

TANZANIA POSTS CORPORATION ANNUAL REPORT

TABLE OF CONTENTS

DESCRIPTION	PAGE NO.
Report of the Directors	1 – 4
Report of the Auditors	5
Balance Sheet	6
Income Statement	7
Statement of Changes in Equity	8
Cash Flow Statement	9
Notes to the Financial Statements	10 - 27

TANZANIA POSTS CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2007

1. The Directors present their report as required under Tanzania Financial Accounting Standard (TFAS) No.12 and the audited financial statements for the year ended 31st December 2007.

2. PRINCIPAL ACTIVITIES

According to section 8 of the Tanzania Posts Corporation Act of 1993 the principal functions of the Tanzania Posts Corporation have been stipulated as follows:-

- To provide a national postal service within the United Republic and between places outside the United Republic;
- To meet the industrial, commercial, social and household needs of the nation for comprehensive and efficient postal services and so far as the Corporation consider reasonably practicable, to satisfy all reasonable demands for such services throughout the United Republic;
- To provide services by which money may be remitted (whether by means of money orders or otherwise) as the Corporation thinks fit;
- To provide counter services for the Corporation's own and Government business and provided that they are compatible with those services and with principal objects set out in this subsection, for others as the Corporation thinks fit;

In carrying out its legal mandate the Tanzania Posts Corporation is committed to pursue relentlessly the following objectives:

- To modernize the Post Office infrastructure.
- To make the Post Office customer driven.
- To provide quality products and services.
- To make the Post Office a viable commercial entity.
- To portray the social obligation of the Post Office.
- To increase operational efficiency.
- To increase market share.

Tanzania Posts Corporation also embraces and institutionalises values that care about the customer and pledges to fulfil their needs and expectations to the fullest extent possible at all times. All employees of the Corporation are committed to uphold the following values:-

- Customers will always get value for the money spent on our products and services;
- Reliable services will create lasting relationships with customers;
- Courtesy
- Integrity
- Security
- Prompt and timely services.

TANZANIA POSTS CORPORATION

3. RELATED PARTY TRANSACTIONS

Related party transactions are as shown in Note 25 in the financial statements.

4. RESULTS FOR THE YEAR

The Corporation incurred a loss of Tzs 1.1 billion (2006: loss of Tzs 4.3 billion) out of a total income of Tzs 20.4 billion (2006: Tzs 17.3 billion) against total operating expenses of Tzs 21.6 billion (2006: Tzs 21.6 billion).

5. SOLVENCY

The Corporation's state of affairs as at 31st December, 2007 is reflected in the financial statements.

6. DIRECTORS

The Directors of the Board at the date of this report, who held office during the year since 1 January 2007, were:-

Name	Position	Nationality
Mr. Yona S.M. Killagane	Chairman	Tanzanian
Ms. Rahma M. Mshangama	Member	Tanzanian
Mr. Pancras M. Ndejemi,	Member	Tanzanian
Mr. Charles Nsekela	Member	Tanzanian
Mr. Peter Kato	Member	Tanzanian
Mr. Suleiman S. Suleiman	Member	Tanzanian

7. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Under the Tanzania Posts Corporation Act No. 19 of 1993 the Directors are responsible for the maintenance of adequate accounting records, the preparation of the financial statements and the related information. The Directors also are responsible for the systems of internal controls. These are designed to provide reasonable assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatements and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

8. GOING CONCERN

The financial statements are prepared on a going concern basis based on the support of the Government and in accordance with International Financial Reporting Standards. Nothing has come to the attention of the director to indicate that the corporation will not continue as a going concern for the foreseeable future.

9. MISSION

"To provide efficiently universal quality postal services that meet customer expectations."

TANZANIA POSTS CORPORATION

10. VISION

“In serving the general public, Tanzania Posts Corporation desires to be recognized worldwide as an efficient, effective and outstanding public postal enterprise.”

11. WELFARE OF EMPLOYEES

The relationship between employees and management continued to be good. There were no unresolved complaints received by management from the employees themselves and the COTWU workers’ representatives.

The Corporation continues to provide all the necessary assistance to its employees including support for medical services, payment of leave fares despite the economic hardship that is facing the organization.

The Corporation also implements its training programmes by supporting its employees to participate in different training programmes organised internally and outside the Corporation in order to enable them acquire the required and necessary skills to improve their capacity and ability to deliver quality services at the required standards.

Employees participation is also being encouraged, to enable them participate in decision-making process and be aware of the objectives of the Corporation and management plans in achieving the targeted objectives.

12. DISABLED PERSONS

The Corporation gives equal opportunities to all people including disabled ones for vacancies they are able to fill. Similarly under the Workmen Compensation Act the Corporation compensates employees who become incapacitated while in the service of the Corporation.

13. HIV/ AIDS AT PLACE OF WORK

The Corporation has programmes for educating their members regarding the HIV/Aids pandemic. During the year of audit the Corporation has conducted several workshops and seminars on HIV/Aids to its members and staff.

14. GENDER BALANCE

The Corporation has employed staff who are gender balanced to wit the Director of Corporate Services is female and the Director of Operations is a male.

15. INTERNAL AUDIT UNIT

The Public Finance Act Section 28-35 requires the management to establish an internal audit section. Tanzania Posts Corporation has established an effective internal audit unit for many years.

16. TENDER BOARD AND PROCUREMENT MANAGEMENT UNIT

Tanzania Posts Corporation has established a Tender Board and Procurement Management Unit for all big purchases and constructions as required by the Public Procurement Act No. 21 of 2004 Section 28.

