



TATEPA LIMITED



# **REPORT AND FINANCIAL STATEMENTS 2015-2016**



**TATEPA LIMITED**

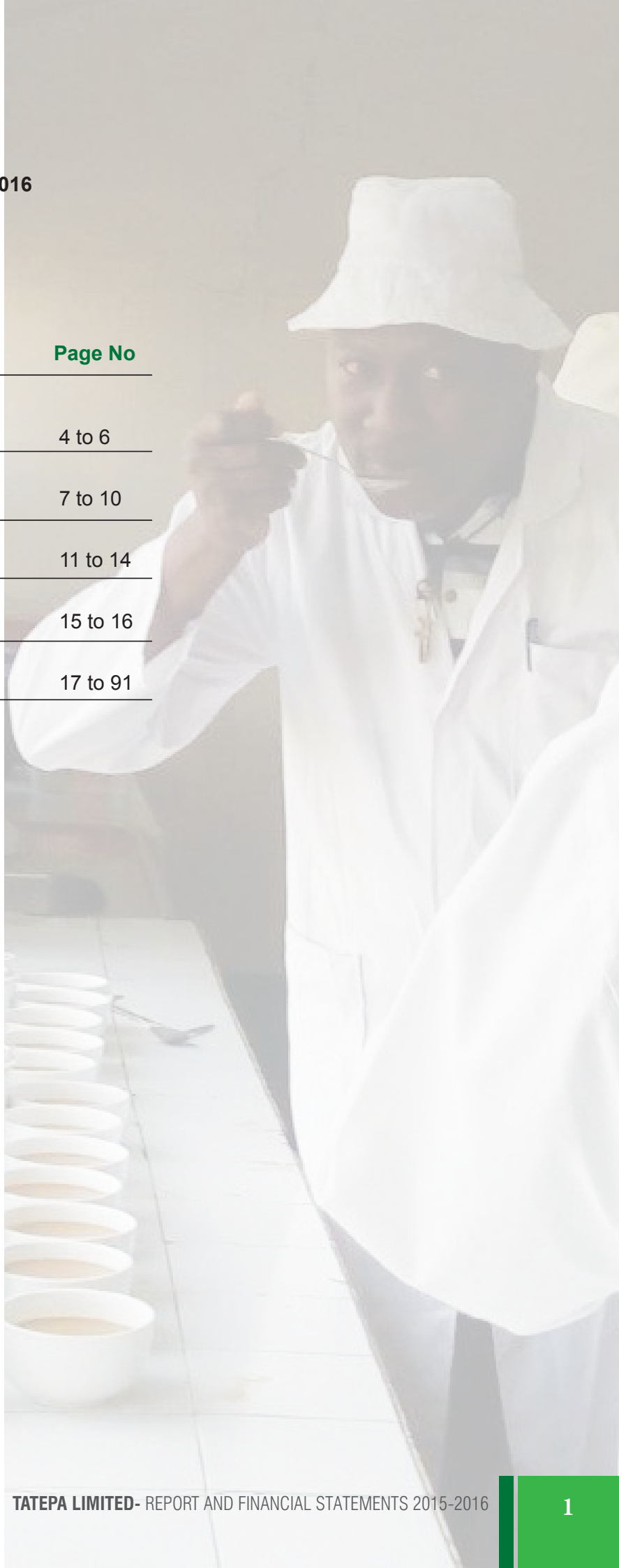
**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the Company in respect of the year ended 30<sup>th</sup> September 2016 will be held at The Courtyard Hotel, Ocean Road, Dar es Salaam on Friday the 28<sup>th</sup> April 2017 at 11:00 hours.

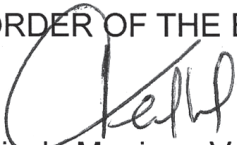
## AS ORDINARY BUSINESS

1. Confirmation of the Minutes of the 22nd Annual General Meeting.
2. To receive, consider and adopt Report of the Board of Directors, Audited Financial Statements for the financial year ended 30<sup>th</sup> September 2016, and the Report of the Auditors' thereon.
3. To approve no payment of dividend for the year 2015-16 as recommended by the Board of Directors of the Company.
4. Appointment of Directors: Not due since Directors were appointed for 2 years in the last AGM.
5. To appoint PKF Associates Tanzania, 1<sup>st</sup> Floor, Girl Guides Building, Kibasila Street, P.O. Box 7323, Dar es Salaam, as the Company Auditors as recommended by the Board of Directors for the Financial Year 2016-17 and to authorize the Directors to fix their remuneration.
6. Any other Business.

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint any person (whether a member of 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  
4 April 2017.

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 28<sup>th</sup> April 2017

Return to: Mrs N Hoskyns-Abrahall  
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 28th day of April 2017 and at any adjournment thereof.

Signed \_\_\_\_\_

This \_\_\_\_\_ Day of April 2017.

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.

# CHAIRMAN'S STATEMENT FOR 2015-2016



## OVERVIEW

The year under review showed significant improvements for Tatepa Ltd, despite continued difficult trading conditions. Mombasa tea prices dropped by 20% from 2015 and a deep drought affected production volumes. However improved tea quality and an increase in avocado export volumes of more than twice the previous year saw the Group reduce its net loss after tax from TZS4.8 Billion in 2015 to TZS0.8 Billion.

Our Auditors have raised an “Emphasis of Matter” on the Financial Statements of the Company (Tatepa Ltd) due to uncertainty with regard to the financing of Kyimbila Tea Packing Company Ltd (KTPC) and Tatepa Ltd. However, action is in hand to raise additional loans in Tatepa to support Tatepa Ltd as well as KTPC. The capital restructuring and raising of additional equity for Rungwe Avocado Company Ltd is also in hand. The Company is also considering conversion of shareholders loan in Tatepa into equity through a rights issue after obtaining the approval of CMSA and DSE.

We hope to see a much improved balance sheet by the end of 2016-17. This shall also have a positive impact on the profitability of the Group.

Meanwhile the measures implemented in 2015 to ensure the future prosperity of our business continue to move the Group in the right direction, but we are still facing the following particularly damaging factors outside our control.

- The world tea market responded to an increase in world supply and prices dropped by 20% at Mombasa, the benchmark for the company's teas.
- Agriculture continues to be burdened by nearly 30 multiple cesses, levies and taxes amounting to TZS 400m for the year
- The TRA continues to be very slow in refunding VAT payments. In 2015 none of the TZS460m which the company had paid in VAT had been refunded. This put a huge strain on the cashflow and put a heavy interest burden on the company.
- Despite late intervention by the Government in September 2015 to enforce the Tea Regulations to prevent illegal purchase of tea green leaf from smallholders in Rungwe District, the practice still continues.

The restructuring of Chai Tausi improved its performance significantly by reducing costs and stabilising sales. Sales are poised to increase as a tested successful distribution model was consolidated in two regions and is being rolled-out to others in the coming year, and an exciting new export market is about to come to fruition.

Rungwe Avocado Company is finally moving into profit. This year it exported over 1,300 tonnes of fruit to Europe, compared to 566 tonnes last year. This led to it making a small profit for the first time since inception.

Wakulima Tea Company Ltd (WTC) had significantly better prices than the previous year, and this helped to limit the damage done by the much lower volumes arising from a deep drought in the first quarter. The company thus improved its performance considerably and made a trading profit of TZS500m, as compared to a loss of (TZS700m) last year. It is intending to capitalise on the better prices being achieved by securing more long term contracts at fixed prices.

Suma Hydro made significant progress with most of the financing agreements reaching their final stages. Construction work is expected to commence in Q3 2017.

The combination of steady profitable tea prices, the capital restructure and increasing yields at Rungwe Avocado Co., and the roll-out of successful sales models at Chai Tausi bode well for 2016/17 with the exciting possibility of a return to profit. Once the Company returns to profitability it is our intention to resume payment of a small annual dividend the following year dependant on cash and the finalisation of our capital restructuring.

## FINANCING

- WATCO paid off its CRDB term loan completely. It now has no term debt and remains only with an Overdraft Facility of US \$ 2m and Tsh 1.35bn from CRDB Bank Plc.
- RAC currently has unsecured debt of US\$ 1.2m from AECF; US\$ 1.1m from the African Wildlife Foundation (AWF); & US\$ 1.4m secured debt from AgDevCo Ltd; US\$ 0.9m shareholder debt; plus an Over Draft Facility of US\$ 1.0m from CRDB Bank Plc;
- Chai Tausi has an Over Draft Facility of TZS 750 Million from CRDB Bank Plc.

Each company's debt is currently secured by its own assets but the OD facility of RAC is guaranteed by WTC and Tatepa, WTC's OD facility is guaranteed by Tatepa Ltd.

## Corporate Social Responsibility (CSR).

In Tatepa, we continue to reaffirm our belief in out-growers as the engine of growth of the Company, 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 2015/16 despite the challenging conditions we paid the tea out-growers a premium of 4% over the government's recommended price. We financed fertiliser inputs for our avocado out-growers and made finance available to RSTGA for similar use.

The Fairtrade organisation continued to buy our tea, and their premium was very well utilised by capacity building of the Association members to ensure proper governance of the 15,000 members of RSTGA.

The Harris Freeman Foundation continued to provide valuable support by funding the development of two model farms, used for training and demonstration.

We continually strive to improve our extension services with new technology and increased presence on the farms, and so applications were lodged with Agdevco's Smallholder Development Unit for matched-grant funding to help improve our Extension Services at WTC and RAC.

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 drought which started in June 2015 continued right through to December 2015. This had a disastrous effect on the ability of the tea bushes to produce tea and to then recover. As a consequence production volumes for the year were 3,886 tonnes, 16% down from 4,638tonnes the previous year. This put a severe

strain on cash flow, with an extended overdraft being needed temporarily in the third quarter. As a result costs remained very tightly controlled, with only the most pressing capex needs being purchased.

As promised, we opened Mwakaleli Factory in February, and it stayed open until the drought reduced volumes below an economical level for the factory to stay open. All stakeholders appreciated the factory being open, and most of the expected benefits materialised. At time of writing the factory has again been running since December 2016. Farmers are being urged to pluck all available leaf on time, so that this facility can remain open. If leaf volumes do not warrant the running of Mwakaleli, it will again have to close indefinitely.

The out-growers responded to the extension services team by delivering better quality leaf, and the factory staff made further improvements to processing which both resulted in better quality product and higher prices than budget. As we enter 2016-17 another drought has bitten, although not as severe as last year. However, the initiatives that made themselves felt in 2015-16 will play a key role in the coming year also, and prices are reflecting that so far.

We still firmly believe in supporting the farmers fully with effective and comprehensive extension services aimed at making WATCO the 'company of choice'. These efforts are paying off as we have succeeded in reducing the illegal offtake of our leaf by the neighbouring company. However, our field work and our lobbying efforts must continue because whilst the government has barked and had an effect, they still lack the bite which is required to stop this practice altogether.

The planned raising of debt to invest in capital improvements did not materialise because of the strain on cash flow imposed by the reduced volumes. However, the company remains committed to maintaining and improving its capital assets and so this remains firmly on the agenda for 2016-17.

## Rungwe Avocado Company Ltd (RAC)

This year RAC took a large leap forward. Over 1,300 tonnes of export quality avocados were shipped and sold in Europe and reached the budget USD price for it as a whole. Most of the increase in volume came from smallholders, however pest damage in the field was again an issue, and this led to a marked price differential for out-grower fruit compared with fruit from the company's managed estates.

GlobalGAP certification was rolled out further with more than 650 farmers being certified this year. Training programs continue and this number will continue to grow each year, to enable their fruit to reach all available markets.

The particular climatic conditions which the Rungwe out-growers face pose challenges in pest control. It is intended to increase focus in 2017 on developing integrated pest management programs specific to their conditions, and we shall engage appropriate expertise as required.

Whilst the logistics of exporting fresh fruit from Rungwe remain challenging, we continue to learn and to overcome the difficulties. This year we again learned some lessons and shall use them to improve further in 2017.

In order to improve the out-growers' fruit quality and yield, we lodged applications' to Agdevco's SDU for matched funding to employ new extension officers and to increase the intensity of their training in the field by providing important training tools incorporating new technology. These will be put in place in 2016-17.

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

The company has a fragile balance sheet, and in order to bolster this, we began a restructuring process whereby new capital shall be raised and debt shall be reduced.

## Kyimbila Tea Packing Ltd (Chai Tausi)

The Company had a much better year, resulting from reduction in costs, better sales distribution and the previous raising of shareholder debt.

Tanga region led the way with an excellent distribution model which ensures close monitoring of sales on a daily basis, close control of stock allowing timely replenishment and security of all transactions. This model was replicated in Arusha and shall be rolled out to other regions.

Very close monitoring of blend costs, and usage of only the best quality tea of its kind led to reduced costs. This, combined with continuously improving factory processes make this a very lean organisation which is poised for a breakthrough next year.

### Small Hydro Power

Towards the end of the year, the project entered the final stages of agreeing the financial documentation. It then went 'live', with the recruitment of a site project manager, and commencement of some enabling works on site. We expect to see some significant construction works in 2017.

## Management Changes

It is with great sadness that I have to officially announce at this AGM the death of our Chairman emeritus The late honourable Joseph J Mungai. We said goodbye to Hon Mungai in November and his wisdom and counsel will be sorely missed. I personally also said goodbye to a friend who had been my business partner for over 20 years. My heartfelt condolences go out to his family as do those of all Tatepa stakeholders.

## 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 funding sources for inputs. We recognise that their success is our success; and we will continue in that vein. The year 2016-2017 will be an exciting year as we expect RAC to have another good year further enhanced by its capital restructuring, Chai Tausi to benefit from the roll out of the distribution model, Suma Hydro to show physical progress on site, and WTC to consolidate its position with sustained prices.



**G C THEOBALD**  
**CHAIRMAN**

## TAARIFA YA MWENYEKITI YA MWAKA



### Muhutasari.

Mwaka huu umeonyesha mafanikio makubwa pamoja na kuwa na hali ngumu ya kibiashara.

Bei za soko la Chai la Mombasa zilishuka kwa kiwango cha asili mia 20 kutoka kiwango cha mwaka 2015, kadhalika hali ya ukame iliathiri sana mavuno ya Chai. Hata hivyo kuongezeka kwa kiwango bora cha Chai na kuongezeka kwa mauzo ya nje ya zao la Maparachichi kwa mara mbili kulinganisha na kiwango cha mwaka uliopita kuliwezesha Kampuni kupunguza hasara kutoka Tshs billion 4.8 za mwaka 2015 hadi kufikia Tsh billion 0.8.

Ukaguzi uliofanywa na wakaguzi wetu umetilia msisitizo wa hali ya Kampuni ya Maparachichi ya Rungwe kuhusu kujiendesha hapo baadaye lakini hili lipo tayari mikononi mwetu kuhusu ufufuaji wa mtaji wa Rungwe Avocado Co Ltd pamoja na kuongeza mtaji mpya. Tuna matarajio makubwa ya kuona mizania yetu ya mwaka 2016-17 ikiwa na mabadiliko chanya kwa kiwango kikubwa. Hii pia itaonyesha mafanikio chanya katika faida ya Kampuni kwa ujumla wake. Hali kadhalika wakaguzi wameshauri kuwepo na muundo mpya wa mizania ya TATEPA Limited, jambo ambalo nalo tumelizingatia.

Tumejitahidi kutekeleza yale tuliyoopanga mwaka 2015 kuhusu ufanisi na maendeleo ya kibiashara ya Kampuni yetu kuendeleza Kampuni kwa ujumla wake, lakini bado tunakabiliana na vikwazo vifuatavyo ambavyo viko nje ya uwezo wa Kampuni.

