

**TATEPA**

**TANZANIA TEA PACKERS LIMITED**

---

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

2009







## Table of Contents

	<u>Page No</u>
Chairman's Statement	3 - 5
Financial Review	6
Directors' report	7 - 10
Statement of Directors' Responsibilities	11
Report of the Independent Auditor	12 - 13
Financial Statements:	
Profit and loss accounts	14
Balance sheets	15
Statements of changes in equity	16
Cash flow statements	17
Notes	18 - 55
Notice of Annual General Meeting	57
Proxy	58





## CHAIRMAN'S STATEMENT



As I mentioned in last year's annual report, after the very successful sale of Chai Bora in 2008, our focus shifted to developing primary agricultural interests, with an increased emphasis on smallholder initiatives.

As a consequence of the Chai Bora sale which greatly enhanced profit last year, the results for this last period appear more pedestrian – showing a small loss on a similar turnover.

On the more challenging side, there were some issues of smallholder unrest which affected production (and forced the closure of the new Mwakaleli factory), the impact of which was exacerbated by a World Tea Market that was weaker than in 2008 and higher local costs.

However, it has also been a year of great development in terms of your Company's commitment to green agri- business and to smallholder empowerment, with the exciting launch of Rungwe Avocado Company (RAC), and the continued development of the Suma Hydro project. This will have an impact on dividends however, having paid out Tsh 710 since the IPO in 1999, from a purchase price of Tsh 330, your Company is now in a consolidation phase and does not anticipate paying dividends for the next two to three years. To explain more, the principle feature of this consolidation phase is the avocado project which was officially registered in April last year, with TATEPA as the majority shareholder. RAC is one of the Group's most exciting initiatives, and is expected to become a major player in the world avocado market, selling approximately 15 million avocados annually. It is anticipated that the company will turn over in excess of US\$4 million within the next 5-6 years, and will net over US\$2 million in profit at maturity in 10 years or so.

We must never forget our roots in tea however, your Board remains positive about the World Tea Market for several reasons: historical stockpiles, which at one point were in excess of 100 thousand tonnes, have now been wiped out by the long-term drought in Kenya leaving the world packing market slightly short of stock; meanwhile costs in Kenya continue to rise, effectively putting a downward limit on prices; and there is an underlying upward trend in global tea consumption. We are confident that these factors will have a positive impact on demand for Tanzanian tea going forward, and that this will help to shore up the world tea market in this forthcoming year, which has indeed started positively. Production is also expected to increase following positive support from local Government.

Access to cash is the oxygen that breathes life into tea production, particularly for our smallholders. Mindful of this, and its responsibility to smallholders, your Company raised the green leaf price to the smallholder from Tsh 120 to Tsh 135 in 2009, and then raised it again effective January 2010 to Tsh 160.



## **CHAIRMAN'S STATEMENT (CONTINUED)**

This equates to a total 33% increase in revenues to smallholders in the past year.

Smallholders are at the heart of the TATEPA philosophy and your Company is proud of its efforts to ensure that its smallholders are paid well for producing good quality tea.

Your Company has also continued to strengthen its social responsibility efforts. One of the greatest obstacles to people getting access to HIV AIDS treatment and information is transportation; with a dispersed population and scattered urban centres it is expensive and time-consuming for rural communities to access treatment and information centres. In a joint collaboration with GTZ and RSTGA [the smallholder body], TATEPA has initiated a transportation scheme to alleviate this obstacle. In addition we continue with our support to the RSTGA and to education, health and clean water projects. Your company continues to strengthen its commitment to environmental good governance, and remains to be one of Tanzania's few food producers to earn the enviable HACCP quality control accreditation.

One of the major highlights last year was the opening of the Mwakaleli factory which commenced operations in March 2009. This modern, US\$3million facility is set to produce the highest quality tea in Tanzania, and will be a major boost to the local growers whose processing factory is now on their doorstep. Unfortunately, your Board must report that because of the conflict and intimidation by other smallholder grower groups in the Rungwe area, production was below budget, which initiated a temporary closure of the Mwakaleli facility. I report this with a heavy heart because no-one has benefited by this unrest, least of all the individual farmer; however, the issues are being resolved with considerable cooperation from local government, and it is hoped that the factory will be operational again in this coming year.

In respect to Company financing, we remain with the term loan from CRDB (though reduced in 2009 to US\$1.7m from \$2m) which financed the Mwakaleli development. Your Company is pleased to be financing the avocado project out of group profits and anticipates investing a further US\$3.5 million over the next three years. Currently there are no expectations for a call on shareholders to assist with any financing, although this could happen if the world tea market does not perform as expected. Although the avocado project is denying shareholders' dividend for the next two to three years, it will develop into a very exciting and profitable new business. It will also provide you and your Company with a good hedge against tea and a robust diversification initiative.

More specifically about avocados, they are a more profitable agricultural commodity than tea with a growing global market. In Rungwe, the fruit grows naturally and fortunately has a very favourable sales window to the global market, with its harvest between March and May - low season for other parts of the world. RAC has started its own commercial, and commercial smallholder, plantations which will account for circa 50% production. But in line with TATEPA's integrative approach the project has a very significant non-plantation smallholding element as well; your Company is currently working with 1,600 smallholder farmers both to graft the popular Hass avocado onto the old avocado trees that proliferate in the district, and to plant seedlings of the Hass variety.



## **CHAIRMAN'S STATEMENT (CONTINUED)**

Although production commenced in 2007, it will take time for the business to mature and it is expected to make losses of approximately US\$600,000 annually from 2009 for three years as the project develops. This is the negative side of progress but in an exciting development, we have tied up the UK's largest fresh fruit distributor for onward sale to Marks & Spencer and Tesco (the UK's biggest supermarket chain). We have already started exporting and last year achieved \$9 per 4kg carton of produce. The challenge now is to establish efficient transport links by road and sea through Europe and to build a modern pack house in 2010 at a cost of US\$1.5m dollars. In addition, since the harvest period for avocados is just three months, your Board is also looking for other markets and opportunities for packing, that will take up the slack and further increase profitability for the pack house.

Finally to the Suma Hydro-electricity project. The detailed feasibility consultancy is now complete and I am delighted to report that it has been found to be an environmentally positive project with a significant rural electrification component, which will provide outstanding long-term benefits for people and businesses in the area. It is hoped that the necessary environmental approvals and financing will be finalised in the 2010 year, and that the project can commence in 2011.

As I mentioned at the beginning of this statement, your Company's activities are underpinned by a commitment to empowering smallholder farmers and making agriculture greener. The Company's two new initiatives, the launch of Rungwe Avocado Company and the harnessing of energy from water, provide strong synergies with its existing tea interests, and continue to make TATEPA a company we should be proud to be part of. Also, further initiatives are in the pipeline which I hope to be able to report on at our next AGM.

As always, I would like to express my gratitude to the Directors of TATEPA and the management and staff of our management company (TFC Ltd), who have the commitment, vision and entrepreneurial flair that continue to ensure our Company is at the forefront of agricultural development in Tanzania.

A handwritten signature in blue ink, appearing to read 'J J Mungai'.

**J J MUNGAI MP**  
**Chairman:**

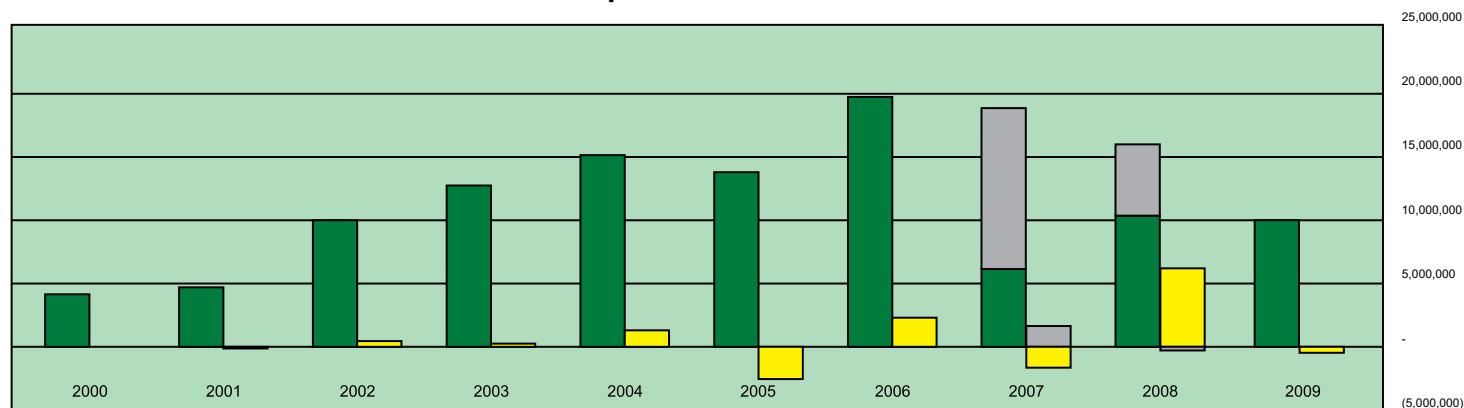
22 March, 2010



**FINANCIAL REVIEW**  
**For the year ended 31 December**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
	Group	Group	Group	Group	Group	Group	Group	Group	Group	
	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'	TZs'000'
Turnover	9,947,794	10,225,170	6,041,186	19,415,363	13,549,011	14,857,485	12,545,159	9,812,547	4,641,777	4,063,466
Continuing Operations	-	5,391,086	12,271,844	-	-	-	-	-	-	-
Discontinued Operations	-	-	-	-	-	-	-	-	-	-
Group turnover	9,947,794	15,616,256	18,313,030	19,415,363	13,549,011	14,857,485	12,545,159	9,812,547	4,641,777	4,063,466
Profit/(Loss) Before Taxation	(503,756)	6,168,870	(1,592,600)	2,255,832	(2,505,233)	1,293,792	241,214	446,871	(29,470)	552,955
From continuing operations	-	(354,056)	2,166,350	-	-	-	-	-	-	-
From Discontinued operations	(503,756)	5,814,814	573,750	2,255,832	(2,505,233)	1,293,792	241,214	446,871	(29,470)	552,955
Group profit / (loss) before taxation	(503,756)	5,814,814	573,750	2,255,832	(2,505,233)	1,293,792	241,214	446,871	(29,470)	552,955
Dividends	-	6,517,865	2,525,088	739,372	-	-	611,212	576,312	545,040	423,920
Cash Generated From Operations	573,828	947,866	2,731,108	2,643,798	(409,088)	1,892,712	1,749,971	1,414,353	(211,979)	821,900
Net Cash from Investment activities	(586,510)	5,845,631	1,202,456	(423,398)	(357,873)	(794,121)	(1,895,491)	(1,698,220)	(1,453,874)	(93,133)
Interest Bearing Debt	2,649,153	3,030,033	1,901,699	7,555,821	7,850,838	8,647,876	9,202,735	7,639,039	1,683,858	-
Earnings Per Share (Tzs)	(27)	294	(40)	120	(112)	73	15	33	(4)	52
Dividends Per Share (Tzs)	0	365	100	45	-	-	40	40	40	40

**Group Turnover & Profit 2000 -2009**



Legend: Profit/(loss) before tax (Yellow), Turnover (Dark Green), Grey shading in 2007 and 2008 denotes turnover and profit if Chai Bora is included in 2007 and to point of sale in 2008. NB: There was no Chai Bora profit in 2008.



## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

The Directors submit their report together with the audited financial statements for the year ended 31 December 2009, which disclose the state of affairs of Tanzania Tea Packers Limited (TATEPA or the "Company") and its subsidiaries ( "the Group").

## **1 PRINCIPAL ACTIVITIES**

The Company owns a majority stake in Wakulima Tea Company Limited (WTCL), 75% (2008: 75%), and Rungwe Avocado Company Limited (RACL), a new company incorporated during the year. At the year end the Company held 57.43% of the equity interest in RACL directly and 22.52% indirectly through WTC and hence an aggregate controlling interest of 74.32%.

Wakulima Tea Company Limited undertakes the growing, processing and sale of tea in the local as well as the export markets. Exports are made through the Mombasa Auction as well as through private contracts. Rungwe Avocado Company Ltd undertakes the growing, packing and export of avocados. A trial export was completed during the year.

During the year, the Company's principal activities continued to be investments and the financing of its subsidiaries.

## **2 DIRECTORS**

The Directors of the Company at the date of this report, all of whom have served since 1 January 2009, unless otherwise stated are:

<b>Name</b>	<b>Nationality</b>	<b>Position</b>
Hon. J J Mungai (MP)	Tanzanian	(Chairman)
Mr. G C Theobald	Tanzanian	(Member)
Mr. P D Rowland	British	(Member)
Mr. K Alexander	British	(Member)
Mr. W Erio	Tanzanian	(Member)

In accordance with the Company's Articles of Association, the directors are elected by the Shareholders in an Annual General Meeting, to hold office for a period of two years, after which they retire but are eligible for re-election. All the above 5 directors were appointed in the Annual General Meeting held on 14 June 2008 for a period of two years. These directors retire at the end of the coming Annual General Meeting but are eligible for re-election. Shareholders require to consider re-electing in that meeting.



## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

All the directors are non-executive.

Two of the directors had interests in the issued and fully paid up shares of the Company and details are provided below:

	<b>Holding</b>
Hon. J.J. Mungai (MP)	1,405,594 shares
Mr. G. C. Theobald	1,138,475 shares

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

### **3. COMPANY SHAREHOLDING:**

As at 31 December 2009 the Company had 1,664 shareholders. The six major shareholders are listed below:

	<b>Name</b>	<b>Nationality</b>	<b>% of Holding</b>
1.	Freshfields Investments Limited	Tanzanian	54.43
2.	Parastatal Pension Fund	Tanzanian	11.25
3.	Hon. J. J. Mungai (MP)	Tanzanian	7.87
4.	Mr. G. C. Theobald	Tanzanian	6.38
5.	National Social Security Fund	Tanzanian	5.01
6.	Thompson Lloyd & Ewart Limited	British	2.55
	<b>Total</b>		<b>87.49</b>

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2009****4. RESULTS AND DIVIDEND**

	<u>2009</u> <b>Actual</b>	<u>2009</u> Budgeted	<u>2008</u> Actual
	<b>TShs'000</b>	TShs'000	TShs'000
<b>Company</b>			
Profit on disposal of subsidiary	-	-	5,215,581
Other operating income	<b>382,831</b>	-	2,257,454
Administrative expenses	<b>(574,372)</b>	-	(338,745)
(Loss) / profit before tax	<b>(191,541)</b>	1,275,861	7,134,290
<b>Group</b>			
Revenue- made tea and avocado	<b>9,947,794</b>	10,081,830	10,225,170
Revenue- packed tea	-	-	5,391,086
Gross profit	<b>2,960,123</b>	2,923,155	4,047,029
(Loss) / profit before tax	<b>(503,756)</b>	(603,630)	6,168,870
<b>Group (Activity)</b>	<b>Tons</b>	Tons	Tons
Production - Made tea	<b>4,450</b>	4,814	4,697
Production - Packed tea	-	-	1,221
Production and sales – Avocado	<b>6</b>	-	-
Revenue – Made tea sales	<b>4,361</b>	4,862	4,758
Revenue – Packed tea sales	-	-	1,133



## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **OVERVIEW OF OPERATIONS**

The performance of the subsidiaries, Wakulima Tea Company Ltd and Rungwe Avocado Company Ltd was in line with the budget. The improvement of world tea prices on prior year assisted Wakulima Tea Company Ltd to meet its revenue budget, by offsetting shortfalls due to lower production as a result of reduced greenleaf supply from smallholders.

Rungwe Avocado Company Ltd planted 51 Ha of avocado trees, while an additional 36 Ha were planted by smallholders and successfully completed a trial export of 6 tonnes to Europe.

#### **4. RESULTS AND DIVIDEND (CONTINUED)**

Considering the results for the year and financial position the Company did not pay any dividend in 2009, and the board is not recommending a dividend for 2009. A dividend of TShs 365/- per share was paid in 2008.

#### **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**

A handwritten signature in black ink, appearing to read 'J J Mungai'.

**J J MUNGAI MP**  
**Chairman:**

22 March, 2010



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

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 Group and of the Company as at the end of the financial year and of the Group's 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. They 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 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 and the profit or loss of the Group and the Company in accordance with International Financial Reporting Standards. 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

A handwritten signature in black ink, appearing to read 'J J Mungai'.

**J J MUNGAI MP**  
**Chairman:**

22 March, 2010



## **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 2009, and the profit and loss accounts, statements of comprehensive income, 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 2009 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. There is no matter to report in respect of the foregoing requirements.

  
**PRICEWATERHOUSECOOPERS** 

**Certified Public Accountants**  
Dar es Salaam

Signed by **Leonard C Mususa**

Date: *30 March 2010*



**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<b>TShs '000</b>	TShs '000	<b>TShs '000</b>	TShs '000
<b>Continuing operations</b>					
Revenue	6	<b>9,947,794</b>	10,225,170	-	-
Gain/(loss) arising from changes in fair value less estimated point of sale costs of biological assets	17	<b>32,323</b>	(55,027)	-	-
		<b>9,980,117</b>	10,170,143	-	-
Cost of sales	7	<b>(7,019,995)</b>	(6,317,039)	-	-
Gross profit		<b>2,960,122</b>	3,853,104	-	-
Other operating income	8	<b>76,821</b>	219,286	<b>382,831</b>	2,257,454
Selling and marketing costs	9	<b>(986,577)</b>	(904,043)	-	-
Administrative expenses	10	<b>(2,207,902)</b>	(1,601,766)	<b>(574,372)</b>	(338,745)
Gain on disposal of subsidiary	35	-	4,970,778	-	5,215,581
Operating (loss)/profit		<b>(157,536)</b>	6,537,359	<b>(191,541)</b>	7,134,290
Finance costs	12	<b>(346,220)</b>	(368,489)	-	-
(Loss)/profit from continuing operations		<b>(503,756)</b>	6,168,870	<b>(191,541)</b>	7,134,290
Income tax expense	13	<b>(78,514)</b>	(526,267)	<b>(36,582)</b>	(95,317)
<b>(Loss)/profit from continuing operations after tax</b>		<b>(582,270)</b>	5,642,603	<b>(228,123)</b>	7,038,973
<b>Discontinued operations</b>					
Loss from discontinued operations after tax	34	-	(248,850)	-	-
<b>(Loss)/profit for the year</b>		<b>(582,270)</b>	5,393,753	<b>(228,123)</b>	7,038,973
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>					
<b>(Loss)/profit for the year</b>		<b>(582,270)</b>	5,393,753	<b>(228,123)</b>	7,038,973
<b>Total comprehensive (loss)/income for the year</b>		<b>(582,270)</b>	5,393,753	<b>(228,123)</b>	7,038,973
<b>Attributable to:</b>					
Minority interests		<b>(92,410)</b>	146,732		
Equity holders of the Company		<b>(489,860)</b>	5,247,021		
Earnings per share attributable to the equity holders of the Company during the year (expressed in TShs per share)					
Basic	14	<b>(27.43)</b>	293.83		
Diluted	14	<b>(27.43)</b>	293.83		

**BALANCE SHEETS**  
**AS AT 31 DECEMBER 2009**

	Notes	Group		Company	
		<u>2009</u> TShs '000	<u>2008</u> TShs '000	<u>2009</u> TShs '000	<u>2008</u> TShs '000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	<b>5,233,630</b>	5,514,990	-	-
Biological assets	17	<b>1,536,413</b>	1,293,639	-	-
Investment in subsidiaries	18	-	-	<b>2,473,707</b>	1,826,007
Loan receivable	19	-	-	-	1,800,000
		<b>6,770,043</b>	6,808,629	<b>2,473,707</b>	3,626,007
<b>Current assets</b>					
Inventories	20	<b>2,287,058</b>	1,969,133	-	-
Biological asset - nurseries		<b>17,019</b>	-	-	-
Trade and other receivables	21	<b>1,145,704</b>	1,780,708	<b>26,962</b>	234,634
Loans receivable	22	-	-	<b>1,991,643</b>	666,365
Income tax recoverable		<b>158,648</b>	161,308	<b>165,110</b>	161,308
Bank and cash balances	23	<b>375,550</b>	534,899	<b>11,770</b>	357,822
		<b>3,983,979</b>	4,446,048	<b>2,195,485</b>	1,420,129
<b>Total assets</b>		<b>10,754,022</b>	11,254,677	<b>4,669,192</b>	5,046,136
<b>EQUITY</b>					
Capital and reserves attributable to the Company's equity holders					
Share capital	31	<b>446,429</b>	446,429	<b>446,429</b>	446,429
Share premium	31	<b>3,748,429</b>	3,748,429	<b>3,748,429</b>	3,748,429
Retained earnings		<b>310,135</b>	799,995	<b>344,991</b>	573,114
		<b>4,504,993</b>	4,994,853	<b>4,539,849</b>	4,767,972
Minority interests		<b>818,696</b>	684,906	-	-
Total equity		<b>5,323,689</b>	5,679,759	<b>4,539,849</b>	4,767,972
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	25	<b>1,999,910</b>	2,228,730	-	-
Deferred tax liability	27	<b>556,393</b>	364,869	-	-
Employees' gratuity	28	<b>103,387</b>	78,754	-	-
		<b>2,659,690</b>	2,672,353	-	-
<b>Current liabilities</b>					
Trade and other payables	24	<b>1,245,864</b>	1,520,139	<b>129,343</b>	278,164
Income tax payable		-	156,054	-	-
Borrowings	25	<b>1,524,779</b>	1,226,372	-	-
		<b>2,770,643</b>	2,902,565	<b>129,343</b>	278,164
<b>Total liabilities</b>		<b>5,230,333</b>	5,574,918	<b>129,343</b>	278,164
<b>Total equity and liabilities</b>		<b>10,754,022</b>	11,254,677	<b>4,669,192</b>	5,046,136

