



TATEPA LIMITED

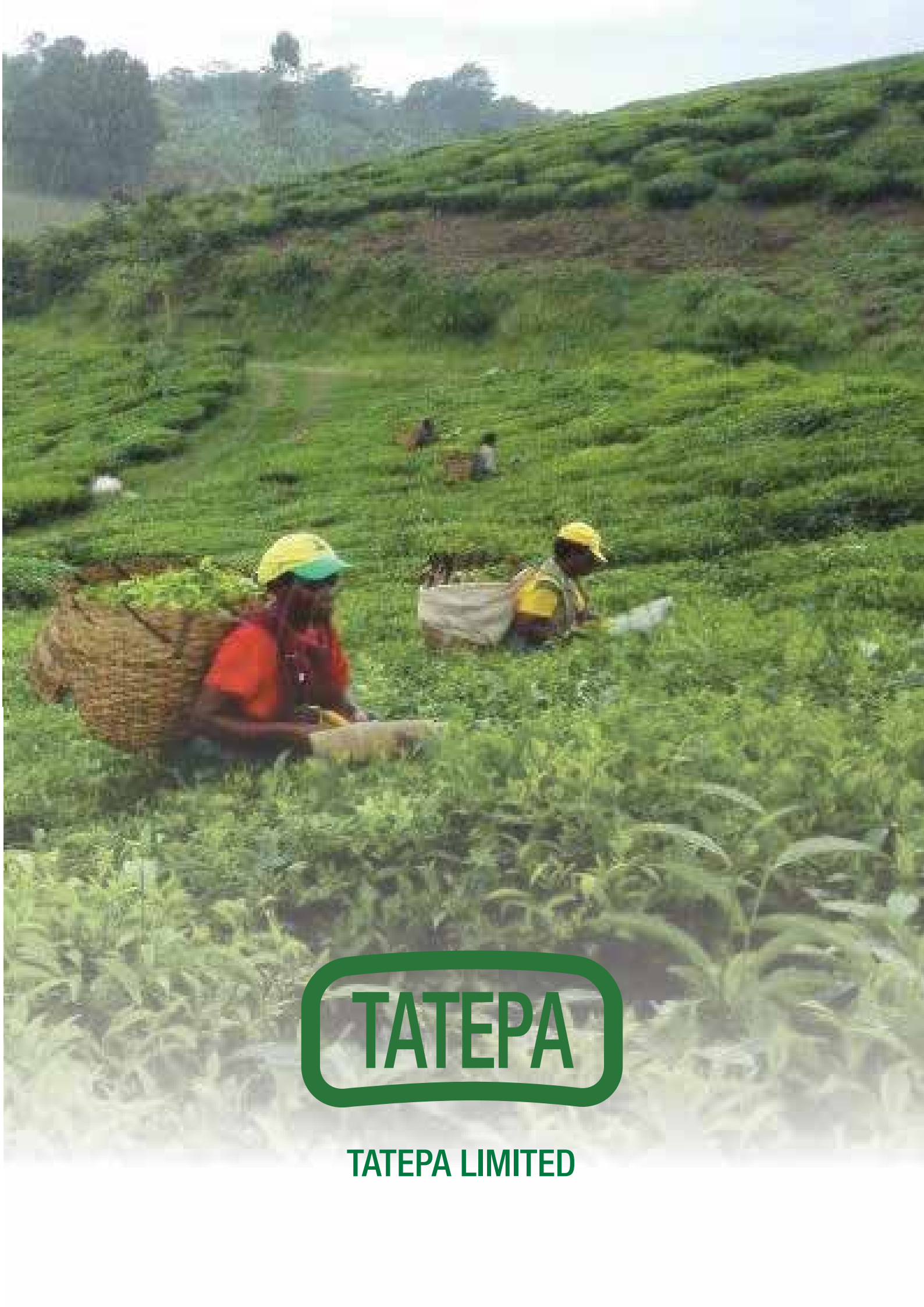


REPORT AND FINANCIAL STATEMENTS
for the year

2014
2015

Chai Tausi, Bidhaa bora kutoka TATEPA na Wakulima wa Chai Rungwe

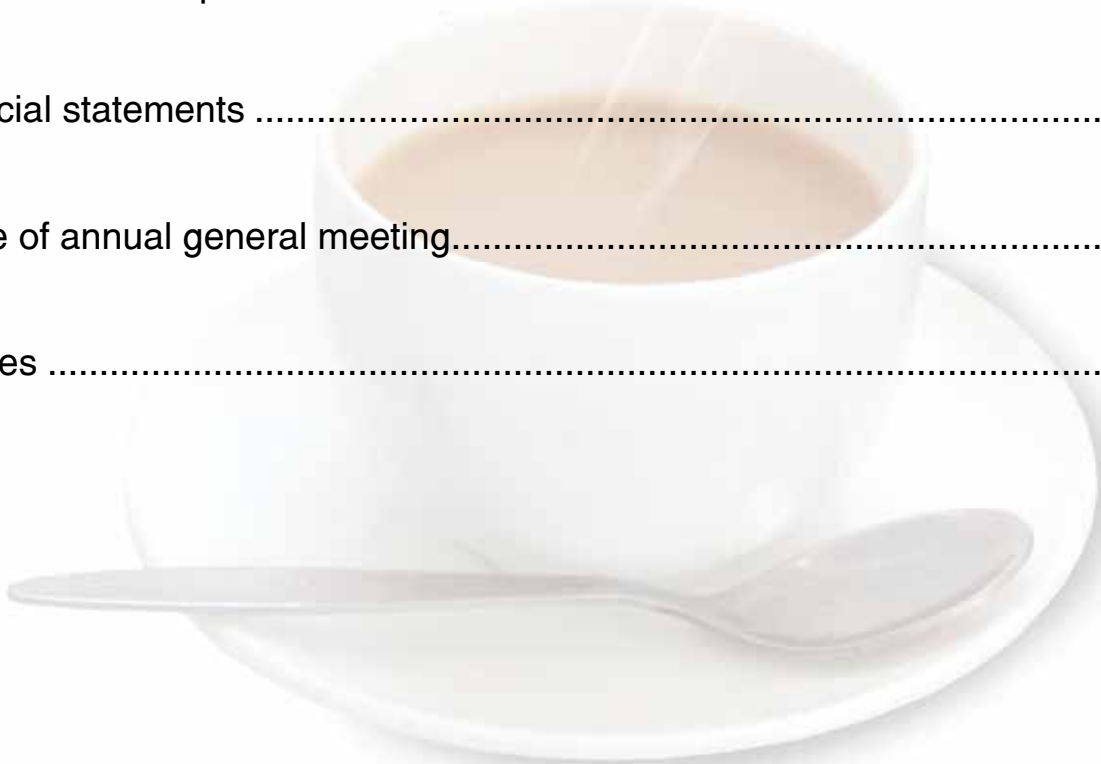




TATEPA LIMITED

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CHAIRMAN'S STATEMENT FOR 2014-2015



OVERVIEW

The year under review was another difficult year for Tatepa Limited. Tea trading conditions were unusually challenging for teas of the Tanzania type, and the weakened shilling inflicted heavy exchange losses on our sizeable dollar loans. Consequently the Group posted a loss after tax of TZS 4.9 Billion.

However remedial measures to ensure the future prosperity of our business are moving the Group in the right direction, but we are still facing the following particularly damaging factors outside our control.

- ❖ Tanzanian teas fit into a particular quality bracket. This category of tea failed to appreciate in the world market in the way others did. They increased by only 25% during the year, while other categories increased by 70%.
- ❖ The weakened shilling caused havoc with the Group's dollar loans and overdrafts causing exchange losses of nearly TZS 3.0 Bn

- ❖ Agriculture continues to be burdened by nearly 30 multiple cesses, levies and taxes amounting to TZS 500m for the year.
- ❖ Continuing failure by the Tea Board and the Ministry of Agriculture to enforce the Tea Regulations to prevent illegal purchase of tea green leaf from smallholders in Rungwe District, which has cost the Company over \$1m in lost revenue this year alone.

The Company has secured additional shareholder debt which when finalised shall significantly improve the balance sheet, and at the same time we are achieving a reduction in term loans which will reduce exposure to exchange losses.

Chai Tausi experienced another challenging year while striving to gain market share. Costs were substantially reduced in order to increase competitiveness, including moving the factory to a lower rent facility in Arusha. The new management then used the benefit of reduced costs and revised blends to target particular market segments, with promising results.

Rungwe Avocado Company performed better than the year before with over 500 tonnes of export quality fruit reaching the market in Europe. Nevertheless losses in the field due to pest damage prevented it from reaching breakeven point this year.

The combination of projected better prices for Tanzanian teas, reduced exposure to exchange losses, a new management team at ChaiTausi and another year of learning at Rungwe Avocado Co. bode well for 2015/16 with the exciting possibility of a return to profit. Once the Company returns to profitability it is

CHAIRMAN'S STATEMENT *Continued*

our intention to resume payment of the annual dividend as soon as our Reserves allow.

FINANCING

Due to losses, the Group needed a cash injection to sustain operations. Major Shareholders agreed to provide loans to Tatepa Limited of up to US\$ 3.3 Million which in a 3 to 5 year window may be converted into Equity (subject to appropriate approvals); or can be refunded with bonus. In the meantime:

- ❖ WATCO reduced its CRDB term loan to US\$ 0.15m as at the end of the year and there will be a zero balance by end of February 2016;
- ❖ RAC currently has unsecured debt of US\$ 1.2m from AECF; US\$ 1.0m from the African Wildlife Foundation (AWF); & US\$ 1.3m secured debt from AgDevCo Ltd; plus an Over Draft Facility of US\$ 1.0m from CRDB Bank Plc; and
- ❖ CHAI TAUSI has an Over Draft Facility of TZS 750 Million from CRDB Bank Plc.

As planned cross company debt guarantee has been phased out and each company debt is secured by its own assets.

CORPORATE SOCIAL RESPONSIBILITY (CSR).

In Tatepa, we continue to reaffirm our belief in out-growers as the engine of growth of the Company, and to drive the Group towards success.

We thus recognise the importance of ensuring the out growers have what they need to produce good quality produce in increased quantity. In 2014/15 we continued to pay the tea out growers a premium of 30% over

the government's recommended price. We financed fertiliser and other inputs at both WATCO and RAC. Our extension services are proudly second to none and we continue to deliver training and education to all out growers. This support is particularly valuable amongst the avocado smallholders who have taken the exciting step of engaging in this potentially lucrative crop, despite it being new to most and thus posing new challenges for them.

The Fairtrade organisation continued to buy our tea, and their premium was very well utilised by developing "Chai FM Radio Station" for all Rungwe growers; and by funding Farmer Field Schools.

The Wood Family Foundation Chai Project came to a close in 2015 after a very successful and well appreciated program.

Our Commitment to sustainability remains strong, and we maintained our compliance with Rainforest Alliance standards and ISO 22000 (Food Safety) certification.

WAKULIMA TEA COMPANY LTD (WATCO)

The depressed tea prices had a strongly negative effect on the Company's performance, and so management were rigorous in cutting costs and avoiding any expenditure which could be postponed. The position was made more challenging by prolonged drought from June 2015 which stalled crop production in the last quarter.

Nonetheless the Company managed to continue to repay its term debts on schedule and is now ready to come out of its corner fighting with vigour in 2016 as term debt will become zero by 29th February 2016.

CHAIRMAN'S STATEMENT *Continued*

We still firmly believe in supporting the farmers fully with effective and comprehensive extension services aimed at making WATCO the 'company of choice'. This effort is needed because we continue to suffer incursion in our contracted smallholder base with illegal purchasing of tea by a third party. We will continue to lobby for this to stop but as a further sign of our commitment to our smallholders and to demonstrate our desire to be the 'company of choice' for them, we have taken the bold step of re-opening Mwakaleli Factory. Whilst this facility was idle for nearly 2 years due to the illegal offtake of leaf by the neighbouring company we now believe the time is right to re-open it, and give the farmers in that area the attractive option of having their leaf processed there. We firmly intend to run this factory on a viable commercial basis. It is now incumbent on the farmers to support their company and supply all of their leaf to WATCO. Failure to do so may result in closure of Mwakaleli Factory once again.

In 2015/16 we shall look to raise cash to invest in our capital assets and ensure their continued service for years to come.

RUNGWE AVOCADO COMPANY LTD (RAC)

This year RAC achieved important operational successes. Over 500 tonnes of export quality avocados were shipped and sold in Europe, successfully overcoming the logistical challenges of exportation heretofore. However volumes from out growers were lower than expected primarily due to damaging infestations by false codling moth (FCM) shortly before harvest.

Most European markets require production methods to be in accordance with Global GAP standards and so RAC renewed its certification for its own estate and trained 200

smallholder out growers to successfully meet the required standard.

Moving forward into 2015/16 the future is bright as the logistic processes will be repeated and effective biological treatment to control FCM will be applied on all farms throughout the period of fruit development.

Further investment in training will be made for more farmers so that more can be certified with GlobalGAP as their trees become mature enough to bear fruit.

Marketing of fruit in Europe continues to be made through Halls International.

KYIMBILA TEA PACKING LTD (CHAI TAUSI)

The Company had a difficult year facing challenges in finding reliable distributors. As a result sales were well below projection. Despite these difficulties the Tatepa board believes in the brand and its potential, and recognised that costs had to be cut, creditors settled and a new approach had to be implemented to manage the distribution process. As part of the cost saving exercise the factory was relocated from Dar es Salaam to Arusha.

Shareholder debt was raised and this has enabled the Company to move forward with new management in place, in a new location and with an improved marketing strategy.

Northern Tanzania is seen as a key market for Chai Tausi so the production facility in Arusha will greatly ease logistics. We expect the Company to return a monthly operating profit in the 2nd quarter of 2016. Next year will be an important time for the Company, and the Board is confident of success.

CHAIRMAN'S STATEMENT *Continued*

SMALL HYDRO POWER

The Suma Hydro Project came closer to fruition as the AECF grant went before their investment committee for fund approval at the end of the year. Once this project materialises there will be considerable benefit to the surrounding communities and to Wakulima Tea Company Ltd.

Management Changes

I would like to take this opportunity to welcome our new Managing Director, Mr Duncan Page who joined us at the end of the year to take over from Mr. G. C. Theobald. Mr. Page will also take on the role of Managing Director of Wakulima Tea Company following the retirement of Mr. Peter Rowland.

Our heartfelt gratitude goes to Mr. Theobald for steering the Company very capably since when I and he co-founded it in 1994. However we shall continue to have the benefit of his knowledge and experience as he will take over from me as Board Chairman of Tatepa Limited upon my stepping down with effect from the end of this AGM. Please join me in expressing our gratitude to Mr Theobald for his 22 years of great success as CEO of Tatepa Limited; and wish him our best wishes as our new Board Chairman.

Similarly, the Board would like to thank Mr. Peter Rowland for shaping up Wakulima Tea Company into a viable private company, supporting and guiding the development of the Rungwe Smallholders Tea Growers Association, and for managing the company very effectively for the past 15 years. Whilst his colleagues in WATCO are sorry to say goodbye to Mr Rowland as their CEO; it is only "au revoir". We are all pleased that he has kindly accepted to stay on as Board Chairman of WATCO and as a Director of Tatepa Limited. Please join me in expressing our gratitude to

Mr Peter Rowland for his 15 years of very effective stewardship of WATCO.

CONCLUSION

The success of the Group's activities is largely dependent upon the training and development of our growers. We continue to invest heavily in them in terms of upgrading their skills and providing funding sources for inputs. We recognise that their success is our success; and we will continue in that vein. The year 2015-2016 will be an exciting year; as we expect operational gains in RAC and CHAI TAUSI to begin bearing fruit; as SUMA Hydro reaches reality and WATCO consolidate its profit position.