TANZANIA POSTS CORPORATION

17. AUDIT COMMITTEE

Tanzania Posts Corporation has in place an effective audit committee as required by Public Finance Regulations Section 28.

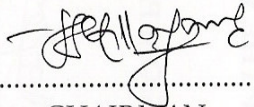
18. HUMAN RESOURCES MANAGEMENT

Tanzania Posts Corporation has a well defined human resources management programme to ensure that all job positions are occupied by well trained staff all the time in order to achieve the Corporation's objective of rendering high quality and comprehensive services to its customers.

19. AUDITORS

The Controller and Auditor General is the Statutory Auditor of the Tanzania Posts Corporation (TPC) by virtue of Article 143 of the Constitution of the United Republic of Tanzania as amplified under Section 30 (1) c of the Public Finance Act (PFA) No. 6 of 2001 (revised 2004). However, in accordance to Section 37 (5) of the PFA M/s Globe Accountancy Services were authorized to carry out the audit of the TPC on behalf of the Controller and Auditor General.

BY ORDER OF THE BOARD



.....
CHAIRMAN

10 – 10 – 2008

.....
DATE



.....
DIRECTOR

TANZANIA POSTS CORPORATION

REPORT OF THE AUDITORS

We have audited the accounts set out on pages 5 to 27, which have been prepared under the historical cost convention and on the basis of the accounting policies set out in Note 2.0 to 2.15 of the accounts. We obtained all the information and explanations which we considered necessary for our audit.

Respective Responsibilities of Directors and Auditors

The Corporation's Directors are responsible for the preparation of the financial statements. Our responsibility is to form an independent opinion on those financial statements based on our audit and report that opinion to you.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and whether the accounting policies followed are appropriate to the circumstances of the Corporation, consistently applied and adequately disclosed. We accordingly planned and performed our audit so as to obtain all the information and explanations, which we considered necessary in order to provide evidence for a reasonable assurance that the financial statements are free from material misstatements.

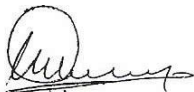
We report that:

The liability in respect of the employees defined benefits plan included in the accounts at a debit balance of Tzs 737,678,508 is not stated at fair value because Actuarial computations to determine the employees benefits earned in return for their services in the current and prior period have not been done. The present value of the defined benefits could not be determined by discounting the estimated future cash flows, as the Actuary has not determined the interest rates. In the circumstances the liability of Pensions and Provident Funds included in the financial statements could not be reliably measured.

Opinion

Except for the above reservation, in our opinion, proper books of accounts were kept and the financial statements give a true and fair view of the state of affairs of the Corporation as at 31st December, 2007, the results of operations, changes in equity and cash flows for the year then ended, and comply with the International Financial Reporting Standards, Companies Act. No. 12 of 2002, Public Finance Act No. 6 of 2001 and Public Procurement Act No. 21 of 2001 as amplified by the Public Procurement Regulations Act of 2005.

GLOBE ACCOUNTANCY SERVICES CERTIFIED PUBLIC ACCOUNTANTS



W.V. MUGURUSI - FCPA (TZ), FCCA (UK)
MANAGING PARTNER

DAR ES SALAAM

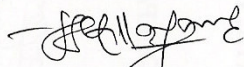
DATE: 13-10-2008

TANZANIA POSTS CORPORATION

BALANCE SHEET AS AT 31ST DECEMBER 2007


ASSETS	NOTE	31.12.2007 TZS	31.12.2006 TZS
Non-Current Assets			
Property, Plant and Equipment	2	11,437,170,929	11,250,371,087
Rehabilitation Costs	3	49,049,064	17,348,472
Investments	4	909,753,900	879,073,050
Intangible Assets			
Computer Software		12,271,104	16,622,768
Total Non-Current Assets		12,408,244,997	12,163,415,377
Current Assets			
Inventories	5	1,045,382,371	880,510,453
Trade and Other Receivables	6	5,463,124,718	4,262,823,669
DPrepayments		40,770,941	80,720,492
Provision for Taxation		785,630,702	447,953,198
Cash and Cash Equivalents	7	702,873,659	951,449,077
Total Current Assets		8,037,782,391	6,623,456,889
TOTAL ASSETS		<u>20,446,027,388</u>	<u>18,786,872,266</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Advance Towards Share Capital	8	23,884,206,367	2,247,991,564
Capital Reserve	9	154,440,440	154,440,440
Revaluation Reserve	10	9,156,570,406	9,125,889,556
Accumulated Surplus/(Deficit)		(20,697,644,076)	(25,901,508,092)
Total Capital and Reserves		<u>12,497,573,137</u>	<u>(14,373,186,532)</u>
Non Current Liabilities			
Long Term Loans	11	-	1,240,054,433
Pension and Similar Obligations	12	(737,678,506)	(547,595,995)
Deferred Tax Liability	13	167,980,198	95,189,681
Total Non Current Liabilities		<u>(569,698,308)</u>	<u>787,648,119</u>
Current Liabilities			
Trade and Other Payables	14	8,534,775,327	31,973,854,861
Current Maturity of Long Term Loans	15	-	398,555,818
Total Current Liabilities		<u>8,534,775,327</u>	<u>32,372,410,679</u>
Total Liabilities		<u>7,965,077,019</u>	<u>33,160,058,798</u>
TOTAL EQUITY AND LIABILITIES		<u>20,446,027,388</u>	<u>18,786,872,266</u>