The financial statements on pages 14 to 55 were approved for issue by the board of directors on 22 March 2010 and signed on its behalf by:-

**J J MUNGAI MP**  
Chairman:

**22 March, 2010**  
Date:



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009**

<b>GROUP</b>	<b>Share capital TShs '000</b>	<b>Share premium TShs '000</b>	<b>Retained earnings TShs '000</b>	<b>Minority interest TShs '000</b>	<b>Total TShs '000</b>
<b>Year ended 31 December 2008</b>					
At start of year	446,429	3,748,429	1,969,028	1,104,237	7,268,123
Prior year adjustment (Note 5)	-	-	101,811	33,937	135,748
As restated	446,429	3,748,429	2,070,839	1,138,174	7,403,871
Total comprehensive income for the year	-	-	5,247,021	146,732	5,393,753
<i>Transactions with owners:</i>					
Dividend paid	-	-	(6,517,865)	(600,000)	(7,117,865)
As at 31 December 2008	446,429	3,748,429	799,995	684,906	5,679,759
<b>Year ended 31 December 2009</b>					
At start of the year:					
As previously stated	446,429	3,748,429	649,945	634,889	5,479,692
Prior year adjustment (Note 5)	-	-	150,050	50,017	200,067
As restated	446,429	3,748,429	799,995	684,906	5,679,759
Loss for the year	-	-	(489,860)	(92,410)	(582,270)
<i>Transactions with owners:</i>					
Shares issued during the year	-	-	-	226,200	226,200
<b>As at 31 December 2009</b>	<b>446,429</b>	<b>3,748,429</b>	<b>310,135</b>	<b>818,696</b>	<b>5,323,689</b>
<b>COMPANY</b>					
		<b>Share capital TShs '000</b>	<b>Share premium TShs '000</b>	<b>Retained earnings TShs '000</b>	<b>Total TShs '000</b>
<b>Year ended 31 December 2008</b>					
At start of year		446,429	3,748,429	52,006	4,767,972
Total comprehensive income for the year		-	-	7,038,973	7,038,973
<i>Transactions with owners:</i>					
Dividend paid		-	-	(6,517,865)	(6,517,865)
As at 31 December 2008		446,429	3,748,429	573,114	4,767,972
<b>Year ended 31 December 2009</b>					
At start of year		446,429	3,748,429	573,114	4,767,972
Loss for the year		-	-	(228,123)	(228,123)
<b>As at 31 December 2009</b>		<b>446,429</b>	<b>3,748,429</b>	<b>344,991</b>	<b>4,539,849</b>



**CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Group		Company	
		<u>2009</u> TShs '000	<u>2008</u> TShs '000	<u>2009</u> TShs '000	<u>2008</u> TShs '000
<b>Cash flows from operating activities</b>					
Cash generated from operations	32	<b>573,828</b>	947,866	<b>341,268</b>	3,478,674
Interest paid		<b>(338,759)</b>	(306,907)	-	-
Income tax paid		<b>(40,383)</b>	(608,992)	<b>(40,383)</b>	(163,057)
Interest received		<b>763</b>	9,589	<b>763</b>	-
Net cash generated from operating activities		<b>195,449</b>	41,556	<b>301,648</b>	3,315,617
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	16	<b>(393,814)</b>	(1,925,329)	-	-
Cost incurred on biological assets	17	<b>(210,451)</b>	(102,744)	-	-
Proceeds from sale of property, plant, and equipment		<b>17,755</b>	25,899	-	-
Loan advanced to subsidiary		-	-	-	(1,800,000)
Investment in subsidiaries		-	-	<b>(647,700)</b>	-
Proceeds from sale of subsidiary	35	-	7,847,805	-	5,315,583
Net cash (utilized in)/generated from investing activities		<b>(586,510)</b>	5,845,631	<b>(647,700)</b>	3,515,583
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		-	2,317,958	-	-
Repayment of borrowings		<b>(444,955)</b>	(116,297)	-	-
Proceeds from issue of shares		<b>226,200</b>	-	-	-
Dividend paid		-	(7,117,865)	-	(6,517,865)
Net cash used in financing activities		<b>(218,755)</b>	(4,916,204)	-	(6,517,865)
Net (decrease)/increase in cash and cash equivalents		<b>(609,816)</b>	970,983	<b>(346,052)</b>	313,335
Cash and cash equivalents at start of year		<b>109,830</b>	(861,153)	<b>357,822</b>	44,487
Cash and cash equivalents at end of year	23	<b>(499,986)</b>	109,830	<b>11,770</b>	357,822



## **NOTES**

### **1. GENERAL INFORMATION**

Tanzania Tea Packers Limited is incorporated in Tanzania under the Companies Act 2002 as a limited liability company and listed on the Dar es Salaam Stock Exchange. It is domiciled in Tanzania.

The Group is involved in growing, processing and sale of tea in the local as well as the export markets.

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:-

#### **Subsidiaries**

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

Rungwe Avocado Company Limited  
Tukuyu Township,  
P O Box 700 Tukuyu – Mbeya



## **NOTES (CONTINUED)**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these 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 financial statements of Tanzania Tea Packers Limited are prepared in compliance with the requirements of International Financial Reporting Standards ("IFRS") and on the historical cost basis, except where otherwise stated in the accounting policies below. The 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 in conformity IFRS with requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

#### ***Changes in accounting policy and disclosures***

##### ***New and amended standards adopted by the Group- effective 1 January 2009***

IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There were no significant changes resulting from the adoption of this standard and there was no impact on earnings per share.

IAS 1 (Revised), 'Presentation of financial statements' The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 'Financial Instruments – Disclosures' (Amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the adoption of the amendment results in additional disclosures, there is no impact on earnings per share.

IAS 23 (amendment), 'Borrowing costs'. The amendment 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. In accordance with transition provisions of the standard the comparative figures have not been restated.



## **NOTES (CONTINUED)**

### **(a) Basis of preparation (continued)**

The change in accounting policy had no material impact on earnings per share. The Group has capitalized borrowing costs with respect the rehabilitation of Mwakaleli factory (see note 16).

*Amendments to existing standards effective in 2009 but not relevant*

In 2009, the following amendments to existing standards became effective but are not relevant to the Group's operations.

IFRS 2 (amendment), 'Share-based payment' - effective from 1 January 2009. It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

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

Two revised standards (IFRS 3 – Business combinations and IAS 27 – Consolidated and separate financial statements ) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Group's accounting periods beginning on or after 1 January 2010, but the Group has not early adopted any of them.

### **(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 profit and loss account.

Inter-company transactions, balances and unrealized gains on transactions between Group Companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.



## **NOTES (CONTINUED)**

### **(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) Dividend income**

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

### **(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the as the board of the directors that makes strategic decisions.

### **(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 Company'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 improvements and buildings comprise mainly tea factory 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.



## NOTES (CONTINUED)

### (f) Property, plant and equipment (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 improvements	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.

### (g) 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.

### (h) Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less estimated point-of-sale costs are recognised in the profit and loss account in the year in which they arise. The cost of upkeep and maintenance of biological assets is expensed in the period incurred.

### (i) Impairment of assets

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.

**NOTES (CONTINUED)****(i) Impairment of assets (continued)**

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).

**(j) 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 profit and loss account on a straight-line basis over the period of the lease.

**(k) 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.

**(l) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks 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 profit and loss account over the period of the borrowings using the effective interest method. Borrowing costs are expensed in the period they accrue. 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.



## **NOTES (CONTINUED)**

### **(n) Income tax (continued)**

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**

#### ***Retirement benefit 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 benefits 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. A full actuarial valuation of the retirement benefit obligations is performed after every three years by independent actuaries using the projected unit credit method. An update valuation is performed at the end of each year in the intervening period. 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) 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.

### **(q) 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.

### **(r) 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.



## **NOTES (CONTINUED)**

### **(s) Loans receivable**

Loans receivable 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 those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans receivable 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 is established when there is objective evidence that an impairment loss is likely to be incurred on the receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision and any subsequent reversal of an impairment loss are recognised in the profit and loss account.



## **NOTES (CONTINUED)**

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations 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 carrying amounts and 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 carrying amounts and key assumptions are set out in Note 28.

#### ***(ii) Critical judgments in applying the entity's accounting policies***

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



NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT

The Group’s and Company’s activities expose them to a variety of financial risks: foreign currency risk, credit 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 equivalents as well as trade and other receivables. 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. The account balances and length of time outstanding are regularly monitored.

The amount that best represents the Group’s and Company’s maximum exposure to credit risk at 31 December 2009 is made up as follows:

	<b>2009</b>	<b>Group</b>	<b>2009</b>	<b>Company</b>
	TShs’000	2008	TShs’000	2008
		TShs’000		TShs’000
Cash equivalents	<b>375,550</b>	534,899	<b>11,770</b>	357,822
Trade receivables	<b>133,929</b>	372,394	-	-
Loans to related companies	-	-	<b>1,991,643</b>	2,466,365
Other receivables	<b>430,315</b>	433,560	<b>11,959</b>	-
	<b>939,804</b>	1,340,853	<b>2,015,372</b>	2,824,187

No collateral is held for any of the above assets except for fertilizer loans amounting to TShs 306 million (2008:TShs 431million) to outgrower farmers in Rungwe District who supply green leaf. The farmers’ organization deposited TShs 198 million (2008: Shs 198 million) as security against default by its members.

