	17	**-**	-	**1,926,009**	3,256,917
Long term receivable	18	**-**	-	**-**	578,252
		5,691,922	14,363,343	**1,926,009**	3,861,318
Current assets					
Inventories	19	**3,606,649**	4,078,814	**-**	-
Biological assets (seedlings)		**-**	86,847	**-**	-
Trade and other receivables	20	**3,000,972**	2,494,633	**10,159**	683,801
Loan receivable	21	**-**	-	**2,207,187**	1,009,976
Income tax recoverable		**93,568**	132,528	**93,568**	106,307
Bank and cash balances	22	**628,358**	433,335	**56,303**	114,194
		7,329,547	7,226,157	**2,367,217**	1,914,278
Total assets		**13,021,469**	21,589,500	**4,293,226**	5,775,596
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	30	**446,429**	410,762	**446,429**	410,762
Share premium	30	**3,748,429**	3,192,021	**3,748,429**	3,192,021
Retained earnings		**1,969,028**	5,205,739	**52,006**	817,488
		6,163,886	8,808,522	**4,246,864**	4,420,271
Minority interests		**1,104,237**	1,034,900	**-**	-
Total equity		**7,268,123**	9,843,422	**4,246,864**	4,420,271
LIABILITIES					
Non-current liabilities					
Borrowings	24	**1,687,423**	6,797,865	**-**	578,252
Deferred tax liability	26	**318,857**	-	**-**	
Employees' gratuity	27	**100,700**	92,812	**-**	-
		2,106,980	6,890,677	**-**	578,252
Current liabilities					
Trade and other payables	23	**1,716,370**	2,315,694	**34,546**	38,677
Income tax payable		**226,210**	118,108	**-**	-
Borrowings	24	**1,703,786**	2,421,599	**11,816**	738,396
		3,646,366	4,855,401	**46,362**	777,073
Total liabilities		**5,753,346**	11,746,078	**46,362**	1,355,325
Total equity and liabilities		**13,021,469**	21,589,500	**4,293,226**	5,775,596

The Board of Directors approved the financial statements on pages 7 to 49 on ……………………....... and they were signed on their behalf by:-

Chairman - J J Mungai MP

Director - G C Theobald

The notes on pages 12 to 49 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
(All amounts in TShs thousands unless otherwise stated)

GROUP	Share capital	Share premium	Retained earnings	Minority interest	Total
Year ended 31 December 2006					
At start of year					
- As previously reported	410,762	3,192,021	2,704,398	710,265	7,017,446
- Prior year adjustment	-	-	115,120	8,483	123,603
Restated	410,762	3,192,021	2,819,518	718,748	7,141,049
Dividend paid	-	-	-	(137,750)	(137,750)
Profit for the year	-	-	2,386,221	453,902	2,840,123
As at 31 December 2006	**410,762**	**3,192,021**	**5,205,739**	**1,034,900**	**9,843,422**
Year ended 31 December 2007					
At start of year					
- As previously reported	410,762	3,192,021	4,667,870	930,574	9,201,227
- Prior year adjustment	-	-	537,869	104,326	642,195
Restated	410,762	3,192,021	5,205,739	1,034,900	9,843,422
Shares issued	35,667	556,408	-	-	592,075
Dividend paid	-	-	(2,525,088)	(100,000)	(2,625,088)
Loss for the year	-	-	(711,623)	169,337	(542,286)
As at 31 December 2007	**446,429**	**3,748,429**	**1,969,028**	**1,104,237**	**7,268,123**

The prior year adjustment relates to a change in basis of the valuation of biological assets produce (made tea) from the lower of cost and net realisable value to fair value less point of sale costs at the point of harvest.

The notes on pages 12 to 49 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007
(All amounts in TShs thousands unless otherwise stated)

COMPANY	**Share capital**	**Share premium**	**Retained earnings**	**Total**
Year ended 31 December 2006				
At start of year	410,762	3,192,021	244,463	3,847,246
Profit for the year	-	-	573,025	573,025
As at 31 December 2006	**410,762**	**3,192,021**	**817,488**	**4,420,271**
Year ended 31 December 2007				
At start of year	410,762	3,192,021	817,488	4,420,271
Shares issued	35,667	556,408	-	592,075
Dividend paid	-	-	(2,525,088)	(2,525,088)
Profit for the year	-	-	1,759,606	1,759,606
As at 31 December 2007	**446,429**	**3,748,429**	**52,006**	**4,246,864**

The notes on pages 12 to 49 form an integral part of these financial statements.

TANZANIA TEA PACKERS LIMITED
FINANCIAL STATEMENTS

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007
(All amounts in TShs thousands unless otherwise stated)

	Notes	Group 2007	Group 2006	Company 2007	Company 2006
Cash flows from operating activities					
Cash generated from operations	31	**2,731,108**	3,478,102	**75,402**	736,588
Interest expense paid		**(681,008)**	(848,347)	**-**	(339,319)
Income tax paid		**(845,194)**	(93,849)	**-**	(43,693)
Net cash generated from operating activities		**1,204,906**	2,535,906	**75,402**	353,576
Cash flows from investing activities					
Purchase of property, plant and equipment	15	**(1,149,880)**	(293,663)	**-**	(71,389)
Cost incurred on biological assets	16	**(134,853)**	(146,824)	**-**	-
Proceeds from sale of property, plant, and equipment		**172,699**	17,089	**-**	17,665
Interest received		**19,490**	14,043	**-**	-
Proceeds from sale of subsidiary	33	**2,295,000**	-	**2,295,000**	-
Net cash generated from/(used in) investing activities		**1,202,456**	(409,355)	**2,295,000**	(53,724)
Cash flows from financing activities					
Proceeds from borrowings		**355,226**	5,548,462	**-**	-
Repayment s of borrowings		**(360,420)**	(6,484,231)	**-**	(585,941)
Dividend paid		(2,033,013)	(137,750)	(1,933,013)	-
Net cash used in financing activities		**(2,038,207)**	(1,073,519)	**(1,933,013)**	(585,941)
Net increase/(decrease) in cash and cash equivalents		**369,155**	1,053,032	**437,389**	(286,089)
Cash and cash equivalents at start of year		**(1,230,308)**	(2,283,340)	**(392,902)**	(106,813)
Cash and cash equivalents at end of year (Note 22)		**(861,153)**	(1,230,308)	**44,487**	(392,902)

The notes on pages 12 to 49 form an integral part of these financial statements.