THE NOTES ON PAGES 9 TO 27 FORM PART OF THESE FINANCIAL STATEMENTS



CHAIRMAN

DATE : 10 - 10 - 2008



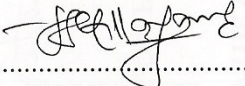
BOARD MEMBER

TANZANIA POSTS CORPORATION

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

INCOME	NOTE	2007 TZS	2006 TZS
Operating Income	16	19,556,366,591	16,627,940,134
Other Income	17	889,179,091	694,710,102
		20,445,545,682	17,322,650,236
 LESS: OPERATING EXPENDITURE			
Salaries and Staff Benefits	18	8,988,972,559	8,394,035,305
Administrative and Establishment Expenses	19	3,985,952,620	3,137,138,814
Operating Expenses	20	6,790,979,330	5,554,135,284
Financial Expenses	21	567,976,335	487,679,557
Other Expenses	22	406,628,742	3,202,514,094
Directors' Expenses		123,220,875	96,350,706
Directors Fees		4,300,000	4,300,000
Audit Fees		24,000,000	24,000,000
Depreciation and Amortization		684,812,674	746,507,984
		21,576,843,135	21,646,661,744
NET SURPLUS/ (DEFICIT) FOR THE YEAR		(1,131,297,453)	(4,324,011,508)
Tax Expenses		144,886,987	285,643,748
PROFIT/ (LOSS) FOR THE YEAR AFTER TAX		(986,410,466)	(4,038,367,760)

THE NOTES ON PAGES 9 TO 27 FORM PART OF THESE FINANCIAL STATEMENTS



 CHAIRMAN

DATE : 10 - 10 - 2008



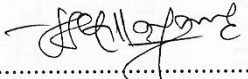
 BOARD MEMBER

TANZANIA POSTS CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31ST DECEMBER, 2007

	Advance Towards Share Capital	Capital Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	Tzs	Tzs	Tzs	Tzs	Tzs
Balance on 1st January, 2006	2,247,991,564	154,440,440	8,988,169,606	(21,863,140,332)	(10,472,538,722)
Equity Investment Adjustments	-	-	137,719,950	-	137,719,950
Surplus/(Deficit) for the Year	-	-	-	(4,038,367,760)	(4,038,367,760)
Balance on 31st December, 2006	<u>2,247,991,564</u>	<u>154,440,440</u>	<u>9,125,889,556</u>	<u>(25,901,508,092)</u>	<u>(14,373,186,532)</u>
Balance on 1st January, 2007	2,247,991,564	154,440,440	9,125,889,556	(25,901,508,092)	(14,373,186,532)
Equity Investment Adjustments	-	-	30,680,850	-	30,680,850
Government Adjustments	21,636,214,803	-	-	6,190,274,482	27,826,489,285
Surplus/(Deficit) for the Year	-	-	-	(986,410,466)	(986,410,466)
Balance on 31st December, 2007	<u>23,884,206,367</u>	<u>154,440,440</u>	<u>9,156,570,406</u>	<u>(20,697,644,076)</u>	<u>12,497,573,137</u>

THE NOTES ON PAGES 9 TO 27 FORM PART OF THESE FINANCIAL STATEMENTS



 CHAIRMAN

DATE : 10 – 10 - 2008
.....



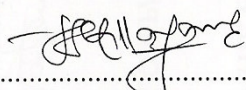
 BOARD MEMBER

TANZANIA POSTS CORPORATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

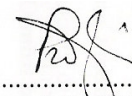
CASH FLOW FROM OPERATING ACTIVITIES	2007 TZS	2006 TZS
Cash Received from Customers	116,658,341,624	102,966,329,074
Cash Payments to Employees and Suppliers	<u>(115,184,799,214)</u>	<u>(100,642,513,578)</u>
Cash Generated from Operating Activities	1,473,542,410	2,323,815,496
Interest Paid	(44,678,519)	(93,012,393)
Corporation Tax Paid	<u>(120,000,000)</u>	<u>(120,000,000)</u>
Net Cash Flows from/(Used in) Operating Activities A	<u>1,308,863,891</u>	2,110,803,103
 CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from Sales of Treasury Bills	-	78,004,500
Investment in Non Current Assets: Building Constructions	(214,913,913)	(427,874,132)
Motor Vehicles	(249,480,467)	(195,560,684)
Furniture and Equipment	(374,306,126)	(366,470,535)
Rehabilitation Costs	<u>(60,260,938)</u>	<u>(10,058,325)</u>
Net Cash Flow From/(Used in) Investing Activities B	<u>(898,961,444)</u>	<u>(921,959,476)</u>
 CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Long Term Loan Repayments	(276,564,426)	(234,907,761)
Payments of Pensions and Similar Obligations	<u>(381,913,439)</u>	<u>(644,111,195)</u>
Net Cash Flow From/(Used in) Financing Activities C	<u>(658,477,865)</u>	<u>(879,018,956)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS A+B+C	(248,575,418)	309,824,671
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>951,449,077</u>	<u>641,624,406</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>702,873,659</u>	<u>951,449,077</u>

THE NOTES ON PAGES 9 TO 27 FORM PART OF THESE FINANCIAL STATEMENTS



CHAIRMAN

DATE : 10 - 10 - 2008



BOARD MEMBER

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1.0 BACKGROUND

Tanzania Posts Corporation was established by Act No.19 of 1993 and became operational on the 1st day of January, 1994. The Corporation's Head Office is situated along Ghana Avenue/Ohio Street, P. O. Box 9551, Dar es Salaam. The Corporation is mandated to discharge its responsibilities on commercial principles.