**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 and the Company maintain 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.



**NOTES (CONTINUED)**

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (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 undiscounted cash flows. The balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

<b>Group</b>	<b>Within 1 year TShs'000</b>	<b>Between 1 and 2 years TShs'000</b>	<b>Between 2 and 5 years TShs'000</b>	<b>Over 5 years TShs'000</b>
<b>At 31 December 2009</b>				
Borrowings and interest liabilities	1,808,697	455,301	1,133,802	833,504
Trade and other payables	1,245,864	-	-	-
<b>Total financial liabilities</b>	<b>3,054,561</b>	<b>455,301</b>	<b>1,133,802</b>	<b>833,504</b>
<b>At 31 December 2008</b>				
Borrowings and interest liabilities	1,415,027	459,962	1,172,913	1,084,712
Trade and other payables	1,537,519	-	-	-
<b>Total financial liabilities</b>	<b>2,952,546</b>	<b>459,962</b>	<b>1,172,913</b>	<b>1,084,712</b>
<b>Company</b>				
<b>At 31 December 2009</b>				
Trade and other payables	129,343	-	-	-
<b>Total financial liabilities</b>	<b>129,343</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2008</b>				
Trade and other payables	278,164	-	-	-
<b>Total financial liabilities</b>	<b>278,164</b>	<b>-</b>	<b>-</b>	<b>-</b>

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. 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 at 31 December 2009, an increase/decrease of 200 basis points would have resulted in a decrease/increase in consolidated post tax profit of TShs 44 million(2008: TShs 51 million), mainly as a result of higher/lower interest charges on variable rate borrowings.

The Company does not have any external borrowings as such it is not subject to interest rate risk.



## NOTES (CONTINUED)

### 4. 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 85% (2008:85%) of its earnings are in foreign currencies (mainly US dollars).

At 31 December 2009, if the Tanzania shilling (TShs) had strengthened / weakened by 10% against the US dollar with all other variables held constant, the Group's profit after tax for the year and equity would have been TShs 157m (2008: TShs179m) 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 2009 than 2008 because of the decrease in US dollar-denominated borrowings.

The strengthening / weakening by 10% of the Tanzania shilling against the US dollar at 31 December 2009 with all other variables held constant, the Company's profit after tax for the year and equity would have been Tshs 12m (2008: TShs 39m) 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 2009 than 2008 because of the decrease in US dollar-denominated cash balances and creditors in 2009.

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

#### **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.



## NOTES (CONTINUED)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Capital risk management (continued)

During the year 2009, the Group's strategy, which was unchanged from 2008, was to maintain the gearing ratio within 25% to 50%. The gearing ratios at 31 December 2009 and 2008 were as follows:

<b>Group</b>	<b>2008</b> <b>TShs '000</b>	<b>2008</b> <b>TShs '000</b>
Total borrowings (Note 25)	<b>3,524,689</b>	3,455,102
Less cash and cash equivalents (Note 23)	<b>(375,550)</b>	(534,899)
Net debt	<b>3,149,139</b>	2,920,203
Total equity	<b>5,323,689</b>	5,679,759
Total capital	<b>8,472,828</b>	8,599,962
Gearing ratio	<b>37.17%</b>	33.96%

The increase in gearing during the year 2009 resulted primarily from the loss in Rungwe Avocado Company Limited, which is a start up business.

The Company does not hold external borrowings.



**NOTES (CONTINUED)**

**5. RECONCILIATION OF GROUP BALANCE SHEET AT 1 JANUARY 2009**

<b>ASSETS</b>	<b>As previously reported TShs '000</b>	<b>Effect of adjustments TShs '000</b>	<b>As restated TShs '000</b>
<b>Non-current assets</b>			
Plant, property and equipment	5,514,990	-	5,514,990
Biological assets (*)	1,007,829	285,810	1,293,639
	<u>6,522,819</u>	<u>285,810</u>	<u>6,808,629</u>
<b>Current assets</b>			
Inventories	1,969,133	-	1,969,133
Trade and other receivables	1,780,708	-	1,780,708
Current income tax asset	161,308	-	161,308
Bank and cash balances	534,899	-	534,899
	<u>4,446,048</u>	<u>-</u>	<u>4,446,048</u>
<b>Total assets</b>	<b><u>10,968,867</u></b>	<b><u>285,810</u></b>	<b><u>11,254,677</u></b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Group's equity holders</b>			
Share capital	446,429	-	446,429
Share premium	3,748,429	-	3,748,429
Retained earnings (*)	649,945	150,050	799,995
	<u>4,844,803</u>	<u>214,358</u>	<u>4,994,853</u>
<b>Minority interests (*)</b>	<u>634,889</u>	<u>50,017</u>	<u>684,906</u>
<b>Total equity</b>	<u>5,479,692</u>	<u>200,067</u>	<u>5,679,759</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	2,228,730	-	2,228,730
Deferred tax liability	279,126	85,743	364,869
Employees' gratuity	78,754	-	78,754
	<u>2,586,610</u>	<u>-</u>	<u>2,672,353</u>
<b>Current liabilities</b>			
Trade and other payables	1,520,139	-	1,520,139
Income tax payable	156,054	-	156,054
Borrowings	1,226,372	-	1,226,372
	<u>2,902,565</u>	<u>-</u>	<u>2,902,565</u>
<b>Total liabilities</b>	<b><u>5,489,175</u></b>	<b><u>-</u></b>	<b><u>5,574,918</u></b>
<b>Total equity and liabilities</b>	<b><u>10,968,867</u></b>	<b><u>285,810</u></b>	<b><u>11,254,677</u></b>

\* The adjustment relates to a correction of an error in biological assets caused by not recognizing the fair value of the 198.2 ha of forestry assets of Wakulima Tea Company Limited. This error resulted in undervaluation of the Group's biological assets and understatement of the reserves and the minority interest (25% of the shareholding in Wakulima Tea Company Limited). The adjustment to biological assets as at 1 January 2008 was TShs 193,925,000, retained earnings and minority interests by TShs 101,811,000 and TShs 33,937,000 respectively and increase deferred tax liability by TShs 58,177,000.



## NOTES (CONTINUED)

### 6. BUSINESS SEGMENT INFORMATION

The Group has determined its operating segments based on the review by management in consultation with the board.

The Group is currently organized into two main operating divisions; growing and processing of tea and growing & processing of avocado. During the year, the Group made a successful trial export of its avocado fruits to the UK. Management considers the business from both market and product perspectives. Market wise, management considers the main lines through which the Group derives its revenue. At the moment the major lines of selling the Group's products is through the auction at Mombasa, private sale by a broker in the UK and directly to blenders. Both sales to the auction and the broker in the UK are export sales while direct sales to blenders are mainly to local blenders.

An analysis of the Group's revenue for the year is as follows:

<b>2009</b>	<b>Growing &amp; processing tea TShs '000</b>	<b>Other TShs '000</b>	<b>Avocado and other fruits TShs '000</b>	<b>Eliminations TShs '000</b>	<b>Consolidated TShs '000</b>
<b>REVENUE</b>					
- Export sales	8,020,918	-	18,523	-	8,039,441
- Local sales	1,908,353	-	-	-	1,908,353
	<b>9,929,271</b>	<b>-</b>	<b>18,523</b>	<b>-</b>	<b>9,947,794</b>
<b>Operating profit/(loss) from operations</b>	<b>980,170</b>	<b>(192,304)</b>	<b>(569,643)</b>	<b>(376,522)</b>	<b>(158,299)</b>
Finance costs	(722,742)	763	-	376,522	(345,457)
<b>Profit/(loss) before tax</b>	<b>257,428</b>	<b>(191,541)</b>	<b>(569,643)</b>	<b>-</b>	<b>(503,756)</b>
Income tax credit/(charge)	54,385	(36,582)	-	-	17,804
<b>Profit for the year</b>	<b>311,814</b>	<b>(228,123)</b>	<b>(569,643)</b>	<b>-</b>	<b>(485,952)</b>

Other segment items included in the profit and loss account:

Depreciation	650,382	-	7,615	-	657,997
Fair value adjustment on biological assets	(32,323)	-	-	-	(32,323)



NOTES (CONTINUED)

6. BUSINESS SEGMENT INFORMATION (CONTINUED)

2009	<u>Growing &amp; processing tea</u> TShs '000	<u>Other</u> TShs '000	<u>Avocado and other fruits</u> TShs '000	<u>Eliminations</u> TShs '000	<u>Consolidated</u> TShs '000
Segment assets and liabilities and capital expenditure					
<b>Assets</b>					
Non-current assets	6,735,206	4,273,707	288,838	(4,527,707)	6,770,044
Current Assets	3,519,172	395,484	291,865	(193,909)	4,012,612
<b>Total assets</b>	<b>10,254,378</b>	<b>4,669,191</b>	<b>580,703</b>	<b>(4,721,616)</b>	<b>10,782,656</b>
<b>Liabilities</b>					
Current liabilities	2,818,975	129,344	16,233	(193,909)	2,770,643
Non current liabilities	4,300,051	-	6,212	(1,800,000)	2,506,263
<b>Total liabilities</b>	<b>7,119,026</b>	<b>129,344</b>	<b>22,445</b>	<b>(1,993,909)</b>	<b>5,276,906</b>
<b>Capital additions</b>	307,812	-	296,453	-	604,265
2008	<u>Continuing operations</u>  <u>Growing &amp; processing tea</u> TShs '000	<u>Other</u> TShs '000	<u>Discontinued operations</u>  <u>Blending &amp; packaging Tea</u> TShs '000	<u>Eliminations</u> TShs '000	<u>Consolidated</u> TShs '000
<b>REVENUE</b>					
- Export sales	8,836,142	-	-	-	8,836,142
- Local sales	1,389,028	-	5,391,086	-	6,780,114
	<b>10,225,170</b>	-	<b>5,391,086</b>	-	<b>15,616,256</b>
<b>Operating profit from operations</b>	<b>1,938,644</b>	<b>1,916,733</b>	<b>(71,980)</b>	<b>(2,096,845)</b>	<b>1,686,552</b>
Profit/(loss) on disposal of investment	-	5,215,581	-	(244,805)	4,970,776
Finance costs	(726,840)	1,976	(282,076)	358,351	(648,589)
<b>Profit /(loss) before tax</b>	<b>1,211,804</b>	<b>7,134,290</b>	<b>(354,056)</b>	<b>(1,983,299)</b>	<b>6,008,739</b>
Income tax (charge)/credit	(403,384)	(95,317)	105,206	-	(393,495)
<b>Profit/(loss) for the year</b>	<b>808,420</b>	<b>7,038,973</b>	<b>(248,850)</b>	<b>(1,983,299)</b>	<b>5,615,244</b>
Other segment items included in the profit and loss account					
Depreciation and amortization	376,128	-	68,651	-	444,779
Loss arising from changes in fair value of biological assets	(55,027)	-	-	-	(55,027)