- Kuongezeka kwa zao la Chai katika soko la Dunia ambako kumesababisha kushuka kwa bei kwa kiwango cha asilimia 20 katika soko la Mombasa kulingana na faida iliyotarajiwa.
- Kilimo kimendelea kukumbwa na ongezeko kubwa la ushuru, na kodi ambavyo vinafikia kiwango cha fedha Tshs million 400 kwa mwaka.
- Idara ya kodi ya mapato (TRA) imekua ikichelewesha kurejesha malipo ya ongezeko la thamani (VAT) kwa mwaka 2015 kiasi cha fedha Tsh million 460 ambazo Kampuni ililipa kwa ajili ya ongezeko la thamani hazikua na mrejesho wowote. Hili ni tatizo kubwa sana kwenye mtiririko wa fedha ambao unapelekea Kampuni kuwa na riba kubwa.
- Pamoja na Serekali kuweka msisitizo wa kuzuia ununuzi haramu wa Chai kutoka kwa Wakulima wadogo wa Rungwe mwezi Septemba 2015, bado inaonekana kotozingatiwa kwa sheria za Chai.

Kubadilika kwa muundo wa Chai Tausi kumeonyesha mafanikio katika upunguzaji wa gharama na kuboresha mauzo. Mfumo wa mauzo umeonyesha ongezeko baada ya kufanyiwa tathimini katika mikoa miwili na itaendelea kufanyika hivyo katika mikoa mingine siku za usoni. Kadhalika juhudi za kupata masoko ya nje ya Chai ziko mbioni na ni mategemeo yetu hivi karibuni zitazaa matunda.

Kampuni ya Rungwe Avocado Co Ltd (RACL) ipo katika matarajio

ya kupata faida siku za karibuni. Mwaka huu, mauzo ya nje yamefikia kiwango cha zaidi ya tani 1,300 za Maparachichi yaliyofanyika Ulaya ukilinganisha na tani 566 za mwaka uliopita. Hii iliwezesha Kampuni kupata faida kwa mara ya kwanza tangu kuundwa kwake.

Wakulima Tea Co Ltd (WATC) imekuwa na bei nzuri za Chai kulinganisha na mwaka uliopita na hii imesaidia kupunguza hasara ambayo inatokana na kiwango kidogo cha uzalishaji kutokana na hali ya ukame katika robo ya mwanzo ya mwaka. Ufanisi wa Kampuni uliongezeka na kuiwezesha kupata faida kibiashara ya Tshs million 500 kulinganisha na hasara ya Tshs million 700 mwaka uliopita. Kampuni inajitahidi kutumia fursa ya bei nzuri zilizopo kwa kuingia katika mikataba ya muda mrefu ya bei zisizobadilika.

Suma Hydro imekuwa na mafanikio wakati mikataba yake ya vyanzo vya pesa ikifikia ukingoni kukamilika. Mipango ya ujenzi inatarajiwa kuanza ifikapo robo ya tatu ya mwaka 2017.

Mchanganyiko wa uboreshaji wa bei za Chai zenye faida, uboreshaji wa miuundo ya uzalishaji bora wa Kampuni ya Rungwe Avocado na miuundo bora ya mauzo ya Chai Tausi vitadhihirisha upatikanaji wa faida, jambo ambalo litaiwezesha Kampuni kulipa gawio kwa wanahisa mwaka utakaofuatia kutegemeana na pesa taslimu au kukamilishwa kwa muundo mzima wa mtaji.

## MITAJI

- Kampuni ya Wakulima (WATCO) imekamilisha malipo ya mkopo wa muda mrefu na kubakia na mkopo wa uendeshaji wa dola za Kimarekani milioni 2 na wa fedha za Kitanzania bilioni 1.35 katika benki ya CRDB.
- Kampuni ya Rungwe Avocado (RAC) Mkopo usiokuwa na amana kutoka AECF dola milioni 1.2, kutoka African Wildlife Foundation (AWF) dola milioni 1.1, na mikopo yenye amana kutoka AgDevCo Ltd dola million 1.4, kutoka kwa wanahisa dola milioni 0.9 na mkopo wa uendeshaji kutoka CRDB wa dola milioni 1.0.
- Chai Tausi ina mkopo wa uendeshaji kutoka CRDB wa shilingi za Kitanzania milioni 750.

Kwa wakati huu, kila deni la kampuni linadhaminiwa na mali ilizo nazo kampuni na hii inaweza kubadilika kuendana na mabadiliko ya kibenki.

## Mahusiano na jamii:

Wanatatepa tunaamini kuwa wakulima wadogo wadogo ndio uhai na uti wa mgongo wa makampuni yetu. Hivyo tunatambua umuhimu na kuhakikisha wakulima wadogo wanapata mahitaji ya kuwawezesha kupata mazao mengi yaliyo bora ili nao waweze kuinua kipato chao. Kipindi cha mwaka 2015/16 pamoja na hali ngumu tuliweza kulipa wakulima wadogo wadogo wa chai ongezeko la asili mia 4 juu ya kiwango cha bei kilichopangwa na serikali. Tulitoa ruzuku ya mbolea kwa wakulima wa zao la maparachichi, kadhalika tuliwapatia ruzuku ya fedha wakulima wadogo wadogo wa Rungwe kwa dhumuni hilo hilo. Ununuzi wa chai kutoka kwa wakulima wadogo ulifanyika kupitia soko huria na ongezeko la bei lilitumiwa kuongeza uwezo wa wanachama wapatao 15,000 wa RSTGA.

Haris Freeman Foundation wameendelea kutoa msaada wa kifedha kuendeleza mashamba ya mfano yanayotumika kufundishia.

Tunazidi kuimarisha upanuzi wa huduma na utaalumu wa kisasa pia ongezeko la uwepo kwenye mashamba, na kwa kukamilisha hilo tuliomba AgDevco Small Holder Development Unit mkopo wa kifedha kusaidia upanuzi wa huduma za WTC na RAC.

Uwajibikaji wetu ni imara na tutazidi kudumisha mahusiano yetu na viwango vya Rainforest Alliance na vile vya ISO 22000 (Usalama wa Vyakula).

## Wakulima Tea Company Ltd. (WATCO)

Hali ya ukame ulioanza mwezi Juni 2015 hadi Desemba 2015 uliathiri sana uzalishaji wa zao la chai. Mavuno ya chai yalipatikana kiasi cha tani 3,886 ikiwa ni upungufu wa asili mia 16 kulinganisha na uzalishaji wa mwaka uliopita wa tani 4,638. Upungufu huo umesababisha hali duni ya mtiririko wa fedha na kuchochea ukopaji mtaji kutoka benki kipindi cha robo ya tatu ya mwaka. Hii ilitupelekea kubana matumizi na kufanya matumizi yaliyokuwa ya lazima tu.

Kama tulivyoahidi, kiwanda cha Mwakaleli kilifunguliwa mwezi Februari na kubakia wazi hadi ukame ulivyozidi na kuathiri uzalishaji wa zao la chai kuwa chini ya kiwango cha kibiashara. Wahusika wote walifiki na ufunguzi wa kiwanda na wingi wa matarajio yao kufikiwa. Kiwanda kimeanza tena mwezi Desemba, na wakulima wamehimizwa kuchuma chai iliyopo ili kuwezesha kiwanda kuendelea kuwa wazi. Endapo zao la chai halitatosheleza kiwanda kufanya kazi, italazimu kifungwe tena kwa muda usiojulikana.

Wakulima wa chai walifiki kulima chai yenye ubora, hali kadhalika wazalishaji kiwandani kuboresha uzalishaji ili hatimaye kupata chai bora ambayo thamani yake itakuwa kubwa hata kuzidi makadirio yaliyotarajiwa. Tunapoingia mwaka wa 2016/17 ukame mwingine umetukumba japo sio mkubwa kama ulivyokuwa mwaka jana. Hata hivyo juhudi za mwaka 2015/16 zitakuwa dira ya kutungoza katika uzalishaji na bei za mazao za mwaka huu.

Tutajitahidi kuwa bega kwa bega na wakulima wa chai kwa kuwasaidia kwa hali na mali kuhakikisha kuwa WATCO inakuwa kampuni ya mfano. Juhudi zetu zitakuwa na matunda tutakapofanikisha udhibiti wa uuzaji haramu wa zao la chai ghafi kwa kampuni jirani. Serikali imesaidia kuzuia ununuzi haramu wa chai ghafi lakini bado mafanikio ni kidogo kwa vile bado hakuna hatua kali za adhabu zilizochukuliwa.

Mpango wa kuboresha mtaji haukufanikiwa kutokana na ukata wa mtiririko wa fedha uliosababishwa na uzalishaji duni. Hata hivyo kampuni imejizatiti kuboresha bidhaa mtaji na hii itabakia kwenye agenda ya 2016/17.

## Rungwe Avocado Company (RAC)

Mwaka huu RAC imepiga hatua kubwa mbele. Zaidi ya tani 1,300 za zao la maparachichi yenye ubora zimeuzwa Ulaya na kuweza kufikia kiwango cha bei tarajiwa kwa dola. Ongezeko la uzalishaji lilitokana na kilimo cha wakulima wadogo, pamoja na utumiaji mzuri wa viwatilifu.

Wakulima wapatao 650 walitunukiwa vyeti na Global GAP kipindi cha mwaka huu. Taratibu za mafunzo ziliendelea na idadi ya watunukiwa vyeti itaongezeka mwaka hadi mwaka kwa kuwezesha zao kufikia kwenye masoko.

Hali ya hewa ya Rungwe imekuwa kikwazo kwa wakulima wa zao la maparachichi katika kupambana na wadudu waharibifu. Hii inaashiria kuwepo umuhimu zaidi wa kupambana na wadudu waharibifu mwaka 2017.

Ili tuweze kuongeza uzalishaji na ubora wa zao la maparachichi, tuliwaomba AgDevco's SDU msaada wa pesa kuajiri wakufunzi kwa ajili ya kutoa mafunzo kwa wakulima wadogo wadogo. Hii itawekwa kwenye utekelezaji mwaka 2016/17.

Utafutaji masoko ya Ulaya unaendelea kufanywa na Halls International.

Mizania ya kampuni bado haijatengamaa hivyo juhudi zinafanyika kuongeza mtaji mpya na kupunguza deni la kampuni.

## Kyimmbila Tea Packaging Co. Ltd. (Chai Tausi)

Kampuni imekuwa na kiwango kizuri kibiashara kilichotokana na kupungua kwa gharama za uzalishaji, mauzo mazuri, usambazaji bora na upandishwaji wa deni la wanahisa ulifanywa hapo awali.

Mkoa wa Tanga uliongoza kwa usambazaji bora uliowezesha ufuatiliaji mzuri wa mauzo ya kila siku, udhibiti na uagizaji wa bidhaa ghalani pamoja na usalama wa bidhaa. Huu mfumo ulianzishwa Arusha na utatawanywa kwenye mikoa mingine.

Udhibiti wa gharama za uzalishaji na matumizi ya chai yenye ubora ndiyo siri ya kupungua kwa gharama. Hivi vyote vikishirikishwa na uzalishaji makini kiwandani, vitaifanya kampuni iwe na ufanisi mkubwa.

## Small Hydro Power

Kuelekea mwishoni mwa mwaka, mradi umefikia hatua za mwisho za makubaliano ya feha na mikataba. Imefikia hatua ya kuajiri meneja mradi na kuanzisha baadhi ya shughuli za awali kwenye eneo la kiwanda. Ni mategemeo yetu kuona shughuli za ujenzi zikianza mwaka 2017.

## Mabadiliko ya uongozi

Kwa masikitiko makubwa, inanibidi kutangaza rasmi katika kikao hiki cha mkutano mkuu wa mwaka, kifo cha mwenyekiti wetu mpendwa, mheshimiwa Joseph J. Mungai. Tulimwaga mheshimiwa Mungai mwezi Novemba 2016, na hekima na busara zake tukawa tumezikosa. Mimi binafsi nilimwaga rafiki ambaye tulishirikiana kibiashara zaidi ya miaka 20. Salamu zangu za rambirambi ziwaendee familia ya marehemu Mungai pamoja na wanahisa wote wa Tatepa.

## Hitimisho

Mafanikio ya shughuli za makampuni ya Tatepa yanatokana hususani na uendelezaji wa elimu kwa wakulima. Tutaendelea kuwekeza kwa kiasi kikubwa kwenye elimu kwa wakulima na kutoa ruzuku kuongeza wingi na ubora wa mazao yanayolimwa na wakulima wadogo. Tunatambua mafanikio yao ni mafanikio yetu sote na tutaendelea na ari hiyo.

Mwaka 2016/17 utakuwa ni mwaka wa msisimko na tunatazamia:

- RAC kuwa na mwaka mwingine wa mafanikio kuendana na muundo wa mabadiliko ya mtaji.
- Chai Tausi kufaidika kutokana na mfumo mzuri wa usambazaji,
- Suma Hydro kuonyesha maendeleo ya vitendo kwenye eneo la kiwanda na
- WTC kuimarisha mauzo yake kwa ubora wa bei endelevi.



**G C THEOBALD**  
**CHAIRMAN**

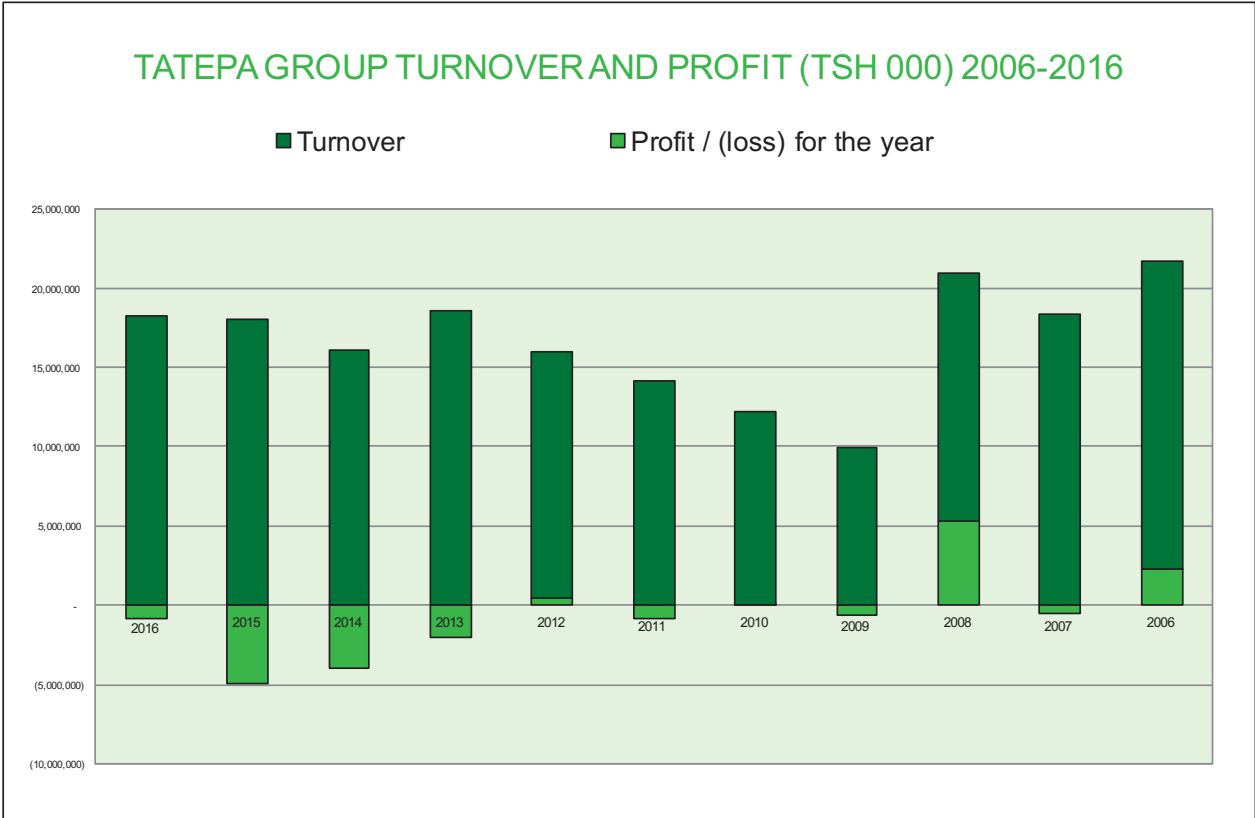
# FINANCIAL REVIEW

For the year ended 30 September (from 2012 to date & ended 31 December before that)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	Group	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'	TZs'000'
Turnover											
Continuing Operations	18,276,264	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	18,276,264	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	(861,662)	(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	(861,662)	(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	(811,562)	(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	(502,136)	(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	12,725,999	9,173,815	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	2,551,599	2,520,047	1,951,225	1,798,963	1,606,290	1,460,936	1,166,109	-	-	0	-
Earnings Per Share (Tzs)	(57)	(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 (from 2012 to date & ended 31 December before that)



## TATEPA LIMITED

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2016

The Directors submit their report together with the audited financial statements for the year ended 30 September 2016, 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, 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**) (2015: 70%); an aggregated majority stake of 55.69% (2015: 55.69%) in the equity of Rungwe Avocado Company Limited (**RACL**), of which 45.42% (2015: 45.42%) is held directly by Tatepa Limited and 10.27% (2015: 10.27%) is held indirectly through WTCL; and a majority stake of 94.03% (2015: 56.76%) in Kyimbila Tea Packaging Company Limited (**KPTL**) of which 81.80% (2015: 31.93%) is held directly by Tatepa and 12.23% (2015: 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.