This company which I cofounded with Mr George Theobald in 1994 was initially a tea blending and packaging business with a factory at MAFINGA employing more than 200 employees making the CHAI BORA tea blend which became a market leader. In 1999 TATEPA became the first private company to go public through an Initial Public Offer (IPO) and became a DSE Listed company with more than 1600 Shareholders. The company was expanded by acquiring tea plantations and factories of KIBENA in Njombe District; & Katumba and Mwakaleli in Rungwe District as they were privatized from Tanzania Tea Authority. The CHAI BORA business was later sold out at good profit; and we decided to focus on plantation agriculture in partnership with out growers with the following achievements:

- ❖ Tatepa Group is now providing jobs to 1060 employees and is supporting nearly 16,000 tea and avocado out growers in Rungwe District.
- ❖ Payments to TEA out growers have increase from TZS 382 Mn in 2001 to TZS

CHAIRMAN'S STATEMENT Continued

4.35 Bn in 2014-2015; and is therefore a most successful case of privatization.

- ❖ Payments to AVOCADO out growers have increased from TZS 1.0 Mn in 2010 to TZS 70 Mn 2014-2015 and we will be more than TZS 100 Mn this year.
- ❖ Tatepa Group production and exports have increased to an annual peak of more than 5,000 Tons of TEA, and 500 Tons of AVOCADOS projected to increase to over 1,000 Tons in the current year.
- ❖ Dividends paid to Shareholders since DSE listing amount to TZS 730 which is more than the IPO Share price of TZS 330.

I am very pleased and proud to have been associated with those performance results and contribution to incomes of so many families and national economic growth. However after 22 years from age 50 to 72; I have decided it is time to step down.

I would like to express my gratitude to all my past and present colleagues in the Board of

Tatepa, and to all our subsidiary company past and present Boards and management and staff, for their support over the 22 years. I also thank all current in those positions for their dedicated commitment in the year under review, which has been yet another challenging year. However I am stepping down while I have begun to see light at the end of the loss making tunnel of recent years. I am most grateful to all past and present AGM members for your confidence and support. I advise we all continue to forge ahead in the spirit of "forward ever, backward never"; and never give in.

As in the words of Mwalimu J K Nyerere "It can be done. Play your part".



Joseph J Mungai

BOARD CHAIRMAN

Taarifa ya Mwenyekiti ya Mwaka



UTANGULIZI

Mwaka uliopita ulikuwa mwingine mugumu kwa Tatepa Limited. Hali ya biashara ya aina ya Chai za Tanzania haikuwa nzuri; na kudidimia kwa thamani ya Shilingi kulisababisha hasara katika kuibadilisha fedha kutokana na mikopo mikubwa kuwa katika Dola. Matokeo yakawa Kundi la Tatepa limepata hasara ya TZS 4.9 Bilioni.

Hata hivyo hatua za marekebisho ya kuhakikisha matarajio mema ya biashara yetu ya baadaye yanaonyesha mwelekeo mzuri. Lakini tunaendelea kuathiriwa sana na matatizo yafuatayo yaliyo nje ya uwezo wetu:

- ❖ Chai za Tanzania zimo miongoni mwa aina maalumu ya gredi za chai. Aina hiyo haikuwa na ongezeko la bei kama aina nyinginezo za chai. Bei ya aina hiyo maalumu iliongezeka kwa asilimia 25 wakati aina nyinginezo iliongezeka kwa asilimia 70.
- ❖ Kupungua kwa thamani ya Shilingi kulileta sokomoko kwenye mikopo ya dola kwa kusababisha hasara ya shilingi Bilioni 3.0.

- ❖ KILIMO kinaendelea kutozwa aina 30 za kodi na ushuru mbalimbali za jumla ya shilingi Milioni 500.
- ❖ Bodi ya Chai na Wizara ya Kilimo kushindwa kuzuia ununuaji wa majani mabichi ya chai usio halali, kutoka kwa Wakulima Wadogo wa Chai wa Wilaya ya Rungwe ambao mwaka huu kumetuletea hasara ya Dola Milioni 1 kutokana na mauzo yaliyopungua.

Kampuni imepata uwezekano wa ongezeko la mkopo ya Wenye Hisa wakubwa ambao ukikamilika utaimarisha Albaki ya Mizania. Wakati huo huo tunafanikiwa kupunguza mikopo ya muda ambako kutapunguza hasara katika kubadilisha fedha.

CHAI TAUSI ilikabili mwaka mwingine mugumu katika juhudi ya kuongeza sehemu yake ya soko. Gharama zilipunguzwa sana ili kuongeza ushindani ikiwa ni pamoja na kuhamishla kiwanda Arusha kwenye unafuu wa kodi ya pango. Menejimenti mpya baada ya hapo ilitumia unafuu wa gharama kupunguza aina za chai na kulenga sehemu maalumu za soko kwenye matumaini ya matokeo mazuri.

Kampuni ya Maparachichi ya Rungwe ilikuwa na matokeo mazuri kuliko mwaka uliopita kwa kufikia Tani 500 ya matunda yenye ubora mzuri kuuzwa Ulaya. Hata hivyo upungufu wa uzalishaji mashambani kutokana na wadudu uliathiri lengo la kutokuwa na hasara mwaka jana.

Muunganiko wa bei nzuri inayo tegemewa, & kupungua kwa hasara ya kubadilisha fedha, & kuwa na menejimenti mpya ya ChaiTausi, & pia mwaka mwingine wa kujifunza katika Rungwe Avocado Company; kunaashiria matumaini makubwa ya kurejea kwenye faida mwaka huu. Mara kampuni ikirejea kwenye faida ni lengo letu kuanza tena kutoa gawio bila kuchelewa mara malimbikizo yakiwepo.

Taarifa ya Mwenyekiti ya Mwaka Kuendelea

UGHARAMIAJI

Kutokana na hasara; Tatepa Limited, ilihitaji kuongezwa fedha ya kusaidia uendeshaji. Wanahisa wakubwa walikubaliana kuipa Tatepa Limited Mkopo wa hadi Dola za Kimarekani Milioni 3.3 ambao ndani ya miaka 3 inaweza kubadilishwa (kwa kibali maalumu) kuwa hisa; au inaweza kulipwa pamoja na bonasi. Kwa hadi SASA:

- ❖ WATCO Imepunguza mkopo wa CRDB kuwa US\$ 0.15m mwishoni mwa mwaka; na utakuwa zero mwishoni mwa February 2016.
- ❖ RAC inao mkopo bila masharti wa US\$ 1.2m kutoka AECF; & US\$ 1.0m kutoka Africa Worldlife Foundation (AWF); na US\$ 1.3m wenye masharti kutoka AgDevCo; na aidha inayo fursa ya OD ya hadi US\$ 1.0m kutoka CRDB Bank PLC.
- ❖ CHAI TAUSI: inayo fursa CRDB Bank ya OD ya hadi TZS 750 Milioni

Kama ilivyopangwa utaratibu wa makampuni tanzu kuwekeana dhamana umefutwa. Kila Kampuni sasa inajidhamini kwa mali zake yenyewe.

HUDUMA KWA JAMII (CORPORATE SOCIAL RESPONSIBILITY - CSR)

Tatepa Limited inaendelea kuzingatia imani yake kwa wakulima wadogo kuwa ingini ya kukua kwa kampuni hadi mafanikio.

Kwa hiyo tutaendelea kutambua umuhimu wa wakulima wadogo na mahitaji yao yote ya ukulima wa kisasa ili kuongeza uzalishaji na ubora wa mazao. Mwaka 2014-2015 tuliendelea kuwalipa wakulima wadogo asilimia 30 zaidi ya bei inayopendekezwa na Serikali. Tulitoa mikopo ya mbolea na

pembejeo nyingine kupitia WATCO na RAC. Huduma zetu za ugani ni za hali ya juu kuliko za wengine; na tunatoa mafunzo na elimu ya kilimo bora kwa wakulima. Huduma hizi ni za manufaa makubwa zaidi kwa wakulima wa maparachichi kwa kuwa wameamua kulima zao hili jipya kwao lenye matumaini ya faida kubwa.

Shirika la Biashara ya Haki (Fairtrade) wanaendelea kununua chai yetu. Faida inayotokana na bei yao ya ziada (premium price) imetumiwa kuanzisha "CHAI FM Radio Station" kwa ajili ya wakulima wote wa Rungwe; na pia huchangia mafunzo ya wakulima.

Mradi wa chai wa Wood Family Foundation ulimalizika 2015 baada ya mafanikio makubwa.

Ahadi yetu muhimu ya kilimo endelevu itaendelea kuwa imara. Tutaendelea kutimiza masharti ya "Rain Forest Alliance"; na usajili wa ISO 22000 (Chakula Imara).

WAKULIMA TEA COMPANY (WATCO).

Kushuka kwa bei za chai kuliathiri sana matokeo, kwa hiyo menejimenti walijitahidi sana kupunguza gharama, na kuahirisha matumizi kila inapowezekana. Hali ilikuwa ngumu zaidi kutokana na ukame kuanzia Juni 2015 ambao uliathiri mavuno katika robo ya mwisho wa mwaka.

Hata hivyo Kampuni ilimudu kuendelea kulipa mikopo ndani ya muda wake. Sasa iko tayari kujikwamua kwa juhudi kubwa Mwaka 2016 ambapo mkopo utakuwa zero ifikapo mwishoni mwa February 2016.

Bado tunaamini umuhimu wa kuwasaidia wakulima kwa ukamilifu hadi waone WATCO ndiyo kampuni inayowafaa kuliko nyingine

Taarifa ya Mwenyekiti ya Mwaka Kuendelea

yoyote. Hatua hii ni muhimu kwa sababu bado tunaathiriwa na ununuaji wa majani mabichi unaofanywa na mununuzi mwingine asiye na kibali. Tunatoa wito kwa Serikali imusimamishe na achukuliwe hatua ya kisheria. Kudhihirisha imani yetu kwa wakulima wadogo na kuonyesha kuwa WATCO ndiyo kampuni ya uamuzi wao tumeamua kufungua tena kiwanda cha Mwakaleli baada ya kufungwa kwa miaka 2. Tunaamini huu ni muda muafaka wa kukifungua ili kiwanufaishe wakulima wa eneo la Mwakaleli. Sasa ni wajibu wao kuongeza uzalishaji na kuuza majani yote kwenye kiwanda chao. Wasipofanya hivyo kuna uwezekano wa kukifunga tena Kiwanda cha Mwakaleli.

Mwaka 2015-16 inatafutwa fedha ya mkopo au mtaji kuwekeza katika mitambo kuiwezesha kuendelea na uzalishaji mzuri miaka ijayo.

KAMPUNI YA MAPARACHICHI YA RUNGWE (RUNGWE AVOCADO COMPANY - RAC)

Mwaka huu RAC ilifikia hatua nzuri ya uendeshaji. Ilifanikiwa kuuza Ulaya zaidi ya tani 500 ya matunda ya Avocado ya ubora mzuri. Hata hivyo wingi wa matunda kutoka kwa wakulima wadogo ulipungua matarajio kutokana na mdudu aitwaye “false coddling moth (FCM) kabla kidogo ya mavuno. Masoko mengi ya Ulaya yanahitaji uzalishaji uwe wa mtindo unaokubalika wa “Global GAP standard”. kwa hiyo RAC imejisajili upya kwa mtindo huo pamoja na kuwapa mafunzo wakulima wadogo 200 ambao wamefuzu kuwa katika mtindo huo.

Kuanzia mwaka huu wa 2015-2016, kuna matumaini mazuri ya usimamiaji; na pia itatolewa tiba dhidi ya FCM wakati wote wa ukuaji wa matunda. Mauzo ya nje yataendelea kupitia Makampuni ya Halls International na Mark Multiples.

KYMBILA TEA PACKERS LTD (CHAI TAUSI)

Chai Tausi ilikuwa na mwaka mgumu wa kupunguza hasara na kujipanga upya kuuza na kuwa na wasambazaji waaminifu. Mauzo yalikuwa chini ya matarajio. Hata hivyo Bodi ya Tatepa Limited bado inaamini yapo matumaini ya CHAI TAUSI baada ya kupunguza gharama na kujipanga upya katika usambazaji. Kama hatua ya kupunguza gharama kiwanda kiliamishwa Arusha kutoka Dar es salaam. Ulipatikana Mkopo wa Wanahisa kuwezesha mabadiliko hayo. Tanzania ya Kaskazini inaonekana kuwa soko muhimu la CHAI TAUSI. Kwa hiyo kiwanda kuwa Arusha ni mkakati mzuri wa kulihudumia soko hilo. Inategemea Kampuni itanza kutoa faida kuanzia robo ya pili ya 2016. Mwaka ujao utakuwa mzuri kwa Kampuni na Bodi inategemea mafanikio.

UMEME MDOGO WA MAJI (SMALL HYDRO POWER)

Mradi wa Umeme wa maji wa Suma ulikaribia mafanikio wakati mapendekezo ya ruzuku ya AECF yangepelekwa kwa Kamati ya Uwekezaji mwishoni mwa mwaka. Mradi huu ukimalizika utakuwa wa manufaa makubwa kwa wananchi wa eneo hilo na kwa WATCO na RAC.

MABADILIKO YA MENEJIMENTI (MANAGEMENT CHANGES)

Nachukua fulsa hii kumkaribisha Mkurugenzi Mtendaji mpya wa Tatepa Limited Bwana Duncani Page aliyejiunga nasi mwishoni mwa mwaka kumubadili Bwana George Theobald. Bwana Page atakuwa pia Mkurugenzi Mtendaji wa Wakulima Tea Company baada ya kustaafu kwa Bwana Peter Rowland.

Shukrani kubwa kutoka mioyoni mwetu

Taarifa ya Mwenyekiti ya Mwaka Kuendelea

zimwendee Bwana George Theobald kwa kuiongoza Kampuni yetu hii kwa uwezo mkubwa tangu yeye na mimi tulipoianzisha mwaka 1994. Hata hivyo tutaendelea kufaidika na ujuzi na uzoefu wake kwa kuwa atanibadili kuwa Mwenyekiti wa Bodi nitakapostaafu kutoka nafasi hiyo kuanzia mwishoni mwa huu Mkutano Mkuu wa Mwaka. TAFADHALI NIUNGENI MKONO kumushukuru Bwana Theobald kwa miaka 22 ya kuwa Mkurugenzi Mtendaji na Afisa Mtendaji Mkuu (CEO) wa Tatepa Limited.

Aidha Bodi inamshukuru sana Bwana Peter Rowland kwa kuipanga upya na kuiongoza WATCO ikiwa kampuni isiyo ya Serikali inayowasaidia na kuwaendeleza Wakulima Wadogo wa Chai wa Rungwe; na kuiongoza vizuri sana kwa mwaka 15. Ingawaje wenzake ndani ya WATCO wanasikitika kumuaga kama Mkurugenzi Mtendaji; kiukweli ni KWAHERI YA KUONANA. Sisi wote tunafurahi na tunamshukuru kukubali kuwa MWENYEKITI WA BODI ya WATCO na Mjumbe wa Bodi ya Tatepa Limited. Nawaomba wote MUNIUNGE KWA MIKONO YETU kumshukuru Bwana Peter Rowland kwa Miaka yake 15 ya uongozi bora wa WATCO.

MWISHO (CONCLUSION)

Mafanikio ya Kundi la Tatepa Limited yanatemegea sana mafunzo na maendeleo ya wakulima wadogo. Tunaendelea kuwekeza mwao kwa kukuza ujuzi wao na kuwatafutia mitaji ya Pembejeo. Tunatambua kuwa mafanikio yao ndiyo pia yatakuwa mafanikio yetu. Tunaendela kuamini na kufanya hivyo. Mwaka 2015-2016 utakuwa wa kuufurahia. Tunategemea mafanikio ya RAC na CHAI TAUSI yataanza kuzaa matunda, na wakati huo huo SUMA HYDRO itakamilika, na WATCO nayo itajizatiti kutoa faida.