NOTES

1 GENERAL INFORMATION

Tanzania Tea Packers Limited is incorporated in Tanzania under the Companies Act 2002 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 5. 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:-

<u>Subsidiaries</u>

Chai Bora Limited
Mafinga Township, Mufindi District,
Blending and packaging factory,
P O Box 228 Mafinga - Iringa

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements are prepared in compliance with the requirements of IFRS and on the historical costs basis, except for biological assets and financial instruments that have been measured at fair value. 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments and interpretations effective in 2007

The following amendments to an existing standard and new standard became effective in the year 2007 and have been adopted in the preparation of these financial statements.

- IAS 1 Amendment, Capital Disclosures. The amendment to IAS 1 introduces disclosures about the level of the Company's capital and how it manages capital

- IFRS 7, Financial Instruments: Disclosures. IFRS 7 introduces new disclosures to improve the information about financial instruments, and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation, and trade and other payables. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

Both standards are applied retrospectively; IFRS 7 supersedes the disclosure requirements of IAS 32.

- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the group has not early adopted them.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009 but it is currently not applicable to the Group as there are no qualifying assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.

(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 passes to the Group and are de-consolidated from the date that control ceases. The Group uses the purchase method of accounting to account for the acquisition of subsidiaries.

The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation

Subsidiaries

Inter-company 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.

(c) Revenue recognition

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

(i) *Sales of goods*

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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	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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. The changes in fair value are taken to the profit and loss account in the period they are incurred. The 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.

(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 processed tea comprises the fair value of tea harvested from the Company's plantations less point of sale costs at the point of harvest or cost of purchasing leaf from out growers, direct labour, other direct costs and related production overheads. The cost of packed tea comprises raw tea, packing materials, direct labour, other direct costs and related production overheads based on the normal operating capacity. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets

(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 under current liabilities.

(m) Borrowings

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income tax

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

The liability recognised in the balance sheet in respect of the defined benefits plan is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service costs. 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 in the period in which they occur.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(r) 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.

(s) Trade receivables

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

3 FINANCIAL RISK MANAGEMENT

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

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to buyers of tea, including outstanding receivables and committed transactions. For banks and financial institutions only reputable banks and financial institutions are used by the Group Companies for banking services. Customers are assessed for credit quality by taking into account their financial position, past experience and other factors before being approved to buy goods or services on credit. Individual credit limits are set based on internal ratings in accordance with authority limits set by the Management. The utilization of credit limits is regularly monitored.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below shows the credit limits and balances of the brokers and dealers.

	31 December 2007		31 December 2006	
Dealers	**Credit limit**	**Utilized**	Credit limit	Utilized
	TShs'000	**TShs'000**	TShs'000	TShs'000
Arusha Sundries Limited	**1,500,000**	**1,281,681**	830,000	577,365
Morogoro Sundries Ltd	**100,000**	**221,881**	100,000	53,748
Imran Traders Limited	**75,000**	**75,459**	75,000	82,227
Martha Enterprises	**20,000**	**3,919**	20,000	-
Distribution Africa Limited	**-**	**-**	200,000	330,409
Brokers				
Thompson Lloyd & Ewart (UK)	**None**	**223,881**	None	238,583
Café Direct (UK)	**None**	**12,009**	None	44,030
Africa Tea Brokers (Kenya)	**None**	**48,224**	None	12,666
Combrok (Kenya)	**None**	**-**	None	-

The above dealers/brokers have an excellent credit history. Due to the nature of the Company's operations, credit limits were sometimes exceeded on a temporary basis with appropriate approvals. Management does not expect losses from non-performance by these dealers/brokers.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines and through inter-company short term advances. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows:

Forecast liquidity reserve as at 31 December 2007 is as follows:

	2008	2009-2010
	TShs'000	TShs'000
Opening balance for the period	(861,153)	(331,274)
Cash inflows from operating activities	2,633,569	6,508,832
Cash outflows used in investing activities	(2,155,853)	(1,180,735)
Proceeds from financing activities	1,179,000	-
Repayment of borrowings	(233,979)	(1,108,463)
Payment of dividends to shareholders	(892,858)	(3,571,433)
Closing balance for the period	**(331,274)**	**316,927**

The overdraft facilities approved by the CRDB Bank Limited as at the end of the year are detailed in Note 25.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undisclosed cash flows. The balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year TShs'000	Between 1 and 2 years TShs'000	Between 2 and 5 years TShs'000	Over 5 years TShs'000
At 31 December 2007				
Borrowings	1,703,787	514,262	701,130	472,030
Employees' retirement gratuity	-	-	-	100,700
Deferred tax liability	-	318,857	-	-
Income tax payable	226,210			
Trade and other payables	1,716,366	-	-	-
At 31 December 2006				
Borrowings	2,421,599	1,363,773	3,208,170	2,225,922
Employees' retirement gratuity	-	-	-	92,817
Deferred tax liability	-	-	-	-
Income tax payable	118,108	-	-	-
Trade and other payables	2,315,694	-	-	-

Interest rates risk

The Group's interest rate risk arises from long and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowing issued at fixed rates expose the Group to fair value interest rate risk. Where necessary the Group refinances its borrowings in order to ensure its borrowing terms remain competitive.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

Based on the simulation performed, the impact on profit or loss of a 200 basis-point shift, with all other variables held constant, would be a maximum decrease in profit after income tax of TShs 124m. The simulation is done on a half yearly basis to verify that the potential maximum loss is within the limit given by the management.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exchange rate risk management

The Group Companies frequently enter into transactions denominated in foreign currencies (primarily United States Dollars (“US$”)). In addition, the Group Companies have assets and liabilities denominated in United States Dollars (“US$”). As a result, the Group Companies are subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Exposure to foreign currency risk is mitigated by the fact that almost 40% of its earnings are in hard currencies (US dollars and sometimes Euros).