## TATEPA LIMITED

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 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 2015 unless otherwise stated, are:

Name	Position	Age (years)	Qualifications	Nationality	Remarks
George C Theobald	Chairman	58	BA - Economics	Tanzanian	
Late Hon J. J. Mungai (retired MP)	Member	73	MPA (Master of Public Administration)	Tanzanian	Died on 8 November 2016
Peter D Rowland	Member	62	Msc. Agric Eng. C. Eng	British	
Johannes Gunnell	Member	36	MA (Oxon): Philosophy, Politics & Economics	British	
Robin Harrison	Member	59	MA (History, Archaeology & Anthropology)	British	
Vimalendu K Tewari	Member	67	M Com, FCA.	Indian	

The Company Secretary at the date of this report 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 above Directors were appointed for a period of two years in the last Annual General Meeting of the Company held on 29 April 2016.

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

#### 6 CORPORATE GOVERNANCE

During the year ended 30 September 2016, 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 three meetings during the year ended 30 September 2016 (previous year 4 meetings). The individual companies are responsible for their own management and corporate governance 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.

## TATEPA LIMITED

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 6 CORPORATE GOVERNANCE (CONTINUED)

##### Audit Committee

S/N	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 two times during the year (previous year one time).

##### Remuneration Committee

S/N	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 did not meet during the year (previous year one time).

#### 7 CAPITAL STRUCTURE

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

	Group		Company	
	<u>Sep 2016</u> TShs '000	<u>Sep 2015</u> TShs '000	<u>Sep 2016</u> TShs '000	<u>Sep 2015</u> 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	(10,284,896)	(6,712,218)	(891,636)	127,368
Other reserves	(838,250)	-	-	-
Total owners' equity	(6,608,253)	(2,197,325)	3,623,257	4,642,261
Non-controlling interests	222,408	(2,504,204)	-	-
Total equity	(6,385,845)	(4,701,529)	3,623,257	4,642,261
Borrowings	22,499,991	20,378,460	7,320,605	1,611,770

## TATEPA LIMITED

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 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 30 September 2016 was 1,631 shareholders (2015: 1,644 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
Late Hon J. J. Mungai (rtd MP)*	Tanzanian	2,340,281 shares
Mr. P. D. Rowland	British	2,338,173 shares
Mr. G. C. Theobald	Tanzanian	4,204,411 shares

\* Passed away on 8 November 2016.

The shares of the Company are held as follows:

S/N	Name	Number of ordinary shares held	
		30 Sep 2016	30 Sep 2015
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 Holdings Limited	3,370,530	3,370,520
4	Mr. P. D. Rowland	2,338,173	2,338,173
5	Late Hon J. J. Mungai (rtd MP)	2,340,281	2,340,281
6	Estate of George P Theobald & Josephine M Theobald	255,960	255,960
7	Various others	1,705,344	1,705,344
	<b>Total</b>	<b>18,657,254</b>	<b>18,657,254</b>

#### 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 2016 was TShs 650 (2015: TShs 650). The market capitalisation as at 30 September 2016 was TShs 12.1 billion (2015: TShs 12.1 billion). However, as per the valuation done by an independent valuer the value of shares as at 30 September 2016 has been computed at TShs 131 per share. Dar es Salaam Stock Exchange and Capital Market and Securities Authority have been provided with this valuation report with the request to allow an adjustment of share price at TShs 131 per share.

#### 11 RESULTS AND DIVIDEND

The results for the year are disclosed on page 13. The Board does not propose any dividend for the year 2016 (2015: TShs Nil).

**REPORT OF THE DIRECTORS (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2016****12 PERFORMANCE FOR THE YEAR**

Wakulima Tea Company Ltd: Tea production decreased by 17% as compared to 2015. This is entirely due to poorer weather conditions in 2016 whereby there was a deep drought at the start of the year. The average sale price at USD 1.67 per Kg was better compared to USD 1.52 in per Kg in 2015. The higher price was due to improvement in quality of raw material and processing developments. However, gains from the higher USD prices were more than offset by the reduced volumes. Therefore, revenue decreased by 10% from TShs 14,979 in 2015 million to TShs 13,441 million in 2016.

Rungwe Avocado Company Limited: The Company made a profit for the first time since inception. This is attributed to increased volumes arising from both matured trees (1,396 tons exported vs 566 tons in 2015) and a strong market in Europe, where supply struggled to keep up with demand. Whilst there were still some quality issues with fruit on arrival in Europe, the effect of these was mitigated by the strong demand. The plantations are now equipped with irrigations systems that will improve the quality of the fruits. The Company is also undergoing a restructuring process and measures are taken to recapitalise the business with injection of additional capital by shareholders.

Performance of Kyimbila Tea Packing Company Limited: During the year, the Company made a loss after tax of TShs 675 million (2015: TShs 2,328 million). This improvement is attributed to restructuring measures that were taken during the year. This is a significant improvement given that in 2016 the Company was still maturing from a start-up phase.

The Company remained as a holding company with no other activity. During the year, it made a loss after tax of TShs 1,018 million (2015: profit of TShs 75 million).

Due to the profits before tax generated by RAC and WTC the Group loss during the year reduced to TShs 862 million compared to the loss of TShs 4,893 million in 2015. KTPC restructuring and tighter cost controls across the Group resulted in a significant reduction of cost of sales.

The following developments are forecasted in the coming year.

- i. Tea prices for WTC are expected to stabilise as the company pursues a strategy of taking longer term contracts.
- ii. Increase in the quality and production of avocado as more trees reach maturity.
- iii. Expansion in distribution channels for KTPCL to cover regions within and outside Tanzania. Sales volumes are expected to increase in 2017 as the Company expands to its distribution network to other countries.
- iv. Suma Hydro: construction work is now to start, bringing closer the reality of power provision to rural areas and a reliable supply to its operations.

**REPORT OF THE DIRECTORS (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**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 2016 and is of the opinion that they met accepted criteria.

**14 SOLVENCY**

Subject to the comments and the conclusions made in Note 2 of these financial statements, the Directors believe that the Company will remain a going concern for at least twelve months from the date of this report. The Board of Directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board of Directors also confirms that applicable International Financial Reporting Standards ('IFRS') have been followed in the preparation of the financial statements.

**15 EMPLOYEES' WELFARE**

**Management and Employees' Relationship**

There were continued good relations between Group employees and management for the year ended 30 September 2016. There was one complaint of unfair dismissal raised in the year which is currently under consideration at the Commission for Mediation and Arbitration. A healthy relationship continues to exist between management and the trade union.

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 2016, the Group allocated a sum of TShs 9.9 million (2015: TShs 14.4 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.

## **TATEPA LIMITED**

### **REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **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.

##### **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 years, or those allowed to retire early at the age of 55 years, 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 393 (2015: 357).

#### **16 GENDER PARITY**

As at 30 September 2016, the Group had 393 employees (2015: 357 employees), out of whom 108 (2015: 82) were female and 285 (2015: 275) were male.

#### **17 RELATED PARTY TRANSACTIONS**

All related party transactions and balances are disclosed in note 33 to these financial statements.

## TATEPA LIMITED

### REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 18 POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year. Donations made to public institutions and charitable organisations during the year amounted to TShs 9.37 million (2015: TShs 3.3 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.

#### 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**  
CHAIRMAN

30/03/2017

**Date**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The Companies 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, 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 or loss 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.

Except as disclosed in note 2 of the financial statements, 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**  
**CHAIRMAN**

30/03/2017  
**DATE**

## DECLARATION OF THE HEAD OF FINANCE/ACCOUNTING OF TATEPA LIMITED

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I **Mathew Ernest** being the Head of Finance/Accounting of Tatepa Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Tatepa Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by:

Position: .....  chief Accountant

NBAA Membership No: AP 1246

Date: ..... 29-03-2017 .....

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TATEPA LIMITED

### 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 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 13 to 75.

#### *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, 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 2016 and of their losses and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, No. 12 of 2002.

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

**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 2 (a) of the financial statements which shows that:

1. The Group
  - a. incurred a net loss of TShs 862 million for the year ended 30 September 2016 (2015: TShs 4,893 million);
  - b. had its current liabilities exceed its current assets at 30 September 2016 by TShs 14,190 million (2015: TShs 7,041 million);
  - c. had shareholders' deficit of TShs 6,386 million as at 30 September 2016 (2015: TShs 4,702 million); and that
  - d. had net cash outflow from operations of TShs 812 million as at 30 September 2016 (2015: TShs 3,461 million)
2. The Company
  - a. incurred a net loss of TShs 1,018 million for the year ended 30 September 2016 (2015: profit of TShs 75 million);
  - b. had its current liabilities exceed its current assets at 30 September 2016 by TShs 5,026 million; and that
  - c. had net cash outflow from operations of TShs 1,524 million as at 30 September 2016 (2015: TShs 29 million)

The above conditions indicate the existence of a material uncertainty which cast significant doubt on the ability of Group and Company to continue as a going concern. Our opinion is not modified in respect of this matter.

**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, No. 12 of 2002 and for no other purposes.

As required by the the Companies 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.



Zainab Msimbe, ACPA-PP

**For and on behalf of PricewaterhouseCoopers**  
Certified Public Accountants  
Dar es Salaam

Date: 30-03-2017

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Group		Company	
		2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000
Revenue	6	18,276,264	18,072,036	-	-
Gain arising from changes in fair value less costs to sell of biological assets	18	920,226	931,058	-	-
		<b>19,196,490</b>	19,003,094	-	-
Cost of sales	7	(12,707,550)	(15,125,266)	-	-
<b>Gross profit</b>		<b>6,488,940</b>	3,877,828	-	-
Other operating income	8	949,567	169,332	46,758	341,142
Selling and marketing costs	9	(1,949,040)	(2,191,970)	-	-
Administrative expenses	10	(3,855,882)	(3,254,276)	(828,650)	(422,569)
Grant amortisation	27	20,279	20,279	-	-
Fair value loss on embedded derivative	26	(385,022)	-	(385,022)	-
<b>Operating profit/(loss)</b>		<b>1,268,842</b>	(1,378,807)	<b>(1,166,914)</b>	(81,427)
Finance cost	12	(1,381,632)	(4,405,450)	-	-
Finance income	13	135,249	86,516	220,356	194,176
Loss/(profit) before income tax		<b>22,459</b>	(5,697,741)	<b>(946,558)</b>	112,749
Income tax credit/(expense)	14	(884,141)	804,470	(71,256)	(37,941)
<b>(Loss)/profit for the year</b>		<b>(861,682)</b>	(4,893,271)	<b>(1,017,814)</b>	74,808
<b>Attributable to:</b>					
- Owners of the parent		(1,070,950)	(2,858,129)	(1,017,814)	74,808
- Non-controlling interests		209,269	(2,035,142)	-	-
		<b>(861,682)</b>	(4,893,271)	<b>(1,017,814)</b>	74,808
<u>Other comprehensive income</u>					
Item that will not be reclassified to profit or loss:					
-Actuarial gain/(loss), net of tax		15,616	-	(1,190)	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(846,066)</b>	(4,893,271)	<b>(1,019,004)</b>	74,808
<b>Attributable to:</b>					
Owners of the parent		(1,055,798)	(2,858,129)		
Non-controlling interests		209,732	(2,035,142)		
		<b>(846,066)</b>	(4,893,271)		
Earnings per share attributable to the equity holders of the Company during the year (expressed in TShs per share)					
Basic earnings per share		(57.40)	(153.19)		
Diluted earnings per share	15	(35.79)	(153.19)		

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### STATEMENTS OF FINANCIAL POSITION

ASSETS	Note	Group		Company	
		2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000
<b>Non-current assets</b>					
Property, plant and equipment	17	5,044,947	5,455,674	-	-
Biological assets	18	5,311,384	4,391,158	-	-
Intangible asset		4,727	4,727	-	-
Deferred income tax asset	28	1,397,113	1,902,160	-	70,085
Investment in subsidiaries	19	-	-	8,652,163	3,240,401
Loans receivable	20	1,150,251	944,510	-	1,703,380
		<u>12,908,422</u>	<u>12,698,230</u>	<u>8,652,163</u>	<u>5,013,866</u>
<b>Current assets</b>					
Inventories	22	3,454,319	2,929,118	-	-
Prepaid land rent	21	-	7,884	-	-
Trade and other receivables	23	3,758,161	2,813,593	1,135,067	321,192
Loans receivable	20	-	-	1,917,028	805,372
Income tax recoverable		462,047	469,878	264,007	264,668
Cash at bank and in hand	24	258,749	753,519	45,545	466,847
		<u>7,933,276</u>	<u>6,973,992</u>	<u>3,361,647</u>	<u>1,858,079</u>
<b>Total assets</b>		<u>20,841,698</u>	<u>19,672,221</u>	<u>12,013,810</u>	<u>6,871,945</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
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
Other reserve	35	(838,250)	-	-	-
(Accumulated losses)/retained earnings		<u>(10,284,896)</u>	<u>(6,712,218)</u>	<u>(891,636)</u>	<u>127,368</u>
		<u>(6,608,253)</u>	<u>(2,197,325)</u>	<u>3,623,257</u>	<u>4,642,261</u>
Non-controlling interests		<u>222,408</u>	<u>(2,504,204)</u>	-	-
<b>Total equity</b>		<u>(6,385,845)</u>	<u>(4,701,529)</u>	<u>3,623,257</u>	<u>4,642,261</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred income tax liability	28	625,703	254,782	-	-
Borrowings	26	3,771,317	9,189,201	-	1,611,770
Deferred capital grant	27	211,388	231,667	-	-
Retirement benefit obligations	29	494,918	682,889	2,600	838
		<u>5,103,326</u>	<u>10,358,539</u>	<u>2,600</u>	<u>1,612,608</u>
<b>Current liabilities</b>					
Embedded derivative	26	385,022	-	385,022	-
Trade and other payables	25	3,010,522	2,825,950	682,326	617,076
Borrowings	26	18,728,673	11,189,261	7,320,605	-
		<u>22,124,216</u>	<u>14,015,211</u>	<u>8,387,953</u>	<u>617,076</u>
<b>Total liabilities</b>		<u>27,227,543</u>	<u>24,373,750</u>	<u>8,390,553</u>	<u>2,229,684</u>
<b>Total equity and liabilities</b>		<u>20,841,698</u>	<u>19,672,221</u>	<u>12,013,810</u>	<u>6,871,945</u>

The financial statements on pages 29 to 91 were approved by the Board of Directors and signed on its behalf by:



G C THEOBALD - CHAIRMAN

Date: 30/08/2017

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

GROUP	Attributable to the owners of the parent						
	Share capital TShs '000	Share premium TShs '000	(Accumulated losses)/retained earnings TShs '000	Other reserve TShs '000	Total TShs '000	Non- controlling interests TShs '000	Total equity TShs '000
<b>Year ended 30 September 2016</b>							
At 1 October 2015	466,431	4,048,462	(6,712,218)	-	(2,197,325)	(2,504,204)	(4,701,529)
<i>Comprehensive income</i>	-	-	(1,070,951)	-	(1,070,951)	209,269	(861,662)
(Loss)/profit for the year	-	-	15,153	-	15,153	463	15,616
<i>Other comprehensive income</i>	-	-	-	-	-	-	-
Actuarial gain, net of tax	-	-	(1,055,798)	-	(1,055,798)	209,732	(846,066)
Total comprehensive income	-	-	(2,516,880)	(838,250)	(3,355,130)	2,516,880	(838,250)
<i>Transactions with owners:</i>							
Purchase of NCI in Kyimbila (Note 35)	-	-	-	-	-	-	-
<b>At 30 September 2016</b>	<b>466,431</b>	<b>4,048,462</b>	<b>(10,284,896)</b>	<b>(838,250)</b>	<b>(6,608,253)</b>	<b>222,408</b>	<b>(6,385,845)</b>
<b>Year ended 30 September 2015</b>							
At 1 October 2014	466,431	4,048,462	(3,854,089)	-	660,804	(473,062)	187,742
<i>Comprehensive income</i>	-	-	(2,858,129)	-	(2,858,129)	(2,035,142)	(4,893,271)
Loss for the year	-	-	-	-	-	-	-
<i>Transactions with owners:</i>							
Shares issued during the year	-	-	-	-	-	4,000	4,000
<b>At 30 September 2015</b>	<b>466,431</b>	<b>4,048,462</b>	<b>(6,712,218)</b>	<b>-</b>	<b>(2,197,325)</b>	<b>(2,504,204)</b>	<b>(4,701,529)</b>

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### STATEMENT OF CHANGES IN EQUITY

COMPANY	<u>Share capital</u> TShs '000	<u>Share premium</u> TShs '000	(Accumulated losses)/ retained <u>earnings</u> TShs '000	<u>Total equity</u> TShs '000
<b>Year ended 30 September 2016</b>				
At 1 October 2015	466,431	4,048,462	127,368	4,642,261
<i>Comprehensive income:</i>				
Loss for the year	-	-	(1,017,814)	(1,017,814)
<i>Other comprehensive income:</i>				
Actuarial loss, net of tax	-	-	(1,190)	(1,190)
Total comprehensive income	-	-	(1,019,004)	(1,019,004)
<b>At 30 September 2016</b>	<b>466,431</b>	<b>4,048,462</b>	<b>(891,636)</b>	<b>3,623,257</b>
<b>Year ended 30 September 2015</b>				
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
<b>At 30 September 2015</b>	<b>466,431</b>	<b>4,048,462</b>	<b>127,368</b>	<b>4,642,261</b>

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### STATEMENTS OF CASH FLOWS

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		TShs '000	TShs '000	TShs '000	TShs '000
<b>Cash flows used in operating activities</b>					
Cash generated from/(used in) operations	32	<b>166,701</b>	(2,042,957)	<b>(1,523,747)</b>	(27,800)
Interest paid		<b>(973,513)</b>	(1,401,757)	-	-
Income tax paid		<b>(4,750)</b>	(16,537)	-	(1,244)
Net cash used in operating activities		<b>(811,562)</b>	(3,461,251)	<b>(1,523,747)</b>	(29,044)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	17	<b>(376,779)</b>	(299,071)	-	-
Repayment of loan advanced to Moravian	20	<b>69,405</b>	-	-	-
Loans to third parties	20	<b>(208,999)</b>	(160,292)	-	-
Proceeds from sale of property, plant, and equipment		<b>14,237</b>	25,084	-	-
Net cash utilised in investing activities		<b>(502,136)</b>	(434,279)	-	-
<b>Cash flows from financing activities</b>					
Repayment of borrowings		-	(1,232,590)	-	-
Loans to subsidiaries		-	-	-	(1,129,625)
Proceeds from issue of shares		-	4,000	-	-
Proceeds from borrowings		<b>2,337,366</b>	3,382,605	<b>1,102,445</b>	1,611,771
Net cash inflow from financing activities		<b>2,337,366</b>	<b>2,154,015</b>	<b>1,102,445</b>	<b>482,146</b>
Net increase/(decrease) in cash and cash equivalents		<b>1,023,668</b>	(1,741,515)	<b>(421,302)</b>	453,102
Cash and cash equivalents at start of year		<b>(7,931,079)</b>	(6,231,121)	<b>466,847</b>	13,745
Effects of exchange rates on cash and cash equivalents		<b>(56,233)</b>	41,557	-	-
Cash and cash equivalents at end of year	24	<b>(6,963,644)</b>	(7,931,079)	<b>45,545</b>	466,847

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

## 1 GENERAL INFORMATION

Tatepa Limited (the “Company”) is incorporated in Tanzania under the Companies 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 grows and exports Avocado.

The address of its registered office is:

C/O Wakulima Tea Company Limited  
Tukuyu Township, Katumba Factory  
P O Box 700, Tukuyu  
Mbeya – 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, Themis Hill Industrial Area  
Arusha - Tanzania

## 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 despite the results below;

1. The Group
  - a. incurred a net loss of TShs 862 million for the year ended 30 September 2016 (2015: TShs 4,893 million);
  - b. had its current liabilities exceed its current assets at 30 September 2016 by TShs 14,190 million (2015: TShs 7,041 million);
  - c. had shareholders’ deficit of TShs 6,386 million as at 30 September 2016 (2015: TShs 4,702 million); and that
  - d. had net cash outflow from operations of TShs 812 million as at 30 September 2016 (2015: TShs 3,461 million)

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Going concern (continued)

#### 2. The Company

- a. incurred a net loss of TShs 1,018 million for the year ended 30 September 2016 (2015: profit of TShs 75 million);
- b. had its current liabilities exceed its current assets at 30 September 2016 by TShs 5,026 million; and that
- c. had net cash outflow from operations of TShs 1,524 million as at 30 September 2016 (2015: TShs 29 million)

The Directors take note of the fact that continued operating losses, net current liability position, shareholders' deficit position and cash flow challenges present a material uncertainty that may cast doubt on the Group's and Company's ability to continue as a going concern.

Nevertheless, the directors remain confident that the Group and Company will remain a going concern over the next 12 months. In making this assessment the Directors have considered a number of actions at the Company and subsidiary companies as outlined below:

#### Tatepa Limited

- i. Conversion of USD 3,376,321 (TShs 7,321 million) shareholders loan into equity, subject to approval from Capital Markets and Securities Authority and Dar es Salaam Stock Exchange.
- ii. Cash flow forecasts prepared by the Directors indicate dividend income of TShs 350 million from Wakulima Tea Company subject to approval from CRDB Bank Plc.

#### Rungwe Avocado Company Limited

- i. Renewal of overdraft facilities for a period of one year from 16 January 2017 to 31 January 2018;
- ii. Restructuring of loans into equity: Subsequent to year end the Board of Directors for Tatepa passed a resolution to convert its loan to the Company of TShs 1,917 million into equity. Further, African Wildlife Capital (AWC) directors have confirmed their intention to convert its loan of TShs 2,303 into equity by April 2017;
- iii. Commitment by the Company's shareholder, AgDevCo to inject additional capital of approximately USD 487,299 in 2017; and
- iv. Review of cash flow forecasts and budgetary process to establish whether appropriate assumptions have been considered in developing the forecasts. The Directors expect more cash inflows from increased production in 2017 as avocado trees becomes more matured.

#### Kyimbila Tea Packing Company Limited

- i. Renewal of overdraft facilities for a period of one year from 16 January 2017 to 31 January 2018.
- ii. Sales expansion strategy. Following a thorough review of the market, the Directors have extended the sales of tea to Democratic Republic of Congo. In addition, local distribution network has been expanded to cover Mtwara and Dodoma regions.

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Basis of preparation**

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

*(i) New and amended standards adopted by the Group*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on 1 October 2015, 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 Group.

*(ii) New and amended standards not yet adopted by the Group*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2015, 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 Group, except the following set out below:

Amendments to IAS 16 and IAS 41, IAS 41 Agriculture now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses.

A bearer plant is defined as a living plant that:

- is used in the production or supply of agricultural produce.
  - is expected to bear produce for more than one period, and
  - has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less costs to sell with changes recognised in profit or loss as the produce grows. The standard is effective from periods beginning on or after 1 January 2016.

Annual Improvements to IFRSs 2012-2014 cycle; the latest annual improvements clarify:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

The standard is effective from periods beginning on or after 1 January 2016.

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (continued)

*Changes in accounting policy and disclosures (continued)*

*(ii) New and amended standards not yet adopted by the Group (continued)*

Amendments to IAS 1, the amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. 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 OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Basis of preparation (continued)**

***Changes in accounting policy and disclosures (continued)***

*(ii) New and amended standards not yet adopted by the Group (continued)*

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 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective from periods beginning on or after 1 January 2019. The Group is yet to assess the full impact of IFRS 16.

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

**(c) Consolidation**

*(i) Subsidiaries*

Subsidiaries are 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 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 expenses 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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Consolidation (continued)**

*(i) Subsidiaries (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.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 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:

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

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance 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.

**NOTES (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

**(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.

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016****NOTES (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(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.

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.

**NOTES (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) Income tax (continued)**

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.

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.

**(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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(r) Employees benefits (continued)**

Retirement benefit obligations (continued)

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.

**(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: 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.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Financial assets (continued)

#### 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

#### Assets carried at amortised cost

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 or 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.

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 or 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.

## **TATEPA LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **NOTES (CONTINUED)**

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(aa) Capital 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 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 profit or loss on a straight line basis over the expected useful lives of related assets.

### **(ab) 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.

### **(ac) Share premium**

Share premium is classified as equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and the difference is credited to share premium.

### **(ad) Earnings per share**

Basic earnings per share represent the profit on ordinary activities after taxation attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares outstanding during the year, excluding the weighted average number of ordinary shares held in the Group's.

Diluted earnings per share represent the profit on ordinary activities after taxation attributable to the equity shareholders, divided by the weighted average number of ordinary shares outstanding during the year, including the weighted average number of ordinary shares held in the Group's, plus the weighted average number of dilutive shares resulting from share options and other potential ordinary shares outstanding during the year.

### **(ae) Derivative financial instruments**

Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The fair value of all derivatives is recognised on the statement of financial position and is only netted off to the extent that a legal right of set-off exists and there is an intention to settle on a net basis.

Embedded derivatives represent option derivatives which are included in the debt host contracts. The embedded derivatives that are not closely related to the host contract are measured separately.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below:

#### Valuation of 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 significant 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 used in management's estimate	% change in variable	Impact on Group's profit or loss	
		<u>2016</u> TShs Millions	<u>2015</u> TShs Millions
Market price of tea	+/- 5%	<b>+/- 763</b>	+/- 763
TShs/USD exchange rate	+/- 2%	<b>+/- 333</b>	+/- 374
Tanzania Inflation rate	+/- 2%	<b>-/+ 241</b>	-/+ 471
Discount rate	+ 1%	<b>- 150</b>	- 141
Discount rate	- 1%	<b>+ 163</b>	+ 155

#### **Avocado plantations**

The impact of fluctuation of one of the significant 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	
		<u>2016</u> TShs Millions	<u>2015</u> TShs Millions
Market price of avocado	+/- 5%	<b>+/- 448</b>	+/- 307
TShs/USD exchange rate	+/- 2%	<b>+/- 179</b>	+/- 126
Tanzania Inflation rate	+/- 2%	<b>-/+ 137</b>	-/+ 94
Discount rate	+ 1%	<b>- 51</b>	-66
Discount rate	- 1%	<b>+ 53</b>	+ 72

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**NOTES (CONTINUED)**

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

Retirement benefit obligation

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, rate of salary escalation and retirement age. Any changes in these assumptions will impact the carrying amount of benefit obligations.

The Group determines the appropriate discount rate at the end of every 3 years. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. The Group uses Alexander Forbes Financial Services to carry out a full actuarial valuation. The key assumptions are set out in Note 29 to the financial statements.

Income taxes

Significant judgement is required in determining the overall income tax provision. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Group and the Company recognise liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and any deferred tax provisions in the period in which the determination is made.

The Directors have exercised significant judgement in concluding whether sufficient taxable profits will be available in the foreseeable future to utilise the net deferred income tax asset that has been recognised and in the financial statements and amount that has not been recognised as disclosed under Note 14.

Valuation of embedded derivative

During the year the Company acquired a convertible loan facility from its shareholders. An initial conversion price as specified in the shareholders loan agreement is \$0.0695 per share. In accordance with the requirement of IAS 39, the convertible option (embedded derivative) was fair valued and fair value loss recognised in the statement of profit or loss. The value of embedded derivative was done by assigning probabilities of occurrence amongst the possible outcomes to produce a single best estimate liability value. Key assumptions used in the valuation are as follows:

i) Spot price

As disclosed in Note 26 of the financial statements, Tatepa's shares are infrequently traded in the Dar es Salaam Stock Exchange. Therefore, the Directors believe that the current market price of TShs 650 is not a representative value of the Company's shares. During the year the Group Directors engaged an independent valuer PKF Advisory Limited to carry out an independent valuation of the Company's shares. The valuation which was performed by using income approach established a price of TShs 131 per share. Had the Directors valued the embedded derivative at TShs 650 per share the liability would be TShs 6,542 million.

ii) Discount rate

A rate of 12% was used in the valuation.

iv) Dividend

The embedded derivative valuation assumed a dividend yield assumption of 0.0% as the last dividend declared by Tatepa was a dividend of TShs 100 per share in April 2007.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### Valuation of embedded derivative (continued)

v) Interest on loan

The loan facility represents a non-interest bearing instrument. Interest rate of 12% per annum is only applied on overdue payments. As a result, the valuation did not consider any interest calculations.

a) Sensitivity testing

Sensitivity testing was performed to assess the effect of the uncertainty in the key assumptions. The results are summarised in the table below:

Discount Rate	Embedded derivative (option) value	
	TShs 131 Spot	TShs 650 Spot
10.0%	TShs 354 million	TShs 6,417 million
12.0%	TShs 385 million	TShs 6,542 million
14.0%	TShs 418 million	TShs 6,661 million
16.0%	TShs 451 million	TShs 6,774 million

### 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. Risk management is carried out by the management under policies approved by the Board of Directors. The management of the risk exposures is disclosed in each risk.

##### (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 exposure from fluctuations in foreign currency exchange rates as 91% (2015: 89%) of its earnings are in foreign currencies (mainly US dollars). The Group measures its exposures from fluctuations in foreign currencies by entering in short term contracts. At 30 September 2016, if the Tanzanian shilling (TShs) had strengthened / weakened by 10% against the US dollar with all other variables held constant, the Group's loss after tax for the year and equity would have been TShs 449 million (2015: TShs 3.9 billion) 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.

**4 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**4.1 Financial risk factors (continued)**

**(a) Market risk (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 2016, an increase/decrease of 200 basis points would have resulted in a decrease/increase in consolidated post tax loss of TShs144 million (2015: TShs174 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. Therefore, the Group and Company does not use any derivative to hedge against commodity price fluctuation risk. Had the prices of tea or avocado changed by 5% during the year the loss after tax for the Group would have been higher/lower by TShs 582 million.

**(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. Loans and receivables do not expose the Group and Company into a significant credit risk as these are mainly issued to outgrowers who are suppliers of raw materials and related parties. The Group has the right to offset the receivable amount with the liability arising from purchasing avocados from the outgrowers. 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.

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:

The amount that best represents the Group's and Company's maximum exposure to credit risk at 30 September 2016 and 30 September 2015 is the carrying value of its financial assets in the statement of financial position.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 4.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

##### GROUP

<b>Trade receivables (third parties)</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>TShs '000</b>	<b>TShs '000</b>
Group 1 – Balance from customers with no past history of default and no provision for impairment raised against their balances	<b>1,999,515</b>	1,572,230
Group 2 – Balances from customers with no past history of default but provision has been made against their balances	-	-
Group 3 – Balances from customers with past history of default and provision made against their balances	<b><u>298,509</u></b>	<u>348,478</u>
Total gross trade receivables (Note 23)	<b><u><u>2,298,024</u></u></b>	<u><u>1,920,708</u></u>
<b>Bank and cash balances</b>		
Total cash in hand and at bank	<b><u><u>257,072</u></u></b>	<u><u>751,629</u></u>
<b>Loans receivable</b>		
Total loans receivable	<b><u><u>1,150,251</u></u></b>	<u><u>944,510</u></u>

##### COMPANY

<b>Trade and other receivables (third parties)</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b>TShs 'M</b>	<b>TShs 'M</b>
Group 1 – Balance from customers with no past history of default and no provision for impairment raised against their balances	<u>-</u>	<u>-</u>
<b>Bank and cash balances</b>		
Total cash at bank	<b><u><u>45,545</u></u></b>	<u><u>466,847</u></u>
<b>Loans receivable</b>		
Total loans receivable	<b><u><u>1,917,028</u></u></b>	<u><u>2,508,752</u></u>

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.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 4.1 Financial risk factors (continued)

##### (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 derivative and 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.