**NOTES (CONTINUED)**

**6. BUSINESS SEGMENT INFORMATION (CONTINUED)**

2008	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u> TShs '000
	<u>Growing &amp; processing tea</u> TShs '000	<u>Other</u> TShs '000	<u>Blending &amp; packaging Tea</u> TShs '000	<u>Eliminations</u> TShs '000	
Segment assets and liabilities and capital expenditure					
<b>Assets</b>					
Non current assets	6,808,629	3,626,007	-	(3,626,007)	6,808,629
Current Assets	3,692,284	1,420,129	-	(666,365)	4,446,048
<b>Total assets</b>	<b>10,500,913</b>	<b>5,046,136</b>	<b>-</b>	<b>(4,292,372)</b>	<b>10,500,913</b>
<b>Liabilities</b>					
Current liabilities	4,386,610	-	-	(1,800,000)	2,586,610
Non current liabilities	3,290,766	278,164	-	(666,365)	2,902,565
<b>Total liabilities</b>	<b>7,677,376</b>	<b>278,164</b>	<b>-</b>	<b>(2,466,365)</b>	<b>5,489,175</b>
Additions: Property plant and equipment and biological assets	1,792,087	-	133,242	-	1,925,329

Transactions between segments are carried out at arm's length. The revenue from external parties reported is measured in a manner consistent with that in the financial statement. No inter-segment transactions occurred during 2009 and 2008.

The amounts with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and physical location of the asset.

The Company, together with all its subsidiary companies are domiciled in the United Republic of Tanzania. The results of its revenue from external customers are as follows:

	<u>2009</u> TShs '000	<u>Group</u> <u>2008</u> TShs '000	<u>2009</u> TShs '000	<u>Company</u> <u>2008</u> TShs '000
United Republic of Tanzania	<b>1,908,353</b>	6,780,114	-	-
United Kingdom	<b>7,309,123</b>	6,567,925	-	-
Republic of Kenya	<b>730,318</b>	2,268,217	-	-
<b>Total</b>	<b>9,947,794</b>	15,616,256	-	-

Revenues are allocated based on the country from which sales proceeds are received.

All Group assets are located in Tanzania.



**NOTES (CONTINUED)**

**7. COST OF SALES**

	<b>Group</b>		<b>Company</b>	
	<b><u>2009</u></b> TShs '000	<b><u>2008</u></b> TShs '000	<b><u>2009</u></b> TShs '000	<b><u>2008</u></b> TShs '000
Processing costs	<b>1,756,147</b>	2,256,018	-	-
Blending costs	-	1,386,417	-	-
Packing materials costs	<b>277,441</b>	1,090,177	-	-
Greenleaf purchased from out growers	<b>3,608,668</b>	3,339,023	-	-
Field costs	<b>1,078,898</b>	923,474	-	-
Changes in stock of finished goods and work in progress	<b>(306,535)</b>	319,029	-	-
Depreciation charges (Note 16 )	<b>605,376</b>	374,805	-	-
	<b>7,019,995</b>	9,688,943	-	-

**Attributable to:**

Continuing operations	<b>7,019,995</b>	6,317,039	-	-
Discontinued operations	-	3,371,904	-	-
	<b>7,019,995</b>	9,688,943	-	-

**8. OTHER OPERATING INCOME**

Management service income	<b>25,534</b>	200,348	<b>25,534</b>	200,348
Income from sale of scraps and wastages	<b>6,943</b>	(1,183)	-	-
Sale of avocado nurseries and milk	<b>42,722</b>	-	-	-
Interest income	-	-	<b>356,534</b>	250,000
Finance income	<b>763</b>	1,976	<b>763</b>	1,976
Dividend income	-	-	-	1,800,000
Gain on disposal of plant property and equipment	<b>578</b>	17,216	-	-
Other income	<b>281</b>	21,412	-	5,130
	<b>76,821</b>	239,769	<b>382,831</b>	2,257,454

**Attributable to:**

Continuing operations	<b>76,821</b>	219,286	-	-
Discontinued operations	-	20,483	-	-
	<b>76,821</b>	239,769	-	-



**NOTES (CONTINUED)**

**9. SELLING AND MARKETING COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>TShs '000</b>	TShs '000	<b>TShs '000</b>	TShs '000
Transport, distribution & handling charges	<b>618,753</b>	853,484	-	-
Salesmen remuneration	<b>80,215</b>	165,280	-	-
Advertising and promotion activities	-	146,415	-	-
Travelling expenses	-	84,515	-	-
Cess and other government levies	<b>78,176</b>	115,300	-	-
(Reversal)/ write-off of impaired receivables	-	(3,860)	-	-
Other selling costs	<b>209,433</b>	213,386	-	-
	<b>986,577</b>	1,574,520	-	-

**Attributable to:**

Continuing operations	<b>986,577</b>	904,043	-	-
Discontinued operations	-	670,477	-	-
	<b>986,577</b>	1,574,520	-	-

**10. ADMINISTRATIVE EXPENSES**

Staff related costs	<b>333,715</b>	1,456,202	-	-
Travelling costs	<b>122,107</b>	222,025	<b>35,955</b>	3,443
Consultancy and professional fees	<b>1,013,850</b>	509,138	<b>397,896</b>	255,143
Directors fees and allowances	<b>61,625</b>	31,770	<b>42,765</b>	16,729
Office expenses	<b>289,564</b>	233,140	<b>33,191</b>	23,977
Auditors' remuneration	<b>66,144</b>	51,643	<b>20,308</b>	12,131
Research expenses on new crops	<b>18,141</b>	40,385	-	-
Depreciation (Note 16)	<b>52,621</b>	69,974	-	-
Foreign currency exchange (gains)/losses	<b>(914)</b>	18,612	<b>(19,987)</b>	(96,783)
Other administration costs	<b>208,101</b>	410,045	<b>64,244</b>	124,105
Pre-operational costs	<b>42,948</b>	-	-	-
	<b>2,207,902</b>	3,042,934	<b>574,372</b>	338,945

**Attributable to:**

Continuing operations	<b>2,207,902</b>	1,601,766	<b>574,372</b>	-
Discontinued operations	-	1,441,168	-	-
	<b>2,207,902</b>	3,042,934	<b>574,372</b>	-



**NOTES (CONTINUED)**

**11. STAFF RELATED COSTS**

	<b>2009</b>	<b>Group</b>	<b>2009</b>	<b>Company</b>
	TShs '000	<u>2008</u>	TShs '000	<u>2008</u>
		TShs '000	TShs '000	TShs '000
Salaries, wages and bonuses	<b>544,636</b>	1,787,275	-	-
Terminal benefits	-	612,524	-	-
Medical expenses	<b>7,848</b>	25,614	-	-
Canteen costs, uniforms and amenities	<b>229,284</b>	208,572	-	-
Defined contribution schemes (NSSF)	<b>56,744</b>	122,553	-	-
Defined benefit scheme	<b>18,334</b>	47,033	-	-
Leave travel assistance	-	31,223	-	-
	<b>856,846</b>	2,834,794	-	-

**Attributable to:**

Continuing operations	<b>856,846</b>	1,004,660	-	-
Discontinued operations	-	1,830,134	-	-
	<b>856,846</b>	2,834,794	-	-

**12. FINANCE COSTS**

Interest expense	<b>338,759</b>	342,418	-	-
Net foreign exchange transaction losses	<b>7,461</b>	308,147	-	-
	<b>346,220</b>	650,565	-	-

**Attributable to:**

Continuing operations	<b>346,220</b>	368,489	<b>(763)</b>	(1,976)
Discontinued operations	-	282,076	-	-
	<b>346,220</b>	650,565	<b>(763)</b>	(1,976)

**13. INCOME TAX EXPENSE**

Current income tax (credit) / charge	<b>(113,010)</b>	529,830	<b>36,582</b>	95,317
Deferred income tax charge / (credit) (Note 27)	<b>191,524</b>	(108,769)	-	-
Income tax charge	<b>78,514</b>	421,061	<b>36,582</b>	95,317

The tax on the profit before income tax for the Group and Company differs from the theoretical amount that would arise using the basic income tax rate as follows:



**NOTES (CONTINUED)**

**13. INCOME TAX EXPENSE (continued)**

	<b>2009</b>	<b>Group</b>	<b>2009</b>	<b>Company</b>
	<b>TShs '000</b>	<b>2008</b>	<b>TShs '000</b>	<b>2008</b>
		TShs '000		TShs '000
(Loss)/profit before income tax	<b>(503,756)</b>	5,814,814	<b>(191,541)</b>	7,134,289
Tax calculated at a rate of 30%	<b>(151,127)</b>	1,744,444	<b>(57,462)</b>	2,140,287
Income not subject to tax	-	(18,452)	-	(540,000)
Expenses not deductible for tax	<b>93,946</b>	210,090	<b>90,082</b>	200,480
Gain on disposal of subsidiary not subject to tax	-	(1,632,008)	-	(1,705,450)
Tax losses for which no deferred income tax asset was recognised	<b>169,906</b>	-	-	-
Adjustments to tax in respect of prior years	<b>(34,211)</b>	116,987	<b>3,962</b>	-
Income tax (credit) / charge	<b>78,514</b>	421,061	<b>36,582</b>	95,317

**Attributable to:**

Continuing operations	<b>78,514</b>	526,267	<b>36,582</b>	95,317
Discontinued operations	-	(105,206)	-	-
	<b>78,514</b>	421,061	<b>36,582</b>	95,317

**14. EARNINGS PER SHARE**

	<b>2009</b>	<b>Group</b>
	<b>TShs '000</b>	<b>2008</b>
		TShs '000
(Loss) / profit attributable to shareholders (TShs'000)	<b>(489,860)</b>	5,247,021
Weighted average number of share in issue (Note 31)	<b>17,857,165</b>	17,857,165
Basic and diluted earnings/(loss) per share (TShs)	<b>(27.43)</b>	293.83

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

**15. DIVIDEND PER SHARE**

The Company does not intend to pay any dividend (2008: Tshs 365) in respect of the year 2009.



