



TATEPA PLC



ANNUAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018



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RUNGWE BLEND
Ubora wa hali ya juu kwa thamani ya pesa zako

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Tatepa Public Limited Company
Annual Report and Consolidated Financial Statements
For the Year Ended 30 September 2018

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TATEPA PUBLIC LIMITED COMPANY

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the Company in respect of the year ended 30th September 2018 will be held at The Courtyard Hotel, Ocean Road, Dar es Salaam on Thursday the 25th April 2019 at 09:30 hours.

AS ORDINARY BUSINESS

1. Confirmation of the Minutes of the 24th Annual General Meeting.
2. To receive, consider and adopt Report of the Board of Directors, Audited Financial Statements for the financial year ended 30th September 2018, and the Report of the Auditors' thereon.
3. To approve no payment of dividend for the year 2017-18 as recommended by the Board of Directors of the Company.
4. Appointment of Directors for a period of 2 years:
 - (a) To appoint Mr. Hendrik Andres De Klerk as a Director of the Company.
 - (b) To appoint Hon Dr Raphael Chegeni as a Director of the Company
5. To appoint PKF Associates Tanzania, 1st 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 2018-19 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 Public Limited Company

P.O.Box 1344 Dar es Salaam, Tanzania

31 March 2019.

Please detach and return this slip to Tatepa PLC if you can attend

I, (name) _____ Confirm that

I will be attending the Tatepa PLC AGM on 25th April 2019

Return to: Mrs. N Hoskyns-Abrahall
 Company Secretary
 Tatepa Public Company Ltd.
 P.O.Box 1344 Dar es Salaam.



TATEPA PUBLIC LIMITED COMPANY

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 25th day of April 2019 and at any adjournment thereof.

Signed _____

This _____ Day of April 2019.

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 Public Limited Company;

P O Box 1344,

Dar es Salaam,

Tanzania.

CHAIRMAN STATEMENT FOR 2017-18



G.C. Theobald
Chairman, Tatepa Limited

OVERVIEW

The overall achievement of the year under review shows a profit before tax of Tsh 1.8 billion, for the first time in a decade. This is mainly attributable to Wakulima Tea Company Ltd's exceptional performance. This is not only due to good weather condition but also due to good cooperation from RSTGA! and finally to Tatepa Board support over the years. The marketing strategies applied have seen an increase in sale from the 4,237t budgeted to 5,748t achieved.

Rungwe Avocado Company Ltd did not perform as expected due to some major shipping issues and the loss of 14 containers of fruit damaged because the shipping lines changed routes, resulting in the fruit being damaged during transport. Insurance claims have been processed and compensation paid but below the market price that would have been achieved.

The restructure of RAC's balance-sheet continues with conversion of the remaining debts of Umiliki Investments and AgDevCo on-going. Further investments are being negotiated to enable the company to acquire more land for its own Avocado plantation.

Kyimbila Tea Packing Company Ltd shareholders was sold after the year end and the SPA was finally signed on the 17th January 2019 to Stone Valley Tea Company Ltd. The process of transferring the ownership is in process and expected to be completed by end of June 2019. The new owner has taken control of the business from 1st February 2019.

With regard to our investments in Suma Hydro Ltd, only limited site work has been happening as EWURA have released a new set of draft Rules for Small Power Project Development and the SPPA contract remains under discussion. The downside in the proposed tariffs has been dropped significantly, having the whole project going back under review with our feedback submitted to EWURA for their consideration.

The development of the Company continues to be impacted by the same damaging factors reported last year:

- VAT claims refund. The Company faced and continues to experience serious cashflow issues due to unpaid VAT claims from 2015 now amounting to Tsh 2.2 billion. With the claims being re-verified after comprehensive audit and Verification from TRA, it is unclear when and if these claims will be repaid by Government.
- Multiple cesses, levies and taxes continues to burden and slow the development of the Agriculture sector.
- Illegal purchases of tea green leaf has been much reduced but has not yet completely stopped as expected.

The cash difficulties facing the Company - for the reasons above - does not allow payment of dividend this year, despite the profit achieved.

TATEPA NAME CHANGE

On 8 Feb 2019, BRELA issued a certificate re name change of Tatepa. Now it is Tatepa Public Company Limited.