At 31 December 2007, if the Tanzania shilling (TShs) had strengthened / weakened by 10% against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been TShs 131m (2006: 533m) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade receivables, trade payables and borrowings. Profit and equity are less sensitive to movement of TShs / US$ in 2007 than 2006 because of the significant decrease in US dollar-denominated borrowings.

The movement of the Tanzania shilling against other currencies is insignificant because the number of transactions in other foreign currencies entered into by the Group Companies is insignificant.

Commodity price fluctuation risk

The Group anticipates that the world raw tea prices will continue to fluctuate . The Group’s main focus is on the quality of its made tea, to improve its price competitiveness, and on increasing the proportion of tea sold via contract marketing arrangements in which prices are relatively stable.

Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as a net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

During the year 2007, the Group's strategy, which was unchanged from 2006, was to maintain the gearing ratio within 25% to 50%. The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007	2006
	TShs	TShs
Total borrowings (Note 24)	**3,391,210**	9,219,464
Less cash and cash equivalents (Note 22)	**(628,358)**	(433,335)
Net debt	**2,762,852**	8,786,129
Total equity	**7,268,122**	9,201,227
Total capital	**10,030,974**	17,987,356
Gearing ratio	**27.54%**	48.85%

The significant decrease in gearing during the year 2007 resulted primarily from the sale of Kibena Tea Limited, which was highly geared and better borrowing terms negotiated with CRDB Bank Limited.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

Biological assets

Critical assumptions are made by the directors in determining the fair values of biological assets. The key assumptions are set out in Note 16.

Post-employment benefit obligations

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations. The key assumptions are set out in Note 27.

Property, plant and equipment

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

FOR THE YEAR ENDED 31 DECEMBER 2007
(All amounts in TShs thousands unless otherwise stated)
NOTES (CONTINUED)

5 BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

The Group is currently organised into two operating divisions – growing & processing of tea and blending & packaging of tea. Segment information about the Group's operations is presented below.

(a) Primary Reporting format – Business Segment

2007

	Growing & processing tea	Blending & packaging tea	Other	Eliminations	Total for Group
REVENUE					
- Export sales	9,756,971	-	-	-	9,756,971
- Local sales	32,648	12,271,844	-	-	12,304,492
- Inter-segmental sales	2,260,827	-	-	(2,260,827)	-
	12,050,446	**12,271,844**	**-**	**(2,260,827)**	**12,061,463**
Operating profit from operations	1,356,820	2,438,166	834,399	(1,370,892)	3,258,493
Profit/(loss) from disposal of investment		-	964,092	(3,167,949)	(2,203,857)
Finance costs	(354,684)	(263,570)	-	137,368	(480,886)
Profit before tax	1,002,136	2,174,596	1,798,491	(4,,401,473)	573,750
Income tax (charge)/ credit	(396,211)	(680,940)	(38,885)	-	(1,116,036)
Profit for the year	**605,925**	**1,493,656**	**1,759,606**	**(4,401,473)**	**(542,286)**
Other segment items included in the profit and loss account					
Depreciation	550,538	106,762	-	-	657,300
Fair value adjustment on biological assets	1,306	-	-	-	1,306
Segment assets and liabilities and capital expenditure					
Assets					
Non-current assets	5,159,710	2,458,218	-	(1,926,009)	5,691,919
Current Assets	3,088,426	7,100,976	-	(2,859,672)	7,329,550
Total assets	**8,248,136**	**9,559,014**	**-**	**(4,785,681)**	**13,021,469**
Liabilities					
Current liabilities	2,917,597	3,471,677	-	(2,798,167)	3,591,107
Non current liabilities	915,420	1,246,817	-	-	2,162,237
Total liabilities	**3,833,017**	**4,718,494**	**-**	**(2,798,167)**	**5,753,344**
Capital additions	**973,456**	**186,174**	**-**	**-**	**1,159,630**

* All the Group assets are located in Tanzania.

5 BUSINESS AND GEOGRAPHICAL SEGMENTS INFORMATION (CONTINUED)

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

2006

	Growing & processing tea	Blending & packaging tea	Other	Eliminations	Total for Group
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	3,854,355	1,190,916	-	(600,467)	4,444,804
Finance costs	(1,284,567)	(538,372)	-	152,557	(1,670,380)
Profit before tax	2,569,789	652,545		(447,910)	2,774,424
Income tax credit/(charge)	145,219	(79,520)	-	-	65,699
Profit for the year	**2,715,008**	**573,025**	**-**	**(447,910)**	**2,840,123**
Other segment items included in the profit and loss account					
Depreciation & amortization	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					
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
Total liabilities	**13,493,163**	**3,663,256**	**-**	**(5,410,341)**	**11,746,078**
Capital additions	**340,103**	**71,389**		**(8,584)**	**402,908**

* All Group assets are located in Tanzania.