Kampuni hii tuliianzisha na Bwana George Chamichael Theobald mwaka 1994 kama

biashara ya kuchanganya na kufungasha chai ya aina ya CHAI BORA katika kiwanda cha MAFINGA kilichotoa ajira zaidi ya 200. CHAI BORA ilifanikiwa KUONGOZA katika soko la ndani. Mwaka 1999 TATEPA ilikuwa Kampuni binafsi ya KWANZA kuuza hisa zake katika Soko la Hisa la Dar es Salaam kwa njia ya IPO (Initial Public Offer) ikawa na wanahisa zaidi ya 1600. Baadaye TATEPA ilijitana kwa kununua Mashamba na Viwanda vya Chai vya Kibena (Wilaya ya Njombe); na vya Katumba na Mwakaleli (Wilaya ya Rungwe) kutoka Mamlaka ya Chai Tanzania wakati wa ubinafsishaji. Baada ya kuuza biashara ya CHAI BORA kwa faida nzuri tuliamua kujiimarisha katika kilimo kwa ubia na wakulima wadogo wa chai na baadaye maparachichi kwa mafanikio yafuatayo:

- ❖ Tatepa Group sasa inatoa ajira kwa wafanyakazi 1060 na inawasaidia wakulima wadogo wa chai na maparachichi wa Wilaya ya Rungwe zaidi ya 16000.
- ❖ Malipo kwa wakulima wadogo wa CHAI yameongezeka kutoka Shilingi 382 Milioni mwaka 2001 hadi Shilingi 4.350 Bilioni mwaka 2014-2015; ambayo ni matokeo mazuri sana ya ubinafsishaji.
- ❖ Malipo kwa wakulima wadogo wa MAPARACHICHI yameongezeka kutoka Shilingi 1.0 Milioni mwaka 2010 hadi Shilingi 70 Milioni mwaka 2014-15; na yatakuwa zaidi ya Shilingi Milioni 100 Mwaka huu.
- ❖ Uzalishaji na mauzo ya nje umefikia kilele cha Tani 5000 za chai na Tani 500 za maparachichi ambayo mwaka huu yatafikia zaidi ya Tani 1000.
- ❖ Jumla ya GAWIO kwa Wenye Hisa tangu kuingia katika Soko la

Taarifa ya Mwenyekiti ya Mwaka Kuendelea

Hisa la DSM Mwaka 1999 ni TZS 730 ambayo ni zaidi ya mara mbili ya bei ya Hisa ya TZS 330 waliyo nunulia wakati wa IPO.

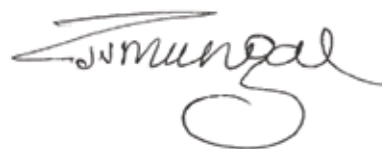
Nina kila sababu ya kuyafurahia na hata kujivunia matokeo haya mazuri yaliyoongeza mapato ya familia nyingi na kukua kwa uchumi wa Taifa. Hata hivyo baada ya miaka 22, kuanzia umri wa miaka 50 hadi 72 nimeamua ni wakati muafaka wa kuachia ngazi ya Mwenyekiti wa Bodi.

Nachukua fursa hii kuwashukru sana Wakurugenizi wenzanugu wa zamani na wa sasa katika Bodi ya Tatepa; na pia kwa Bodi za Kampuni Tanzu zilizopita na za sasa; na aidha kwa menejimetu zao na wafanyakazi wote kwa ushirikiano wao katika hiyo miaka 22. Aidha nawashukuru waliomo sasa katika nafasi hizo kwa juhudi na kujituma kwao katika mwaka uliopita ambao ulikuwa tena

wa changamoto kubwa. Hata hivyo naachia ngazi wakati nimeanza kuona mwanga mwishoni mwa taluma la hasara ya miaka ya hivi karibuni. Aidha nawashukuru wajumbe wa Mkutano Mkuu wa Mwaka huu na iliyopita kwa imani kwangu na KWA ushirikiano wenu. Nashauri tuendeleo kusonga mbele bila kurudi nyuma wala kukata tamaa.

Kama Mwalimu Julius Nyerere alivosema "Inawezekana; Tekeleza wajibu wako"

Ahsanteni kwa kunisikiliza



Joseph J. Mungai

MWENYEKITI WA BODI

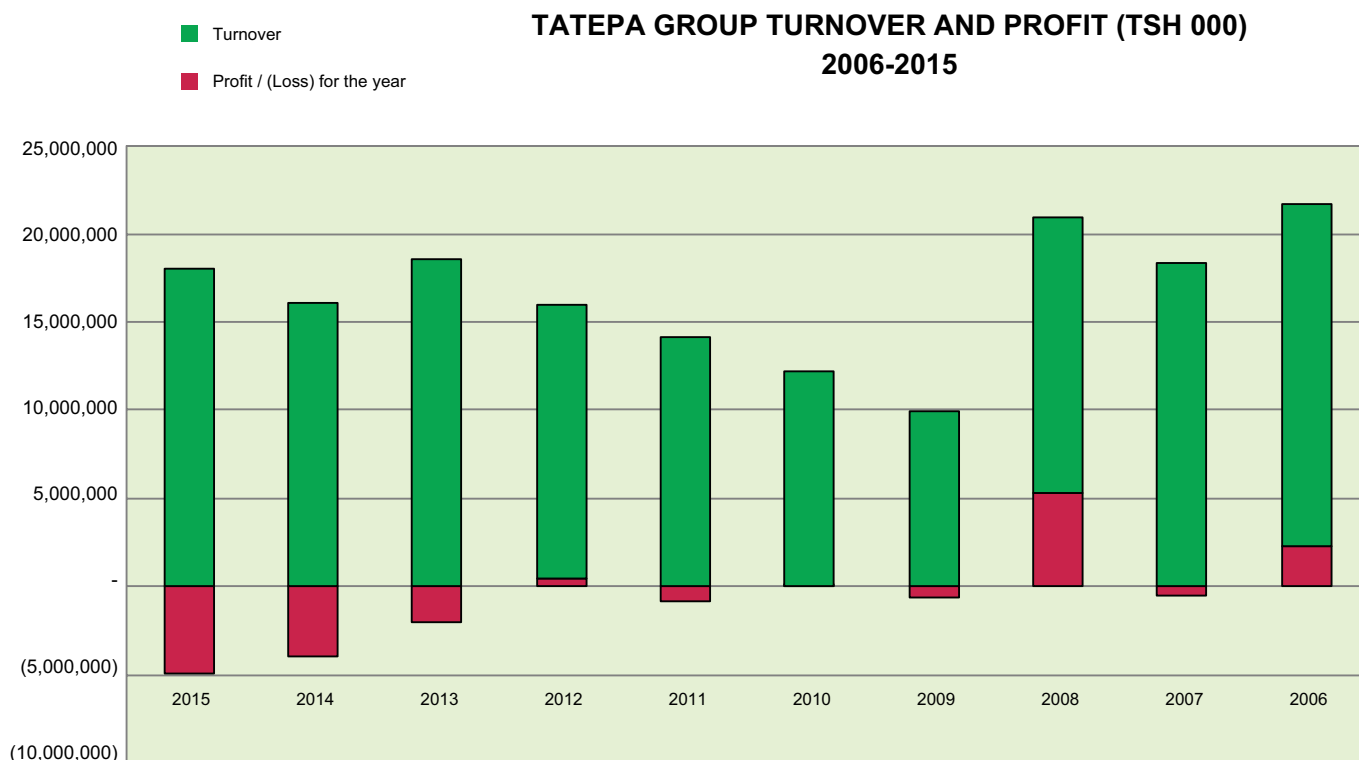
FINANCIAL REVIEW

For the year ended 30 September 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	Group	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										
Continuing Operations	18,072,036	16,092,180	18,602,444	15,517,370	14,191,143	12,152,841	9,947,794	10,225,170	6,041,186	19,415,363
Discontinued Operations			-	-	-	-	-	5,391,086	12,271,844	-
Group turnover	18,072,036	16,092,180	18,602,444	15,517,370	14,191,143	12,152,841	9,947,794	15,616,256	18,313,030	19,415,363
Profit/(Loss) for the year										
From continuing operations	(4,893,271)	(3,972,147)	(2,005,639)	505,803	(806,647)	14,807	(582,270)	5,578,284	(1,964,520)	2,321,531
From Discontinued operations			-	-	-	-	-	(248,850)	1,422,234	-
Group profit / (loss) for the year	(4,893,271)	(3,972,147)	(2,005,639)	505,803	(806,647)	14,807	(582,270)	5,329,434	(542,286)	2,321,531
Dividends	-	-	357,143	-	-	-	-	6,517,865	2,525,088	739,372
Cash Generated From Operations	(3,461,251)	(2,915,087)	(1,697,878)	140,169	(1,665,384)	747,906	573,828	947,866	2,731,108	2,643,798
Net Cash from Investment activities	(434,279)	(406,758)	(868,029)	(595,232)	(1,516,129)	(2,358,066)	(586,510)	5,845,631	1,202,456	(423,398)
Interest Bearing Debt	9,730,502	5,742,707	3,659,341	4,307,580	4,972,602	3,656,592	2,649,153	3,030,033	1,901,699	7,555,821
Interest Free Debt	2,520,047	1,951,225	1,798,963	1,606,290	1,460,936	1,166,109	-	-	0	-
Earnings Per Share (Tzs)	(153)	(121)	(77)	22	(28)	(2)	(27)	294	(40)	120
Dividends Per Share (Tzs)	-	-	20	0	0	0	0	365	100	45

FINANCIAL REVIEW

For the year ended 30 September 2015





REPORT OF THE DIRECTORS

For the year ended 30 September 2015

The Directors submit their report together with the audited financial statements for the year ended 30 September 2015, which disclose the state of affairs of Tatepa Limited (“the Company”) and its subsidiaries (“the Group”).

1 INCORPORATION

The Company is incorporated in Tanzania under the Companies Act, CAP 212 Act No. 12 of 2002 as a public limited liability company.

2 GROUP VISION

The Group’s vision is to become Tanzania’s premier “green” agricultural business, being both environmentally and commercially aware and giving fair returns to all stakeholders. The Group aims to deliver sustainable development, to develop businesses with smallholder partners and other stakeholders, and gradually to empower them to own these businesses as relevant.

3 COMPANY MISSION

The Company’s mission is to invest, develop and manage businesses that will deliver broad participation and benefits for all stakeholders. All businesses in which the Company invests endeavour to be commercially, socially and environmentally sustainable and pursue best practices in the management and development of their activities. The Company is able to participate in new ideas and start-ups in all areas of the Tanzanian agricultural value chain, including logistics, and seeks to assist in the development of effective regulations and other Governance matters where it can make a difference.

4 PRINCIPAL ACTIVITIES

The Company holds a majority equity stake of 70% in Wakulima Tea Company Limited (**WTCL**) (2014: 70%); an aggregated majority stake of 55.69% (2014: 55.69%) in the equity of Rungwe Avocado Company Limited (**RACL**), of which 45.42% (2014: 45.42%) is held directly by Tatepa Limited and 10.27% (2014: 10.27%) is held indirectly through WTCL; and a majority stake of 56.66% (2014: 56.76%) in Kyimbila Tea Packaging Company Limited (**KPTL**) of which 31.88% (2014: 31.93%) is held directly by Tatepa and 24.78% (2014: 24.83%) is held indirectly through WTCL.

Wakulima Tea Company Limited undertakes the growing, processing and sale of tea in both local and export markets. Exports are made through the Mombasa Tea Auction as well as through private contracts. Rungwe Avocado Company Limited undertakes the growing, packing and export of avocados. Exports are made through private contract. Kyimbila Tea Packing Company Limited blends and packs black tea for the local market and for export.

During the year, the Company’s principal activities continued to be the holding and financing of the investments described above.

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

5 COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company at the date of this report, all of whom have served since 1 October 2014 except Mr. Vimalendu K Tewari who was appointed with effect from 1 April 2015.

S/N	Name	Position	Age (years)	Qualifications	Nationality
1	Joseph J Mungai	Chairman	72	MPA (Masters of Public Administration)	Tanzanian
2	George C Theobald	Member	57	BA –Economics	Tanzanian
3	Peter D Rowland	Member	61	Msc. Agric Eng. C. Eng	British
4	Johannes Gunnell	Member	35	MA (Oxon): Philosophy, Politics & Economics	British
5	Robin Harrison	Member	58	MA (History, Archaeology & Anthropology)	British
6	Vimalendu K Tewari	Member	66	M Com, FCA.	Indian

The Company Secretary at the date of this report, who has served in this capacity from 13 May 2015, is Mrs Nicole Hoskyns-Abrahall (Belgian national).

In accordance with the Company's Articles of Association, the Directors are elected by the shareholders in an Annual General Meeting (AGM), to hold office for a period of two years, after which they retire but are eligible for re-election. All the Directors are recommended to be appointed by the shareholders for a period of two years in the up- coming Annual General Meeting on 29 April 2016.

The disclosures of Directors' emoluments are set out in note 34 to the financial statements.

6 CORPORATE GOVERNANCE

The Board of the Company consisted of six Directors. The Board takes overall responsibility for the Company, including identification of key risk areas, considering and monitoring investment decisions, considering financially significant matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring the comprehensive systems of internal control policies and procedures are operating, and for compliance with sound governance principles.

The Board meetings are held at regular intervals; there were four meetings during the year ended 30 September 2015 (previous year 3 meetings). The individual companies are responsible for their own management through their respective Board of Directors.

The Company is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability.

The Board of the Company has the following sub-committees to ensure a high standard of corporate governance throughout the Company and in all of its subsidiaries. Its meetings are held as necessary and as directed by the Board.

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

6 CORPORATE GOVERNANCE (CONTINUED)

Audit Committee

	Name	Position
1	Mr. Johannes Gunnell	Chairman
2	Mr. G C Theobald	Member
3	Mr. V K Tewari	Member

The Audit Committee reports to the Board of Directors of the Company and has been established to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's financial reports and financial reporting process, internal control structure, risk management systems and the external audit process. The Audit Committee met one time during the year (previous year one time).

Remunerations Committee

	Name	Position
1	Mr. Robin Harrison	Chairman
2	Mr. Johannes Gunnell	Member
3	Mr. P D Roland	Member

The Remuneration Committee reports to the Board of Directors of the Company. The Committee reviews compensation arrangements for the Directors and the executive team by assessing the appropriateness of emoluments on a periodic basis. The Remuneration Committee met one time during the year (previous year nil).

7 CAPITAL STRUCTURE

The Group and Company capital structures as at reporting date are as shown below:

	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
	TShs '000	TShs '000	TShs '000	TShs '000
Ordinary share capital	466,431	466,431	466,431	466,431
Share premium	4,048,462	4,048,462	4,048,462	4,048,462
(Accumulated losses)/retained earnings	(6,578,253)	(3,854,089)	261,335	52,560

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Group		Company	
Total owners' equity	(2,063,360)	660,804	4,776,230	4,567,453
Non-controlling interests	(2,504,203)	(473,062)	-	-
Total equity	(4,567,563)	187,742	4,776,230	4,567,453
Borrowings	20,272,804	14,250,284	1,611,771	-

8 MANAGEMENT

The Management of the Company and that of the subsidiaries is done through the respective Board of Directors.