According to section 8 of the Tanzania Posts Corporation of 1993 the principal functions of the Tanzania Posts Corporation have been stipulated as follows:-

- to provide national postal services within the United Republic of Tanzania and between places outside the United Republic of Tanzania.
- to meet the industrial, commercial, social and household needs of the nation for comprehensive and efficient postal services and so far as the Corporation considers reasonably practicable to satisfy all reasonable demands for such services throughout the United Republic.
- to provide services by which money may be remitted (whether by means of money orders or otherwise) as the Corporation thinks fit.
- to provide counter services for the Corporation's own and government business and provided that they are compatible with those services and with principal objects set out in this subsection, for others as the Corporation thinks fit.

The Corporation, which is fully owned by the Government, is headed by the Postmaster General (PMG) who is supported by the Director of Operations and the Director of Corporate Services. The PMG is answerable to the Board of Directors. Both the Chairman of the Board of Directors and the Postmaster General are appointed by the President of United Republic of Tanzania. All other Board members are appointed by the Minister of the Parent Ministry of Communication Science and Technology.

NOTE 2.0 ACCOUNTING POLICIES

2.1 Basis of Accounting

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS).

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2.2 Property, Plant and Equipment

(i) Recognition

Property, plant and equipment are initially recorded at cost and are subsequently shown at their market values, based on valuation by external independent valuers.

Increases in the carrying amounts arising on subsequent valuation are credited to a Non-Current Assets Revaluation Reserve. Decreases that offset previous increases of the same asset are charged against Non-Current Assets Revaluation Reserve while other decreases are charged to the income statement.

(ii) Disposal

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating results.

(iii) Revaluation

Revaluation of the Corporation's immovable property is conducted after every five years. The revaluation is carried out by an independent firm of valuers on the basis of open market value. Revaluation surplus is directly credited to Non-Current Assets Revaluation Reserve Account.

(iv) Subsequent Expenditure

Expenditure incurred to replace a component of item of property, plant and equipment is accounted for separately and capitalized. Subsequent expenditures are capitalized only when they increase the current economic benefits. All other expenditure items are recognized in the income statement as expenses as they are incurred.

(v) Depreciation

Land is not depreciated. Depreciation of other assets is provided for on a straight-line basis to write off the cost or valuation amount of those assets to their residual values over their expected useful lives. Annual depreciation rates applied in 2007 financial year are as follows: -

Asset Category	Rate p. a
Buildings	2.0%
Motor Vehicles	20.0%
Furniture, Fittings and Equipment	10.0%
Computers	10.0%

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The assets residual values and expected useful lives are re-assessed on an annual basis and adjusted if appropriate. 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. Property, plant and equipment acquired during the year are depreciated from the date when they are available for use and cease to be depreciated at earlier of the date that the asset are classified as held for sale and the date that the assets are de-recognized.

(vi) **Capital Work in Progress**

Capital work in progress is stated at actual cost of materials, plus direct labour and associated overheads incurred in construction.

2.3 Rehabilitation Costs

The amount shown in the accounts represents the cost of rehabilitating various offices in third party buildings rented by the Corporation in previous years and it is amortized at the rate of 33% on reducing balance basis.

2.4 Intangible Assets Amortization

Intangible assets are amortized at the rate of 20% per annum on a reducing balance method.

2.5 Inventories Valuation

General Stores and Stamps

Inventories are valued at the lower of cost and net realizable value. Cost is determined using weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

2.6 Financial Instruments

Financial instruments are classified on initial recognition as financial liabilities, financial assets or equity instruments in accordance with the substance of the contractual arrangement and the definitions of the financial assets, financial liabilities and equity instruments.

(i) Offsetting a Financial Asset and a Financial Liability

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when the Corporation:

- (a) Currently has a legal enforceable right to set off the recognized amounts; and
- (b) Intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Measurement

Financial assets and financial liabilities are initially measured at fair value plus, in the case of a financial asset or a financial liability not at fair value through income statement, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

For the subsequent measurement, the financial assets are classified into the following categories:

- (a) Held To Maturity Investments
- (b) Available For Sale Financial Assets
- (c) Loans and Receivables

(a) Held to Maturity (Treasury Stock)

Held-to-maturity investments are non-derivatives financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Where the Corporation decides to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Held-to-maturity securities are carried at amortized cost using the effective interest method less impairment loss. Interest calculated using the effective interest method is recognized in the income statement. Treasury bills are classified as held-to-maturity and stated at present value.

(b) Available-For Sale Financial Assets (Equity Investments)

Available-for-sale investments are those intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale financial assets are subsequently carried at fair value based on amounts derived from cash flow models. Gains and losses arising from changes in the fair value of available -for-sale financial assets are recognized directly in equity until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in the income statement. The fair values of quoted investments in active markets are based on current bid prices. Unlisted equity securities for which fair values cannot be measured reliably are recognized at cost less impairment loss. Dividends on available-for-sale equity instruments are recognized in the income statement when the Corporation's right to receive the dividends is established.

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(c) Trade and Other Receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.7 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.8 Taxation

(i) Corporation Tax

Corporation tax is provided for on the basis of the results for the year as shown in these financial statements adjusted for in accordance with the tax legislation.

(ii) Deferred Tax

Deferred tax is provided for using the liability method for all temporary differences arising between tax bases of assets and liabilities and their carrying values for the financial statements purposes. Currently enacted tax rates are used to determine deferred tax liability or asset.

2.9 Borrowing

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of borrowings using the effective interest method. Provision is recognized when:

- (a) There is present obligation (legal or constructive) as a result of past event
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation

Provision shall not be recognized for future operating deficit.

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2.10 Provision for Impairment Loss on Staff Receivables

Full provision for impairment loss is made against deceased, redundant staff and all staff who have absconded and their whereabouts are not known.