5 BUSINESS AND GEOGRAPHICAL SEGMENTS INFORMATION (CONTINUED)

(b) Secondary Reporting Format – Geographical Segment

Sales	Local sales	Mombasa auction	Private sales (United Kingdom)	Total for Group
2007	**12,271,844**	**3,573,109**	**6,183,863**	**22,061,463**
2006	8,056,578	3,959,375	7,399,375	19,415,363

6 OTHER OPERATING INCOME

	Group		Company	
	2007	2006	**2007**	2006
Management service income	**-**	9,571	**-**	1,250
Income from sale of scraps and wastages	**19,228**	7,198	**-**	262
Recovery of previously written off debtors	**-**	7,693	**-**	7,693
Interest income		-	**148,048**	85,150
Rental income	**-**	1,200	**-**	-
Dividend income	**-**	-	**1,300,000**	413,250
Gain / (loss) on disposal of fixed assets	**71,229**	8,728	**-**	4,990
Other income	**3,385**	12,012		-
	93,482	46,402	**1,448,048**	512,595

		Group		Company	
		2007	2006	**2007**	2006
7	**COST OF SALES**				
	Processing costs	**3,039,696**	2,536,999	**-**	1,070,009
	Blending costs	**1,551,585**	1,312,335	**-**	2,978,020
	Packing materials costs	**2,828,277**	2,161,990	**-**	1,951,615
	Greenleaf purchased from out growers	**2,327,344**	2,032,921	**-**	-
	Field costs	**2,680,827**	2,840,057	**-**	-
	Changes in stock of finished goods and work in progress	**413,408**	(802,931)	**-**	(48,727)
	Depreciation charges (Note 15)	**567,665**	618,869	**-**	96,443
		13,408,802	10,700,240	**-**	6,051,360
8	**SELLING AND MARKETING COSTS**				
	Transport, distribution & handling charges	**937,001**	894,721	**-**	282,008
	Salesmen remuneration	**374,794**	373,258	**-**	278,185
	Advertising and promotion activities	**240,060**	268,916	**-**	119,664
	Travelling expenses	**157,594**	160,162	**-**	160,162
	Cess and other government levies	**49,207**	215,269	**-**	16,667
	Bad debts	**14,112**	-	**-**	-
	Other selling costs	**370,795**	325,946	**-**	325,945
		2,143,563	2,238,272	**-**	1,182,631
9	**ADMINISTRATIVE EXPENSES**				
	Staff related costs	**1,591,797**	1,410,717	**-**	106,182
	Travelling costs	**316,906**	313,768	**-**	35,655
	Consultancy and professional fees	**700,087**	159,177	**483,678**	-
	Office expenses	**243,763**	424,743	**-**	48,467
	Auditors' remuneration	**70,927**	59,659	**11,455**	-
	Research expenses on new crops	**26,380**	47,210	**-**	-
	Depreciation (Note 15)	**89,635**	163,600	**-**	18,949
	Exchange loss/ (gain) on working capital items	**165,553**	(11,213)	**94,855**	(88,066)
	Other administration costs	**138,092**	62,001	**23,661**	11,547
		3,343,140	2,629,662	**613,649**	132,734

	Group		Company	
	2007	2006	**2007**	2006
10 STAFF RELATED COSTS				
Salaries, wages and bonuses	**2,657,637**	2,617,962	**-**	608,105
Terminal benefits	**329,903**	169,110	**-**	169,110
Medical expenses	**53,457**	78,198	**-**	25,226
Canteen costs, uniforms and other amenities	**311,229**	390,299	**-**	72,602
Defined contribution schemes (NSSF)	**168,338**	162,054	**-**	69,315
Defined benefit scheme	**91,474**	26,013	**-**	-
Leave travel assistance	**49,828**	44,319	**-**	11,693
	3,661,866	3,487,955	**-**	956,051

	Group		Company	
11 FINANCE COSTS-NET				
Interest income	**(19,490)**	(14,043)	**-**	-
Interest expense	**681,008**	848,347	**-**	339,319
Net foreign exchange transaction (gains)/losses	**(180,632)**	836,076	**-**	199,053
	480,886	1,670,380	**-**	538,372

	Group		Company	
12 INCOME TAX EXPENSE/(CREDIT)				
Current income tax charge	**976,103**	216,688	**12,736**	48,422
Deferred income tax charge/(credit) (Note 26)	**139,933**	(282,387)	**26,149**	31,098
Income tax charge/(credit)	**1,116,036**	(65,699)	**38,885**	79,520

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		Company	
	2007	2006	**2007**	2006
Profit before income tax	**573,750**	2,255,831	**1,798,491**	652,544
Tax calculated at a rate of 30%	**172,125**	676,749	**539,547**	195,763
Income not subject to tax	**(29,203)**	-	**(679,228)**	(123,975)
Expenses not deductible for tax	**166,407**	56,254	**181,725**	6,300
Loss on disposal of subsidiary (not deductible)	**661,157**	-		
Utilization of previously unrecognized tax losses	**(61,387)**	(798,702)	**(5,073)**	1,432
Penalties	**25,757**	-	**1,914**	-
Income tax charge/(credit)	**1,116,036**	(65,699)	**38,885**	79,520

13 EARNINGS PER SHARE

	Group	
	2007	2006
Net (loss)/profit attributable to shareholders (TShs'000)	**(711,623)**	2,386,221
Weighted average number of share in issue (Note 30)	**17,857,165**	16,430,480
Basic and diluted (loss)/earnings per share (TShs)	**(39.85)**	145,23

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

14 DIVIDEND PER SHARE

A final dividend in respect of the year 2006 of TShs 45 per share, with an option to take Scrip, was paid in June 2007. A further interim cash dividend of TShs 100/- was paid in November 2007, in respect of the year of income of 2007.

15 PROPERTY, PLANT & EQUIPMENT - GROUP

	Leasehold land & buildings	Motor vehicles	Machinery, equipment, furniture & fittings	Capital work in progress	Total
1 January 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**	**68,320**	**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**
Year ended 31 December 2007					
Opening net book amount	**3,935,401**	**68,320**	**2,615,132**	**7,704**	**6,626,557**
Additions	39,000	46,952	226,923	837,005	1,149,880
Transfers	-	-	23,914	(23,914)	-
Disposals	(1,539,970)	(93,530)	(846,462)	-	(2,479,962)
Depreciation charge	(106,998)	(16,113)	(534,189)	-	(657,300)
Net book amount	**2,327,433**	**5,629**	**1,485,318**	**820,795**	**4,639,175**
At 31 December 2007					
Cost	2,765,231	155,465	3,556,494	820,795	7,297,985
Accumulated depreciation	(437,798)	(149,836)	(2,071,176)	-	(2,658,810)
Net book amount	**2,327,433**	**5,629**	**1,485,318**	**820,795**	**4,639,175**

Depreciation expense of TShs 567,665 (2006: 618,869) has been charged to cost of goods sold, and Shs 89,635 (2006: 163,600) is classified under administrative expenses.