9 SHAREHOLDERS OF THE COMPANY

The total number of shareholders as at 18 February 2016 was 1,644 shareholders (2014: 1,634 shareholders). Three of the Directors had interests in the issued and fully paid up shares of the Company and details are provided below:

Name	Nationality	Number of ordinary shares including scrip shares
Mr. J.J. Mungai (Retired MP)	Tanzanian	2,339,126 shares
Mr. P. D. Rowland	British	2,338,173 shares
Mr. G. C. Theobald	Tanzanian	4,204,411 shares

The shares of the Company are held as follows:

S/N	Name	Number of ordinary shares held	
		30 Sep 2015	30 Sep 2014
1	Thompson Lloyd & Ewart Limited	4,442,565	4,442,565
2	Mr. G. C. Theobald	4,204,411	4,204,411
3	Maris Tatepa Holding Limited	3,370,520	3,370,520
4	Mr. P. D. Rowland	2,338,173	2,338,173
5	Hon J. J. Mungai (rtd MP)	2,339,126	2,339,126
6	George P Theobald & Josephine M Theobald	255,960	255,960
7	Various others	1,706,499	1,706,499
Total		18,657,254	18,657,254

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

10 STOCK EXCHANGE INFORMATION

The Company is listed with the Dar es Salaam Stock Exchange (DSE) since 1999. The share price as at 30 September 2015 was TShs. 650 (2014: TShs 650). The market capitalization as at 30 September 2015 was TShs 12.1 billion (2014: TShs 12.1 billion)

11 RESULTS AND DIVIDEND

The results for the year are disclosed on page 12. The Board does not propose any dividend for the year 2015 (2014: TShs Nil).

12 PERFORMANCE FOR THE YEAR

Wakulima Tea Company Ltd: Tea production increased by 4% as compared to 2014 mainly due to better weather conditions in 2015, increased application of fertiliser and reduced volumes of smallholder leaf side-sold illegally to the Mohamed Enterprises (T) Limited factory. The average sale price at USD 1.52 per Kg was lower than last years' of USD 1.85 per Kg. The lower price was due to a drop in world market prices. These fluctuations in world tea prices are cyclical and normal. Lower prices coupled with significant exchange losses (2015: TShs 856 million, 2014: TShs 66 million) due to the devaluation of currency, adversely affected the performance of the Company.

Rungwe Avocado Company Limited: The loss for the year of TShs 1,633 million (2014: TShs 1,042 million) was mainly attributed to lower prices due to quality issues, decrease in production compared to budget and foreign exchange losses due to devaluation of local currency. The exchange loss for the year amounted to over TShs 2 billion (2014: TShs 286 million). Subsequent to the year-end, an irrigation system has been put in place to improve the quality of avocado.

Performance of Kyimbila Tea Packing Company Limited: The Company made a loss after tax of TShs 2,332 million for the year ended 30 September 2015 (2014: TShs 2,829 million). This loss is attributed to the restructuring of the Company to remove credit facilities and the relocation of the factory to reduce costs.

The Company remained as a holding company with no other activity. It made a profit after tax of TShs 135 million (2014: loss of TShs 16 million).

Due to the above, the Group did not achieve its budget for the year.

The Board has decided to re capitalise the Group by way of shareholder loans amounting to an injection of US \$ 3.376 million. This will stabilise Group operations whilst awaiting the following changes and developments in the agriculture industry:

- i. Tea prices. These currently low as they follow cyclical patterns and are impacted by high production in Kenya. They are expected to improve from May, 2016.
- ii. Our avocado production is increasing annually and our quality is now to an acceptable standard for export. The world market is looking increasingly favourable for avocados. Though as a new product in the country, the Company has not yet reached full maturity and may take another couple of years to achieve this though hopes to be profitable from the 2017 season.
- iii. The tea blending business is new and competition is tough but the brand is gaining acceptance and consumption and sales are increasing and are most likely to pick up further in the short to medium term.

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

- iv. Also the Group is about to finalise its' investment in the Suma hydro-electric project to assist in providing cheaper and more reliable power for its operations.

13 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company and its subsidiaries. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the assets of the Company and its subsidiaries;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by employees.

Whilst no system of internal control can provide absolute assurance against misstatement or losses, the systems of the Company and its subsidiaries are designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 30 September 2015 and is of the opinion that they met accepted criteria.

14 SOLVENCY

The Board of Directors confirms that applicable International Financial Reporting Standards ('IFRS') have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future.

15 EMPLOYEES' WELFARE

Management and Employees' Relationship

There were continued good relations between group employees and management for the year ended 30 September 2015. There were no unresolved complaints received by management from the employees during the year. A healthy relationship continues to exist between management and the Trade Union.

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

The Group remains an equal opportunity employer providing equal access to employment opportunities and ensuring that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge relevant duties.

Training Facilities

When presenting its annual budget for the year ended 30 September 2015, the Group allocated a sum of TShs 14.4 million (2014: TShs 6.7 million) for staff training in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels.

15 EMPLOYEES' WELFARE (CONTINUED)

Medical Assistance

All members of staff with a maximum number of four beneficiaries (dependants) for each employee were availed medical assistance (payment of certain medical bills) at Government hospitals within their locations or through medical insurance schemes.

Health and Safety

The Group has strong health and safety committees which ensure that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision, as necessary.

Financial Assistance to Staff

Loans are available to all permanent employees on commercial terms depending on the assessment of and the discretion of management as to the need and circumstances. However, the Group advises its employees to seek independent financial assistance from financial institutions wherever possible.

Persons with Disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Group that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Employees Benefit Plans

The Group pays contributions to a publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan.

The Group also maintains an unfunded non-contributory employee gratuity arrangement (the "Arrangements"), which provides for lump sum payments to eligible employees on their retirement at the age of 60, or those allowed to retire early, 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's internally generated funds. The Group also pays contributions to publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan.

The average number of employees in the Group during the year was 333 (2013: 341).

16 GENDER PARITY

As at 30 September 2015, the Group had 357 employees (2014: 333 employees), out of whom 82 (2014: 71) were female and 275 (2014: 262) were male.

17 RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 34 to these financial statements.

18 POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year. Donations made to public institutions and charitable organizations during the year amounted to TShs 3.3 million (2014: TShs 2.1 million).

19 ENVIRONMENTAL CONTROL PROGRAMME

Wakulima Tea Company Limited (WTCL) uses firewood as a source of power in the process of tea manufacturing. As part of its environmental control programme, WTCL has adopted policies aimed at the protection of the environment by distributing low energy stoves and forest nurseries to its small holder tea growers free of charge. Furthermore, WTCL also discourages the harvesting of immature forests by not buying firewood harvested from immature forests.

The Group also has programmes, policies and independent standards that involve the training of farmers on good agricultural practice, the use of pesticides and fertiliser and the safe disposal of used containers. Additional steps are taken to enhance environmental management with control of waste and management of energy.

20 CORPORATE SOCIAL RESPONSIBILITY

The Group continues to ensure that its employees, stakeholders and the environment are responsibly managed through collective bargain agreements, pursuit of international standards (Fairtrade, HACCP, ISO 22000 and Rain Forest Alliance), innovative HIV/AIDS awareness and prevention schemes and continual dialogue.

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

21 AUDITOR

The auditor, PricewaterhouseCoopers, has expressed its willingness to continue in office and is eligible for reappointment.

Approved by Board of Directors and signed on its behalf by;



G C THEOBALD

DIRECTOR

18/03/2016

Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

For the year ended 30 September 2015

The Companies Act, CAP 212 Act No.12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the year. 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 and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, CAP 212 Act No.12 of 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit in accordance with International Financial Reporting Standards (IFRS). 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 whether due to fraud or error.

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.

Signed on behalf of the Board of Directors by:



G C THEOBALD

DIRECTOR

18/03/2016

Date

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TATEPA LIMITED

For the year ended 30 September 2015

Report on the financial statements

We have audited the accompanying financial statements of Tatepa Limited (the Company) and its subsidiaries, Rungwe Avocado Company Limited, Wakulima Tea Company Limited and Kyimbila Tea Packaging Company Limited (together, the Group), which comprise the statements of financial position as at 30 September 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 17 to 63.

Directors' responsibility for the financial statements

The 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 Companies Act, CAP 212 Act No. 12 of 2002 and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that 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 judgement, 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 the directors, 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 for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the Group's and Company's financial affairs at 30 September 2015 and of their losses and profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act No. 12 of 2002.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TATEPA LIMITED (CONTINUED)

For the year ended 30 September 2015

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 Companies Act, CAP 212 Act No. 12 of 2002 and for no other purposes.

As required by the the Companies Act, CAP 212 Act No. 12 of 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 the financial statements are not in agreement with the 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.



Michael M. Sallu, FCPA-PP

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

Date: 23-03-2016

FINANCIAL STATEMENTS

For the year ended 30 September 2015

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
	Note	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Revenue	6	18,072,036	16,092,180	-	142,658
Gain arising from changes in fair value less costs to sell of biological assets	18	931,058	963,507	-	-
		19,003,094	17,055,687	-	142,658
Cost of sales	7	(15,125,266)	(13,090,492)	-	-
Gross profit		3,877,828	3,965,195	-	142,658
Other operating income/(expense)	8	169,332	(7,092)	341,142	83,036
Selling and marketing costs	9	(2,191,970)	(2,520,201)	-	-
Administrative expenses	10	(3,254,276)	(3,684,329)	(422,569)	(435,140)
Grant amortisation	27	20,279	20,279	-	-
Operating (loss)/profit		(1,378,807)	(2,226,148)	(81,427)	(209,446)
Finance income	13	86,516	26,638	194,176	188,345
Foreign exchange loss on translation of borrowings		(2,973,785)	(241,156)	-	-
Other finance cost	12	(1,431,665)	(1,237,248)	-	-
(Loss)/profit before income tax		(5,697,741)	(3,677,914)	112,749	(21,101)
Income tax credit/(expense)	14	804,470	(294,233)	(37,941)	4,961
(Loss)/profit for the year		(4,893,271)	(3,972,147)	74,808	(16,140)
Attributable to:					
- Owners of the parent		(2,858,129)	(2,261,593)		
- Non-controlling interests		(2,035,142)	(1,710,554)		
		(4,893,271)	(3,972,147)		

FINANCIAL STATEMENTS

For the year ended 30 September 2015

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		Group		Company	
	Note	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Earnings per share attributable to the equity holders of the Company during the year (expressed in TShs per share)					
Earnings per share (basic and diluted)	15	(153.19)	(121.22)		
<u>Other comprehensive income</u>					
Item that will not be reclassified to profit or loss:					
-Actuarial (loss)/gain, net of tax		-	-	-	-
Total comprehensive (loss)/income for the year		(4,893,271)	(3,972,147)	74,808	(16,140)
Attributable to:					
Owners of the parent		(2,858,129)	(2,261,593)		
Non-controlling interests		(2,035,142)	(1,710,554)		
		(4,893,271)	(3,972,147)		

FINANCIAL STATEMENTS

For the year ended 30 September 2015

STATEMENTS OF FINANCIAL POSITION

ASSETS	Note	Group			Company	
		2015	2014		2015	2014
		TShs '000	TShs '000		TShs '000	TShs '000
Non-current assets						
Property, plant and equipment	17	5,455,674	6,004,836		-	-
Biological assets	18	4,391,158	3,460,100		-	-
Intangible asset		4,727	4,727		-	-
Deferred tax assets	28	1,647,378	836,494		70,085	104,863
Investment in subsidiaries	19	-	-		3,240,401	3,240,401
Prepaid land rent	21	-	5,864		-	-
Loans receivable	20	944,510	731,370		1,703,380	1,170,564
		12,443,447	11,043,391		5,013,866	4,515,828
Current assets						
Inventories	22	2,929,118	5,119,207		-	-
Prepaid land rent	21	7,884	15,231		-	-
Trade and other receivables	23	2,813,593	1,323,676		321,192	121,660
Loans receivable	20	-	-		805,372	208,563
Income tax recoverable		469,878	461,326		264,668	266,586
Bank balances and cash	24	753,519	325,231		466,847	13,746
		6,973,992	7,244,671		1,858,079	610,555
Total assets		19,417,439	18,288,062		6,871,945	5,126,383
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share capital	31	466,431	466,431		466,431	466,431
Share premium	31	4,048,462	4,048,462		4,048,462	4,048,462
(Accumulated losses)/retained earnings		(6,712,218)	(3,854,089)		127,368	52,560
		(2,197,325)	660,804		4,642,261	4,567,453
Non-controlling interests		(2,504,204)	(473,062)		-	-

FINANCIAL STATEMENTS

For the year ended 30 September 2015

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

ASSETS	Note	Group			Company	
		2015 TShs '000	2014 TShs '000		2015 TShs '000	2014 TShs '000
Total equity		(4,701,529)	187,742		4,642,261	4,567,453
LIABILITIES						
Non-current liabilities						
Borrowings	26	9,183,771	6,335,181		1,611,770	-
Deferred capital grant	27	231,667	251,946		-	-
Retirement benefit obligations	29	682,889	630,780		838	705
		10,098,327	7,217,907		1,612,608	705
Current liabilities						
Trade and other payables	25	2,825,950	2,967,310		617,076	558,225
Borrowings	26	11,194,691	7,915,103		-	-
		14,020,641	10,882,413		617,076	558,225
Total liabilities		24,118,968	18,100,320		2,229,684	558,930
Total equity and liabilities		19,417,439	18,288,062		6,871,945	5,126,383

The financial statements on pages 29 to 92 were approved by the Board of Directors and signed on its behalf by:



G C THEOBALD

DIRECTOR

18/03/2016

Date

FINANCIAL STATEMENTS

For the year ended 30 September 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP	Attributable to the owners of the parent					Total equity TShs '000
	Share capital TShs '000	Share premium TShs '000	(Accumulated losses)/retained earnings TShs '000	Total TShs '000	Non-controlling interests TShs '000	
Year ended 30 September 2015						
At 1 October 2014	466,431	4,048,462	(3,854,089)	660,804	(473,062)	187,742
<i>Comprehensive income</i>						
Loss for the year	-	-	(2,858,129)	(2,858,129)	(2,035,142)	(4,893,271)
<i>Transactions with owners:</i>						
Shares issued during the year	-	-	-	-	4,000	4,000
At 30 September 2015	466,431	4,048,462	(6,712,218)	(2,197,325)	(2,504,204)	(4,701,529)

Year ended 30 September 2014						
At 1 October 2013	466,431	4,048,462	(1,592,496)	2,922,397	100,372	3,022,769
<i>Comprehensive income</i>						
Loss for the year	-	-	(2,261,593)	(2,261,593)	(1,710,554)	(3,972,147)
<i>Transactions with owners:</i>						
Shares issued during the year	-	-	-	-	1,137,120	1,137,120
At 30 September 2014	466,431	4,048,462	(3,854,089)	660,804	(473,062)	187,742

FINANCIAL STATEMENTS

For the year ended 30 September 2015

STATEMENT OF CHANGES IN EQUITY

COMPANY	Share capital TShs '000	Share premium TShs '000	Retained earnings/ (accumulated losses) TShs '000	Total equity TShs '000
Year ended 30 September 2015				
At 1 October 2014	466,431	4,048,462	52,560	4,567,453
<i>Comprehensive income:</i>				
Profit for the year	-	-	74,808	74,808
At 30 September 2015	466,431	4,048,462	127,368	4,642,261
Year ended 30 September 2014				
At 1 October 2013	466,431	4,048,462	68,700	4,583,593
<i>Comprehensive income:</i>				
Loss for the year	-	-	(16,140)	(16,140)
At 30 September 2014	466,431	4,048,462	52,560	4,567,453

FINANCIAL STATEMENTS

For the year ended 30 September 2015

STATEMENTS OF CASH FLOWS

		Group		Company	
		2015	2014	2015	2014
	Note	TShs '000	TShs '000	TShs '000	TShs '000
Cash flows from operating activities					
Cash generated from operations	32	(2,042,957)	(1,760,425)	27,800	124,183
Interest paid		(1,401,757)	(1,154,662)	-	-
Income tax paid		(16,537)	-	(1,244)	-
Net cash from operating activities		(3,461,251)	(2,915,087)	(29,044)	124,183
Cash flows from investing activities					
Purchase of property, plant and equipment	17	(299,071)	(420,746)	-	-
Cost incurred in acquisition of shares		-	-	-	(837,939)
Loans to third parties		(160,292)	-	-	-
Proceeds from sale of property, plant, and equipment		25,084	13,988	-	-
Net cash utilized in investing activities		(434,279)	(406,758)	-	(837,939)
Cash flows from financing activities					
Repayment of borrowings		(1,232,590)	(1,037,526)	-	-
Loans (received from)/to subsidiaries		-	-	(1,129,625)	690,353
Proceeds from issue of shares		4,000	1,137,120	-	-
Proceeds from borrowings		3,382,605	2,662,600	1,611,771	-
Net cash flow from financing activities		2,154,015	2,762,194	482,146	690,353
Net (decrease)/increase in cash and cash equivalents		(1,741,515)	(559,651)	453,102	(23,403)
Cash and cash equivalents at start of year		(6,231,121)	(5,698,759)	13,746	37,149
Exchange loss on cash and cash equivalents		41,557	27,289	-	-
Cash and cash equivalents at end of year	24	(7,931,079)	(6,231,121)	466,847	13,746

NOTES

1 GENERAL INFORMATION

Tatepa Limited (the Company) is incorporated in Tanzania under the Companies Act, CAP 212 Act No. 12 of 2002 as a limited liability company and listed on the Dar es Salaam Stock Exchange. It is domiciled in United Republic of Tanzania. The Company and its subsidiaries (the Group) are involved in growing, processing, packing and sale of tea in the local as well as the export markets. The Group also produces and exports Avocado.