2.11 Provision for Impairment loss on Accounts Receivables

Full provision for impairment loss is made on specific accounts receivables considered unrecoverable after all efforts to recover them have failed.

2.12 Revenue Recognition

Revenue comprises the invoiced value for the sale of goods and services net of Value-Added Tax, rebates and discounts. Revenue is recognized as follows:

(i) Dividends from Equity Investment

Dividend income from available for sale equity investments is recognized when the right to receive the dividends is established.

(ii) Sale of Goods

Revenue is recognized when all of the following conditions have been satisfied:

- (a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership of the goods;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits associated with the transaction will flow to the Corporation.

(iii) Rendering of Services

Revenue is recognized when the outcome of a transaction involving the rendering of services can be estimated reliably. Revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when the following conditions are satisfied.

- (a) The amount of revenue can be measured reliably
- (b) It is probable that the economic benefits associated with the transaction will flow to the Corporation

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- (c) The stage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

(iv) **Interest Income**

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Corporation reduces the recoverable amount, being the estimated cash flow discounted at original effective interest rate.

(v) **Fees and Commissions**

Fees and commissions are recognized on an accrual basis when the service has been provided.

2.13 **Employee Benefits**

(i) **Short Term Benefits**

Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognized in the income statement when they fall due.

(ii) **Provision for Post Employment Benefits**

The Corporation operates defined pension and provident fund schemes which in certain cases are contributory and in others are non-contributory. The contributory schemes are externally managed by the state and the non-contributory schemes are managed by the Corporation and, therefore, are reflected in the balance sheet. It is intended that for those funds managed by the Corporation a valuation will be carried out every five years by a professionally qualified actuary on both a going concern and on discontinuance basis, the rate of contribution being determined by the actuary. In the intervening years the Board of Directors will revise the continuing appropriateness of the rates.

(iii) **Defined Contributory Schemes**

The contributory schemes are externally managed by Parastatal Pensions Funds (PPF) and National Social Security Fund (NSSF).

The Corporation pays contributions to the above Funds (NSSF and PPF) at a rate of 10% and 15% respectively and the respective employee contributes 10% and 5% respectively based on the basic-salaries. The regular contributions constitute net periodic costs for the year in which they are due, and as such are included in staff costs.

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iv) **Defined Benefit Plan Scheme**

The liability recognized in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with the adjustments for the unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of the high corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related liability. However, during the year actuarial valuation was not carried out.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to income statement over the employees' expected average remaining working lives.

(v) **Termination Benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.14 **The Effects of Changes in Foreign Exchange Rates**

(i) **Functional and Presentation Currency**

Items included in the financial statements of the Corporation are measured using Tanzanian Shillings (Tzs), which is the functional and presentation currency of the primary economic environment in which the Corporation operates.

(ii) **Foreign Currency Translations**

Transactions denominated in foreign currencies are translated at the rates of exchange on the day the transactions occur or at the contracted rate if the transaction is covered by a forward exchange contract. Assets and liabilities in foreign currencies are translated into local currency at the exchange rates ruling at the balance sheet date. The resultant gains or losses are dealt with in the income statement.

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2.15 Impairment of Assets

(i) Impairment of Financial Assets Carried at Amortized Cost

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(ii) Impairment of Financial Assets Carried at Fair Value

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement

(iii) Impairment of Other Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's fair value exceeds its recoverable amount. The recoverable amount is the higher of assets fair value less selling costs and value in use.

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2.16 Intangible Assets

Computer Software

Costs associated with developing or maintaining computer software programmes are recognized as expenses. Costs that are directly associated with identifiable and unique software products that the Corporation controls, and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Direct costs include the software development team's staff costs, and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of five years.

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2.0 PROPERTY, PLANT AND EQUIPMENT

Particulars	Buildings	Motor Vehicles	Office Furniture, Fittings and Equipment	Computers	Capital Work in Progress	TOTAL
	TZS	TZS	TZS	TZS	TZS	TZS
COST/VALUATION						
Cost/Valuation as at 1.01.2007	9,251,631,932	1,564,128,245	2,615,170,961	229,419,617	404,202,565	14,064,553,320
Additions	-	249,480,467	245,878,209	128,427,917	214,913,913	838,700,506
Transfers/Adjustments	219,930,672	-	-	-	(219,930,672)	-
Cost/Valuation as at 31.12.2007	<u>9,471,562,604</u>	<u>1,813,608,712</u>	<u>2,861,049,170</u>	<u>357,847,534</u>	<u>399,185,806</u>	<u>14,903,253,826</u>
DEPRECIATION						
Accumulated as at 01.01.2007	639,273,355	1,139,244,843	982,271,547	53,392,488	-	2,814,182,233
Charge for the year	186,398,069	161,864,839	268,206,508	35,431,248	-	651,900,664
Accumulated as at 31.12.2007	825,671,424	1,301,109,682	1,250,478,055	88,823,736	-	3,466,082,897
RECOVERABLE AMOUNT AS AT 31.12.2007	<u>8,645,891,180</u>	<u>512,499,030</u>	<u>1,610,571,115</u>	<u>269,023,798</u>	<u>399,185,806</u>	<u>11,437,170,929</u>
RECOVERABLE AMOUNT AS AT 31.12.2006	<u>8,612,358,577</u>	<u>424,883,402</u>	<u>1,632,899,414</u>	<u>176,027,129</u>	<u>404,202,565</u>	<u>11,250,371,087</u>