The Group's fixed assets have been charged to secure loans as set out in Note 26 to the financial statements.

15 PROPERTY, PLANT & EQUIPMENT (CONTINUED) - COMPANY

	Leasehold land & buildings	Motor vehicles	Machinery, equipment, furniture & fittings	Total
1 January 2006				
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	**-**	**-**	**-**	**-**
Year ended 31 December 2007				
Opening net book amount	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation charge	-	-	-	-
Net book amount	-	-	-	-
At 31 December 2007				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book amount	**-**	**-**	**-**	**-**

16 BIOLOGICAL ASSETS

	Tea Bushes		Forestry		
	Mature	Immature	Pine	Eucalyptus	Total
Group					
Fair value					
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 arising from changes in fair value less estimated point of sale costs	530,197	14,632	965	5,418	551,212
At 31 December 2006	**6,494,893**	**252,918**	**11,813**	**63,287**	**6,822,911**
Year ended 2007					
At 1 January 2007	6,494,893	252,918	11,813	63,287	6,822,911
Increases due to new planting	-	134,853	-	-	134,853
(Loss)/gain arising from changes in fair value less estimated point of sale costs	(109,818)	-	17,754	90,757	(1,307)
Disposals	(5,545,291)	(175,558)	(29,567)	(154,044)	(5,904,460)
At 31 December 2007	**839,784**	**212,213**	**-**	**-**	**1,051,997**

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. 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 average market price of made tea, will be US $ 1.34 (2006: US $1.41) per kilogram throughout the projection period, based on the average tea price for the past 4 years.
- Cost of inflation will be at 7.2% throughout the projection period (2006: 5%) per annum.

The discount rate applied to the expected net cash flows was 22 % (2006: 17.5%).

The Group has 256 hectares (2006:1,010) and 316 hectares (2006: 1,100) of mature tea bushes and forestry, respectively, located in Tukuyu district in Tanzania.

The Group's tea estates produced 2.78m (2006: 12.4 million) kilograms of green tea leaf. Nothing was harvested from its forest reserve during year ended 31 December 2007 (2006: nil).

17 INVESTMENT IN SUBSIDIARIES

	2007	2006
Equity investment		
Wakulima Tea Company Limited (a)	**1,826,007**	1,826,007
Kibena Tea Limited (b)	**-**	1,330,908
Chai Bora Limited (c)	**100,002**	100,002
	1,926,009	3,256,917

The equity investment relates to:

	Nature of business	Number and description of share held 2007	2006	% of issued shares held 2007	2006
(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%
(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	**-**	100%
(c)	Blending, packaging and marketing of packed tea	**100,002 Ordinary shares**	100,002 Ordinary shares	**100%**	100%

The investment in Kibena Tea Limited was sold off during the year (Note 34)

18 LONG TERM RECEIVABLE

	Group		Company	
	2006	2006	**2007**	2006
Wakulima Tea Company Limited	**-**	-	**-**	809,552
Less: Current portion	**-**	-	**-**	(231,300)
Net amount	**-**	-	**-**	578,252

The loan to Wakulima, which is a subsidiary of Tatepa was denominated in US dollars and carried an interest rate, calculated at six month US dollar LIBOR plus 300 basis points. During the year the loan to Wakulima was revised such that Wakulima is now directly indebted to the lender, Societe De Promotion et de Participation Pour La Co-operation Economique S.A. (Propaco). During the year, the facility from Propaco was transferred to CRDB bank Limited.

19 INVENTORIES

	Group		Company	
	2007	2006	**2007**	2006
Finished products	**1,174,038**	**2,022,891**	**-**	**-**
Unprocessed products	**668,065**	**939,055**	**-**	**-**
Stores and consumables	**1,711,805**	**997,477**	**-**	**-**
Goods in transit	**52,741**	**119,391**	**-**	**-**
	3,606,649	**4,078,814**	**-**	**-**

20 TRADE AND OTHER RECEIVABLES

	Group 2007	Group 2006	Company 2007	Company 2006
Trade receivables	**2,091,497**	1,477,152		-
Less: Provision for impairment loss	**(110,455)**	(110,455)		-
Trade receivables-net	**1,981,042**	1,366,697		-
Advances to tea growers	**74,926**	259,068		-
VAT recoverable	**123,648**	259,655		-
Other receivables	**114,152**	75,362		-
Deposits and prepaid expenses	**674,628**	520,759		100,550
Due from directors	**600**	3,750		153
Due from related parties (Note 32 (iv))	**37,976**	9,342		683,098
	3,000,972	2,494,633	**10,159**	683,801

Trade receivables that are less than thirty days are within the Group's credit period. As of 31 December 2007, trade receivables of Shs 834 million (2006: 680 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007	2006
1 – 30 days overdue	**746,223**	550,455
31 to 60 days overdue	**12,524**	128,475
Over 60 days	**75,742**	920
	834,489	679,850

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NOTES (CONTINUED)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
Tanzanian Shilling	**2,633,603**	2,196,181	**10,159**	100,704
United States dollar	**367,458**	298,452	**-**	583,097
	3,000,972	2,494,633	**10,159**	683,801

Trade receivables were fully performing, accordingly no provision for impairment has been made in respect of trade receivables this year except for Shs 14,112,000 in respect of certain customers in Chai Bora Limited whom management believes the amounts will not be recoverable. See Note 8 for bad debts written off. The other classes within trade and other receivables do not contain impaired assets.