The address of its registered office is:

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

And its principal places of business are given below:-

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

Kyimbila Tea Packing Company Limited
Plot 14, Thembi Hill Industrial Area
Arusha - Tanzania

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied 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) Going concern

The financial statements have been prepared on the assumption that the Company and the Group would continue as going concerns. However, over the years the Group incurred significant losses, which resulted into shareholders' deficit of TShs 4,702 million as at 30 September 2015. As at that date, the Group had net current liabilities of TShs 7,047 million (2014: TShs 3,638 million). During the year ended 30 September 2015, the Group incurred a loss of TShs 4,893 million (2014: TShs 3,972 million) and had net cash outflow from operations of TShs 3,461 million (2014: TShs 2,915 million). Management has taken a number of measures to ensure that the Group is able to meet its working capital and capital expenditure requirements. These measures include the following:

- i. Renewal of overdraft facilities for a period of one year from October 2015.
- ii. Restructuring of its loans with shareholders and injection of cash by shareholders in the form of loans subsequent to year end.
- iii. Creation of a convertible loan with some of its main shareholders.

Restructuring of its operations with the aim of reducing rental and distribution costs of one of its subsidiaries, Kyimbila Tea Packaging Company Limited.

Based on the above measures, the Directors believe that the Group will continue to operate as a going concern.

(b) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets, and comply with the Companies Act, CAP 212 Act No. 12 of 2002. The financial statements are presented in Tanzanian shillings (TShs) and the values are rounded to the nearest thousands, except where otherwise indicated. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the 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.

NOTES (CONTINUED)

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 October 2014 are relevant to the Group:

Amendments to IFRS 13 “Fair value measurement” confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. The amendment also clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

Amendments to IAS 24 “Related party disclosures” requires that where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or Directors.

Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. The amendment allows contributions that are linked to service, but that do not vary with the length of employee service (e.g. a fixed % of salary), to be deducted from the cost of benefits earned in the period that the service is provided. Therefore, many entities will be able to (but not be required) continue accounting for employee contributions using their existing accounting policy.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods as these amendments merely clarify the existing requirements.

There are no other new or revised standards or interpretations issued and effective that would be expected to have a material impact on the Company.

(ii) New standards and interpretations not yet adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

(ii) New standards and interpretations not yet adopted by the Company

IAS 16 `Property Plant and Equipment& IAS 41 Agriculture on bearer plants effective from 1 January 2016.

In June 2014, the IASB made amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture which distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of machinery. They will therefore now be accounted for under IAS 16. However, agricultural produce growing on bearer plants will remain within the scope of IAS 41 and continue to be measured at fair value less cost to sell. The company is still assessing the impact of these changes.

IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through profit or loss. The Company is yet to assess the impact of adoption of IFRS 9. The standard is effective for accounting periods beginning on or after 1 January 2018.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at fair value. However, non-controlling interest's that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are recognised at either fair value or proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Consolidation (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added tax (VAT). The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

The Group sells made tea, blended tea, and avocados in both local and international markets. 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. The risks and rewards of ownership for exports are passed when goods are loaded into the ship and Bill of Lading issued [i.e. free on Board stage (FOB)] while for local sales are passed at ex-factory stage.

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Segment reporting

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

(f) Functional currency and foreign currency translation

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 (TShs). The consolidated financial statements are presented in the Tanzania shilling (TShs).

Transactions and balances

Foreign currency transactions are translated into Tanzania shilling (TShs) using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognised in profit or loss.

(g) Property, plant and equipment

Leasehold improvements and buildings comprise mainly tea factory and offices. All property, plant and equipment are shown at historical cost less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over the estimated useful life as follows:

	Rate (%)
Leasehold improvements	Tenure of lease
Buildings	2.0 -5.0
Motor vehicles	25.0
Machinery, equipment, furniture and fittings	12.5
Computers	33.3

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenditure are charged to the statement of profit or loss during the financial year in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 profit or loss.

(h) Intangible assets

Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation.

(i) Investments in subsidiaries

In the Company's statement of financial position, 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.

(j) Biological assets

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

(k) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(m) Inventories

Biological assets produce is measured at fair value less costs to sell at the point of harvest. Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of made tea comprises the fair value of tea harvested from the Group's plantations less costs to sell at the point of harvest or cost of purchasing leaf from out growers, direct labour, other direct costs and related production overheads. 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.

(n) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(o) 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 profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. Borrowing costs are expensed in the period they accrue unless they can be related, with certainty, to fixed asset construction projects, in which case they are capitalised as part of the asset's cost. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the year end date.

(p) Income tax

Income tax expense is the aggregate of the charge to profit or loss 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.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Income tax (continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Dividend income

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

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employees benefits

Retirement benefit obligations

The Group has defined benefit and defined contributions plans. The Group has 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 60, or those allowed to retire early, 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’s internally generated funds. The liability recognised in the statement of financial position in respect of the defined benefits plan is the present value of the defined benefit obligation at the reporting date, together with adjustments for 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 by the Directors at the end of each year in the intervening period.

Actuarial gains and losses arising from change in experience adjustments and actuarial assumptions are charged or credited to the equity in other comprehensive income in the period in which they arise.

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 has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefits expense when they are due.

(s) Dividend distribution

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

(t) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(u) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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 year end 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 profit or loss.

(w) Financial assets

The Group and the Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial asset was acquired. The directors determine the classification of financial assets at initial recognition.

Loans and receivables

These 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 end of the reporting period which are classified as non-current assets.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(x) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(y) Impairment of financial assets

(i) Assets carried at amortised cost

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables category, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit and loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit and loss.

(z) Provisions

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(aa) Grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with costs that they are intended to compensate. Grants relating to property, plant and equipment are included in non-current liabilities as deferred capital grants and are credited to the statement of profit or loss on a straight line basis over the expected useful lives of related assets.

(bb) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

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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 18.

Tea plantations

The impact of fluctuation of one of the variables used in the valuation of tea plantations on the Group's profit or loss, assuming all other variables remains constant, is analysed in the table below:

Variable	% change in variable	Impact on Group's profit or loss	
		2015	2014
		TShs Millions	TShs Millions
Market price of tea	+/- 5%	+/-599	+/-1,254
TShs/USD exchange rate	+/- 2%	+/-175	+/-159
Tanzania Inflation rate	+/- 2%	-/+ 24	-/+422
Discount rate	+/- 1%	-/+ 29	-/+157

Avocado plantations

The impact of fluctuation of one of the variables used in the valuation of avocado plantations on the Group's profit or loss, assuming all other variables remains constant, is analysed in the table below:

Variable used in management's estimate	% change in variable	Impact on Group's profit or loss	
		2015	2014
		TShs Millions	TShs Millions
Market price of avocado	+/- 5%	+/-1,915	+/-1,548
TShs/USD exchange rate	+/- 2%	+/- 126	+/-559
Tanzania Inflation rate	+/- 2%	-/+ 94	-/+218
Discount rate	+/- 1%	-/+ 316	-/+42

NOTES (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(i) Critical accounting estimates and assumptions (continued)

Retirement benefit obligation

If the interest rate had been 1% higher/(lower) than management estimate and all other factors remained unchanged, the Group would have recognised a further (increase)/decrease in loss of TShs 15 million (2014: TShs 4.5 million). If the notional rate of contribution had been 1% higher/(lower) than management estimate and all other factors remained unchanged, the Group would have recognised a further (increase)/decrease in loss of TShs 30 million (2014: TShs 16.7) million.

(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.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's and Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by the management under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group frequently enters into transactions denominated in foreign currencies (primarily United States Dollars ("US\$")). In addition, the group has assets and liabilities denominated in United States Dollars ("US\$"). As a result, the Group is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Exposure to foreign exchange risk is mitigated by the fact that almost 89% (2014: 60%) of its earnings are in foreign currencies (mainly US dollars). At 30 September 2015, if the Tanzanian 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 3.9 billion (2014: TShs 443 million) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated trade receivables, trade payables, bank balances and borrowings. The movement of the Tanzanian shilling against other currencies is insignificant because the number and value of transactions in other foreign currencies entered into by the Group is insignificant. The Company does not have any significant transactions or any significant assets and liabilities denominated in foreign currency.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(ii) Interest rate risk

The Group's interest rate risk arises from long and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. 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 or loss of a defined interest rate shift. Based on the simulation performed at 30 September 2015, an increase/decrease of 200 basis points would have resulted in a decrease/increase in consolidated post tax profit of TShs 174 million (2014: TShs 153 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.

(iii) Commodity price fluctuation risk

The Group does not anticipate the prices of tea and avocado to decline significantly in the foreseeable future. The Group reviews its outlook for world prices regularly in considering the need for active financial risk management.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. For banks and financial institutions only reputable banks and financial institutions are used by the group 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. No collateral is held for cash and cash equivalents and trade and other receivables.

(c) 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. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting 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.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Group	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	TShs'000	TShs'000	TShs'000	TShs'000
At 30 September 2015				
Borrowings	11,194,690	2,014,523	2,262,145	4,907,103
Interest on borrowings	1,381,197	509,477	261,855	-
Trade and other payables	2,662,797	-	-	-
Retirement benefit obligations	-	-	-	682,053
Total financial liabilities	15,238,684	2,524,000	2,524,000	5,589,156

At 30 September 2014				
Borrowings	8,310,541	153,606	5,786,137	-
Interest on borrowings	886,652	529,483	204,067	-
Trade and other payables	1,817,424	-	-	-
Retirement benefit obligations	-	-	-	630,780
Total financial liabilities	11,014,617	683,089	5,990,204	630,780
<u>Off balance sheet</u>				
Guarantee	8,310,541	153,606	5,786,137	-

The parent company (Tatepa Ltd) had provided corporate guarantee to CRDB Bank Plc in respect of term loans and overdraft facilities extended its subsidiaries Wakulima Tea Company Limited and Rungwe Avocado Company Limited. The overdraft facilities were renewed with effect from November 2015. No guarantee were required to be provided by Tatepa Ltd on renewal.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Company	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	TShs'000	TShs'000	TShs'000	TShs'000

At 30 September 2015				
Borrowings	-	-	-	1,611,771
Trade and other payables	577,037	-	-	838
Total financial liabilities	577,037	-	-	1,612,609
At 30 September 2014				
Trade and other payables	164,004	-	-	705
Total financial liabilities	164,004	-	-	705

4.2 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 statement of financial position) less cash and bank balances. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt. During the year ended 30 September 2015, the Group's strategy, which was unchanged from 2014, was to maintain the gearing ratio within 25% to 50% on a long term basis. The gearing ratios were as follows:

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

	2015	2014
Group	TShs '000	TShs '000
Total borrowings (Note 26)	20,272,804	14,250,284
Less cash and bank balances (Note 24)	(753,518)	(325,231)
Net debt	19,519,286	13,925,053
Total equity	(4,701,529)	187,742
Total capital	14,817,757	14,112,795
Gearing ratio	131.73%	98.67%
COMPANY		
Total borrowings (Note 26)	1,611,771	-
Less cash and bank balances (Note 24)	(466,847)	13,746
Net debt	1,144,924	-
Total equity	4,642,261	4,567,453
Total capital	5,787,185	4,567,453
Gearing ratio	19.78%	-

The increase in gearing during the financial year 2015 resulted from Group loss and the need for increased borrowings to develop the businesses. This gearing is expected to return to a level within the long term strategic target once all start-up businesses (RAC and KTPCL) have matured.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- i. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- ii. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- iii. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 September 2015.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 September 2015	Level 1	Level 2	Level 3
Assets			
Biological assets	-	-	4,391,158
Total assets	-	-	4,391,158
Liabilities			
Interest free loan at fair value	-	-	2,520,047
Total liabilities	-	-	2,520,047
At 30 September 2014			
Biological assets	-	-	3,460,100
Total assets	-	-	3,460,100
Liabilities			
Interest free loan at fair value	-	-	1,951,225
Total liabilities	-	-	1,951,225

5 OPERATING SEGMENT INFORMATION

The Group has determined its operating segments based on the review by management and in a manner consistent with internal reporting provided to the chief operating decision maker. The Group is currently organized into three main operating segments; growing and processing of tea; blending and packaging of tea; and growing & processing of avocado. Management considers the business from both market and product perspectives. Market wise, management considers the revenue generated from sales of products in various markets. Product wise, management considers the main lines through which the group derives its revenue.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

5 BUSINESS SEGMENT INFORMATION (CONTINUED)

2015	Growing & processing tea	Other	Avocado fruits	Blending and packing of black tea	Eliminations	Consolidated
REVENUE	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000
-Export sales	14,714,055	-	1,522,458	-	-	16,236,513
-Local sales	264,541	-	104,314	1,583,410	(116,742)	1,835,523
Total sales	14,978,595	-	1,626,772	1,583,410	(116,742)	18,072,036
Operating (loss)/profit from operations	(467,247)	(81,427)	767,981	(1,160,250)	(437,865)	(1,293,083)
Interest income	-	194,176	52,848	33,668	(194,176)	86,516
Interest costs	(952,292)	-	(2,883,222)	(1,201,977)	632,041	(4,405,450)
Loss before tax	(1,419,539)	112,749	(2,062,393)	(2,328,559)	-	(5,612,017)
Income tax credit/(charge)	416,047	(37,941)	429,616	(3,253)	-	778,752
Loss for the year	(1,003,492)	74,808	(1,632,777)	(2,331,812)	-	(4,833,265)
Other segment items included in the statement of profit or loss:						
Depreciation	455,674	-	184,595	205,160	-	845,429
Fair value adjustment on biological assets	39,679	-	891,379	-	-	931,058

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED) 5 BUSINESS SEGMENT INFORMATION (CONTINUED)