**NOTES (CONTINUED)**

**16. PROPERTY, PLANT & EQUIPMENT - GROUP**

	<b>Leasehold improvements &amp; buildings TShs '000</b>	<b>Motor vehicles TShs '000</b>	<b>Machinery, equipment, furniture &amp; fittings TShs '000</b>	<b>Capital work in progress TShs '000</b>	<b>Total TShs '000</b>
1 January 2008					
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)
<b>Net book amount</b>	<b>2,327,433</b>	<b>5,629</b>	<b>1,485,318</b>	<b>820,795</b>	<b>4,639,175</b>
Year ended 31 December 2008					
Opening net book amount	2,327,433	5,629	1,485,318	820,795	4,639,175
Additions	-	105,544	206,063	1,613,722	1,925,329
Transfers	149,850	-	-	(149,850)	-
Disposals	(215,967)	(54,704)	(334,064)	-	(604,735)
Depreciation charge	(59,804)	(13,302)	(371,673)	-	(444,779)
<b>Net book amount</b>	<b>2,201,512</b>	<b>43,167</b>	<b>985,644</b>	<b>2,284,667</b>	<b>5,514,990</b>
At 31 December 2008					
Cost	2,574,401	79,214	2,546,915	2,284,667	7,485,197
Accumulated depreciation	(372,889)	(36,047)	(1,561,271)	-	(1,970,207)
<b>Net book amount</b>	<b>2,201,512</b>	<b>43,167</b>	<b>985,644</b>	<b>2,284,667</b>	<b>5,514,990</b>
Year ended 31 December 2009					
Opening net book amount	2,201,512	43,167	985,644	2,284,667	5,514,990
Additions	5,613	49,226	122,971	216,004	393,814
Transfers	580,994	-	1,887,741	(2,468,735)	-
Disposals	-	(17,177)	-	-	(17,177)
Depreciation charge	(69,132)	(15,812)	(573,053)	-	(657,997)
<b>Net book amount</b>	<b>2,718,987</b>	<b>59,404</b>	<b>2,423,303</b>	<b>31,936</b>	<b>5,233,630</b>
At 31 December 2009					
Cost	3,161,008	103,998	4,557,629	31,936	7,854,571
Accumulated depreciation	(442,021)	(44,594)	(2,134,326)	-	(2,620,941)
<b>Net book amount</b>	<b>2,718,987</b>	<b>59,404</b>	<b>2,423,303</b>	<b>31,936</b>	<b>5,233,630</b>



**NOTES (CONTINUED)**

**16. PROPERTY, PLANT & EQUIPMENT - GROUP (continued)**

Capital work in progress relates to the rehabilitation expenditure by Wakulima Tea Company Limited at its Katumba factory and office block for Rungwe Avocado Company Limited, of which none (2008: TShs 1,759.59 million) relates to expenditure on plant and machinery and TShs 13.73 million (2008: TShs 525.08 million) on buildings, and 18.19 million (2008: nil) on office block for Rungwe Avocado Company Limited; all the ongoing projects are expected to be completed in the course of 2010.

Depreciation expense of TShs 605.38 million (2008: TShs 374.81 million) has been charged to cost of goods sold, and TShs 52.62 million (2008: TShs 69.97 million) is classified under administrative expenses.

**Attributable to:**

	<b>2009</b> <b>TShs'000</b>	<b>2008</b> <b>TShs'000</b>
Continuing operations	<b>657,997</b>	376,130
Discontinued operations	-	68,649
	<b>657,997</b>	<b>444,779</b>

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

**17. BIOLOGICAL ASSETS- GROUP**

	<b>Others</b>			<b>Total</b> <b>TShs '000</b>
	<b>Tea Bushes</b> <b>TShs '000</b>	<b>Forestry</b> <b>TShs '000</b>	<b>Fruits</b> <b>TShs '000</b>	
<b>Fair value</b>				
<b>Year ended 2008</b>				
At 1 January 2008	1,051,997	193,925	-	1,245,922
Increases due to new planting	10,859	91,885	-	102,744
(Loss) /gain arising from changes in fair value less estimated point of sale costs	(55,027)	-	-	(55,027)
<b>At 31 December 2008</b>	<b>1,007,829</b>	<b>285,810</b>	<b>-</b>	<b>1,293,639</b>
<b>Year ended 2009</b>				
At 1 January 2009	1,007,829	285,810	-	1,293,639
Purchases and new planting	-	-	210,451	210,451
Gain arising from changes in fair value less estimated point of sale costs	(950)	33,273	-	32,323
<b>At 31 December 2009</b>	<b>1,006,879</b>	<b>319,083</b>	<b>210,451</b>	<b>1,536,413</b>



## **NOTES (CONTINUED)**

### **17. BIOLOGICAL ASSETS- GROUP (continued)**

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 are expected to be average;

The average market price of made tea, will be US \$ 1.65 in 2010 and US\$1.69 in 2011 thereafter capped at US\$1.72 per kilogram throughout the projection period, based on the average tea price for the past 4 years; and

Cost of inflation will be at 9% throughout the projection period (2008: 8.5%) per annum.

In 2008 the key assumptions were; average market price of made tea of US \$ 1.45 in 2009 and US\$1.47 in 2010 thereafter capped at US\$1.49 per kilogram throughout the projection period, based on the average tea price for the past 4 years. Cost of inflation was estimated at 8.5% throughout the projection period.

The pre-tax discount rate applied to the expected net cash flows was 21 % (2008: 22%).

The Group has 316 hectares (2008:316) and 198.2 hectares (2008: 198.2) of mature tea bushes and forestry, respectively, located in Tukuyu district in Tanzania.

The Group's tea estates produced 2.76m (2008: 2.53 million) kilograms of green tea leaf and 232 (2008: 232) tons of forest reserve were harvested during year ended 31 December 2009. All the firewood harvested from the Group's reserves were used in the withering of the tea at Wakulima Tea Company Limited.



**NOTES (CONTINUED)**

**18. INVESTMENT IN SUBSIDIARIES**

	<u>2009</u> TShs '000	<u>2008</u> TShs '000
Equity investment:		
Wakulima Tea Company Limited (a)	<b>1,826,007</b>	1,826,007
Rungwe Avocado Company Limited (b)	<b>647,700</b>	-
	<b>2,473,707</b>	1,826,007

The equity investment relates to:

Nature of business	Number and description of share held		% of issued shares held	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
(a) Growing, processing and sale of made tea from green leaf supplied by smallholder tea farmers and its own tea estates.	<b>1,647,528</b> ordinary shares	1,647,528 ordinary shares	<b>75%</b>	75%
(b) Growing, processing and sale of avocado and other fruits	-	64,700 Ordinary shares	<b>57.43%</b>	-

Rungwe Avocado Company Limited was incorporated on 18 March 2009, Tatepa and Wakulima have agreed to invest in this new business venture. Wakulima currently hold 22.52% of the issued shares in Rungwe Avocado Company Limited while Tatepa holds 57.43%, the balance (20.05%) of the shares are held by Robert Clowes.

**19. LOAN RECEIVABLE**

	<u>2009</u> TShs '000	<u>Group</u> <u>2008</u> TShs '000	<u>Company</u> <u>2008</u> TShs '000
Wakulima Tea Company Limited	-	-	1,800,000

The TShs1,800 million loan to Wakulima Tea Company Limited carries interest rate of 1% less than the CRDB Bank lending rate applicable to corporate customers of similar credit rating to Wakulima Tea Company Limited, the loan is not secured and is repayable after 2009, the repayment date will be mutually agreed by both parties. On this basis the loan is classified as a current asset as at 31 December 2009 (see note 22). The average effective rate for the year under review was 15% (2008: 15%).



## NOTES (CONTINUED)

## 20. INVENTORIES

	Group		Company	
	2009 TShs '000	2008 TShs '000	2009 TShs '000	2008 TShs '000
Finished products	1,015,606	855,008	-	-
Stores and consumables	1,232,686	1,075,500	-	-
Goods in transit	47,705	56,004	-	-
Impairment provision	(8,939)	(17,379)	-	-
	<b>2,287,058</b>	1,969,133	-	-

The cost of inventories credited to expenses during the year was TShs 157 million (2008: TShs 6,235 million in respect of both continuing and discontinued operations was charged to expenses).

## 21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 TShs '000	2008 TShs '000	2009 TShs '000	2008 TShs '000
Trade receivables	138,913	377,378	-	-
Less: Provision for impairment	(4,984)	(4,984)	-	-
Trade receivables-net	133,929	372,394	-	-
Advances to tea growers	379,022	431,277	-	-
VAT recoverable	173,681	606,384	13,700	26,112
Other receivables	40,107	-	763	-
Deposits and prepayments	407,769	368,370	1,303	208,522
Due from related parties (Note 33 (iv))	11,196	2,283	11,196	-
	<b>1,145,704</b>	1,780,708	<b>26,962</b>	234,634

Trade receivables that are less than 14 days outstanding (2008: 14 days) are within the Group's credit period. As of 31 December 2009, trade receivables of TShs 134 million (2008: TShs 218 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 remainder was neither past due nor impaired.

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.