FINANCING

- WTC still has no term debt and fortunately managed to finance - from retained earning - 3 CTC's line at our main Katumba Factory, a replacement much needed since the quality of tea production has been decreasing and impacting our selling prices. WTC remain with the same level of overdraft facilities of US\$ 2m and Tsh 1.35bn.
- RAC restructured some of its debt into equity with a right issue of 405,645 shares at above market prices. Tatepa Ltd and AgDevCoTz Ltd subscribed for their full shares of 184,229 and 82,879 shares respectively. Tatepa Ltd converted it's loan entirely and the balance of US\$ 439k was paid in cash. AgDevCo converted part of its debt into equity and paid US\$ 175k additional in cash.

The current debt at closing of the period was as follows:

- AECF: US\$ 1.1 million
- Umliki Investments: US\$ 1.1 million
- AgDevCo: US\$ 1.1 million
- CRDB Bank Plc overdraft facility: US\$ 1 million

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Support to out-growers continues to be a major Tatepa focus. WTC small-holders were paid dividends for the first time in a decade for the year ending 30 Sept 2017 and more divided for the year ending 30 Sept 2018 will be paid to them as soon as the cashflow allows.

WTC continued to honour our commitment to pay at least the Government's indicative minimum price for green leaf despite the cash being held by the VAT refund. All efforts were made to prioritise payments to the farmers.

We also continued this year to assist AgDevCo's Smallholder Development Unit by giving all necessary support for the success of the project and working closely with farmers.

The training to the farmers also continued and new plucking machines - part of the MTH pilot project - have been introduced, operator's training is well underway. Assistance is also given to the farmers for GL collections and routes in the project areas to facilitate collection and transportation of the harvesting machines.

The development of two model farms under The Harris Freeman Foundation continues successfully with all necessary support and training extended to the farmers by WTC extension services.

The Farmer Field Schools (FFS) project supported by WFT is equally successful with all the classes actively conducted.

Assistance to RSTGA continued and fertilizer distributions to the farmers were for the first time delivered to the farmers ahead of time by RSTGA.

Our continued commitment to sustainability was again demonstrated and will strongly continue. We also continue to maintain our compliance with Rainforest Alliance Standards and ISO 22000 (Food Safety) certification.

WAKULIMA TEA COMPANY (WTC)

The company's production increased by 28% as compared to 2017, due not only to good weather conditions in 2018 but also to good collaboration with RSTGA, support from the Tatepa Board and significant staff effort. The Company closed the year with a net profit before tax of Tsh 4 billion from 0.3 billion in 2017.

The average sale price at USD 1.90 per kg was better than last year's of USD 1.74 per Kg, partly due to an improvement in quality and partly an increase in world prices.

Mwakaleli was opened again this year, producing better quality reflected in the achieved average prices. WTC is planning to replace 3 lines of 4 CTC's, with the equipment currently being cleared through the Dar es Salaam port. This is to improve the quality of tea production from Katumba Factory.

WTC continued this year to give support to various programs: e.g. the Small Development Unit, Woods Family Trust pilot trials with machine harvesting on out-growers farms, comprehensive extension services and Farmer Field Schools project. WTC continues its commitment to the smallholder farmers in the Region through the on-going strong partnership in Rungwe District.

The Company plans to diversify its crop and minimise its exposure by planting more avocado fruits. An element of this plan as been put on hold for now since the authorisation from the Tea Board to uproot tea is awaited, and the Company only developed at this stage 10Ha of avocado plantation in areas where the tea bushes were not doing well. WTC will also be looking at increasing its gum plantation to be able to supply sufficient firewood for its operation. Alternative fuel is also been investigating at present.

RUNGWE AVOCADO COMPANY LTD (RAC)

The preceding years management events continued to affect the company performance this year with the loss of our 40ha plantation management contract. There was initially also a loss of farmers but who are now slowly coming back to RAC. The Company unfortunately also suffered losses due to logistical issues caused by the shipping lines delaying the delivery and changing routes. Although the Company had a comprehensive insurance cover, the compensation obtained was below the value the Company would have achieved had these shipments arrived on time. These were totally beyond the Company's control.

Management and pest control targets were all successfully achieved this year.

World Prices were also very poor this year due to the high availability in the World Market from all other producing countries - this is not expected to have such a severe effect in the coming season.

Marketing through Halls International was not fully satisfactory this year, with a low level of feedback and lack of response. The Company is intending to review its marketing strategy for the coming season and find other partners alongside Halls for the fruit's distribution. New market research will also be conducted.

In view of the problems the Company experienced from some out growers and in order to minimise the risk, the Company decided to acquire more land and increase its own plantation. Finance for this is being negotiated and land has already been identified.