2015	Growing & processing tea TShs '000	Other TShs'000	Avocado fruits TShs '000	Blending and packing of tea TShs'000	Eliminations TShs '000	Consolidated TShs '000
Segment assets and liabilities and capital expenditure:						
Assets						
Non-current assets	6,587,309	5,013,866	6,259,486	473,820	(5,891,034)	12,443,447
Current assets	4,172,372	1,858,079	1,977,359	699,707	(1,733,525)	6,973,992
Total assets	10,759,681	6,871,945	8,236,845	1,173,527	(7,624,559)	19,417,439
Liabilities						
Current liabilities	6,671,017	617,076	2,509,089	5,961,731	(1,738,272)	14,020,641
Non-current liabilities	792,644	1,612,608	9,567,479	83,760	(1,958,164)	10,098,327
Total liabilities	7,463,661	2,229,684	12,076,568	6,045,491	(3,696,436)	24,118,968
Additions: Property plant and equipment	112,378	-	69,315	117,378	-	299,071

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

5 BUSINESS SEGMENT INFORMATION (CONTINUED)

2014	Growing & processing tea TShs '000	Other TShs '000	Avocado fruits TShs '000	Blending and packing of black tea TShs '000	Eliminations TShs '000	Consolidated TShs '000
REVENUE						
-Export sales	10,754,631	-	592,685	-	-	11,347,316
-Local sales	915,342	-	110,268	4,142,516	(423,262)	4,744,864
Total revenue	11,669,973	-	702,953	4,142,516	(423,262)	16,092,180
Operating profit/(loss) from operations	414,869	(21,101)	(673,083)	(1,624,207)	(322,626)	(2,226,148)
Interest income	-	188,345	-	26,638	(188,345)	26,638
Interest costs	(556,574)	-	(694,604)	(549,852)	322,626	(1,478,404)
Loss before tax	(141,705)	(21,101)	(1,367,687)	(2,147,421)	-	(3,677,914)
Income tax credit/(charge)	57,105	4,961	325,483	(681,782)	-	(294,233)
Loss for the year	(84,600)	(16,140)	(1,042,204)	(2,829,203)	-	(3,972,147)
Other segment items included in the statement of profit or loss:						
Depreciation	735,518	-	156,728	200,854	-	1,093,100
Fair value adjustment on biological assets	665,239	-	298,268	-	-	963,507

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

5 BUSINESS SEGMENT INFORMATION (CONTINUED)

2014	Growing & processing tea TShs '000	Other TShs'000	Avocado fruits TShs '000	Blending and packing of tea TShs'000	Eliminations TShs '000	Consolidated TShs '000
Segment assets and liabilities and capital expenditure:						
Assets						
Non-current assets	6,893,732	4,515,828	4,846,493	561,602	(5,774,264)	11,043,391
Current assets	5,622,990	610,556	464,277	1,489,627	(942,779)	7,244,671
Total assets	12,516,722	5,126,384	5,310,770	2,051,229	(6,717,043)	18,288,062
Liabilities						
Current liabilities	7,028,764	558,224	1,463,162	3,809,755	(1,977,492)	10,882,413
Non-current liabilities	1,188,447	705	6,054,556	780,878	(806,679)	7,217,907
Total liabilities	8,217,211	558,929	7,517,718	4,590,633	(2,784,171)	18,100,320
Additions: Property plant and equipment	5,257	-	334,900	80,589	-	420,746

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 statements. During the year the Blending and Packing Division bought teas from the Tea Growing and processing division, in addition to that the Tea Growing and Processing Division provided accounting services to the Avocado division. There were no other inter-segment transactions during 2015 and 2014. 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.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

5 BUSINESS SEGMENT INFORMATION (CONTINUED)

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

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
United Republic of Tanzania	1,835,606	4,744,864	-	-
United Kingdom	16,236,430	11,347,316	-	-
Total	18,072,036	16,092,180	-	-

Revenues are allocated based on the country from which sales proceeds are received. All Group assets are located in Tanzania.

6 REVENUE

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Sale of tea	14,861,854	11,246,711	-	-
Sale of avocados	1,626,772	702,953	-	-
Sale of packed tea	1,583,410	4,142,516	-	-
Management service fees	-	-	-	142,658
	18,072,036	16,092,180	-	142,658

7 COST OF SALES

Staff related costs (Note 11)	1,576,730	1,988,105	-	-
Processing costs	2,951,668	2,328,179	-	-
Blending cost	404,448	1,676,638	-	-
Packing materials costs	903,785	1,300,754	-	-
Greenleaf purchased from out growers	4,436,013	4,318,512	-	-
Field costs	2,415,640	2,207,115	-	-
Changes in stock of finished goods and work in progress	1,995,760	(1,548,030)	-	-
Depreciation charges	441,222	819,219	-	-
	15,242,266	13,090,492	-	-

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For the year ended 30 September 2015

NOTES (CONTINUED)

8 OTHER OPERATING INCOME/(EXPENSES)

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Profit on disposal of equipment	22,281	8,824	-	-
Foreign currency exchange gain/ (losses)	63,887	(44,607)	303,261	50,869
Other income	83,164	28,691	37,881	32,167
	169,332	(7,092)	341,142	83,036

9 SELLING AND MARKETING COSTS

Transport, distribution & handling charges	1,478,365	1,128,914	-	-
Salesmen remuneration	31,920	157,141	-	-
Travelling expenses	78,730	152,380	-	-
Cess and other government levies	147,774	125,055	-	-
Staff related costs (Note 11)	157,453	269,796	-	-
Depreciation	101,968	97,575	-	-
Non-creditable VAT expenses	11,033	58,765	-	-
Other selling costs	184,727	530,575	-	-
	2,191,970	2,520,201	-	-

10 ADMINISTRATIVE EXPENSES

Staff related costs (Note 11)	1,157,935	1,048,626	152,984	54,100
Travelling costs	339,163	236,168	45,850	52,419
Consultancy and professional fees	233,315	632,940	22,850	211,862
Directors fees and allowances	130,645	56,092	85,724	-
Office expenses	256,058	264,096	27,512	42,020
Auditors' remuneration	185,317	172,511	49,571	43,593
Research expenses on new products	6,889	17,878	-	-
Rental charges	135,372	133,776	3,433	-
Depreciation	302,239	176,306	-	-
Charge of impairment loss on trade receivables	-	479,976	-	-
Other administration costs	507,343	465,960	34,645	31,146
	3,254,276	3,684,329	422,569	435,140

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

11 STAFF RELATED COSTS

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Salaries, wages and bonuses	2,206,448	2,546,055	138,863	45,726
Medical expenses	39,765	56,961	-	-
Canteen costs, uniforms and amenities	299,479	301,261	-	7,764
Defined contribution schemes (NSSF)	251,451	233,164	13,709	466
Defined benefit scheme	52,109	136,619	133	144
Leave travel assistance	42,867	32,467	279	-
	2,892,118	3,306,527	152,984	54,100

The above staff related costs are included in the statements of profit or loss as follows:

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Cost of sales	1,576,730	1,988,105	-	-
Administrative expenses	1,157,935	1,048,626	152,984	54,100
Selling and marketing expenses	157,453	269,796	-	-
	2,892,118	3,306,527	152,984	54,100

12 OTHER FINANCE COST

Interest on finance lease obligations	9,199	6,151	-	-
Interest expense	1,422,466	1,148,511	-	-
Unwinding of interest on Interest free loan	-	82,586	-	-
	1,431,665	1,237,248	-	-

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

13 FINANCE INCOME

Interest on loans	86,516	26,638	194,176	188,345
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14 INCOME TAX (CREDIT)/EXPENSE

Current tax charge	5,446	10,644	696	985
Adjustments to tax in respect of prior years	969	384	2,466	-
Deferred income tax (credit)/ charge (Note 28)	(810,885)	283,205	34,778	(5,946)
Income tax (credit)/expense	(804,470)	294,233	37,940	(4,961)

The tax on the (loss)/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:

14 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000

(Loss)/profit before income tax	(5,697,741)	(3,677,914)	112,749	(21,101)
Tax calculated at a rate of 30%	(1,709,322)	(1,103,374)	33,825	(6,330)
Expenses not deductible for tax	354,812	316,920	-	1,369
Items resulting in reduced tax charge	(1,497)	-	-	-
Alternative minimum tax	5,446	(37,804)	696	-
Adjustments to tax in respect of prior years	5,969	384	3,420	-
Deferred tax asset not recognised	540,122	1,118,107	-	-
Income tax credit/(charge)	(804,470)	294,233	37,941	(4,961)

The Group has unused tax losses amounting to TShs 4,392 million (2014: TShs 3,452 million) which relate to Kyimbila Tea Packing Company Limited (KTPC). Deferred tax assets have not been recognised in respect of these tax losses as it is not probable that KTPC will generate sufficient taxable profits in the future to utilise these tax losses. These tax losses are yet to be agreed with the Tanzania Revenue Authority (TRA). The tax losses can be carried indefinitely.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

15 EARNINGS PER SHARE

	Group	
	2015	2014
Loss attributable to shareholders (TShs'000)	(2,858,129)	(2,261,593)
Weighted average number of share in issue (Note 31)	18,657,254	18,657,254
Basic and diluted earnings per share (TShs)	(153.19)	(121.22)

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

16 DIVIDEND PER SHARE

The Company did not pay any dividend during the year (2014: Nil)

17 PROPERTY, PLANT & EQUIPMENT - GROUP

Leasehold improvements & buildings TShs '000		Motor vehicles TShs '000	Machinery, equipment, furniture & fittings and computers TShs '000	Capital work in progress TShs '000	Total TShs '000
At 1 October 2013					
Cost	4,442,979	1,860,157	6,296,335	64,899	12,644,370
Accumulated depreciation	(845,210)	(1,099,659)	(4,024,805)	-	(5,969,674)
Net book value	3,597,769	760,498	2,271,530	64,899	6,694,696
Year ended 30 September 2014					
Opening net book value	3,597,769	760,498	2,271,530	64,899	6,694,696
Additions	-	34,051	107,897	278,798	420,746
Transfers	-	-	35,831	(35,831)	-
Disposals	-	-	(17,506)	-	(17,506)
Depreciation charge	(149,302)	(456,439)	(487,359)	-	(1,093,100)
Net book value	3,448,467	338,110	1,910,393	307,866	6,004,836

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For the year ended 30 September 2015

NOTES (CONTINUED)

17 PROPERTY, PLANT & EQUIPMENT - GROUP (CONTINUED)

Leasehold improvements & buildings		Motor vehicles	Machinery, equipment, furniture & fittings and computers	Capital work in progress	Total
TShs '000		TShs '000	TShs '000	TShs '000	TShs '000
At 30 September 2014					
Cost	4,442,979	1,894,208	6,423,985	307,866	13,069,038
Accumulated depreciation	(994,512)	(1,556,098)	(4,513,592)	-	(7,064,202)
Net book value	3,448,467	338,110	1,910,393	307,866	6,004,836

Year ended 30 September 2015					
Opening net book value	3,448,467	338,110	1,910,393	307,866	6,004,836
Additions	162,160	68,208	68,703	-	299,071
Transfers	-	29,069	278,797	(307,866)	-
Disposals	-	(2,804)	-	-	(2,804)
Depreciation charge	(150,503)	(187,158)	(507,768)	-	(845,429)
Net book value	3,460,124	245,425	1,750,125	-	5,455,674
At 30 September 2015					
Cost	4,605,136	1,888,454	6,771,483	-	13,265,073
Accumulated depreciation	(1,145,012)	(1,643,029)	(5,021,358)	-	(7,809,399)
Net book value	3,460,124	245,425	1,750,125	-	5,455,674

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

17 PROPERTY, PLANT & EQUIPMENT – GROUP (CONTINUED)

Depreciation expense of TShs 441.2 million (2014: TShs 819.2 million) has been charged to cost of goods sold, TShs 102 million (2014: TShs 97.6 million) has been charged to selling and marketing costs and TShs 302.2 million (2014: TShs 176.2 million) is classified under administrative expenses. The Group's property, plant and equipment have been charged to secure loans as set out in Note 26 to the financial statements.

18 BIOLOGICAL ASSETS

	Tea bushes	Avocado plantations	Total
	TShs '000	TShs '000	TShs '000
Year ended 30 September 2015			
At 1 October 2014	2,921,139	538,961	3,460,100
Increase due to expenditure on estates	905,542	419,552	1,325,094
Gain arising from changes in fair value less costs to sell	39,679	891,379	931,058
Decrease due to harvests	(905,542)	(419,552)	(1,325,094)
At 30 September 2015	2,960,818	1,430,340	4,391,158
Year ended 30 September 2014			
At 1 October 2013	2,255,900	240,693	2,496,593
Increase due to expenditure on estates	758,389	96,278	854,667
Gain arising from changes in fair value less costs to sell	665,239	298,268	963,507
Decrease due to harvests	(758,389)	(96,278)	(854,667)
At 30 September 2014	2,921,139	538,961	3,460,100

The Group has tea bushes for producing green tea leaves which are harvested for processing into made tea which is sold both locally and overseas. The Group's avocado plantations are used for harvesting avocados which are all sold overseas (except the small quantity of rejects).

Tea bushes and avocado fruit plantations are carried at fair value less costs to sell. The Group also maintains a forest for the purpose of obtaining wood fuel which is required for withering of tea. The fair value of this forest is zero, as has been the case for a number of years in the past. This is mainly because the fair value of harvested woodlots is not enough to cover costs associated with maintaining the forest. In determining the fair values of tea bushes and avocado fruit plantations, the Directors have made certain assumptions about the yields and market prices of made tea and avocado fruits in future years, and the costs of running the estates. The fair value less costs to sell of biological assets is determined using discounted cash flow method and key assumptions made concerning the future cash flows (projected over 10 years) are as follows

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

18 BIOLOGICAL ASSETS (CONTINUED)

Tea

1. Climatic conditions are expected to be normal;
2. The average market price of made tea has been projected at US\$1.65/kg for the financial year 2015-2016 to financial year 2016-2018;
3. The inflation has been projected at 6.1% for financial year 2015-2016 and at 7% thereafter;
4. The US\$/TShs exchange rate is expected to increase by average of 3% per annum; and
5. Yield and tea production remain fairly constant as the tea plantations are mature.

Avocado

1. Climatic conditions are expected to be normal;
2. The average market price of avocado has been projected at US\$1.1 per kg for the financial year 2014-2015, rising on average by about 3% per annum thereafter;
3. The inflation has been projected at 6.1% for financial year 2014-2015 and at 7% thereafter; and
4. The US\$/TShs exchange rate is expected to increase by average of 3.04% per annum.

There are 60 hectares (2014: 60) of mature avocado plantation, located in Tukuyu district in Tanzania and 316 hectares (2014: 316 hectares) of mature tea bushes located in Tukuyu district in Tanzania. The avocado plantations produced 610 (2014: 175) tons. The tea estates produced 712 (2014: 697) million kilograms. None of the biological assets are pledged as security for financing facilities.

The Group is exposed to commodity price risks arising from changes in tea and avocado prices. The Group does not anticipate that tea and avocado prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage risks of decline in tea and avocado prices. The Group reviews its outlook regularly in considering the need for active financial risk management. The fair values are based on cash flows discounted using a rate based on borrowing rate of 23.33% (2014: 23.33 %) and are within level 3 of the fair value hierarchy.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

19 INVESTMENT IN SUBSIDIARIES

	2015 TShs '000	2014 TShs '000
Wakulima Tea Company Limited(a)	1,704,272	1,704,272
Rungwe Avocado Company Limited (b)	886,129	886,129
Kyimbila Tea packing Company Limited (c)	650,000	650,000
	3,240,401	3,240,401

19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The investments relates to:

Nature of business		Number and description of share held		% of issued shares held	
		2015	2014	2015	2014
(a)	Growing, processing and sale of made tea	1,537,693 Ordinary shares	1,537,693 Ordinary shares	70%	70%
(b)	Growing, processing and sale of avocado and other fruits	84,747 Ordinary shares	84,747 Ordinary shares	45.42%	45.42%
(c)	Blending and Packing tea	54,018 Ordinary shares	54,018 Ordinary shares	31.93%	31.93%

The Company has a direct interests of 70% in Wakulima Tea Company Limited (WTCL), 31.93% in Kyimbila Tea Packing Company Limited (KTPCL) and 45.42% in Rungwe Avocado Company Limited (RACL). The Company has an indirect interest of 10.27% in RACL and 24.78% share in KTPCL through WTCL which holds 14.67% of RACL and 35.41% of KTPCL.