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3.0	REHABILITATION COSTS	31.12.2007	31.12.2006
		TZS	TZS
	Balance on 1st January	17,348,472	15,834,917
	Incurred during the year	<u>60,260,938</u>	<u>10,058,325</u>
		77,609,410	25,893,242
	Less: - Amortisation	<u>28,560,346</u>	<u>8,544,770</u>
	TOTAL	<u>49,049,064</u>	<u>17,348,472</u>
NOTE 4.0	INVESTMENTS		
	Equity Investments		
	Tanzania Postal Bank	909,564,900	878,884,050
	Government Securities		
	Treasury Stock for Provident Funds	<u>189,000</u>	<u>189,000</u>
	TOTAL	<u>909,753,900</u>	<u>879,073,050</u>
NOTE 5.0	INVENTORIES		
	Stamps	505,425,720	530,309,358
	General Stores	590,881,847	411,898,603
	Sub – Postmaster’s Stock	<u>5,438,169</u>	<u>4,331,132</u>
	SUB TOTAL	1,101,745,736	946,539,093
	Impairment Loss	<u>(56,363,365)</u>	<u>66,028,640</u>
	TOTAL	<u>1,045,382,371</u>	<u>880,510,453</u>
NOTE 6.0	TRADE AND OTHER RECEIVABLES		
	International Trade Receivables	3,574,465,575	2,617,401,731
	Western Union Money Transfers	190,839,698	192,145,742
	Accommodation Receivable	709,212,667	446,605,248
	Staff Receivable	217,644,391	121,728,007
	Unclaimed Payments	52,462,923	192,096,437
	Sundry Receivables	<u>847,843,532</u>	<u>822,190,572</u>
	SUB TOTAL	5,592,468,786	4,392,167,737
	Provision For Impairment	<u>(129,344,068)</u>	<u>(129,344,068)</u>
	TOTAL	<u>5,463,124,718</u>	<u>4,262,823,669</u>
NOTE 7.0	CASH AND CASH EQUIVALENTS		
	Cash in Hand	387,046,579	385,040,917
	Cash in Transit	92,434,438	105,661,754
	Cash at Bank	179,769,505	378,499,007
	Crown Agents	<u>43,623,137</u>	<u>82,247,399</u>
	TOTAL	<u>702,873,659</u>	<u>951,449,077</u>

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8.0 ADVANCES TOWARDS SHARE CAPITAL TZS. 24,003,506,367

Advances towards share capital represent the excess of assets over liabilities taken over by Tanzania Posts Corporation from the defunct Tanzania Posts and Telecommunications Corporation (TP&TC) amounting to Tzs 2,247,991,564 and liabilities taken over by the Government amounting to Tzs 21,636,214,803 analysed as follows: -

	31.12.2007	31.12.2006
	TZS	TZS
Excess Assets Taken Over	2,247,991,564	2,247,991,564
Parastatal Pension Fund	20,229,572,555	-
TPB Excess Deposits	667,435,734	-
EADB Loan	1,015,770,941	-
EADB Loan Repayment	(276,564,427)	-
TOTAL	<u>23,884,206,367</u>	<u>2,247,991,564</u>

The Cabinet of the Ministers under the chairmanship of the President of the United Republic of Tanzania set on 13th September, 2007 and made the decision that debts of the Corporation to the tune of Tshs. 21,636,214,803 be taken over by the Government. This has to be gazetted to complete the process. This is yet to be done, however, the debts have been removed from the books of the Corporation on the assumption that the Cabinet's decision is not reversible. The Cabinet's decision has been conveyed to the Corporation vide letter. BA.54/283/01 dated 20th September, 2007.

NOTE 9.0 CAPITAL RESERVE TZS. 154,440,440

Capital reserve represents primarily the excess of the value of assets over liabilities inherited by the former Corporation (TP & TC) at the time of its inception. This is the portion taken over by Tanzania Posts Corporation. The reserve is permanent in nature and can only be available for enhancement of share capital when need arises.

NOTE 10.0 REVALUATION RESERVE **31.12.2007** 31.12.2006
TZS **TZS**

Portion of Revaluation which is allocated by the Transitional Management in 1994 from the former Tanzania Posts and Telecommunications Corporation.	9,125,889,556	8,988,169,606
Revaluation Surplus arising from the revaluation of the Corporation's office furniture and equipment and some buildings conducted by a firm of professional valuers (M/S Africa Property Limited) and IFRS adjustments	<u>30,680,850</u>	<u>137,719,950</u>
TOTAL	<u>9,156,570,406</u>	<u>9,125,889,556</u>

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 11.0	LONG TERM LOANS	World Bank (Credit 2486TA) TZS	EADB TZS	TOTAL TZS
	Balance as at 1 st January 2007	622,839,310	617,215,123	1,240,054,433
	Amount Taken Over by Government	-	(617,215,123)	(617,215,123)
	Amount Written Off	<u>(622,839,310)</u>	<u>-</u>	<u>(622,839,310)</u>
	Balance as at 31st December 2007	<u>-</u>	<u>-</u>	<u>-</u>

World Bank loan IDA Credit 2486 TA of USD 492,815 was in respect of Tanzania Telecommunications Project. The loan has been taken over by the Government during the year 2007.

The EADB loan amounting to USD 736,725 was in respect of Tanzania Posts Corporation Automation Project. The loan has been taken over by the Government during the year 2007 vide letter Ref. No. TYC/P/170/3/01 dated 7th January, 2008 from the Permanent Secretary, Ministry of Finance and Economic Affairs addressed to the Country Manager (T), EADB.