Group	Within 1 year TShs'000	Between 1 and 2 years TShs'000	Between 2 and 5 years TShs'000	Over 5 years TShs'000
<b>At 30 September 2016</b>				
Borrowings	18,728,673	1,888,345	1,882,972	-
Interest on borrowings (*)	1,402,988	190,448	100,549	-
Embedded derivative	385,022	-	-	-
Trade and other payables (excluding statutory obligations)	2,648,267	-	-	-
<b>Total financial liabilities</b>	<b>23,164,950</b>	<b>2,078,793</b>	<b>1,983,521</b>	<b>-</b>
<b>At 30 September 2015</b>				
Borrowings	11,194,690	2,014,523	2,262,145	4,907,102
Interest on borrowings	1,381,197	509,477	261,855	-
Trade and other payables (excluding statutory obligations)	2,662,797	-	-	-
<b>Total financial liabilities</b>	<b>15,238,684</b>	<b>2,524,000</b>	<b>2,524,000</b>	<b>4,907,102</b>
<u>Off balance sheet</u>				
Guarantee	8,310,541	153,606	5,786,137	-

(\*) Interest on bank overdraft facilities has been calculated using simple rate.

The parent Company (Tatepa Limited) had provided corporate guarantee to CRDB Bank Plc in respect of term loans and overdraft facilities extended to 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 the renewed facilities.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 4.1 Financial risk factors (continued)

##### (c) Liquidity risk (continued)

Company	Within 1 year TShs'000	Between 1 and 2 years TShs'000	Between 2 and 5 years TShs'000	Over 5 years TShs'000
<b>At 30 September 2016</b>				
Borrowings	7,320,605	-	-	-
Embedded derivative	385,022			
Trade and other payables (excluding statutory obligations)	646,999	-	-	-
<b>Total financial liabilities</b>	<b>8,352,626</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 September 2015</b>				
Trade and other payables (excluding statutory obligations)	577,037	-	-	838
<b>Total financial liabilities</b>	<b>577,037</b>	<b>-</b>	<b>-</b>	<b>838</b>

##### 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. 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 2016, the Group's strategy, which was unchanged from 2015, was to maintain the gearing ratio within 25% to 50% on a long term basis. The gearing ratios were as follows:

Group	2016 TShs '000	2015 TShs '000
Total borrowings (Note 26)	22,499,991	20,378,462
Less cash and bank balances (Note 24)	(258,749)	(753,519)
Net debt	22,241,242	19,624,943
Total equity	(6,385,845)	(4,701,529)
Total capital	15,855,397	14,923,414
Gearing ratio	140.28%	131.50%

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 4.2 Capital risk management (continued)

COMPANY	<u>2016</u>	<u>2015</u>
	TShs '000	TShs '000
Total borrowings (Note 26)	7,320,605	1,611,771
Less cash and bank balances (Note 24)	<u>(45,545)</u>	<u>(466,847)</u>
Net debt	7,275,060	1,144,924
Total equity	<u>3,623,257</u>	<u>4,642,261</u>
Total capital	<u>10,898,317</u>	<u>5,787,185</u>
Gearing ratio	<u>66.75%</u>	<u>19.78%</u>

The increase in gearing during the financial year 2016 resulted from Group loss that decreased with improvement in subsidiaries with more trees maturing in Rungwe Avocado Limited and better performance in Kyimbila Tea Packing Company also an increase in borrowing in Tatepa that was used to purchase additional equity in Kyimbila. This gearing is expected to return to a level within the long term strategic target once all start-up businesses (RAC and KTPCL) continue to mature.

##### 4.3 Fair value estimation

The table below analyses assets and liabilities 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 and Company's financial assets and liabilities that are measured at fair value.

#### GROUP

At 30 September 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>			
Biological assets (Note 18)	-	-	5,311,384
<b>Total assets</b>	<u>-</u>	<u>-</u>	<u>5,311,384</u>
<b>Liabilities</b>			
Embedded derivative	-	-	385,022
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>385,022</u>

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 4.3 Fair value estimation (continued)

###### GROUP (CONTINUED)

At 30 September 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>			
Biological assets (Note 18)	-	-	4,391,158
<b>Total assets</b>	<u>-</u>	<u>-</u>	<u>4,391,158</u>

###### COMPANY

At 30 September 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Liabilities</b>			
Embedded derivative			385,022
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>385,022</u>

The carrying values of trade and other receivables and trade and other payables are assumed to approximate their fair values due to the short-term nature of receivables and payables. The fair value of borrowings also approximate the carrying amount because the borrowings bears interest in line with the market.

#### 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.

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**NOTES (CONTINUED)**

**5 BUSINESS SEGMENT INFORMATION (CONTINUED)**

2016	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
<b>REVENUE</b>						
-Export sales	12,897,251	-	3,720,790	-	-	16,618,041
-Local sales	543,549	-	-	1,588,701	(474,027)	1,658,223
Total sales	<b>13,440,800</b>	<b>-</b>	<b>3,720,790</b>	<b>1,588,701</b>	<b>(474,027)</b>	<b>18,276,264</b>
<b>Operating profit/(loss) from operations</b>	<b>1,757,736</b>	<b>(1,166,914)</b>	<b>1,224,416</b>	<b>(546,396)</b>	<b>-</b>	<b>1,268,842</b>
Interest income	23,171	220,356	66,147	62,559	(236,984)	135,249
Interest costs	(491,347)	-	(912,215)	(215,054)	236,984	(1,381,632)
Fair value loss on embedded derivative	-	(385,022)	-	-	-	(385,022)
<b>Profit /(loss) before tax</b>	<b>1,289,560</b>	<b>(946,558)</b>	<b>378,347</b>	<b>(698,891)</b>	<b>-</b>	<b>22,459</b>
Income tax credit/(charge)	1,289,560	(71,256)	427,348	(698,891)		(884,141)
Actuarial(loss)/gain	<b>909,617</b>	<b>(1,017,814)</b>	<b>(48,663)</b>	<b>(704,821)</b>	<b>-</b>	<b>(861,682)</b>
	(31,850)	(1,190)	18,556	30,100	-	15,616
<b>Loss for the year</b>	<b>877,767</b>	<b>(1,019,004)</b>	<b>(30,107)</b>	<b>(674,721)</b>	<b>-</b>	<b>(846,066)</b>
Other segment items included in the statement of profit or loss:						
Depreciation	(402,727)	-	(181,317)	(203,463)		(787,507)
Fair value adjustment on biological assets	224,105	-	696,121	-		920,226

(\*) Represents Tatepa Limited.

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**NOTES (CONTINUED)**

**5 BUSINESS SEGMENT INFORMATION (CONTINUED)**

2016

	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:						
<b>Assets</b>						
Non-current assets	7,073,025	8,652,163	6,547,459	351,550	(9,715,775)	12,908,422
Current assets	4,129,317	3,361,647	2,247,195	449,856	(2,254,739)	7,933,276
<b>Total assets</b>	<b>11,202,342</b>	<b>12,013,810</b>	<b>8,794,654</b>	<b>801,406</b>	<b>(11,964,584)</b>	<b>20,841,698</b>
<b>Liabilities</b>						
Non-current liabilities	1,000,776	2,600	4,028,254	71,696	-	5,103,326
Current liabilities	6,027,780	8,387,953	8,636,231	1,326,991	(2,254,739)	22,124,216
<b>Total liabilities</b>	<b>7,028,556</b>	<b>8,390,553</b>	<b>12,664,485</b>	<b>1,398,687</b>	<b>(2,248,809)</b>	<b>27,227,542</b>
Additions: Property plant and equipment	293,196	-	2,391	81,193	-	376,780

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**NOTES (CONTINUED)**

**5 BUSINESS SEGMENT INFORMATION (CONTINUED)**

	Growing & processing tea		Other		Avocado fruits		Blending and packing of black tea		Eliminations		Consolidated	
	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000	TShs '000
<b>REVENUE</b>												
-Export sales	14,714,055	-	-	1,522,458	-	-	-	-	-	-	-	16,236,513
-Local sales	264,541	-	-	104,314	1,583,410	1,583,410	(116,742)	(116,742)				1,835,523
Total revenue	<b>14,978,596</b>	-	-	<b>1,626,772</b>	<b>1,583,410</b>	<b>1,583,410</b>	<b>(116,742)</b>	<b>(116,742)</b>				<b>18,072,036</b>
<b>Operating profit/(loss) from operations</b>	<b>(467,247)</b>	<b>(275,603)</b>	<b>767,981</b>	<b>(1,160,249)</b>	<b>(243,690)</b>							<b>(1,378,807)</b>
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	<b>(1,419,539)</b>	<b>112,749</b>	<b>(2,062,392)</b>	<b>(2,328,559)</b>	-							<b>(5,697,741)</b>
Income tax credit/(charge)	416,047	(37,940)	429,616	(3,253)	-							804,740
<b>Loss for the year</b>	<b>(1,003,492)</b>	<b>74,808</b>	<b>(1,632,776)</b>	<b>(2,331,811)</b>	-							<b>(4,893,271)</b>
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

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**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:						
<b>Assets</b>						
Non-current assets	6,587,309	5,013,866	6,259,486	473,820	(5,636,251)	12,698,230
Current assets	4,172,372	1,858,079	1,977,359	699,707	(1,733,525)	6,973,992
<b>Total assets</b>	<b>10,759,681</b>	<b>6,871,945</b>	<b>8,236,845</b>	<b>1,173,527</b>	<b>(7,624,559)</b>	<b>19,417,439</b>
<b>Liabilities</b>						
Current liabilities	6,671,017	617,076	2,509,089	5,956,301	(1,738,272)	14,025,391
Non-current liabilities	792,644	1,612,608	9,567,479	89,190	(1,703,382)	10,353,111
<b>Total liabilities</b>	<b>7,463,661</b>	<b>2,229,684</b>	<b>12,076,568</b>	<b>6,045,491</b>	<b>(3,441,654)</b>	<b>24,378,502</b>
Additions: Property plant and equipment	112,378	-	69,315	117,378	-	299,071

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 2016 and 2015. 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.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### 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	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	TShs '000	TShs '000	TShs '000	TShs '000
United Republic of Tanzania	<b>1,658,223</b>	1,835,606	-	-
United Kingdom	<b>16,618,041</b>	16,236,430	-	-
<b>Total</b>	<b>18,276,264</b>	18,072,036	-	-

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

#### 6 REVENUE

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	TShs '000	TShs '000	TShs '000	TShs '000
Sale of tea	<b>12,966,773</b>	14,861,854	-	-
Sale of avocados	<b>3,720,790</b>	1,626,772	-	-
Sale of packed tea	<b>1,588,701</b>	1,583,410	-	-
<b>Total</b>	<b>18,276,264</b>	18,072,036	-	-

#### 7 COST OF SALES

Staff related costs (Note 11)	<b>1,976,055</b>	1,576,730	-	-
Processing costs	<b>1,608,736</b>	2,951,668	-	-
Blending cost	<b>462,531</b>	404,448	-	-
Packing materials costs	<b>1,153,712</b>	903,785	-	-
Purchased from out growers	<b>4,606,092</b>	4,436,013	-	-
Field costs	<b>3,017,251</b>	2,415,640	-	-
Changes in stock of finished goods and work in progress (*)	<b>(609,311)</b>	1,995,760	-	-
Depreciation charges	<b>492,483</b>	441,222	-	-
<b>Total</b>	<b>12,707,550</b>	15,125,266	-	-

\*Movement between opening stock and closing stock.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 8 OTHER OPERATING INCOME

	Group		Company	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
Profit on disposal of equipment	14,237	22,281	-	-
Foreign currency exchange (losses)/gain	(56,231)	63,887	-	303,261
Bad debts recovery	43,243	-	-	-
Other income (*)	948,318	83,164	46,758	37,881
	<b>949,567</b>	169,332	<b>46,758</b>	341,142

(\*) Wakulima Company has been implementing a project named Suma Hydro project which aims at producing electricity through the use of natural waterfalls in Tukuyu - Mbeya. The project is carried out through in collaboration with TANESCO and Rift Valley Energy (RVE). It is expected that the project will provide a cheaper source of reliable electricity power for factory consumption as well as for smallholders in the societies surrounding Mwakaleli.

During the year, Wakulima Tea Company Limited sold the project to Suma Hydro Limited at a consideration of TShs 903 million. Suma Hydro Limited is a separate entity which deals with energy production.

#### 9 SELLING AND MARKETING COSTS

	Group		Company	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
Transport, distribution & handling charges	1,217,094	1,478,365	-	-
Commissions to brokers	-	31,920	-	-
Travelling expenses	102,469	78,730	-	-
Cess and other government levies	138,020	147,774	-	-
Staff related costs (Note 11)	62,062	157,453	-	-
Depreciation	102,073	101,968	-	-
Bad & doubtful debts	36,916	-	-	-
Other selling costs	290,407	195,760	-	-
	<b>1,949,040</b>	2,191,970	-	-

#### 10 ADMINISTRATIVE EXPENSES

Staff related costs (Note 11)	1,358,476	1,157,935	109,793	152,984
Travelling costs	183,981	339,163	102,686	45,850
Consultancy and professional fees	524,629	233,315	265,209	22,850
Directors fees and allowances	130,509	130,645	98,872	85,724
Office expenses	198,135	256,058	-	27,512
Auditors' remuneration	115,011	185,317	18,321	49,571
Research expenses on new products	1,904	6,889	-	-
Rental charges	43,872	135,372	9,748	3,433
Depreciation	192,949	302,239	-	-
Security and residential maintenance	267,604	-	-	-
Other administration costs	838,812	507,343	224,021	34,645
	<b>3,855,882</b>	3,254,276	<b>828,650</b>	422,569

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 11 STAFF RELATED COSTS

	Group		Company	
	2016	2015	2016	2015
	TShs '000	TShs '000	TShs '000	TShs '000
Salaries, wages and bonuses	2,695,321	2,206,448	51,058	138,863
Medical expenses	33,786	39,765	-	-
Canteen costs, uniforms and amenities	180,790	299,479	-	-
Defined contribution schemes (NSSF)	256,220	251,451	57,377	13,709
Defined benefit scheme	70,360	(31,927)	1,296	133
Interest cost	86,600	84,036	62	-
Leave travel assistance	60,958	42,867	-	279
Staff training	12,558	-	-	-
	<b>3,396,593</b>	<b>2,892,118</b>	<b>109,793</b>	<b>152,984</b>

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

	Group		Company	
	2016	2015	2016	2015
	TShs '000	TShs '000	TShs '000	TShs '000
Cost of sales	1,976,055	1,576,730	-	-
Administrative expenses	1,358,476	1,157,935	109,793	152,984
Selling and marketing expenses	62,062	157,453	-	-
	<b>3,396,593</b>	<b>2,892,118</b>	<b>109,793</b>	<b>152,984</b>

#### 12 FINANCE COST

Interest expense	1,244,314	1,431,665	-	-
Net foreign exchange loss	137,318	2,973,785	-	-
	<b>1,381,632</b>	<b>4,405,450</b>	<b>-</b>	<b>-</b>

#### 13 FINANCE INCOME

Interest on loans	135,249	86,516	220,356	194,176
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#### 14 INCOME TAX EXPENSE/(CREDIT)

Current tax charge	6,211	5,446	661	696
Adjustments to tax in respect of prior years – current tax	(4,248)	969	-	2,467
Adjustments to deferred income tax in respect of prior years	(5,959)	-	-	-
Deferred income tax charge/(credit) (Note 28)	817,542	(810,885)	-	34,778
Deferred income tax derecognised	70,595	-	70,595	-
	<b>884,141</b>	<b>(804,470)</b>	<b>71,256</b>	<b>37,941</b>

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 14 INCOME TAX EXPENSE / (CREDIT) (CONTINUED)

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

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	TShs '000	TShs '000	TShs '000	TShs '000
Loss/(profit) before income tax	<b>22,459</b>	(5,697,741)	<b>(946,558)</b>	112,749
Tax calculated at a rate of 30%	<b>6,738</b>	(1,709,322)	<b>(283,968)</b>	33,825
Expenses not deductible for tax	<b>445,514</b>	354,812	<b>115,507</b>	-
Items resulting in reduced tax charge	-	-	-	-
Alternative minimum tax	<b>5,615</b>	5,446	<b>661</b>	696
Adjustments to tax in respect of prior years	<b>(10,207)</b>	5,969	<b>1</b>	3,420
Income not deductible for tax purposes	<b>(6,084)</b>	(1,497)	-	-
Penalties	<b>596</b>	-	-	-
Deferred tax asset not recognised	<b>441,968</b>	540,122	<b>239,055</b>	-
Income tax charge/(credit)	<b>884,141</b>	(804,470)	<b>71,256</b>	37,941

The Group has unused tax losses amounting to TShs 3,234 million (2015: TShs 3,025 million) which relate to Kyimbila Tea Packing Company Limited (Kyimbila) and Rungwe Avocado Company Limited (Rungwe). Deferred tax asset of TShs 1,787 million has not been recognised in respect of tax losses for Kyimbila as it is not probable that there will be sufficient taxable profit in the foreseeable future to utilise the tax losses. However, the Directors believe that Rungwe Avocado will generate sufficient taxable profits in the foreseeable future to utilise the deferred income tax asset of TShs 1,397 million that has been recognised in the financial statements. During the year, Rungwe made a taxable profit of TShs 547 million.