Company	Total % holding of Tatepa Ltd at 30 Sep 2015	Total % holding of Tatepa Ltd at 30 Sep 2014
RACL	55.69%	55.69%
KTPCL	56.66%	56.76%

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. There were no transactions with non-controlling interests.

Summarised statement of financial position

	WTCL		RACL		KTPCL	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Current						
Assets	4,172,371	5,622,991	1,977,359	464,276	704,457	1,489,626
Liabilities	(6,671,017)	(7,028,762)	(2,509,090)	(1,463,162)	(5,961,731)	(3,809,755)
Total current net assets	(2,498,646)	(1,405,771)	(531,731)	(998,886)	(5,257,274)	(2,320,129)
Non-current						
Assets	6,587,309	6,893,729	6,259,486	4,846,494	473,820	561,603
Liabilities	(792,644)	(1,188,447)	(9,567,479)	(6,054,556)	(83,760)	(780,878)
Total non-current assets	5,794,65	5,705,282	(3,307,993)	(1,208,062)	390,060	(219,275)
Net assets	3,296,019	4,299,511	(3,839,724)	(2,206,948)	(4,867,214)	(2,539,404)

NOTES (CONTINUED)

19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income

	WTCL		RACL		KTPCL	
	2015	2014	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000
Revenue	14,978,275	11,669,972	1,626,772	702,953	1,583,410	4,142,516
(Loss)/profit before tax	(1,419,539)	(141,706)	(2,062,392)	(1,367,686)	(2,328,557)	(2,147,422)
Income tax credit/(expense)	416,047	57,105	429,616	325,483	(3,253)	(681,782)
(Loss)/profit after tax	(1,003,492)	(84,601)	(1,632,776)	(1,042,203)	(2,331,810)	(2,829,204)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(1,003,492)	(84,601)	(1,632,776)	(1,042,203)	(2,331,810)	(2,829,204)
Total comprehensive income allocated to non-controlling interests	(301,048)	(25,380)	(723,523)	(461,800)	(1,010,572)	(1,223,348)
Dividends paid to non-controlling interests	-	-	-	-	-	-

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For the year ended 30 September 2015

NOTES (CONTINUED)

INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised statement of cash flows

	WTCL		RACL		KTPCL	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Cash flows from operating activities						
Cash generated from operations	458,348	994,898	(1,404,481)	(1,021,136)	374,256	(1,842,782)
Interest paid	(516,956)	-	(467,875)	(436,393)	(522,018)	(12,354)
Income tax paid	(15,220)	(512,765)	-	-	(73)	(425,124)
Net cash from operating activities	(73,828)	482,133	(1,872,356)	(1,457,529)	(147,835)	(2,280,260)
Net cash from/(used) in investing activities	(107,294)	4,973	(209,607)	(326,658)	(117,378)	(77,678)
Net cash (used in)/from financing activities	(1,067,190)	(761,539)	1,174,214	1,680,698	268,213	2,226,899
Net decrease in cash and cash equivalents	(1,248,312)	(274,433)	(907,749)	(103,489)	3,000	(131,039)
Cash and cash equivalents at beginning of year	(3,688,368)	(3,413,935)	(1,081,074)	(977,585)	(1,475,426)	(1,344,387)
Cash and cash equivalents at end of year	(4,936,680)	(3,688,368)	(1,988,823)	(1,081,074)	(1,472,426)	(1,475,426)

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

20 LOAN RECEIVABLE

		Group		Company
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000
Wakulima Tea Company Limited	-	-	-	208,563
Rungwe Avocado Company Limited	-	-	1,703,380	1,170,564
Kyimbila Tea Packing Company Limited	-	-	805,372	-
Moravian Church and seedling debtors	944,510	731,370	-	-
	944,510	731,370	2,508,752	1,379,127
Current	-	-	805,372	208,563
Non-current	944,510	731,370	1,703,380	1,170,564
	944,510	731,370	2,508,752	1,379,127

Loan to Rungwe Avocado Company Limited is a medium term facility denominated in US dollar and carries interest at 12% per annum (2014: 12%). Repayment of this loan is subordinated to repayment of loans with other lenders of the RAC i.e. AWC, AECF and AgDevCo.

The loan to Kyimbila Tea Packing Company Limited (KTPCL) is a short term facility.

The loan to Moravian Church is a US dollar denominated debt, attracts interest at the rate of 8% per annum and is repayable through deductions from sale proceeds of avocados produced from Moravian Plantation. RACL has exclusive rights to purchase all the avocados grown on the Moravian plantation at the agreed price. RACL entered into a plantation management agreement with The Registered Trustees of Moravian Church in Southern Tanganyika (Moravian) whereby RACL manages the Moravian plantations in Rungwe and assists them with the planting of avocados. Among other things, RACL provides development finance necessary to plant and manage avocado plants on the Moravian plantation, which constitutes the loan. The fair value of the loan receivable balance is approximately the carrying value.

21 PREPAID LAND RENT

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000
Total prepaid land rent	7,884	21,095	-	-
Less: Current portion	(7,884)	(15,231)	-	-
	-	5,864	-	-

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

21 PREPAID LAND RENT (CONTIUED)

Movement in gross amounts

Opening balance	21,095	34,773	-	-
Amortisation	(13,211)	(13,678)	-	-
Closing balance	7,884	21,095	-	-

22 INVENTORIES

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Finished products - at cost	883,766	3,011,884	-	-
Unprocessed products - at cost	8,622	100,490	-	-
Stores and consumables - at cost	2,052,343	2,068,425	-	-
Work in progress - at cost	35,863	20,246	-	-
Impairment provision - at cost	(51,476)	(81,838)	-	-
	2,929,118	5,119,207	-	-

23 TRADE AND OTHER RECEIVABLES

Trade receivables	1,920,708	1,384,641	-	-
Less provision for impairment losses	(348,478)	(680,124)	-	-
Trade receivables - net	1,572,230	704,517	-	-
Advances to tea growers	-	28,251	-	-
Advances to suppliers	56,360	-	-	-
VAT recoverable	167,745	179,040	1,361	-
Other receivables	822,345	280,493	159,612	3,545
Deposits and prepayments	194,914	131,375	2,567	2,455
Due from related parties (Note 34 (v))	-	-	157,654	115,660
	2,813,594	1,323,676	321,193	121,660

Trade receivables that are less than 30 days (2014: 30 days) are within the Group's credit period. As of 30 September 2015, trade receivables of TShs 39 million (2014: TShs 450 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these trade receivables is as follows:

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For the year ended 30 September 2015

NOTES (CONTINUED)

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000
3 to 6 months	39,000	450,000	-	-

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated. The fair value of the trade and other receivable balance is approximately the carrying value. Movements on the Group's provision for impairment of trade receivables are as follows:

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000
At start of year	680,124	200,148	-	-
Charged to profit or loss	-	479,976	-	-
Recovered during the year	331,646	-	-	-
At end of year	348,478	680,124	-	-

The carrying amounts of the trade receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000
US dollar	1,214,505	-	-	-
Tanzania shilling	357,725	1,384,641	-	-
	1,572,230	704,517	-	-

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

24 BANK BALANCES AND CASH

Cash at bank and in hand	753,519	325,231	466,847	13,746
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For the purpose of statement of cash flows
cash and cash equivalents comprise the
following:

Bank balances and cash	753,519	325,231	466,847	13,746
Bank overdraft (Note 26)	(8,684,598)	(6,556,352)	-	-
	(7,931,079)	(6,231,121)	466,847	13,746

In the statement of financial position, bank overdrafts are included in borrowings under current liabilities.

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000

Trade payables	1,440,273	1,673,973	3,871	17,053
Other payables and accrued expenses	1,093,991	1,149,886	368,001	394,921
Due to related parties (Note 34)	148,881	-	102,399	-
Unclaimed dividends	142,805	143,451	142,805	143,451
	2,825,950	2,967,310	617,076	558,225

The fair value of the trade and other payable is approximately the carrying value.

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For the year ended 30 September 2015

NOTES (CONTINUED)

26 BORROWINGS

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Non-current				
CRDB Bank Plc term loans (i)	-	153,606	-	-
ACEF loan (ii)	2,520,047	1,951,225	-	-
AWC loan (iii)	2,196,034	1,613,435	-	-
AgDevCo loan (iv)	2,855,919	1,024,751	-	-
Maris loan (v)	1,611,771	1,034,732	1,611,771	-
TFC loan (vi)	-	557,432	-	-
	9,183,771	6,335,181	1,611,771	-
Current				
CRDB Bank Plc loans (i)	322,051	1,284,711	-	-
Bank overdrafts: CRDB Bank Plc (i)	8,684,598	6,556,352	-	-
RSTGA loan (vii)	-	65,541	-	-
TFC loan (vi)	556,687	-	-	-
Diamond Motors: vehicle purchase (viii)	-	8,499	-	-
Maris Capital Loan - Interest free	5,430	-	-	-
Maris Capital Loan - Interest bearing	1,625,923	-	-	-
	11,194,691	7,915,103	-	-
Total	20,378,462	14,250,284	1,611,771	-

(i) CRDB Bank Plc loans and overdrafts

CRDB Bank Plc loans and overdrafts were issued to the following entities:

Wakulima Tea Company Ltd (WTC)

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

26 BORROWINGS (CONTINUED)

Bank loans

WTC has a US dollar denominated term loan facility with carrying value of TShs 322 million expiring in 2016, and bearing interest of 8% per annum (2014: 8% per annum).

Overdrafts

WTC has a US dollar denominated overdraft facility with carrying value of TShs 3,835 million bearing an interest rate of 7.5% (2014: 7.5%) per annum and expiring on 31 October 2016, and a Tanzania shilling denominated overdraft facility with carrying value of TShs 1,341 million expiring on the same date and bearing an interest rate of 15% (2014: 15%) per annum.

The term loans and overdraft facilities were secured by corporate guarantee and indemnity of the parent company (Tatepa Ltd), a debenture over the Company's floating assets, mortgage and debenture on its estates and factory buildings. The overdraft facility was renewed with effect from 1 November 2015. No guarantee was required to be provided by Tatepa on renewal.

(I) CRDB Bank Plc loans and overdrafts(continued)

Kyimbila Tea Packing Company Ltd (KTPC)

Bank term loan

KTPC repaid in full the term loan facility from CRDB Bank Plc which was expiring in February 2016.

Overdraft

KTPC has an overdraft facility with carrying value of TShs 1,491 million and bearing an interest of 16% (2014: 16%) per annum expiring on 31 October 2015.

The overdraft facility was secured by the following:

- Certificate of Title no 2757 MBYLR, LO No. 58375 farm no 391 located at Rungwe District Mbeya;
- Certificate of Title no 4140 DLR, LO No. 86501 Block A located at Rungwe District Mbeya; and
- Certificate of Title no 13686 located at Rungwe District Mbeya.

Subsequent to year end the overdraft facility was renewed to 31 October 2016 and reduced to TShs 750 million at 16% interest rate per annum. The new overdraft facility is secured against the entire assets of the Company. As such the securities of Wakulima Tea Company Ltd have been released by CRDB Bank Plc.

NOTES (CONTINUED)

26 BORROWINGS (CONTINUED)

Rungwe Avocado Company Ltd (RAC)

Overdraft

RAC has a USD denominated overdraft facility with a carrying value of TShs 1,175 million bearing an interest of 8% per annum and expiring on 31 October 2016. The overdraft facility is secured by mortgage of assets of RAC as well as mortgage of Avocado plantations on the land leased from Moravian Church by RAC.

(II) ACEF loan and deferred capital grant

Rungwe Avocado Company Ltd has an interest free USD denominated and unsecured loan from Africa Challenge Enterprise Fund (ACEF) with a carrying value of TShs 1,951 million, which will be fully repaid by 2019. The movement of the loan is as follows:

	Group	
	2015 TShs '000	2014 TShs '000
Balance at the beginning of the year	1,951,225	1,798,963
Unwinding of discount	-	82,586
Exchange loss	568,822	69,676
Closing balance	2,520,047	1,951,225

(III) AWC loan

Rungwe Avocado Company Ltd has a loan facility from AWC CB1 Limited denominated in US dollars, with a carrying value of TShs 1,613 million and bearing an interest of 8% per annum. The loan expires in September 2019.

(IV) AgDevCo loan

Rungwe Avocado Company Ltd has a loan facility from AgDevCo Tanzania Limited denominated in US dollars, with a carrying value of TShs 2,855 million and bearing an interest of 8% per annum plus a 2% administration charge pa. The loan is secured by a second ranking fixed and floating charge over all the borrower's assets (present and future). The loan expires in September 2019.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

26 BORROWINGS (CONTINUED)

(V) Maris Tatepa Holdings loan

Kyimbila Tea Company Ltd has a loan facility from Maris Tatepa Holdings Ltd denominated in US dollars, with a carrying value of TShs 1,631 million and bearing an interest of 8% per annum. The loan is not secured. The Board has approved that Tatepa take over this loan from Maris Tatepa Holdings Ltd on 1 October 2015 and convert it to the equity of KTPC. Maris Tatepa Holdings Ltd have agreed to it.

(VI) TFC loan

Kyimbila Tea Company Limited (KTPC) has an unsecured loan facility denominated in USD with a carrying value of TShs 557 million and bearing an interest of 8% per annum.

Subsequent to the year-end of KTPC, the Company's Board of Directors passed a resolution and agreed with the lenders to transfer this debt to Tatepa Limited and Tatepa will convert it to the equity of KTPC

(VII) Diamond motors

The Company has a Japanese Yen (JPY) denominated hire purchase facility from Diamond Motors Limited with an outstanding balance at year end of TShs 8.5 million. This facility carried interest of 8%. It was repaid during the year.

	Group	
	2015 TShs '000	2014 TShs '000
Gross finance lease liabilities - minimum lease payments:		
Not later than 1 year	-	77,064
Total	-	77,064
Future finance charges on finance lease liabilities	-	(68,565)
Present value of finance lease liabilities	-	8,499

The fair values are based on cash flows discounted using a rate based on borrowing rate of 8% (2014: 8%) and are within level 2 of the fair value hierarchy. The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are as follows:

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

26 BORROWINGS (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000
Less than 1 year	11,194,691	8,310,541	-	-
1 - 5 years	9,183,771	5,939,743	1,611,771	-
Closing balance	20,378,462	14,250,284	1,611,771	-

27 DEFERRED CAPITAL GRANT

	Group	
Opening balance	251,946	272,225
Grant amortisation	(20,279)	(20,279)
Closing balance	231,667	251,946

The capital grant relates to funding for construction of storage pack shed in RACL.