NOTE 12.0	PENSION AND SIMILAR OBLIGATIONS	PENSION FUND TZS	PROVIDENT FUND TZS	TOTAL TZS
	Balance as at 1st January 2007	(586,434,061)	38,838,066	(547,595,995)
	Add: Provision for the Year	<u>191,666,226</u>	<u>164,700</u>	<u>191,830,926</u>
		(394,767,835)	39,002,766	(355,765,069)
	Payments to Pensioners	<u>(381,263,439)</u>	<u>(650,000)</u>	<u>(381,913,439)</u>
	BALANCE AS AT 31ST DECEMBER 2007	<u>(776,031,274)</u>	<u>38,352,766</u>	<u>(737,678,508)</u>

NOTE 13.0	DEFERRED TAX LIABILITY	31.12.2007 TZS	31.12.2006 TZS
	Balance as at 1 st January	95,189,681	52,880,232
	Change on Temporary Difference	<u>72,790,517</u>	<u>42,309,449</u>
	Balance as at 31st December	<u>167,980,198</u>	<u>95,189,681</u>

NOTE 14.0	TRADE AND OTHER PAYABLES		
	International Trade Payables	2,614,438,284	1,353,753,474
	Tanzania Telecommunication Company Ltd	49,963,230	49,963,230
	Supplies Payables	66,806,800	110,917,800
	Customs and Excise	48,280,805	48,387,289
	Lottery Payables	-	130,686,928
	TPC HIV Foundation	45,708,037	-
	Payroll Deductions	21,829,947,733	22,353,638,218
	Key Deposits	322,796,808	322,611,684
	Remittance Services	1,085,166,658	891,558,119
	TPB Excess Deposits	786,735,734	786,735,734
	Sundry Payables	1,804,277,899	1,691,840,904
	Provision for Audit Fees	24,000,000	24,000,000
	Post Giro	228,156,356	253,262,821

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 14.0 TRADE AND OTHER PAYABLES (Cont'd)	31.12.2007 TZS	31.12.2006 TZS
Retention Money Building Project	191,036	191,036
Provision for Royalty in Business	457,111,060	310,660,127
Philately Deposits	2,609,054	1,575,715
Sales and Withholding Taxes	16,547,219	196,000,123
Value Added Tax (VAT)	<u>49,046,903</u>	<u>3,448,071,659</u>
	29,431,783,616	31,973,854,861
Less: Taken Over by the Government	<u>20,897,008,289</u>	<u>-</u>
TOTAL	<u>8,534,775,327</u>	<u>31,973,854,861</u>
 NOTE 15.0 CURRENT MATURITY OF LONG TERM LOANS		
Balance - 1st January	398,555,818	305,694,915
Add: Amount transferred this period	<u>-</u>	<u>327,768,664</u>
	398,555,818	633,463,579
Repayments	(276,564,426)	(234,907,761)
Government Take Over	<u>(121,991,392)</u>	<u>-</u>
BALANCE AS AT 31ST DECEMBER	<u>-</u>	<u>398,555,818</u>
 NOTE 16.0 OPERATING INCOME		
Mails Business	9,340,946,914	8,284,891,660
Counter Business	2,586,196,658	2,122,791,347
Expedited Mail Services (EMS)	<u>7,629,223,019</u>	<u>6,220,257,127</u>
TOTAL	<u>19,556,366,591</u>	<u>16,627,940,134</u>
 NOTE 17.0 OTHER INCOME		
Sale of Stores – Good Stock	513,800	27,424,888
Sale of Stores – Obsolete Stock	3,377,700	5,376,417
Rent Income – Staff Housing	18,028,725	18,106,158
Rent Income – Offices	784,355,184	402,346,756
Unclaimed Money Orders	-	5,382,948
Tender Board Deposits	4,900,740	13,544,131
Miscellaneous Revenue	55,479,961	53,104,867
Exchange Adjustments	<u>5,900,213</u>	<u>147,665,617</u>
TOTAL	<u>872,556,323</u>	<u>672,951,782</u>
 NOTE 18.0 SALARIES AND STAFF BENEFITS		
Salaries, Wages and Allowances	5,866,585,106	5,667,062,794
Subsistence Allowances	564,032,277	405,595,868
Transport Allowances	37,676,230	6,668,140
Staff Awards	10,201,400	4,156,200
Transport Allowances on Leave	338,171,122	337,431,015
Recruitment–Travel and Subsistence	40,771,210	21,403,900
Staff Training	276,070,769	83,026,561