#### 15 EARNINGS PER SHARE

	Group	
	<u>2016</u>	<u>2015</u>
Loss attributable to shareholders (TShs'000)	<b>(1,070,950)</b>	(2,858,129)
Weighted average number of share in issue (Note 31)	<b>18,657,254</b>	18,657,254
Basic earnings per share (TShs)	<b>(57.40)</b>	(153.19)
Weighted average number of share	<b>29,919,723</b>	18,657,254
Diluted earnings per share (TShs)	<b>(35.79)</b>	(153.19)

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 15 EARNINGS PER SHARE (CONTINUED)

Reconciliation of weighted average number of shares used as the denominator in calculating diluted earnings per share

	<b>Group</b>	
	<u>2016</u>	<u>2015</u>
Weighted average number of share in issue (Note 31)	<b>18,657,254</b>	18,657,254
Options	<b>11,262,469</b>	-
Weighted average number of share	<b><u>29,919,723</u></b>	<u>18,657,254</u>

There are potential ordinary shares arising from convertible option in the loan issued by the shareholders to the Company on 1 October 2015.

#### 16 DIVIDEND PER SHARE

The Company did not pay any dividend during the year (2015: Nil)

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**NOTES (CONTINUED)**

**17 PROPERTY, PLANT & EQUIPMENT - GROUP**

	Leasehold improvements & buildings TShs '000	Motor vehicles TShs '000	Machinery, equipment, furniture & fittings TShs '000	Computers TShs '000	Capital work in progress TShs '000	Total TShs '000
<b>Year ended 30 September 2015</b>						
Opening net book value	3,448,467	338,110	1,879,678	30,715	307,866	6,004,836
Additions	162,160	68,208	55,985	12,718	-	299,071
Transfers	-	29,069	278,797	-	(307,866)	-
Disposals	-	(2,804)	-	-	-	(2,804)
Depreciation charge	(150,503)	(187,158)	(488,282)	(19,486)	-	(845,429)
<b>Net book value</b>	<b>3,460,124</b>	<b>245,425</b>	<b>1,726,178</b>	<b>23,947</b>	<b>-</b>	<b>5,455,674</b>
<b>At 30 September 2015</b>						
Cost	4,605,136	1,888,454	6,669,189	102,294	-	13,265,073
Accumulated depreciation	(1,145,012)	(1,643,029)	(4,943,011)	(78,347)	-	(7,809,399)
<b>Net book value</b>	<b>3,460,124</b>	<b>245,425</b>	<b>1,726,178</b>	<b>23,947</b>	<b>-</b>	<b>5,455,674</b>

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**NOTES (CONTINUED)**

**17 PROPERTY, PLANT & EQUIPMENT – GROUP (CONTINUED)**

	Leasehold improvements & buildings TShs '000	Motor vehicles TShs '000	Machinery, equipment, furniture & fittings TShs '000	Computers TShs '000	Capital work in progress TShs '000	Total TShs '000
<b>Year ended 30 September 2016</b>						
Opening net book value	3,460,124	245,425	1,726,178	23,947	-	5,455,674
Additions	73,249	-	95,115	3,469	204,946	376,779
Depreciation charge	(148,780)	(141,008)	(480,163)	(17,555)	-	(787,506)
<b>Net book value</b>	<b>3,384,593</b>	<b>104,417</b>	<b>1,341,130</b>	<b>9,861</b>	<b>204,946</b>	<b>5,044,947</b>
<b>At 30 September 2016</b>						
Cost	4,678,384	1,852,280	6,764,303	105,764	204,946	13,605,677
Accumulated depreciation	(1,293,791)	(1,747,863)	(5,423,173)	(95,903)	-	(8,560,730)
<b>Net book value</b>	<b>3,384,593</b>	<b>104,417</b>	<b>1,341,130</b>	<b>9,861</b>	<b>204,946</b>	<b>5,044,947</b>

Depreciation expense of TShs 492.4 million (2015: TShs 441.2 million) has been charged to cost of goods sold, TShs 102 million (2015: TShs 101.9 million) has been charged to selling and marketing costs and TShs 192.9 million (2015: TShs 302.2 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.

Significant part of the WIP relates to generator equipment's that were yet to be assembled and the plucking machines that were yet to be delivered.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 18 BIOLOGICAL ASSETS

	<u>Tea bushes</u> TShs '000	<u>Avocado plantations</u> TShs '000	<u>Total</u> TShs '000
<b>Year ended 30 September 2016</b>			
At 1 October 2015	2,960,818	1,430,340	4,391,158
Increase due to expenditure on estates	1,035,384	488,046	1,523,430
Gain arising from changes in fair value less costs to sell	224,105	696,121	920,226
Decrease due to harvests	(1,035,384)	(488,046)	(1,523,430)
	<b>3,184,923</b>	<b>2,126,461</b>	<b>5,311,384</b>
<b>Year ended 30 September 2015</b>			
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)
	<b>2,960,818</b>	<b>1,430,340</b>	<b>4,391,158</b>

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:

#### **Tea**

1. Climatic conditions are expected to be average;
2. The average market price of made tea has been projected at US\$ 1.65 in the year 2016-17, rising by devaluation factor of 3% per annum until 2020-21 and remaining constant for the rest of the period.
3. The inflation has been projected at 6.6% for financial year 2016-2017, 9.2% in 2017-18, 8.6% in 2018-19 and 6% thereafter throughout the projection period; and
4. The US\$/TShs exchange rate is expected to increase per annum by 3.61% in 2016-17, 6.17% in 2017-18, 5.64% in 2018-19, 5.12% in 2019-21 and 3% thereafter throughout the projection period.

#### **Avocado**

1. Climatic conditions are expected to be average;
2. The average market price per kg of avocado (UK delivered) of US\$ 1 in the year 2015-16 considered to be constant throughout the projection period but affected by dollar inflation. The actuals tons sold/produced during year were 700 tons, management has assumed an average production of 836 tons each year;
3. The inflation has been projected at 6.6% in 2016-17, 9.2% in 2017-18, 8.6% in 2018-19 and 6% thereafter throughout the projection period; and
4. The US\$/TShs exchange rate to increase per annum by 3.61% in 2016-17, 6.17% in 2017-18, 5.64% in 2018-19, 5.12% in 2019-20 to 2020-21 and 3% throughout the projection period.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 18 BIOLOGICAL ASSETS (CONTINUED)

In 2015, the fair value less costs to sell of biological assets was determined using discounted cash flow method and key assumptions made concerning the future cash flows (projected over 10 years) are as follows:

##### *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 (2015: 60) of avocado plantation, located in Tukuyu district in Tanzania and 316 hectares (2015: 316 hectares) of mature tea bushes located in Tukuyu district in Tanzania. The avocado plantations produced 610(2015: 175) tons. The tea estates produced 712 (2015: 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 at the rate of 23.03% (2015: Avocado was 23.33 % and Tea was 23.03 %) and are within level 3 of the fair value hierarchy.

Sensitivity analysis is disclosed in Note 3 to these financial statements.

#### 19 INVESTMENT IN SUBSIDIARIES

	<u>2016</u>	<u>2015</u>
	TShs '000	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)	<u>6,061,762</u>	<u>650,000</u>
	<u>8,652,163</u>	<u>3,240,401</u>

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The investments relates to:

Nature of business	Number and description of share held		% of issued shares held	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
(a) Growing, processing and sale of made tea	<b>1,537,693</b> <b>Ordinary shares</b>	1,537,693 Ordinary shares	<b>70%</b>	70%
(b) Growing, processing and sale of avocado and other fruits	<b>84,747</b> <b>Ordinary shares</b>	84,747 Ordinary shares	<b>45.42%</b>	45.42%
(c) Blending and Packing tea	<b>387,698</b> <b>Ordinary shares</b>	54,018 Ordinary shares	<b>81.80%</b>	31.93%

The Company has a direct interests of 70% in Wakulima Tea Company Limited (WTCL), 81.80% 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 12.23% share in KTPCL through WTCL which holds 14.67% of RACL and 17.47% of KTPCL.

Company	Total % holding of Tatepa Ltd at 30 Sep 2016	Total % holding of Tatepa Ltd at 30 Sep 2015
RACL	55.69%	55.69%
KTPCL	94.03%	56.66%

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**NOTES (CONTINUED)**

**19 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. During the year, the Tatepa Limited purchased share of non-controlling interests (Note 35).

**Summarised statement of financial position**

	WTCL		RACL		KTPCL	
	2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000
<b>Current</b>						
Assets	4,129,317	4,172,371	2,247,195	1,977,359	449,856	704,457
Liabilities	(6,027,780)	(6,671,017)	(8,636,231)	(2,509,090)	(1,326,991)	(5,956,301)
Total current net assets	(1,898,463)	(2,498,646)	(6,389,036)	(531,731)	(877,135)	(5,251,844)
<b>Non-current</b>						
Assets	7,073,025	6,587,309	6,547,459	6,259,486	351,550	473,820
Liabilities	(1,000,776)	(792,644)	(4,028,254)	(9,567,479)	(71,696)	(89,190)
Total non-current assets	6,072,249	5,794,665	2,519,205	(3,307,993)	279,854	384,630
Net assets	4,173,786	3,296,019	(3,869,831)	(3,839,724)	(597,281)	(4,867,214)

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**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	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
Revenue	13,440,800	14,978,275	3,720,790	1,626,772	1,588,701	1,583,410
Profit/(loss) before tax	1,289,560	(1,419,539)	378,348	(2,062,392)	(698,891)	(2,328,557)
Income tax (expense)/credit	(379,943)	416,047	(427,011)	429,616	(5,930)	(3,253)
Profit/(loss) after tax	909,617	(1,003,492)	(48,663)	(1,632,776)	(704,821)	(2,331,810)
Other comprehensive income	(31,850)	-	18,556	-	30,100	-
Total comprehensive income	877,767	(1,003,492)	(30,107)	(1,632,776)	(674,721)	(2,331,810)
Total comprehensive income allocated to non-controlling interests	263,330	(301,048)	13,341	(723,523)	(40,257)	(1,010,572)
Dividends paid to non-controlling interests	-	-	-	-	-	-

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**NOTES (CONTINUED)**

**19 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

**Summarised statement of cash flows**

	WTCL		RACL		KTPCL	
	2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000
<b>Cash flows from operating activities</b>						
Cash generated from/ (utilised in) operations	2,088,733	458,348	475,116	(1,404,481)	(1,767,522)	374,256
Interest paid	(495,724)	(516,956)	(318,950)	(467,875)	(167,459)	(522,018)
Interest received	8,258	-	-	-	-	-
Income tax paid	-	(15,220)	-	-	(4,750)	(73)
Net cash from operating activities	1,601,267	(73,828)	156,166	(1,872,356)	(1,939,730)	(147,835)
Net cash from/(used) in investing activities	(654,337)	(107,294)	(137,748)	(209,607)	(81,193)	(117,378)
Net cash (used in)/from financing activities	(317,675)	(1,067,190)	-	1,174,214	2,761,987	268,213
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>629,255</b>	<b>(1,248,312)</b>	<b>18,418</b>	<b>(907,749)</b>	<b>741,064</b>	<b>3,000</b>
Cash and cash equivalents at beginning of year	(4,936,678)	(3,688,368)	(1,988,823)	(1,081,074)	(1,472,425)	(1,475,426)
Cash and cash equivalents at end of year	(4,307,423)	(4,936,680)	(1,970,405)	(1,988,823)	(731,361)	(1,472,426)

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 20 LOAN RECEIVABLE

	Group		Company	
	2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000
Non-current				
Rungwe Avocado Company Limited	-	-	-	1,703,380
Moravian Church and seedling debtors	<b>1,150,251</b>	944,510	-	-
	<b>1,150,251</b>	944,510	-	1,703,380
Current				
Kyimbila Tea Packing Company Limited	-	-	-	805,372
Rungwe Avocado Company Limited	-	-	<b>1,917,028</b>	-
	-	-	<b>1,917,028</b>	805,372

#### Rungwe Avocado Company Limited

Loan to Rungwe Avocado Company Limited (RACL) is a medium term facility denominated in US dollar and carries interest at 12% per annum (2015: 12%). As per agreement, the repayment plan has to be agreed by both the lenders and borrower. The fair value of the loan receivable balance is approximately the carrying value. Subsequent to year end, the Directors of TATEPA have passed a resolution to convert the loan to equity in year 2017. As a result the loan has been reclassified as current asset at 30 September 2016.

#### Kyimbila Tea Packing Company Limited

The loan to Kyimbila Tea Packing Company Limited (KTPCL) was a short term facility and was converted to equity as at 1 October 2015.

#### Moravian Church and seedling debtors

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.

The loan amount due from the outgrowers of Hass Avocado at 30 September 2016 was about TShs 286 million. It is an interest free loan. The outgrowers are required to pay at least 50% of the loan as commitment fee. The remaining 50% of the loan will be recovered from sale of avocado fruits to the Company. In the event, that the farmer does not sell the fruits to the RACL, then the farmer is required to pay RACL a penalty of 15% per annum from the date of the loan commencement to the date of full repayment of the loan. The loans given to individual outgrowers are very immaterial, the impact of discounting may not be material. The fair values of these loans at the point of initial recognition are therefore considered to approximate their cost.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 20 LOAN RECEIVABLE (CONTINUED)

Movement of Moravian Church and seedling debtors is as follows;

	<u>2016</u> TShs'000	<u>2015</u> TShs'000
At the start of the year (i)	944,510	731,369
Loan advanced during the year (ii)	208,999	167,290
Interest accrued (iii)	66,147	52,848
Repayment made during the year	<u>(69,405)</u>	<u>(6,997)</u>
Balance at the end of the year (vi) - current	<u>1,150,251</u>	<u>944,510</u>
<b>(i) At the start of the year</b>		
Moravian (a)	745,312	566,743
Other seedling debtors (b)	<u>199,198</u>	<u>164,626</u>
Balance at the start of the year	<u>944,510</u>	<u>731,369</u>
<b>(ii) Advanced during the year (net)</b>		
Moravian (a)	122,028	125,721
Seedling debtors (b)	<u>86,971</u>	<u>41,569</u>
Total loans advanced during the year	<u>208,999</u>	<u>167,290</u>
<b>(iii) Interest receivable from loans</b>		
Moravian (a)	<u>66,147</u>	<u>52,848</u>
Total interest income accrued during the year	<u>66,147</u>	<u>52,848</u>
<b>(iv) Non-Current portion of the loans</b>		
Moravian (a)	864,082	745,312
Seedling debtors (b)	<u>286,169</u>	<u>199,198</u>
	<u>1,150,251</u>	<u>944,510</u>

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 21 PREPAID LAND RENT

	Group		Company	
	2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000
Total prepaid land rent	-	7,884	-	-
Less: Current portion	-	(7,884)	-	-
	-	-	-	-
<b><i>Movement in gross amounts</i></b>				
Opening balance	21,095	21,095	-	-
Amortisation	(21,095)	(13,211)	-	-
Closing balance	-	7,884	-	-

RACL has entered into a long term lease agreement with The Registered Trustees of Moravian Church in Southern Tanganyika, relating to farm no. 322 [80 ha] Syukula Village in Rungwe District. The Company uses this property to grow avocados and other fruits.