28 DEFERRED TAX ASSETS

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

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000
At the beginning of year	(836,494)	(1,119,699)	(104,863)	(98,917)
(Credited)/charged to profit or loss(Note 14)	(810,884)	283,205	34,778	(5,946)
At the end of year	(1,647,378)	(836,494)	(70,085)	(104,863)

Details of the deferred tax (assets)/liabilities are:-

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

28 DEFERRED TAX ASSETS (CONTINUED)

Property, plant and equipment	383,854	289,477	-	98,533
Biological asset fair valuation	1,224,697	945,360	-	-
Tax losses	(2,661,849)	(1,645,124)	(166,791)	(6,287)
Provisions	(594,080)	(426,207)	96,706	(43)
At the end of year	(1,647,378)	(836,494)	(70,085)	(104,863)

Deferred income tax assets and liabilities and deferred income tax credit in the profit or loss are attributable to the following items:

GROUP		Charged/ (credited)	
Year ended 30 September 2015	1 Oct	to P&L	30 Sep
	TShs'000	TShs'000	TShs'000
<u>Deferred income tax liabilities:</u>			
Property, plant and equipment	289,477	94,377	383,854
Revaluations	945,360	279,337	1,224,697
	1,234,837	373,714	1,608,551
<u>Deferred income tax assets:</u>			
Tax losses	(1,645,124)	(1,016,725)	(2,661,849)
Other timing differences	(426,207)	(167,873)	(594,080)
Net deferred income tax liabilities	(836,494)	(810,884)	(1,647,378)

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

28 DEFERRED TAX ASSETS (CONTINUED)

Year ended 30 September 2014			
<u>Deferred income tax liabilities:</u>			
Property, plant and equipment	434,828	(145,351)	289,477
Revaluations	681,103	264,257	945,360
	1,115,931	118,906	1,234,837
<u>Deferred income tax assets:</u>			
Tax losses	(1,985,866)	340,742	(1,645,124)
Other timing differences	(249,764)	(176,443)	(426,207)
Net deferred income tax liabilities	(1,119,699)	283,205	(836,494)

COMPANY			
Year ended 30 September 2015			
<u>Deferred income tax liabilities:</u>			
Property, plant and equipment	(98,533)	98,533	-
<u>Deferred income tax assets:</u>			
Tax losses	(6,287)	(160,504)	(166,791)
Other timing differences	(43)	96,749	96,706
Net deferred income tax liabilities	(104,863)	34,778	(70,085)

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

28 DEFERRED TAX ASSETS (CONTINUED)

Year ended 30 September 2014	1 Oct TShs'000	Charged/ (credited) to P&L TShs'000	30 Sep TShs'000
<u>Deferred income tax liabilities:</u>			
Property, plant and equipment	-	(98,533)	(98,533)
<u>Deferred income tax assets:</u>			
Tax losses	(98,917)	92,630	(6,287)
Other timing differences	-	(43)	(43)
Net deferred income tax liabilities	(98,917)	(5,946)	(104,863)

29 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
As at 1 January	630,780	494,161	705	561
Current service cost	79,286	98,959	133	144
Interest cost	84,036	70,127	-	-
Benefits paid	(111,213)	(32,467)	-	-
As at 31 December	682,889	630,780	838	705

The Group has an unfunded non-contributory employee gratuity arrangement (the "Arrangement"), which provides for lump sum payments to its employees on their retirement at the age of 60, or those allowed to retire early, based on length of service and salary at retirement. This arrangement qualifies as a defined benefit plan. A firm of professional actuaries, Alexander Forbes Financial Services (East Africa) Limited, carried out a full actuarial valuation of the Arrangement as at 30 September 2013, using the Projected Unit Credit Method.

NOTES (CONTINUED)

29 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The next valuation is due at 30 September 2016. The principal assumptions used in the actuarial valuation for 2013 are:

- i. Actuarial method - Projected Unit Method;
- ii. Discount rate of 13%;
- iii. Interest rate of 15%;
- iv. Rate of salary escalation of 7.5% per annum;
- v. Retirement age – 25% at age 55 and the balance at age 60; and
- vi. Pre-retirement mortality – A1949/52 Ultimate

The “notional” Company contribution rate to meet the cost of future accrual of the gratuity benefit is estimated at 6% of basic salaries per annum for management and 4.3% of basic salaries per annum for non-management.

30 COMMITMENTS

Capital commitments

The Group had no capital commitments at the year end.

Operating lease commitments – where a Group company is the lessee

The Group companies have leased land from the Government of the United Republic of Tanzania with lease terms ranging from 33 years to 99 years which 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 during the lease period. This land remains the property of the Tanzania Government as land under the present jurisdiction cannot be owned on a freehold basis. The future aggregate minimum lease payments under a non-cancellable operating lease relating to this land are as follows:

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Less than 1 year	44,393	16,852	-	-
2-5 years	177,573	67,409	-	-
Later than 5 years	105,845	379,102	-	-
	327,811	463,363	-	-

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

31 SHARE CAPITAL

Group and Company	2015 TShs '000	2014 TShs '000
Authorised: 20,000,000 ordinary shares of TShs 25 each	500,000	500,000

	2015 Number	2014 Number
Number of issued and fully paid shares	18,657,254	18,657,254
Weighted average number of shares	18,657,254	18,657,254

Share capital and premium

Group and Company	Share Capital	Share Premium	Total
	TShs '000	TShs '000	TShs '000
At 1 October 2014 and at 30 September 2015	466,431	4,048,462	4,514,893

32 CASH (UTILISED IN)/GENERATED FROM OPERATIONS

	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
(Loss)/profit before income tax	(5,697,741)	(3,677,914)	112,749	(21,101)
Adjustments for:				
Depreciation (Note 17)	845,429	1,093,100	-	-
Amortisation of deferred capital grant (Note 27)	(20,279)	(20,279)	-	-
Amortisation of prepaid land rent (Note 21)	13,211	13,678	-	-
Inventory written-off	-	2,326	-	-
Interest unwinding (Note 26)	-	82,586	-	-

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

32 CASH (UTILISED IN)/GENERATED FROM OPERATIONS (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000
Fair value gain on biological assets (Note 18)	(931,058)	(963,507)	-	-
Employees' gratuity	52,109	136,619	133	235
Interest expense	1,401,757	1,154,662	-	-
(Gain)/loss on disposal of property, plant and equipment	(22,281)	3,518	-	-
Unrealised exchange loss on term loans	1,761,377	-	-	-
<i>Changes in working capital:</i>				
Inventories	2,190,089	(1,161,293)	-	-
Trade and other receivables	(1,495,781)	1,330,095	(199,533)	(62,758)
Trade and other payables	(139,789)	245,984	58,851	207,807
Cash generated from operations	(2,042,957)	(1,760,425)	27,800	124,183

33 SUBSEQUENT EVENTS

There are no significant events that have occurred since the year end that would require separate disclosure, or adjustment to, the financial statements of the Group or the Company for the year ended 30 September 2015.

34 RELATED PARTY TRANSACTIONS AND BALANCES

At the year-end there was no single shareholder with a controlling interest in the Company. The Company owns three subsidiary companies, Wakulima Tea Company Limited (WTCL), Rungwe Avocado Company (RACL) and Kyimbila Tea Packing Company Limited (KTPCL). 30% of WTCL shareholding is owned by Rungwe Smallholders Tea Development Trust Fund. Robert Clowes and AgDevco Tanzania Limited own 19.91% and 20% of shareholding in RACL respectively. There is no ultimate parent of the companies in the Group (2014: None). WTCL and Maris Tatepa Holdings Limited own 35.47% and 23.65% in the equity of KTPCL respectively. KTPCL also buys raw tea from WTCL.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

34 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The following transactions were carried out with related parties:

	Group		Company	
	2015	2014	2015	2014
	TShs '000	TShs '000	TShs '000	TShs '000

i) Sale of services				
Subsidiaries (guarantee fees)	-	-	37,882	142,658

ii) Interest on loans				
Subsidiaries	-	-	194,176	220,512

iii) Dividends received				
Subsidiaries	-	-	-	612,500

iv) Year-end balances

Amounts due from related parties				
Subsidiary	-	-	157,654	115,660

Amounts due to related parties				
Directors fees	107,855	-	107,855	-

v) Loans receivable from related parties

Shareholders loan	-	-	-	1,379,127
Kyimbila Tea Packaging Company Ltd	-	-	805,372	-
Rungwe Avocado Company Ltd	-	-	1,703,382	-
	-	-	2,508,752	1,379,127

vi) Loans payable to related parties

Shareholder loans	3,243,125	1,034,732	1,611,770	-
Tanganyika Finance Company Ltd	556,687	557,432	-	-
	3,799,812	2,682,456	1,611,770	-

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

34 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(vii) Directors remuneration

The Director's fees, Chairman's fees and sitting allowances for all Board and sub-committee meetings of the Company was approved to be paid with effect from 1 September 2014.

Directors' fees are disclosed below

	Group and Company			
	Fees	Sitting allowance	Total	
	2015 TShs '000	2015 TShs '000	2015 TShs '000	2014 TShs '000
J J Mungai	17,609	5,503	23,112	-
Johannes Gunnell	13,207	6,603	19,810	-
G C Theobald	13,207	6,603	19,810	-
Robin Harrison	13,207	5,503	18,710	-
Peter D Rowland	13,207	6,603	19,810	-
V K Tewari	6,603	-	6,603	-
	77,040	30,815	107,855	-

(viii) Key management's remuneration	Group		Company	
	2015 TShs '000	2014 TShs '000	2015 TShs '000	2014 TShs '000
Salaries and other short-term employment benefits	455,481	397,084	133,730	16,651
Defined contribution plan	44,882	38,932	13,373	-
	500,363	436,016	147,103	16,651

Key management includes directors (executive and non-executive) and other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

35 FINANCIAL INSTRUMENTS

(a) By category

The accounting policies for financial instruments have been applied to the following line items:

GROUP

Loans and receivables	Loans receivable	Trade and other receivables*	Cash at bank and in hand	Total
	TShs'000	TShs'000	TShs'000	TShs'000
30 September 2015	944,510	1,438,326	753,518	3,136,354
30 September 2014	731,370	1,207,532	325,231	2,264,133

	Trade and other payables**	Borrowings	Total
Other financial liabilities at amortised cost	TShs'000	TShs'000	TShs'000
30 September 2015	2,662,797	20,378,462	23,041,259
30 September 2014	1,817,424	14,250,284	16,067,708

COMPANY	Loans receivable	Trade and other receivables*	Cash at bank and in hand	Total
Loans and receivables	TShs'000	TShs'000	TShs'000	TShs'000
30 September 2015	2,508,752	318,627	466,847	3,294,226
30 September 2014	1,379,127	119,205	13,746	1,512,078

(*)Prepayments are excluded from the trade and other receivables, as this analysis is required only for financial instruments.

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

35 FINANCIAL INSTRUMENTS (CONTINUED)

Other financial liabilities at amortised cost		Trade and other payables**	Borrowings	Total
		TShs'000	TShs'000	TShs'000
30 September 2015		577,037	1,611,771	2,188,808
30 September 2014		163,304	-	163,304

(*)Prepayments are excluded from the trade and other receivables, as this analysis is required only for financial instruments.

(**)Statutory liabilities are excluded from the trade and other payables, as this analysis is required only for financial instruments.

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be addressed by reference to historical information about counterparty default rates:

GROUP

Trade receivables (third parties)		2015	2014
		TShs 'M	TShs 'M
Group 1 –	Balance from customers with no past history of default and no provision for impairment raised against their balances	1,573	255
Group 2 –	Balances from customers with no past history of default but provision has been made against their balances	-	450
Group 3 –	Balances from customers with past history of default and provision made against their balances	348	680
	Total gross trade receivables (Note 23)	1,921	1,385

FINANCIAL STATEMENTS

For the year ended 30 September 2015

NOTES (CONTINUED)

35 FINANCIAL INSTRUMENTS (CONTINUED)

Other receivables				
Group 1 –	Balance from customers with no past history of default and no provision for impairment raised against their balances		822	280
Bank and cash balances				
Total cash in hand and at bank			754	325

COMPANY

		<u>2015</u>	<u>2014</u>
Trade and other receivables (third parties)		TShs 'M	TShs 'M
Group 1 –	Balance from customers with no past history of default and no provision for impairment raised against their balances	160	3
Bank and cash balances			
Total cash at bank		467	14

There is no credit rating of banks and financial institutions in Tanzania. However, cash at bank is held with reputable banks which are regulated by the Bank of Tanzania.

NOTES (CONTINUED)

36 EVENTS AFTER THE REPORTING PERIOD

On 1 October 2015, Maris Tatepa Holdings Limited, Tanganyika Finance Company Limited, and Joseph J Mungai transferred loan outstanding balance with Kyimbila Tea Company Limited to Tatepa Limited. The total amount involved is US\$ 1,013,130 which will be converted by Tatepa Ltd into equity of KTPC by issuing 135,084 ordinary shares to Tatepa Limited.

Maris Tatepa Holdings Ltd and Hon J J Mungai agreed to transfer their shares in KTPC to Tatepa Ltd and accepted a debt to Tatepa Ltd as per the Facility Agreement signed between the parties. Thompson Lloyd and Ewart, one of the shareholders of the Company, also loaned US \$ 16,000 on 18 December 2015 the Company as per the Facility Agreement.

In summary, the shareholders signed a Facility agreement dated 1 October 2015 to provide a loan of US \$ 3.37 million by re-structuring and further cash injection to stabilise the operations of the Group. This loan may be repaid in bullet instalments by cash or converted into equity of Tatepa Ltd (after obtaining all required approvals) at any time prior to or on maturity date as per the terms and conditions of the Facility Agreement.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of the Company in respect of the year ended 30th September 2015 will be held at The Courtyard Hotel, Ocean Road, Dar es Salaam on Friday the 29th April 2016 at 11:00 hours.

AS ORDINARY BUSINESS

1. Confirmation of the Minutes of the 21st Annual General Meeting.
2. To receive, consider and adopt Report of the Board of Directors, Audited Financial Statements for the financial year ended 30th September 2015, and the Report of the Auditors' thereon.
3. To approve no payment of dividend for the year 2014-15 as recommended by the Board of Directors of the Company.
4. Appointment of Directors: To re-appoint the following Directors for a period of Two (2) years:
 - (i) Mr. George Carmichael Theobald
 - (ii) Mr. Peter David Rowland.
 - (iii) Mr. Johannes Gunnell
 - (iv) Mr. Robin Harrison
 - (v) Mr. Vimalendu Kumar Tewari 66 years of age, as recommended by the Board of Directors of the Company in accordance with the Articles of Association.
5. To appoint Price Waterhouse Coopers, P.O. Box 45, Dar es Salaam, as the Company Auditors as recommended by the Board of Directors for the Financial Year 2015-16 and to authorize the Directors to fix their remuneration.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolution

6. Re-appointment of Director retiring in accordance with Section 194 (5) of the Companies Act

"THAT Hon Joseph James Mungai Rtd MP, being age of Seventy (72) years and retiring in accordance with Section 194 (1) of The Companies Act, 2002, be and is hereby re-appointed as Director of the Company to hold office for a period of Two (2) years".

7. Any other Business.

NOTICE OF ANNUAL GENERAL MEETING

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

Proxy form is 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



Ms Nicole Monique Verjus

Company Secretary

Tatepa Limited

P.O.Box 1344 Dar es Salaam, Tanzania

1 April 2016.

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

I, (name) _____ Confirm that

I will be attending the TATEPA Ltd AGM on 29th April 2016

Return to: Ms Nicole Monique Verjus
Company Secretary
Tatepa Limited
P.O.Box 1344 Dar es Salaam

TATEPA LIMITED

PROXY

I/We of _____ of _____

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

_____ of _____ or failing

him/her _____ of _____

as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 29th day of April 2016 and at any adjournment thereof.

Signed _____

This _____ Day of April 2016.

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, Tatepa Limited; P O Box 1344,

Dar es Salaam,

Tanzania.

NOTES





TATEPA LIMITED

P.O. Box 1344, Dar es Salaam, TANZANIA