21 LOAN RECEIVABLE

	Group		Company	
	2007	2006	**2007**	2006
Loan to Chai Bora Limited (Note 32)	**-**	-	**1,402,603**	1,009,976
Loan to Wakulima Limited (Note 32)	**-**	-	**804,584**	-
	-	-	**2,207,187**	1,009,976

22 BANK AND CASH BALANCES

Cash at bank and in hand	**628,358**	433,335	**56,303**	114,194

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

Cash and bank balances	**628,358**	433,335	**56,303**	114,194
Bank overdrafts (Note 24)	**(1,489,511)**	(1,663,643)	**(11,816)**	(507,096)
	(861,153)	(1,230,308)	**44,487**	(392,902)

23 TRADE AND OTHER PAYABLES

Trade payables	**979,379**	1,099,252	**8,880**	-
Interest payables	**-**	80,288	**-**	16,798
Other payables and accrued expenses	**582,296**	1,114,275	**25,666**	-
Due to directors	**124,160**	-	**-**	-
Due to related parties (Note 32 (iv))	**4,868**	-	**-**	-
Unclaimed dividends	**25,667**	21,879	**-**	21,879
	1,716,370	2,315,694	**34,546**	38,677

24 BORROWINGS

	Group		Company	
	2007	2006	**2007**	2006
Bank and other borrowings (a)	**3,391,210**	9,219,464	**11,816**	1,316,648
Less: Current portion (b)	**(1,703,787)**	(2,421,599)	**(11,816)**	(738,396)
Due after more than 12 months (d)	**1,687,423**	6,797,865	**-**	578,252

(a) This is made up as follows:

Borrowings (c)	**1,901,699**	7,555,821	**-**	809,552
Bank overdraft	**1,489,511**	1,663,643	**11,816**	507,096
	3,391,210	9,219,464	**11,816**	1,316,648

(b) Due within one year

Bank overdraft	**1,489,511**	1,663,643	**11,816**	507,096
Current portion of bank borrowings	**214,275**	757,956	**-**	231,3004
	1,703,786	2,421,599	**11,816**	738,396

(c) This is made up as follows:

PROPARCO (i)	**-**	2,060,679	**-**	809,552
Standard Chartered Bank Tanzania Limited (ii)	**-**	70,090	**-**	-
CRDB Bank Ltd (iii)	**-**	5,425,052	**-**	-
CRDB Bank Ltd (iv)	**622,650**	-	**-**	
CRDB Bank Ltd (v)	**1,279,049**	-	**-**	
	1,901,699	7,555,821	**-**	809,552

(i) PROPARCO Loan

The loan facility from Proparco was paid in full during the year and replaced by CRDB Bank loan.

(ii) Standard Chartered Bank Tanzania Limited loan

The loan from Standard Chartered Bank outstanding at the beginning of the year together with that drawn during the year was paid in full and replaced by a loan from CRDB Bank Limited.

(iii) CRDB Bank loan

In 2006, 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.

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24 BORROWINGS (CONTINUED)

(iv) CRDB Bank Loan

During the year, Wakulima Tea Company Limited obtained financing from CRDB Bank Limited to fund the rehabilitation of Mwakaleli factory and paid back the outstanding loan with Standard Chartered Bank Tanzania Limited. The facility amounts to USD 2,050,000, of which USD 550,000 was drawn by the year end. The amount drawn was used to pay the outstanding loan to Standard Chartered Tanzania Bank Limited. The loan is repayable in 84 equal monthly instalments beginning October 2008. This loan carries an interest rate of 2% above twelve months US dollar LIBOR with a minimum of 8% per annum calculated on daily debit balances and payable monthly in arrears. The Company also obtained an overdraft facility to the tune of USD 1,000,000 which is jointly secured with the long term facility. The facilities (loan and overdraft) are secured by corporate guarantee and indemnity of the holding Company (TATEPA), a debenture over the Wakulima Tea Company's floating assets and mortgage and debenture on its estates and factory buildings.

(v) CRDB Bank Loan

Chai Bora Limited secured a medium term financing facility from CRDB Bank Limited in 2007; a USD 1,150,000 term loan and a TShs 2 billion overdraft facility. USD 1,129,812 was drawn in September 2007 and the proceeds applied to repay the Standard Chartered Bank Tanzania Limited loan facility.

The loan carries variable interest of 12 month LIBOR plus a 2% margin with a minimum of 8% per annum. The interest rate shall be reviewed yearly. The interest accrues daily on the outstanding balance of the loan and is payable monthly in arrears. The principal is to be repaid in 84 equal monthly instalments after the one year grace period. The facility expires on 31 July 2015. The loan is secured by:

a) Legal mortgage over industrial buildings located in Mafinga urban area, Iringa Region,
b) Fixed and floating debentures over all the assets of Chai Bora Limited; and
c) Cross company guarantee and Indemnity from Tanzania Tea Packers Limited.

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

	Group		Company	
	2007	2006	**2007**	2006
Between 1 and 2 years	**514,262**	1,363,772	**-**	231,301
Between 2 and 5 years	**701,131**	3,208,170	**-**	386,951
Over 5 years	**472,030**	2,225,923	**-**	-
	1,687,423	6,797,865	**-**	578,252

24 BORROWING (CONTINUED)

(e) Effective interest rates at year end were:

	2007	2006
Bank overdrafts – TShs	**8%**	18.5%
Bank overdrafts – USD	**8%**	8%
Bank borrowings-USD	**8%**	8.33%

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

25 BANK OVERDRAFT

Bank		**Beneficiary Company**	**Overdraft facility made available**		**Amount drawn**	
			2007	2006	**2007**	2006
Standard Chartered Bank (T) Limited	(a)	Tatepa	**-**	Shs 1bn	**11,816**	507,096
Sub-total (Company)			**-**	Shs 1bn	**11,816**	507,096
Standard Chartered Bank (T) Limited	(b)	Wakulima	**-**	$ 1,000,000	**-**	658,380
CRDB Bank Limited	(c)	Kibena	**-**	1,000,000	**-**	498,167
CRDB Bank Limited	(d)	Wakulima	**$ 1,000,000**	-	**681,967**	-
CRDB Bank Limited	(e)	Chai Bora	**Shs 2bn**	-	**795,728**	-
Total (Group)					**1,489,511**	1,663,643

a) This facility was replaced by a facility secured by Chai Bora Limited from CRDB Bank.