#### 22 INVENTORIES

	Group		Company	
	2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000
Finished products - at cost	1,506,439	883,766	-	-
Unprocessed products - at cost	40,919	8,622	-	-
Stores and consumables - at cost	1,882,592	2,052,343	-	-
Work in progress - at cost	38,712	35,863	-	-
Provision for slow moving items	(14,343)	(51,476)	-	-
	3,454,319	2,929,118	-	-
Movement for provision is as follows;				
Opening balance	51,476	81,838	-	-
Increase during the year	-	5,200	-	-
Release	(37,133)	(35,562)	-	-
	14,343	51,476	-	-

#### 23 TRADE AND OTHER RECEIVABLES

Trade receivables	2,298,024	1,920,708	-	-
Less provision for impairment losses	(298,509)	(348,478)	-	-
Trade receivables - net	1,999,515	1,572,230	-	-
Advances to suppliers	119,044	56,360	3,003	-
VAT recoverable	442,199	167,745	-	1,361
Other receivables	1,070,277	822,345	932,086	159,612
Deposits and prepayments	3,158	194,914	3,158	2,567
Due from related parties (Note 33)	123,968	-	196,820	157,654
	3,758,161	2,813,594	1,135,067	321,193

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 23 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that are less than 30 days (2015: 30 days) are within the Group's credit period. As of 30 September 2016, trade receivables of TShs 101 million (2015: TShs 303 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:

#### GROUP

	<u>2016</u> TShs'000	<u>2015</u> TShs'000
(i) <u>Current</u>		
- by up to 30 days	<u>1,898,241</u>	<u>1,268,331</u>
(ii) <u>Past due but not impaired</u>		
- up to 3 months	<u>38,831</u>	28,179
- over 3 months	<u>62,443</u>	<u>275,720</u>
	<u>101,274</u>	<u>303,899</u>
(iii) Past due and impaired	<u>298,509</u>	<u>348,478</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
At start of year	348,478	680,124	-	-
Charged to profit or loss	36,916	-	-	-
Recovered during the year	(86,885)	(331,646)	-	-
At end of year	<u>298,509</u>	<u>348,478</u>	<u>-</u>	<u>-</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
US dollar	1,885,546	1,214,505	-	-
Tanzania shilling	113,969	357,725	-	-
	<u>1,999,515</u>	<u>1,572,230</u>	<u>-</u>	<u>-</u>

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 24 CASH AT BANK AND IN HAND

	Group		Company	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
Cash at bank	<b>257,072</b>	751,629	<b>45,545</b>	466,847
Cash in hand	<b>1,677</b>	1,890	-	-
	<b>258,749</b>	753,519	<b>45,545</b>	466,847

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

Cash at bank and in hand	<b>258,749</b>	753,519	<b>45,545</b>	466,847
Bank overdraft (Note 26)	<b>(7,222,393)</b>	(8,684,600)	-	-
	<b>(6,963,644)</b>	(7,931,079)	<b>45,545</b>	466,847

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

#### 25 TRADE AND OTHER PAYABLES

	Group		Company	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
Trade payables	<b>1,467,574</b>	1,440,273	<b>4,782</b>	3,871
Other payables and accrued expenses	<b>1,038,403</b>	1,093,991	<b>196,605</b>	368,001
Due to related parties (Note 33)	<b>364,439</b>	148,881	<b>340,834</b>	102,399
Unclaimed dividends	<b>140,106</b>	142,805	<b>140,105</b>	142,805
	<b>3,010,522</b>	2,825,950	<b>682,326</b>	617,076

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

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 26 BORROWINGS

	Group		Company	
	2016 TShs '000	2015 TShs '000	2016 TShs '000	2015 TShs '000
<b>Non-current</b>				
ACEF loan (ii)	1,697,483	2,520,047	-	-
AWC loan (iii)	-	2,196,034	-	-
AgDevco loan (iv)	2,068,460	2,855,919	-	-
Maris Tatepa Holdings Limited term loan one (v)	5,374	1,617,201	-	1,611,770
	<b>3,771,317</b>	<b>9,189,201</b>	<b>-</b>	<b>1,611,770</b>
<b>Current</b>				
CRDB Bank Plc loans (i)	-	322,051	-	-
Bank overdrafts: CRDB Bank Plc (i)	7,222,393	8,684,600	-	-
AECF loan (ii)	848,742	-	-	-
AWC loan (iii)	2,302,702	-	-	-
AgDevco loan (iv)	1,034,231	-	-	-
Shareholder loan (vii)	7,320,605	-	7,320,605	-
TFC loan (vi)	-	556,687	-	-
Maris Tatepa Holdings Limited term loan two (v)	-	1,625,923	-	-
	<b>18,728,673</b>	<b>11,189,261</b>	<b>7,320,605</b>	<b>-</b>
Total	<b>22,499,991</b>	<b>20,378,462</b>	<b>7,320,605</b>	<b>1,611,770</b>

#### (i) CRDB Bank Plc loans and overdrafts

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

#### ***Wakulima Tea Company Ltd (WTC)***

##### Term loan

This was a U.S Dollar term loan facility issued to WTC by CRDB Bank Plc. The loan was fully repaid in February 2016.

##### Overdrafts

WTC has a US dollar denominated overdraft facility value of USD 2 million bearing an interest rate of 7.5% (2015: 7.5%) per annum, and a Tanzania shilling denominated overdraft facility of TShs 1,350 million bearing an interest rate of 15% (2015: 15%) per annum. The facilities were renewed subsequent to the year end on 16 January 2017 for the period of twelve months to 31 January 2018.

The term loan and overdraft facilities were secured by corporate guarantee and indemnity of the parent company (Tatepa Limited), a debenture over the Company's floating assets, mortgage and debenture on its estates and factory buildings.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

## 26 BORROWINGS (CONTINUED)

### (i) CRDB Bank Plc term loan and overdrafts (continued)

#### *Kyimbila Tea Packing Company Ltd (KTPC)*

##### Overdraft

KTPC has an overdraft facility of TShs 750 million which carries interest at a rate of 16% (2015: 16%) per annum. The facility was renewed on 16 January 2017 for the period of 12 months to 31 January 2018. The overdraft facility is secured against the entire assets of the Company and guarantee from Private Agricultural Sector Support (PASS). As at 30 September 2016 the Company had utilised TShs 745 million.

#### *Rungwe Avocado Company Ltd (RAC)*

##### Overdraft

RACL has a USD e of US\$ 1 million bearing an interest of 8% per annum. The facility was renewed on 16 January 2017 until 31 January 2018, at a limit of US\$ 1 million. The overdraft facility is secured by a first mortgage of Farm no 1168 Kyimo Village area, property of Rungwe Avocado Company Ltd, a deed of assignment over lease agreement on Farm no 322 at Sukula Village, property of the Registered Trustees of Moravian Church of Southern Tanzania and first charge on fixed and floating assets of RACL.

### (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 2,546 million. The loan will be fully repaid in 2019. The effect of discounting given the remaining tenor to maturity is immaterial.

### (iii) AWC CB1 Limited loan

Rungwe Avocado Company Ltd has an unsecured loan facility from AWC CB1 Limited denominated in US dollars at an interest rate of 8%. As at 30 September 2016 the loan had a carrying value of TShs 2,303 million. The loan was acquired for the development of the Company's sustainable agriculture operations to help leverage conservation on and around both the agricultural sites and across the broader landscape. The loan will be converted to equity in the financial year 2017 hence it has been reclassified as current liability.

### (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 3,103 million at an interest of 8% per annum. The loan expires in September 2019. The loan was acquired for the purpose of financing commercial operations against the set business plan and installation of a micro-jet irrigation system on Kipunji and Moravian commercial farms.

The loan is secured against second ranking fixed and floating charge of all assets presents and future (debenture), a second ranking legal mortgage over 80 hectares of the piece of land known as farm Syukula village and second ranking legal mortgage over the piece of land known as farm Kyimo village.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

## 26 BORROWINGS (CONTINUED)

### (v) Maris Tatepa Holdings loan

#### Term loan one

Kyimbila Tea Company Limited has an unsecured interest free loan facility with Maris Tatepa Holdings with a carrying value of USD 2,500. The loan has been classified as a long term liability since repayment is dependent on availability of cash flows in Kyimbila. The carrying amount is however immaterial to the Group.

The term loan issued to Tatepa that had a carrying value of TShs 1,617 million as at 30 September 2015 was restructured during the year and recorded as part of shareholders loan (Note 26(vii)).

#### Term loan two

At 30 September 2015, the Kyimbila had an unsecured loan facility from Maris Tatepa Holdings with a carrying value of USD 756,689. The loan bears interest at a rate of 8%. During the year, the loan was transferred to Tatepa and classified as shareholders' loan as described in Note 26 (vii).

### (vi) Tanganyika Finance Company Loan

At 30 September 2015, KTPC had an unsecured loan facility from Tanganyika Finance Company with a carrying value of USD 259,041. The loan bears an interest of 8% per annum. During the year, Tatepa took over the loan from Kyimbila at its carrying value of US\$ 259,041. Kyimbila issued shares equal to the value of the loan that was taken over by Tatepa as a consideration. Therefore, the loan has been classified as part of the shareholders' loan in Tatepa as described in Note 26 (vii).

### (vii) Shareholder's loan

On 1 October 2016 Tatepa entered into a loan agreement for the sum of US\$ 3,376,321 with its shareholders; Maris, Joseph Mungai, George Theobald and Thomson Llyod to fund the Company's working capital and business development requirements. The loan facility includes funds already advanced by the lenders to a subsidiary of Tatepa (Kyimbila Ltd) by way of debt or equity and were converted (in respect of debt portion) into equity in Kyimbila and transferred to the borrower in consideration of draw down. Out of the total facility amount, US\$ 1,216,000 represents cash disbursed to Tatepa during the year. The facility will be repaid either in (a) bullet repayment by year 2020; or (b) conversion of the outstanding principal amount into shares at a conversion price of US\$ 0.0695 per share.

#### Embedded derivative

The existence of a convertible option in the shareholders' loan implies an embedded derivative which is not closely related to the host debt contract. As required by IAS 39, the option derivative was fair valued and fair loss of TShs 385 million was recognised in the statement of profit or loss.

The embedded derivative was fair valued at a spot price of TShs 131 per share instead of the current market spot price of TShs 650 per share. As indicated in the Directors' report, the Group Directors believe that the market share price of TShs 650 does not represent the correct value of the Company's shares. Both the share price of TShs 650 and market capitalisation of TShs 12.1 billion have not moved since 2013. The spot price of TShs 131 per share was established by the independent valuers, PKF Advisory Limited. The results of sensitivity tests are disclosed under Note 3 of the financial statements. At the time of conversion the liability will be extinguished in exchange of issue of shares.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 27 DEFERRED CAPITAL GRANT

	Group	
	<u>2016</u>	<u>2015</u>
	TShs '000	TShs '000
Opening balance	231,667	251,946
Grant amortisation	<u>(20,279)</u>	<u>(20,279)</u>
<b>Closing balance</b>	<b><u>211,388</u></b>	<b><u>231,667</u></b>

The capital grant is from African Enterprise Challenge Fund (AECF) and relates to funding for construction of storage pack shed in Rungwe.

#### 28 DEFERRED INCOME TAX ASSETS AND LIABILITIES

##### a) Deferred income tax assets

	<u>2016</u>	<u>2015</u>
	TShs'000	TShs'000
Rungwe Avocado Company Limited	(1,397,113)	(1,832,076)
Tatepa Limited	<u>-</u>	<u>(70,085)</u>
At end of year	<b><u>(1,397,113)</u></b>	<b><u>(1,902,161)</u></b>

Deferred income tax is calculated using the enacted income tax rate of 30%. The movement on the deferred income tax asset account is as follows:

	<u>2016</u>	<u>2015</u>
	TShs'000	TShs'000
At start of year	(1,832,076)	(1,507,323)
Credited to other comprehensive income	7,952	-
Charged to profit or loss	<u>427,011</u>	<u>(394,838)</u>
At end of year	<b><u>(1,397,113)</u></b>	<b><u>(1,902,161)</u></b>

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

Year ended 30 September 2016	<u>1 Oct</u>	<u>Charged/ (credited) to P&amp;L</u>	<u>Charged to OCI</u>	<u>30 Sep</u>
	TShs'000	TShs'000	TShs'000	TShs'000
<i>Deferred income tax liabilities:</i>				
Property, plant and equipment	212,697	(5,901)	-	206,796
Revaluations of biological assets	336,452	300,454	-	636,906
	<u>549,149</u>	<u>294,553</u>	<u>-</u>	<u>843,702</u>
<i>Deferred income tax assets:</i>				
Other timing differences	(716,367)	(31,744)	7,952	(740,159)
Losses	<u>(1,664,858)</u>	<u>164,202</u>	<u>-</u>	<u>(1,500,656)</u>
<b>Net deferred income tax assets</b>	<b><u>(1,832,076)</u></b>	<b><u>427,011</u></b>	<b><u>7,952</u></b>	<b><u>(1,397,113)</u></b>

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 28 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

##### a) Deferred income tax assets (continued)

Year ended 30 September 2015	<u>1 Oct</u> TShs'000	Charged/ (credited) to P&L TShs'000	Charged to OCI TShs'000	<u>30 Sep</u> TShs'000
<i>Deferred income tax liabilities:</i>				
Property, plant and equipment	25,072	187,625	-	212,697
Revaluations of biological assets	69,090	267,362	-	336,452
	<u>94,162</u>	<u>454,987</u>	-	<u>549,149</u>
<i>Deferred income tax assets:</i>				
Losses	(66,806)	(552,855)	-	(619,661)
Other timing differences	(1,534,679)	(296,970)	-	(1,831,649)
<b>Net deferred income tax liabilities</b>	<b><u>(1,507,323)</u></b>	<b><u>(394,838)</u></b>	<b><u>-</u></b>	<b><u>(1,902,161)</u></b>

##### COMPANY

Year ended 30 September 2016	<u>1 October</u> TShs'000	Potential credit to profit or loss TShs'000	Potential credit to OCI TShs'000	<u>30</u> <u>September</u> TShs'000
<u>Deferred income tax assets:</u>				
Other timing differences	96,706	(112,610)	(510)	(16,414)
Tax losses	(166,791)	(55,850)	-	(222,641)
<b>Net deferred income tax assets</b>	<b><u>(70,085)</u></b>	<b><u>(168,460)</u></b>	<b><u>(510)</u></b>	<b><u>(239,055)</u></b>

##### **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>				
Other timing differences	(43)	96,749	-	96,706
Tax losses	(6,287)	(160,504)	-	(166,791)
<b>Net deferred income tax assets</b>	<b><u>(104,863)</u></b>	<b><u>34,778</u></b>	<b><u>-</u></b>	<b><u>(70,085)</u></b>

The Company's deferred tax asset has been derecognised in these financial statements due to uncertainties as to whether sufficient taxable profits will be available in the future against which the temporary differences giving rise to the deferred tax asset can be utilised.