**NOTES (CONTINUED)**

**21. TRADE AND OTHER RECEIVABLES (continued)**

The ageing analysis of trade receivables that were past due but not impaired is as follows:

	<u>2009</u> TShs '000	<u>2008</u> TShs '000
1 – 30 days overdue	<b>133,929</b>	199,035
31 to 60 days overdue	-	18,299
Over 60 days	-	360
	<b>133,929</b>	<b>217,694</b>

Movements on the provision for impairment of trade receivables are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b> TShs'000	2008 TShs'000	<b>2009</b> TShs'000	2008 TShs'000
At start of year	<b>4,984</b>	110,455	-	-
Provision in the year	-	4,984	-	-
Unused amounts transferred on disposal of subsidiary	-	(110,455)	-	-
	<b>4,984</b>	4,984	-	-
At end of year				

**22. LOANS RECEIVABLE**

	<b>Group</b>		<b>Company</b>	
	<u>2009</u> TShs '000	<u>2008</u> TShs '000	<u>2009</u> TShs '000	<u>2008</u> TShs '000
<b>Wakulima Tea Company Limited:</b>				
Short term loan denominated in TShs (Note 19 and 33)	-	-	<b>1,800,000</b>	-
Short term loan denominated in US Dollar	-	-	<b>191,643</b>	666,365
	-	-	<b>1,991,643</b>	666,365

**US Dollar loan to Wakulima Tea Company Limited**

This is a short term loan denominated in US dollars and carries interest at a rate of 8% (2008:5.5%), the loan is not secured and is payable on demand



**NOTES (CONTINUED)**

**23. BANK AND CASH BALANCES**

	<u>2009</u> TShs '000	<u>Group</u> <u>2008</u> TShs '000	<u>2009</u> TShs '000	<u>Company</u> <u>2008</u> TShs '000
Cash at bank and in hand	<b>375,550</b>	534,899	<b>11,770</b>	357,822

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

Cash and bank balances	<b>375,550</b>	534,899	<b>11,770</b>	357,822
Bank overdraft (Note 26)	<b>(875,536)</b>	(425,069)	-	-
	<b>(499,986)</b>	109,830	<b>11,770</b>	357,822

**24. TRADE AND OTHER PAYABLES**

Trade payables	<b>266,759</b>	994,448	-	234,508
Interest payables	-	43,124	-	-
Other payables and accrued expenses	<b>864,611</b>	438,911	<b>36,159</b>	-
Due to directors	-	-	-	-
Due to related parties (Note 33 (iv))	<b>21,310</b>	-	-	-
Unclaimed dividends	<b>93,184</b>	43,656	<b>93,184</b>	43,656
	<b>1,245,864</b>	1,520,139	<b>129,343</b>	278,164

**25. BORROWINGS**

Bank and other borrowings (a)	<b>3,524,689</b>	3,455,102	-	-
Less: Current portion (b)	<b>(1,524,779)</b>	(1,226,372)	-	-
	<b>1,999,910</b>	2,228,730	-	-

**(a) This is made up as follows:**

Borrowings (c)	<b>2,649,153</b>	3,030,033	-	-
Bank overdraft (Note 26)	<b>875,536</b>	425,069	-	-
	<b>3,524,689</b>	3,455,102	-	-

**25(b) Due within one year**

Bank overdraft	<b>875,536</b>	425,069	-	-
Rungwe Small Holder Tea Growers Trust Fund	<b>339,537</b>	500,000	-	-
Current portion of bank borrowings	<b>309,706</b>	301,303	-	-
	<b>1,524,779</b>	1,226,372	-	-

**(c) This is made up as follows:**

CRDB Bank Ltd (i)	<b>2,309,616</b>	2,530,033	-	-
Rungwe Smallholder Tea Growers Trust Fund (ii)	<b>339,537</b>	500,000	-	-
	<b>2,649,153</b>	3,030,033	-	-



**NOTES (CONTINUED)**

**25. BORROWINGS (continued)**

**(i) CRDB Bank loan and overdraft**

In July 2007, 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, which was fully drawn down as at 31 December 2009. A part of the amount drawn down was used to pay the outstanding loan to Standard Chartered Tanzania Bank Limited in 2007; the balance was used to rehabilitate the Mwakaleli factory. 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 subsidiary also obtained an overdraft facility from CRDB Bank, currently limited to USD 1.5 million (2008: US\$ 1 million) 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.

**(ii) Rungwe Smallholders Tea Growers Trust Fund**

In 2008, Wakulima Tea Company Limited obtained a short term loan from the Rungwe Small Holders Trust Fund (the investment vehicle of the minority shareholders in Wakulima) amounting to shillings five hundred million. The loan is denominated in Tanzania shillings and carries an interest rate of 1% less than the CRDB Bank Plc lending rate; the loan is not secured and is payable on demand. The entire loan amount was drawn on 1 September 2008 and was used to finance working capital and rehabilitation of Mwakaleli factory.

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

	<b>Group</b>		<b>Company</b>	
	<b><u>2009</u></b> TShs '000	<b><u>2008</u></b> TShs '000	<b><u>2009</u></b> TShs '000	<b><u>2008</u></b> TShs '000
Between 1 and 2 years	<b>309,706</b>	301,303	-	-
Between 2 and 5 years	<b>929,117</b>	903,909	-	-
Over 5 years	<b>761,087</b>	1,023,518	-	-
	<b><u>1,999,910</u></b>	<u>2,228,730</u>	-	-

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 similar to the borrowing rate that the directors expect would be available to the Company and its subsidiary at the balance sheet date.



**NOTES (CONTINUED)**

**26. BANK OVERDRAFT**

**Group**

Bank	Beneficiary	Overdraft facility limit		Amount utilised	
		<u>2009</u> US\$	<u>2008</u> US\$	<u>2009</u> TShs '000	<u>2008</u> TShs '000
CRDB Bank Limited	Wakulima Tea Company Ltd	<b>1,500,000</b>	1,000,000	<b>875,536</b>	425,069
		<b>1,500,000</b>	1,000,000	<b>875,536</b>	425,069

a) This facility was obtained along with the long term facility described under note 25 above and is jointly secured along 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.

**27. DEFERRED INCOME TAX LIABILITY**

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 30% (2008:30%). The movement on the deferred income tax account is as follows:

	<b>Group</b>		<b>Company</b>	
	<u>2009</u> TShs '000	<u>2008</u> TShs '000	<u>2009</u> TShs '000	<u>2008</u> TShs '000
At the beginning of year	<b>364,869</b>	377,034	-	-
Charged / (credited) into the profit and loss account (Note 13)	<b>191,524</b>	(108,769)	-	-
Deferred tax on entity disposed of (Note 35)	-	96,604	-	-
<b>At the end of year</b>	<b>556,393</b>	364,869	-	-

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

Accelerated tax allowances	<b>333,854</b>	153,911	-	-
Biological asset fair valuation	<b>397,789</b>	244,444	-	-
Other temporary differences	<b>(175,250)</b>	(33,486)	-	-
<b>At the end of year</b>	<b>556,393</b>	364,869	-	-

**28. EMPLOYEES' GRATUITY**

As at 1 January	<b>78,754</b>	100,700	-	-
Interest cost	<b>7,088</b>	5,886	-	-
Current service cost	<b>17,545</b>	41,147	-	-
Utilization	-	(68,979)	-	-
<b>As at 31 December</b>	<b>103,387</b>	78,754	-	-



**NOTES (CONTINUED)**

**28. EMPLOYEES' GRATUITY (CONTINUED)**

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 a full 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 2009 was TShs 103.4 million. The Group Companies have recognised the full liability at 31 December 2009. The principal assumptions used in the actuarial valuation are:

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

An update valuation was performed at the year end based on assumptions similar to those applied in the latest full valuation, principally the average accrual rate of 4.9% of basic salaries per annum. The next valuation is due on 31 December 2010.

**29. COMMITMENTS**

**Capital commitments**

The Group had no capital commitments approved and contracted as at 31 December 2009.

**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:

	<b>Group</b>		<b>Company</b>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	TShs '000	TShs '000	TShs '000	TShs '000
Not later than 1 year	<b>1,041</b>	<b>1,041</b>	-	-
Later than 1 year and not less than 5 years	<b>4,163</b>	<b>4,163</b>	-	-
Later than 5 years	<b>88,153</b>	<b>89,194</b>	-	-



**NOTES (CONTINUED)**

**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**

	<b>Group</b>		<b>Company</b>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	TShs '000	TShs '000	TShs '000	TShs '000
Authorised: 20,000,000 ordinary shares of Shs 25 each	<b>500,000</b>	500,000	<b>500,000</b>	500,000
<b>Group and Company</b>			<b>2009</b>	2008
			<b>Number</b>	Number
Number of Issued and fully paid shares			<b>17,857,165</b>	17,857,165

**Share capital and premium**

<b>Group and Company</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
	TShs '000	TShs '000	TShs '000
At 1 January and 31 December 2009	446,429	3,748,429	4,194,858

**32. CASH GENERATED FROM OPERATIONS**

	<b>Group</b>		<b>Company</b>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	TShs '000	TShs '000	TShs '000	TShs '000
(Loss) / profit before income tax (including discontinued operations)	<b>(503,756)</b>	5,814,814	<b>(191,541)</b>	7,134,290
Adjustments for:				
Depreciation (Note 16)	<b>657,997</b>	444,779	-	-
Fair value (gain)/loss on biological assets (Note 17)	<b>(32,324)</b>	55,027	-	-
Employees' gratuity	<b>24,633</b>	(21,946)	-	-
Interest expense	<b>338,757</b>	342,418	-	-
Interest income	<b>(763)</b>	(1,976)	<b>(763)</b>	-
Unrealised exchange loss on term loans	<b>64,078</b>	231,341	-	-
Gain on disposal of property, plant and equipment	<b>(578)</b>	(17,216)	-	-
Gain on disposal of subsidiary	-	(4,970,778)	-	(5,215,581)
<i>Changes in working capital: (excluding effect of disposal of operations)</i>				
Inventories	<b>(317,925)</b>	(1,634,444)	-	-
Biological asset (nurseries)	<b>(17,019)</b>	-	-	-
Receivables	<b>635,003</b>	(95,846)	<b>682,394</b>	1,316,347
Payables	<b>(274,275)</b>	801,693	<b>(148,822)</b>	243,618
Cash generated from operations	<b>573,828</b>	947,866	<b>341,268</b>	3,478,674



**NOTES (CONTINUED)**

**33. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company is controlled by Freshfields Investments Limited, which owns 54.43% (2008: 54.43%) 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 Rungwe Avocado Company (57.43% and Wakulima Tea Company Limited owns 22.52% in the Company). 25% of Wakulima Tea Company Limited shareholding is owned by Rungwe Smallholders Tea Development Trust Fund, and 20.05% of Rungwe Avocado Company Limited is owned by Robert Clowes. The ultimate parent of the companies in the TATEPA Group is CDC Group Plc, a public limited company incorporated in England & Wales. In addition, a Company shareholder and director, Mr George Theobald, owns Tanganyika Finance Company Limited and has shares in Nomad Tanzania Limited. Also he is a trustee of Selous Rhino Trust. The following transactions were carried out with related parties:

	<b>Group</b>		<b>Company</b>	
	<u>2009</u> TShs '000	<u>2008</u> TShs '000	<u>2009</u> TShs '000	<u>2008</u> TShs '000
<b>i) Purchase of services</b>				
Tanganyika Finance Company Limited – Management services	<b>562,426</b>	<b>379,754</b>	<b>88,110</b>	224,248
<b>ii) Interest on loans</b>				
Interest charged to Chai Bora Limited	-	-	-	110,794
Interest charged to Wakulima Tea Company Limited	-	-	<b>356,534</b>	139,207

**iii) Year-end balances arising from sale/purchase of goods and services**

	<b>Group</b>		<b>Company</b>	
	<u>2009</u> TShs '000	<u>2008</u> TShs '000	<u>2009</u> TShs '000	<u>2008</u> TShs '000
<b>Receivable from related parties</b>				
Tanganyika Finance Company Limited	<b>10,900</b>	-	<b>10,900</b>	-
Kidahi Rhino Trust	-	2,283	-	-
Nomad Tanzania Limited	<b>296</b>	-	<b>296</b>	-
	<b>11,196</b>	2,283	<b>11,196</b>	-
<b>Payable to related parties</b>				
Nomad Tanzania Limited	-	4,868	-	-
Rungwe Smallholders Tea Development Trust Fund	<b>21,310</b>	3,126	-	-
	<b>21,310</b>	7,994	-	-



## NOTES (CONTINUED)

### 33. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	<b>Group</b>		<b>Company</b>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	TShs '000	TShs '000	TShs '000	TShs '000
<b>Loans to subsidiary company</b>				
Wakulima Tea Company Limited (Note 19)	-	-	<b>1,800,000</b>	1,800,000
Wakulima Tea Company Limited (Note 22)	-	-	<b>191,643</b>	666,365
Total	-	-	<b>1,991,643</b>	2,466,365
Due after one year			-	(1,800,000)
Due within one year	-	-	<b>1,991,643</b>	666,365

#### *(iv) Directors and key management's remuneration*

Remuneration policy for directors and executives

With effect from 1 August 2008 the directors of the Company are paid an annual allowance of US\$6,000 each, while the Chairman is paid US\$8,000. The new remuneration policy was implemented retrospectively during the year and therefore the arrears for the five months in 2008 are recognised in these financial statements. In addition to the annual fees, Directors are entitled to a refund of their travelling expenses to a maximum of US\$500 per sitting.



**NOTES (CONTINUED)**

**33. RELATED PARTY TRANSACTIONS & BALANCES (CONTINUED)**

Directors and executive remuneration

2009	Short term employee benefits			Chairman's Fees	Sitting allowances	Post employment benefits	Other long-term benefits	Share based payments	Total
	Salary	Bonus	Children school fees						
<b>Non executive directors</b>									
Hon J J Mungai	-	-	-	13,147	-	-	-	-	13,147
W Erio	-	-	-	-	9,860	-	-	-	9,860
K Alexander	-	-	-	-	9,860	-	-	-	9,860
G C Theobald	-	-	-	-	9,860	-	-	-	9,860
P D Rowland	-	-	-	-	9,860	-	-	-	9,860
<b>2008</b>									
Non executive directors									
Hon J J Mungai	-	-	-	30,760	-	-	-	-	30,760
W Erio	-	-	-	-	-	-	-	-	-
F Mbala	-	-	-	-	-	-	-	-	-
K Alexander	-	-	-	-	-	-	-	-	-
Executive officers									
G C Theobald	52,600	8,902	45,778	-	-	-	311,004	-	418,284
P D Rowland	75,877	57,319	-	-	-	-	237,998	-	371,194

**NOTES (CONTINUED)****34. DISCONTINUED OPERATION- TEA BLENDING AND PACKAGING**

In prior year, the Board of Directors entered into a sale agreement to dispose of the Group's Blending and Packaging of Tea operation. The proceeds of sale substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale.

The disposal of the Blending and Packaging of Tea operation is consistent with the Group's long-term policy to focus its activities in the purchase of green leaf from out growers and processing business model. The disposal was completed on 31 July 2008, on which date control of the Blending and Packaging of Tea operations passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in note 35.

The combined results of the discontinued operations (i.e. tea blending and packaging operation for the year 2008) included in the profit and loss account are set out below.

**(a) Profit for the year from discontinued operations**

	<u>2009</u> TShs'000	<u>2008</u> TShs'000
Revenue	-	5,391,086
	-	5,391,086
Cost of sales	-	(3,371,904)
Gross profit	-	2,019,182
Other operating income	-	20,483
Marketing and selling expenses	-	(670,477)
Administration expenses	-	(1,636,187)
Operating profit	-	(266,999)
Net finance costs	-	(282,076)
Add: intercompany income	-	195,019
Loss before tax	-	(354,056)
Income tax	-	105,206
Profit after tax for the year attributable to discontinued operations	-	(248,850)

**(b) Cash flows attributable to discontinued operations**

Net cash (out) / in flows from operations	-	(568,588)
Net cash (out) / in flows from investing activities	-	(131,242)
Net cash (out) / in flows from financing activities	-	(135,821)
Net cash (out) / in flows from discontinued operations	-	(699,820)



**NOTES (CONTINUED)**

**35. DISPOSAL OF TEA BLENDING AND PACKAGING OPERATION**

There were no disposals of business during the year under review (2008:the Company sold its 100% interest in Chai Bora Limited to Trans-Century Limited, a company registered and domiciled in the Republic of Kenya). The Group is now comprised of Wakulima Tea Company Limited (75%), Rungwe Avocado Company (74.32%), which was incorporated during the year and Tanzania Tea Packers Ltd (the holding Company). The Company controls 74.32% of the equity interest in Rungwe Avocado Company Limited, of which 57.43% is direct holding and 22.52% is indirect holding through Wakulima Tea Company Limited.

The sale of Chai Bora Limited had the following transaction gain to the Company and the Group.

Profit on disposal of Chai Bora Limited (CBL), in the books of Tanzania Tea Packers Limited:

<b>Group</b>	<b>2009</b>	<b>2008</b>
	<b>TShs'000</b>	<b>TShs'000</b>
Sales proceeds – nil (2008: US\$4,969,447.43)	-	5,784,834
Proceeds from intercompany loan	-	1,266,782
<b>Assets</b>		
Plant, property and equipment	-	596,051
Trademarks	-	750
Deferred tax assets	-	96,604
Stocks	-	3,257,451
Debtors	-	1,075,601
Corporate Tax receivable	-	240,509
Cash and cash equivalents	-	(1,265,440)
Total assets	-	4,001,526
Less:		
Long term borrowing (CRDB Bank Loan)	-	(1,315,192)
Employees gratuity scheme	-	(48,208)
Creditors and accruals	-	(1,026,539)
Net assets sold	-	1,611,587
<b>Profit on disposal of assets in CBL</b>	<b>-</b>	<b>5,440,029</b>
Expenses related to the sale of subsidiary	-	(469,251)
<b>Profit on disposal of assets in CBL</b>	<b>-</b>	<b>4,970,778</b>

**Net cash inflow on disposal**

Consideration received in cash and cash equivalents	-	7,051,616
Less: cash and cash equivalent	-	1,265,440
Less: transaction costs	-	(469,251)
	<b>-</b>	<b>7,847,805</b>



## NOTES (CONTINUED)

### 35. DISPOSAL OF TEA BLENDING AND PACKAGING OPERATION (CONTINUED)

<b>Company</b>	<b>2009</b>	<b>2008</b>
	<b>TShs'000</b>	<b>TShs'000</b>
Sales proceeds(2008: CBL US\$4,969,447.43)	-	5,784,834
Less cost of investments (2008:CBL)	-	(100,002)
Gain on disposal of subsidiary	-	5,684,832
Selling expenses	-	(469,251)
<b>Net gain on Disposal</b>	<b>-</b>	<b>5,215,581</b>

#### **Net cash inflow on disposal**

Consideration received in cash and cash equivalents	-	5,784,834
Less transaction costs	-	(469,251)
	<b>-</b>	<b>5,315,583</b>

### 36 . SUBSEQUENT EVENTS

On 13 January 2010 one of the subsidiaries, Rungwe Avocado Company Limited, signed Funding Agreement with the African Enterprise Challenge Fund (AECF) to receive a funding of US dollars 1,410,031 out of which US \$ 1,171,858 is repayable. The repayment is expected not later than 31 August 2014.





## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the sixteenth Annual General Meeting of the Company in respect of the year ended 31st December 2009 will be held at Movenpick, Royal Palm Hotel, Dar es Salaam on Wednesday the 9th June 2010 at 14:00 hours.

### **AGENDA**

1. Confirmation of the minutes of the 15th Annual General Meeting.
2. To receive and adopt the Annual Directors' Report for the year ended 31st December 2009.
3. The audited Annual Accounts for the year ended 31st December 2009 are being laid before the shareholders.
4. To appoint PricewaterhouseCoopers, P. O. Box 45, Dar es Salaam, as the Company Auditors as recommended by the Board of Directors for the year 2010.
5. To confirm that no dividend to be paid for the year 2009 as per the recommendation of the Board of Directors.
6. To reappoint retiring directors of the Company, who are eligible for reappointment, ie M/s Hon J J Mungai MP, Keith Alexander, G C Theobald, P D Rowland and Steven S Alfred (who was appointed in place of W Erio on 22 March 2010).
7. Any other Business.

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

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

BY ORDER OF THE BOARD

**V. K. Tewari**  
Company Secretary

### **Tanzania Tea Packers Limited**

P. O. Box 1344 Dar es Salaam, Tanzania  
1st May, 2010



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

I, (name) \_\_\_\_\_ confirm that

I will be attending the **TATEPA AGM** on 9th June 2010.

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



**PROXY**

I/We of \_\_\_\_\_ of \_\_\_\_\_

Being a member/members of the above-named Company hereby appoint

\_\_\_\_\_ of \_\_\_\_\_ or failing

him/her \_\_\_\_\_ of \_\_\_\_\_

as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 9<sup>th</sup> day of June 2010 and at any adjournment thereof.

Signed \_\_\_\_\_

This \_\_\_\_\_ Day of \_\_\_\_\_ 2010.

Note: If the organization is a corporation, the proxy must be either under seal, or under the hand of an officer or attorney duly authorised.

If you have appointed a proxy to vote on your behalf please detach and return to:

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









**TATEPA**

**Tanzania Tea Packers Limited**

P O Box 1344

Dar es Salaam, Tanzania

Tel. +255 22 2861390-91,

E-mail: [general@tatepa.com](mailto:general@tatepa.com)