b) This facility was replaced by a facility secured from CRDB Bank (d).

c) This facility was secured by Kibena and therefore ceased to form part of the group financing arrangement following the sale of Kibena during the year.

d) The facility was secured during the year along with the long term facility described under note 25 above and is jointly secured with the long term loan. The overdraft carries a floating rate of interest of the 12 month LIBOR plus a 2% margin with a minimum of 8% per annum. The interest rate shall be reviewed yearly. The interest accrues daily on the outstanding balance of the overdraft.

e) The facility was secured during the year along with the long term facility described under note 25 (iv) above and is jointly secured with the long term loan. The overdraft carries a floating rate of interest of the 12 month LIBOR plus a 2% margin with a minimum of 8% per annum. The interest rate shall be reviewed yearly. The interest accrues daily on the outstanding balance of the loan and is payable monthly in arrears.

26 DEFERRED TAX LIABILITIES / (ASSET)

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	
	2007	**2006**	**2007**	**2006**
At the beginning of year	**(913,125)**	(630,739)	**(26,149)**	(57,247)
Income statement (credit)/charge (Note 12)	**(139,933)**	(282,387)	**26,149**	31,098
Deferred tax on entity disposed of (Note 33)	**1,092,049**	-	**-**	-
At the end of year	**318,857**	(913,125)	**-**	(26,149)

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

Accelerated tax allowances	**192,585**	53,898	**-**	37,558
Estimated tax losses	**-**	(527,011)	**-**	(20,579)
Revaluations	**171,951**	(440,012)	**-**	(74,226)
Other timing differences	**45,679**	-	**-**	-
At the end of year	**318,857**	(913,125)	**-**	(57,247)

27 EMPLOYEES' GRATUITY

	Group		Company	
	2007	**2006**	**2007**	**2006**
As at 1 January	**92,812**	128,669	**-**	55,260
Interest cost	**-**	11,589	**-**	4,973
Current service cost	**91,071**	19,538	**-**	91
Payment made	**(83,183)**	(67,083)	**-**	(57,391)
Transferred to Chai Bora	**-**	-	**-**	(2,933)
As at 31 December	**100,700**	92,812	**-**	-

The Group Companies have an unfunded non-contributory employee gratuity arrangement (the "Arrangement"), which provides for lump sum payments to its employees on their retirement at the age of 55, based on length of service and salary at retirement and qualifies as a defined benefits plan. A firm of professional actuaries, Alexander Forbes Financial Services of Nairobi, Kenya, carried out the actuarial valuation of the Arrangement as at 31 December 2007, using the Projected Unit Credit Method.

The present value of the accrued (past service) liability in respect of retirement gratuity benefits at 31 December 2007 was TShs 100.7 million. The Group Companies have recognised the full liability at 31 December 2007. The principal assumptions used in the actuarial valuation are:

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NOTES (CONTINUED)

27 EMPLOYEES' GRATUITY (CONTINUED)

(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 4.9% of basic salaries per annum. The next valuation is due on 31 December 2010.

28 COMMITMENTS

Capital commitments

The Group had the following capital commitments approved and contracted as at 31 December 2007.

	Group		Company	
	2007	2006	**2007**	2006
Mwakaleli factory machinery- Wakulima	551,841	-	-	-

Operating lease commitments – where a group company is the lessee

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

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

	Group		Company	
	2007	2006	**2007**	2006
Not later than 1 year	**1,379**	2,479	-	338
Later than 1 year and not less than 5 years	**5,515**	9,915	-	1,352
Later than 5 years	**95,391**	197,132	-	5,829

29 CONTINGENT LIABILITIES

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

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NOTES (CONTINUED)

30 SHARE CAPITAL

	Group		Company	
	2007	2006	**2007**	2006
Authorised:				
20,000,000 ordinary shares of Shs 25 each	**500,000**	500,000	**500,000**	500,000
Issued and fully paid (number)	**17,857,165**	16,430,480	**17,857,165**	16,430,480

	Share Capital	Share Premium	Total
At 1 January 2006	410,762	3,194,021	3,604,783
Share issue costs	-	(2,000)	(2,000)
At 31 December 2006	**410,762**	**3,192,021**	**3,602,783**
At 1 January 2007	410,762	3,192,021	3,602,783
Share issued by scrip dividend	35,667	556,408	592,075
At 31 December 2007	**446,429**	**3,748,429**	**4,194,858**

31 CASH GENERATED FROM OPERATIONS

	Group		Company	
	2007	2006	**2007**	2006
Profit before income tax	**573,750**	2,774,424	**1,798,491**	652,545
Adjustments for:				
Depreciation (Note 15)	**657,300**	782,469	**-**	115,392
Fair value adjustment (net)	**1,307**	(551,212)	**-**	-
Employees' gratuity	**7,888**	(35,857)	**-**	(52,327)
Interest paid	**681,008**	848,347	**-**	339,319
Interest received	**(19,490)**	(14,043)	**-**	-
Unrealised exchange loss on term loans	**(140,596)**	640,753	**-**	199,052
(Gain)/loss on disposal of fixed assets	**(71,229)**	(8,728)	**-**	(4,990)
(Gain)/loss on disposal of subsidiary	**2,203,857**	-	**(964,092)**	-
Changes in working capital:				
Inventories	**472,165**	(1,239,629)	**-**	(578,123)
Biological assets (seedlings)	**86,847**	61,275	**-**	-
Receivables	**(506,339)**	(918,345)	**(754,868)**	(449,482)
Net current assets transferred on sale of Kibena Tea Limited	**(616,036)**	-	**-**	-
Payables	**(599,324)**	1,138,648	**(4,129)**	515,202
Cash generated from operations	**2,731,108**	3,478,102	**75,402**	736,588

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NOTES (CONTINUED)