**TATEPA LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**NOTES (CONTINUED)**

**28 DEFERRED INCOME TAX ASSETS AND LAIBILITIES (CONTINUED)**

**b) Deferred income tax liabilities**

Deferred income tax is calculated using the enacted income tax rate of 30% (2015: 30%). The movement on the deferred income tax account is as follows:

	<u>2016</u> TShs'000	<u>2015</u> TShs'000
At 1 October	<b>254,782</b>	670,829
Credit to other comprehensive income	<b>(13,650)</b>	-
Debit to profit or loss	<b>384,571</b>	(416,047)
	<hr/> <b>625,703</b>	<hr/> 254,782

The deferred income tax liabilities in the statement of financial position and the deferred income tax credit in the statement of profit or loss are attributable to the following items:

<b>Year ended 30 September 2016</b>	<u>1 October</u> TShs'000	<b>Charge/ (credit) to profit or loss</b> TShs'000	<b>Credited to OCI</b> TShs'000	<b>30 September</b> TShs'000
<i>Deferred income tax liabilities:</i>				
Property and equipment	171,157	3,886	-	175,043
Change in fair value of biological assets	888,245	67,232	-	955,477
	<hr/> <b>1,059,402</b>	<hr/> <b>71,118</b>	<hr/> -	<hr/> <b>1,130,520</b>
<i>Deferred income tax assets:</i>				
General provisions	(487,558)	339,931	(13,650)	(161,277)
Tax losses	(317,062)	(26,478)	-	(343,540)
	<hr/> <b>254,782</b>	<hr/> <b>384,571</b>	<hr/> <b>(13,650)</b>	<hr/> <b>625,703</b>
<b>Net deferred income tax liabilities</b>				
<hr/> <b>254,782</b>				
<b>Year ended 30 September 2015</b>				
<i>Deferred income tax liabilities:</i>				
Property and equipment	165,872	5,285	-	171,157
Change in fair value of biological assets	876,270	11,975	-	888,245
	<hr/> <b>1,042,142</b>	<hr/> <b>17,260</b>	<hr/> -	<hr/> <b>1,059,402</b>
<i>Deferred income tax assets:</i>				
General provisions	(254,581)	(232,977)	-	(487,558)
Tax losses	(116,732)	(200,330)	-	(317,062)
	<hr/> <b>670,829</b>	<hr/> <b>(416,047)</b>	<hr/> -	<hr/> <b>254,782</b>
	<hr/> <b>670,829</b>	<hr/> <b>(416,047)</b>	<hr/> -	<hr/> <b>254,782</b>
<b>Net deferred income tax liabilities</b>				
<hr/> <b>670,829</b>				

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 29 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
As at 1 January	682,891	630,780	838	705
Current service cost	54,473	79,286	-	133
Interest cost	86,600	84,036	62	-
Actuarial (gain)/loss	(9,409)	-	1,700	-
Benefits paid	(319,637)	(111,213)	-	-
<b>At end of year</b>	<b>494,918</b>	<b>682,889</b>	<b>2,600</b>	<b>838</b>

#### Reconciliation of Group actuarial gain net of deferred income tax

Kyimbila had an actuarial gain of TShs 30.1 million however no deferred tax asset was recognised for Kyimbila as described in Note 14 to the financial statements, hence the gain was recognised in full in the statement of comprehensive income. Therefore, deferred tax income tax assets of TShs 9 million was not taken to other comprehensive income.

	Group	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000
Gross actuarial gain	(9,409)	-
Less: Deferred income tax	2,823	-
Kyimbila deferred income tax not recognised in OCI	(9,030)	-
	<b>(15,616)</b>	<b>-</b>

The Group, as part of its policy, operates 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 years, or those allowed to retire early at the age of 55 years, based on length of service and salary at retirement and 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 at 30 September 2016, using the Projected Unit Method. The next valuation is due at 30 September 2019. The principal assumptions used in the actuarial valuation were:

- (i) Actuarial method - Projected Unit Method;
- (ii) Discount rate of 18.9%;
- (iii) Rate of salary escalation of 10% per annum;
- (iv) Retirement age – 25% at age 55 and the balance at age 60; and
- (v) 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 4.7% of basic salaries per annum for management and 3.3% of basic salaries per annum for non-management.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 29 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

##### Sensitivity analysis

If the discount rate used was to differ by 1% higher/(lower) from management's estimates and all other factors remained unchanged, the Group would have recognised a further decrease/(increase) in liability of TShs 36.6 million respectively.

<u>GROUP</u>	<u>18.9%</u>	<u>17.9%</u>	<u>1%</u>
Discount rate	<u>494,918</u>	<u>531,516</u>	<u>36,598</u>

If the discount rate used was to differ by 1% higher/(lower) from management's estimates and all other factors remained unchanged, the Company would have recognised the same liability.

<u>COMPANY</u>	<u>18.9%</u>	<u>17.9%</u>	<u>1%</u>
Discount rate	<u>2,600</u>	<u>2,600</u>	<u>-</u>

A change in salary escalation rate is not expected to be materially different to both the Company and the Group.

Movement in retirement benefits obligations for the past three years is as follows;

<u>GROUP</u>	<u>2015</u> TShs'000	<u>2014</u> TShs'000	<u>2013</u> TShs'000
As at 1 January	630,780	494,161	372,270
Current service cost	79,286	98,959	89,038
Interest cost	84,036	70,127	63,712
Benefits paid	(111,213)	(32,467)	(38,709)
Actuarial loss/(gain)	<u>-</u>	<u>-</u>	<u>7,850</u>
As at 31 December	<u>682,889</u>	<u>630,780</u>	<u>494,161</u>

<u>COMPANY</u>	<u>2015</u> TShs'000	<u>2014</u> TShs'000	<u>2013</u> TShs'000
As at 1 January	705	561	-
Current service cost	133	144	799
Interest cost	-	-	112
Benefits paid	-	-	-
Actuarial loss/(gain)	<u>-</u>	<u>-</u>	<u>(350)</u>
As at 31 December	<u>838</u>	<u>705</u>	<u>561</u>

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

### 30 COMMITMENTS

#### Capital commitments

The Group had no capital commitments at the year end.

#### Operating lease commitments

The Group 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 is 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. Also Kyimbila Limited as subsidiary Company has an office lease agreement for a period of 5 years from 1 June 2015. The annual lease rental is TShs 43 million (2015: TShs 42 million). The future aggregate minimum lease payments under a non-cancellable operating leases are as follows:

	Group		Company	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
Less than 1 year	<b>44,393</b>	44,393	-	-
2-5 years	<b>177,573</b>	177,573	-	-
Later than 5 years	<b>105,845</b>	105,845	-	-
	<b>327,811</b>	327,811	-	-

### 31 SHARE CAPITAL

	<u>2016</u> TShs '000	<u>2015</u> TShs '000
<b>Group and Company</b>		
Authorised: 20,000,000 ordinary shares of TShs 25 each	<b>500,000</b>	500,000
	<u>2016</u> Number	<u>2015</u> Number
Number of issued and fully paid shares	<b>18,657,254</b>	18,657,254
Weighted average number of shares	<b>18,657,254</b>	18,657,254

#### Share capital and premium

	<u>Share Capital</u> TShs '000	<u>Share Premium</u> TShs '000	<u>Total</u> TShs '000
<b>Group and Company</b>			
At 1 October 2015 and at 30 September 2016	466,431	4,048,462	4,514,893

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

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

	Group		Company	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
Loss before income tax	<b>22,459</b>	(5,697,741)	<b>(946,558)</b>	112,749
Adjustments for:				
Fair value loss on embedded derivatives	<b>385,022</b>	-	<b>385,022</b>	-
Depreciation (Note 17)	<b>787,506</b>	845,429	-	-
Amortisation of deferred capital grant (Note 27)	<b>(20,279)</b>	(20,279)	-	-
Amortisation of prepaid land rent (Note 21)	<b>7,884</b>	13,211	-	-
Fair value gain on biological assets (Note 18)	<b>(920,226)</b>	(931,058)	-	-
Employees' gratuity	<b>(178,564)</b>	52,109	<b>62</b>	133
Interest expense	<b>1,244,314</b>	1,401,757	-	-
Interest income	<b>(66,147)</b>	-	<b>(220,356)</b>	-
Tax adjustment (*)	<b>10,618</b>	-	-	-
Gain on disposal of property, plant and equipment	<b>(14,237)</b>	(22,281)	-	-
Unrealised exchange loss on term loans	<b>137,318</b>	1,761,377	<b>6,708</b>	-
Foreign exchange loss on other working capital items	<b>56,231</b>	-	-	-
<i>Changes in working capital:</i>				
Inventories	<b>(525,201)</b>	2,190,089	-	-
Trade and other receivables	<b>(944,568)</b>	(1,495,781)	<b>(813,875)</b>	(199,533)
Trade and other payables	<b>184,571</b>	(139,789)	<b>65,250</b>	58,851
Cash generated from/(used in) operations	<b>166,701</b>	(2,042,957)	<b>(1,523,747)</b>	(27,800)

(\*) This relates to operating expense that was accounted as income tax receivable in the prior year tax computation.

### 33 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. Rungwe Smallholders Tea Development Trust Fund is a fund under Rungwe Smallholders Tea Growers Association. 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 (2015: None). WTCL own 17.47%. KTPCL also buys raw tea from WTCL. Mr. G. C. Theobald a shareholder of Tatepa Limited also owns Tanganyika Finance Company.

The following transactions were carried out with related parties:

	Group		Company	
	<u>2016</u> TShs '000	<u>2015</u> TShs '000	<u>2016</u> TShs '000	<u>2015</u> TShs '000
<b>i) Sale of services</b>				
Subsidiaries (guarantee fees)	-	-	-	37,882
Subsidiaries (interest income)	-	-	<b>220,356</b>	-

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

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

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	TShs '000	TShs '000	TShs '000	TShs '000
<b>ii) Purchase of services</b>				
Shareholder – Maris Tatepa Holdings Limited (Interest)	12,647	-	-	-
Shareholder -Thompson Lloyd & Ewart (Interest)	2,660	-	-	-
Common shareholding - Tanganyika Finance Company Limited (Interest)	2,237	-	-	-
	<b>17,544</b>	-	-	-
<b>iii) Year-end balances</b>				
<b>Amounts due from related parties</b>				
Receivable from subsidiaries	-	-	195,310	157,654
Hon J J Mungai - <i>Shareholder</i>	1,510	-	1,510	-
Receivable from Rungwe Smallholders Tea Growers Association	112,594	-	-	-
Nomad Tanzania Limited – <i>Common shareholding</i>	428	-	-	-
C.S Newe – <i>Kyimbila Director</i>	500	-	-	-
Group Financial Controller - <i>Key management</i>	8,936	-	-	-
	<b>123,968</b>	-	<b>196,820</b>	157,654
<b>Amounts due to related parties</b>				
Directors fees – <i>directors</i>	99,100	107,855	99,100	107,855
Group financial controller – <i>key management</i>	769	-	769	-
Shareholders	12,916	-	12,916	-
Nomad Tanzania Limited – <i>Common shareholding</i>	46,476	-	46,476	-
Tanganyika Finance Company Limited - <i>Common shareholding</i>	121	-	121	-
Subsidiaries	-	-	136,071	-
Maris Tatepa Holdings Limited – <i>interest bearing</i>	103,124	-	-	-
Thompson Lloyd & Ewart Limited - <i>Shareholder of a parent company</i>	101,933	-	45,381	-
	<b>364,439</b>	107,855	<b>340,834</b>	107,855

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

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

#### iv) Loans receivable from subsidiaries

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	TShs '000	TShs '000	TShs '000	TShs '000
Kyimbila Tea Packaging Company Ltd	-	-	-	805,372
Rungwe Avocado Company Ltd	-	-	<b>1,917,028</b>	1,703,382
	-	-	<b>1,917,028</b>	2,508,754

#### v) Loans payable to related parties

Shareholder loans	<b>7,320,605</b>	3,243,125	<b>7,320,605</b>	1,611,770
Maris Tatepa Holdings Limited - <i>shareholder</i>	<b>5,373</b>	-	-	-
Tanganyika Finance Company Ltd ( <i>common directorship</i> )	-	556,687	-	-
	<b>7,325,978</b>	3,799,812	<b>7,320,605</b>	-1,611,770

#### (vi) 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 2015. Directors' fees are disclosed below

	Group and Company			
	<u>Fees</u>	<u>Sitting allowance</u>	<u>Total</u>	<u>Total</u>
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2015</u>
	TShs '000	TShs '000	TShs '000	TShs '000
J J Mungai	15,609	3,267	18,876	23,112
Johannes Gunnell	13,068	3,267	16,335	19,810
G C Theobald	14,883	3,267	18,150	19,810
Robin Harrison	13,068	3,267	15,246	18,710
Peter D Rowland	13,068	3,267	16,335	18,710
V K Tewari	13,068	1,089	14,157	6,603
	<b>82,765</b>	<b>17,424</b>	<b>99,089</b>	107,755

#### (vii) Key management's remuneration

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	TShs '000	TShs '000	TShs '000	TShs '000
Salaries and other short-term employment benefits	<b>1,053,935</b>	500,363	<b>411,728</b>	147,103

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.

## TATEPA LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### NOTES (CONTINUED)

#### 34 FINANCIAL INSTRUMENTS

##### (a) By category

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

##### GROUP

	<u>2016</u> Shs'000	<u>2015</u> Shs'000
<b><i>Financial assets as per statement of financial position</i></b>		
<u>Loans and receivables</u>		
Trade and other receivables (excluding prepayments and suppliers advances)	3,633,060	1,438,326
Loan receivable	1,150,251	944,510
Cash at bank and on hand	<u>258,749</u>	<u>753,519</u>
	<b><u>5,042,060</u></b>	<b><u>3,136,355</u></b>
<b><i>Financial liabilities as per statement of financial position</i></b>		
<u>Other financial liabilities amortised at cost</u>		
Trade and other payables (excluding statutory obligations)	2,648,267	2,662,797
Borrowings	<u>22,499,990</u>	<u>20,378,462</u>
	<b><u>25,148,257</u></b>	<b><u>23,041,259</u></b>
<u>Other financial liabilities at fair value through profit or loss</u>		
Embedded derivative	<u>385,022</u>	<u>-</u>
<b><u>385,022</u></b>		
 <b><u>COMPANY</u></b>		
	<u>2016</u> Shs'000	<u>2015</u> Shs'000
<b><i>Financial assets as per statement of financial position</i></b>		
<u>Loans and receivables</u>		
Trade and other receivables (excluding prepayments and suppliers advances)	1,110,104	318,627
Loan receivable	1,917,028	2,508,752
Cash at bank and on hand	<u>45,545</u>	<u>466,847</u>
	<b><u>3,072,677</u></b>	<b><u>3,294,226</u></b>
<b><i>Financial liabilities as per statement of financial position</i></b>		
<u>Other financial liabilities amortised at cost</u>		
Trade and other payables (excluding statutory obligations)	646,999	577,037
Borrowings	<u>7,320,605</u>	<u>-</u>
	<b><u>7,967,604</u></b>	<b><u>577,037</u></b>
<u>Other financial liabilities at fair value through profit or loss</u>		
Embedded derivative	<u>385,022</u>	<u>-</u>
	<b><u>385,022</u></b>	<b><u>-</u></b>

## **TATEPA LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **NOTES (CONTINUED)**

#### **35 OTHER RESERVE**

Tatepa Limited acquired shares of Non- Controlling Interest of one of its subsidiary, Kyimbila Limited. The transaction did not result in a change of control. The carrying amount of non- controlling interest was adjusted to reflect the change in non-controlling interest's ownership interest in Kyimbila Limited. In accordance with the requirements of IFRS 10 the difference of TShs 838 million between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid was recognised in equity as other reserve.

#### **36 EVENTS AFTER THE REPORTING PERIOD**

At Tatepa Limited board meeting held on 1 November 2016, a resolution was passed by the Board to convert its loan to Rungwe Avocado Company Limited into equity. The board also received a confirmation from AWC CB1 Limited to convert its loan of TShs 2,303 million into Rungwe Avocado Limited, this was also approved by the Board.