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 18.0	SALARIES AND STAFF BENEFITS (Cont'd)	31.12.2007 TZS	31.12.2006 TZS
	Medical Expenses	660,516,178	551,114,347
	Staff Repatriation Expenses	253,198,528	195,024,505
	Staff Welfare Expenses	74,761,430	67,319,200
	Workers Compensation	1,684,370	3,344,561
	E.A.P. & T.C Pension Fund Employer's Contributions	190,496,677	208,034,060
	PPF Employer's Contributions	570,581,957	803,642,129
	NSSF Employer's Contributions	59,462,984	40,157,125
	TP & TC Provident Fund – Employer's Contributions	<u>44,762,321</u>	<u>54,900</u>
	TOTAL	<u>8,988,972,559</u>	<u>8,394,035,305</u>
NOTE 19.0	ADMINISTRATIVE AND ESTABLISHMENT EXPENSES		
	Budget Expenses	24,847,950	17,567,450
	PMU Expenses	15,859,095	-
	Investigations Expenses	12,815,759	5,957,840
	Property Tax	21,357,632	6,149,863
	Stamp Duty	-	1,600
	Royalty in Business Expenses	156,450,933	133,023,521
	City Service Levy	51,356,621	28,176,621
	Maintenance – Buildings	119,169,621	42,734,693
	Maintenance – Furniture and Equipment	145,954,221	140,479,114
	Rentals – Offices	100,166,942	69,873,692
	Rates	31,668,554	18,552,696
	Rentals – Residential	6,289,000	6,330,413
	Restructuring Costs	172,087,765	60,718,609
	Expatriates Expenses	10,867,706	8,710,100
	Joint Staff Council	283,046,530	130,387,280
	Skill and Development Levy	408,999,968	385,206,143
	Electricity Expenses	256,027,063	255,259,762
	Water/Sewerage Expenses	64,134,994	93,772,976
	Insurance and License	58,220,252	61,586,858
	Cleaning Expenses	239,285,034	234,084,642
	Lift Repairs and Maintenance	22,171,504	27,164,463
	Security Hire Expenses	379,542,140	316,561,971
	Newspapers Expenses	35,647,920	29,854,502
	E- Mail Expenses	5,280,515	421,500
	Local Meeting Expenses	89,960,059	88,669,594
	International Meeting Expenses	149,994,182	185,053,028
	COTWU Expenses	18,958,995	16,568,583
	Business Expenses	93,821,768	81,103,799
	Consultancy Fees	98,205,922	77,416,923
	Legal Expenses	125,164,191	51,099,524
	Consumed Stores	787,104,287	561,636,530
	Identification Cards	<u>1,495,497</u>	<u>3,014,524</u>
	TOTAL	<u>3,985,952,620</u>	<u>3,137,138,814</u>

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 20.0 OPERATING EXPENSES	2007 TZS	2006 TZS
Customs Duty	68,249,996	43,532,101
Port Charges	8,230,811	9,614,662
Conveyance and Mails	2,631,805,573	1,800,956,056
Terminal Charges	25,653,195	35,505,202
Agency Commission – Postal	177,719,804	186,957,586
International Bodies Membership Fees	3,743,000	35,063,259
Compensation - Postal	36,416,614	18,429,219
Post Cargo Expenses	568,886,101	467,035,160
Philatelic Expenses	61,486,227	69,868,768
EMS Expenses	518,045,129	466,886,081
Supply of Stamps	183,300,769	119,561,248
Printing Costs	62,423,750	77,021,000
Fuel and Lubricant	746,905,372	636,061,564
Motor Vehicle Repairs and Servicing	389,634,501	303,948,205
Hire of Transport – Operations	42,930,170	34,310,150
Maintenance - Computers	40,066,674	71,976,419
Mail Bags Cleaning	36,576,050	46,318,850
Post Shop Expenses	263,907,979	168,235,724
Bandwith	109,281,243	235,180,243
Post Bus Expenses	146,074,671	122,595,042
Official Telephone Charges	314,765,157	283,686,758
Attended Call Charges	1,805,985	13,000
Counter Photocopy Expenses	39,509,775	44,190,025
Advertising and Exhibitions	234,803,245	222,586,102
Saba Saba Exhibitions	43,011,359	18,973,000
Research	9,136,780	5,321,360
Performance Audit Fees and Expenses	26,609,400	30,308,500
TOTAL	<u>6,790,979,330</u>	<u>5,554,135,284</u>
NOTE 21.0 FINANCIAL EXPENSES		
Interest on Bank Loan	44,678,519	93,012,393
Interest on T.P.B Excess Deposits	344,224,085	205,099,161
Bank Charges	179,073,731	189,568,003
TOTAL	<u>567,976,335</u>	<u>487,679,557</u>
NOTE 22.0 OTHER EXPENSES		
Penalties	396,792,592	2,996,544,386
Donations	9,836,150	10,597,000
Impairment Loss	-	195,372,708
TOTAL	<u>406,628,742</u>	<u>3,202,514,094</u>

TANZANIA POSTS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 23.0 CONTINGENT LIABILITIES

Contingent liabilities at the end of the current year stand at Tzs. 110,250,000 (2006: Tzs 127,401,200) due to cases filed against the Corporation by interdicted staff and customers claims.

NOTE 24.0 CAPITAL COMMITMENTS

The Corporation had a capital commitment relating to Counter Automation Project amounting to Tzs. 279,960,000 at 31st December, 2007. (2006: Tzs 200,452,458).

NOTE 25.0 RELATED PARTY TRANSACTIONS

Related party transactions or balances which require to be disclosed in accordance with the International Financial Reporting Standards (IFRS) include those relating to the Board of Directors, Associates and Key Management Members. During the year related party transactions included:-

Particulars	Board Members Transactions TZS	Associates Transactions TZS	Key Management Transactions TZS
Directors Fees	4,300,000	-	-
Tanzania Postal Bank – Cash Float	-	119,300,000	-
Short Term Benefits			
Salaries	-	-	401,880,000
Sitting Allowances	-	-	59,400,000
Post Employment Benefits: -			
Pensions	-	-	13,534,333
TOTAL (2007)	<u>4,300,000</u>	<u>119,300,000</u>	<u>474,814,333</u>
TOTAL (2006)	<u>4,300,000</u>	<u>786,735,734</u>	<u>761,548,790</u>

As at 31st December, 2007 the Corporation held 15% of the total equity of Tanzania Postal Bank. There also exists Agency relationship which is market related and governed by an Agency Agreement.

As at 31st December, 2007 the Corporation held 15% of the total equity of Tanzania Postal Bank. There also exists Agency relationship which is market related and governed by an Agency Agreement.

NOTE 26.0 ULTIMATE OWNER OF THE CORPORATION

The Government of United Republic of Tanzania is the ultimate owner of the Corporation.

NOTE 27.0 COMPARATIVE FIGURES

Previous year's figures have been re-grouped wherever necessary in order to make them comparable with current year's figures.