32 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is controlled by Freshfields Investments Limited, which owns 54.43% (2006: 53.37%) of the Company's shares. The remaining 45.57% of shares are widely held. The Company owns two subsidiary companies, Wakulima Tea Company Limited (75 % shares as at the end of the year), and 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. 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 good/services

	Group		Company	
	2007	2006	**2007**	2006
Wakulima Tea Company Limited – Management	**-**	-	-	-
Tanganyika Finance Company Limited – Fixed assets	**31,411**	-	-	-
Nomad Tanzania Limited - Management	**-**	7,189	-	-

(ii) Purchase of goods and services

Purchase of goods

	Group 2007	Group 2006	Company 2007	Company 2006
Wakulima Tea Company Limited-Made Tea	**-**	-	**-**	1,131,884
Kibena Tea Limited – Made Tea	**-**	-	**-**	533,802

Purchase of services

	Group 2007	Group 2006	Company 2007	Company 2006
Tanganyika Finance Company Ltd – Office Rent & Plane hire	**63,826**	54,424	**-**	-

(iii) Interest on loans

	Group 2007	Group 2006	Company 2007	Company 2006
Interest charged to Chai Bora Limited	**-**	-	**135,658**	-
Interest charged to Wakulima Tea Company Limited	**-**	-	**12,391**	75,703
Exchange loss suffered on loan to Wakulima	**-**	-	**(99,211)**	-

32 RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)

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

	Group		Company	
	2007	2006	**2007**	2006
Receivable from related parties				
Wakulima Tea Company Limited	**-**	-	**-**	249,636
Kibena Tea Limited	**-**	-	**-**	350,741
Tanganyika Finance Company Limited	**37,976**	-	**-**	-
Kidahi Rhino Project	**-**	1,283	**-**	1,283
Rungwe Smallholder Tea Growers Association	**-**	8,059	**-**	8,059
	37,976	9,342	**-**	609,719
Payable to related parties				
Wakulima Tea Company Limited	**-**	-	**-**	453,981
Kibena Tea Limited	**-**	-	**-**	96,293
Tanganyika Finance Company Limited	**-**	5,773	**-**	-
Nomad Tanzania Limited	**4,868**	-	**-**	-
Rungwe Smallholders Tea Development Trust Fund	**3,126**	1,201	**-**	-
	7,994	6,974	**-**	550,274
Short term Loans to subsidiary companies				
Wakulima Tea Company Limited (a)	**-**	-	**804,584**	-
Chai Bora Limited (b)	**-**	-	**1,402,603**	1,009,976
	-	-	**2,207,187**	1,009,976

a) *Loan to Wakulima Tea Company Limited*

This is a short term loan denominated in US dollars and carries interest at a rate of 5.5%, the loan is not secured and is payable on demand

b) *Loan to Chai Bora Limited*

This is a short term loan denominated in Tanzania shillings and carries an interest rate equivalent to that charged by CRDB Bank on the overdraft facility taken by Chai Bora Limited. The loan originated from the sale of the tea blending and packaging business sold to Chai Bora Limited at the end of December 2006.

32 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 33.

32 RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)

c) 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								
2007	Salary	Bonus	Children school fees	Chairman's Fees	Sitting allowances	Post employment benefits	Other long-term benefits	Share based payments	Total
Non executive directors									
Hon J J Mungai	-	-	-	55,377	-	-	56472	-	111,749
F Mbala	-	-	-	-	1,267	-	-	-	1,267
K Alexander	-	-	-	-	-	-	-	-	-
Executive officers									
G C Theobald	94,689	123,477	116,436	-	-	-	-	-	334,602
P D Rowland	124,550	101,616		-	-	-	-	-	226,166

32 RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)

(a) Directors and executive remuneration (continued)

	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
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

33 BUSINESS DISPOSAL/REORGANISATION

During the year 2007, the Company sold its interest (100%) in Kibena Tea Limited to The Highlands Tea Company Limited, a company associated to Mufindi Tea and Coffee Limited. Following the sale of Kibena Tea Limited, the Group is now comprised of Chai Bora Limited (100%), Wakulima Tea Company Limited (75%) and Tanzania Tea Packers Ltd (the holding company). After the sale of Kibena Tea Limited, the Group has exceeded its budgeted profit for 2007 and has also eased the debt burden caused by the high gearing in Kibena Tea Limited (US$4.3million)

The sale of Kibena Tea Limited had the following transaction gain / (loss) to the Company and the Group.

Profit on disposal of Kibena Tea Limited (KTL) in the books of Tanzania Tea Packers Limited:

Company	**TShs'000**
Sales proceeds(US$1,800,000)	2,295,000
Less cost of investments in KTL	(1,330,908)
Net gain on disposal of KTL	**964,092**

Group

Sales proceeds(US$1,800,000)	**2,295,000**
Assets	
Plant, property & Equipment	2,378,542
Biological assets	5,904,462
Deferred Tax Assets	1,092,049
Stocks	707,820
Growing crops	68,156
Debtors	777,675
Corporate Tax receivable	16,154
Cash and bank	393,281
Total assets	**11,338,139**
Less	
Long term borrowing (CRDB Bank Loan)	(5,508,386)
Creditors and accruals	(801,800)
Bank overdraft	(529,096)
Net assets sold	**4,498,857**
Net loss on disposal of assets in KTL	**2,203,857**

Chai Bora Limited, a 100% subsidiary of Tatepa was incorporated on 26 May 2006. Chai Bora Limited took over the blending and packaging business of Tatepa after acquiring the assets and liabilities (listed below) of Tatepa on 31 December 2006, the Company started operation on 1 January 2007. Tanzania Tea Packers Ltd remains the Holding Company of all the Companies in the Group, Wakulima Tea Limited (75%) and Chai Bora Limited (100%).

FOR THE YEAR ENDED 31 DECEMBER 2007
(All amounts in TShs thousands unless otherwise stated)
NOTES (CONTINUED)

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

	2007	2006
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 25 (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 Tatepa and 1 share was issued to Mr. G C Theobald who is a nominee shareholder of Tatepa 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.