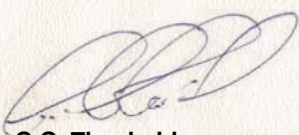
The first phase of restructuring of the balance sheet was completed and is showing a much better position. Further restructuring of term debt is planned with a right issue being prepared for more debt conversion and possible new equity for new land financing.

CONCLUSION

Although it has been a very good year for WTC achieving great results, and a challenging year for RAC, more is still to be done in terms of finding sufficient finance to enable the Group to continue its support to the farmers for both crops whilst the VAT refund remain withheld, with no clear indication as to when to expect the refunds. The Group was also denied our request to offset approved claims against other taxes which would have helped the cash position facing the Group.

The world tea price is declining at present which will have a further negative impact on the Group cashflow. The group disposal of KTPCL will help focus on WTC, Suma and RAC during this challenging period. All effort will be made to increase the production of avocado fruit and to improve the quality of our teas with the current replacement of the equipment. The Group remains in a good position to generate significant returns as proven this year and will continue its effort going forward to increase the returns.

Finally, I would like to thank all the staff across the Group for their continuous efforts, commitment and support given to achieve these great results.



G.C. Theobald
Chairman



TAARIFA YA MWENYEKITI YA MWAKA 2017/2018



G.C. Theobald
Mwenyekiti, Tatepa Limited

MUKTASARI

Ufanisi wa Kampuni kwa kipindi cha mwaka 2017 – 2018 unaonyesha faida kabla ya kodi kwa mara ya kwanza ilikuwa Tshs. 1.8 billion. Hii kwa kiasi kikubwa ilichangiwa na Kampuni ya Chai ya Wakulima (Wakulima Tea Company Ltd) ambayo ilikuwa na ufanisi wa juu.

Ufanisi huo sio tu kutokana na hali mzuri ya hewa peke yake bali pia ni kutokana na ushirikiano mzuri kutoka RSTGA (Muungano wa Wakulima Wadogo wa Chai Rungwe) na pia uongozi mzuri wa bodi ya TATEPA. Kwa upande wa masoko, kulikuwa na ongezeko la mauzo kutoka makadirio ya tani 4,237 hadi uhalisia wa tani 5,748.

Matarajio ya ufanisi kwa Kampuni ya Maparachichi (Rungwe Avocado Company Limited) hayakuwa mazuri kutokana na matatizo ya usafirishaji kwenda Nchi za nje. Kulikuwa na idadi ya makontena 14 za Maparachichi ambayo yaliharibika kutokana na ubadilishaji wa vyombo vya usafiri baharini uliopelekea kuharibika kwa Matunda. Hata hivyo tuliwasilisha madai kwa vyombo vya Bima, lakini malipo yaliyopatikana yalikuwa ni chini ya bei ya soko.

Mauzo ya Kyimbila Tea Packing Company Limited yalifanyika baada ya mwisho wa mwaka wa Kampuni, ambapo utiaji saini ya makubaliano ya mauzo ulifanyika tarehe 17, January 2019 baina ya Kyimbila Tea Packing Company Limited na Stone Valley Tea Company Limited. Hatua za kukamilisha uhamishaji wa umiliki zinategemewa kukamilika ifikapo mwezi Juni 2019. Mnunuzi mpya wa Kampuni amechukua uongozi wa Kampuni kuanzia tarehe 1 February 2019.

Kuhusiana na Uwekezaji katika Kampuni ya kufua umeme ya Suma Hydro Ltd, ni kazi chache za awali ambazo zimefanyika kutokana na sheria mpya ya EWURA zinazohusiana na miradi ya midogo midogo ya ufuaji wa umeme (Small Power Project Development- SPPD) ambayo bado ipo kwenye majadiliano ikisubiri maamuzi ya EWURA.

Maendeleo ya Kampuni kiujumla bado yamekuwa yakikwamishwa na vikwazo vilivyoripotiwa mwaka uliopita.

- Madai ya ongezeko la kodi, (VAT) Kampuni inaendelea kuwa na tatizo kubwa la rasilimali fedha kutokana na kutolipwa madai ya VAT kutoka mwaka 2015 ambayo sasa yamefikia billion 2.2. Pamoja na uhakiki na ukaguzi wa TRA bado haijulikani ni lini Serekali italipa deni hilo.
- Wingi wa tozo na ushuru bado imekuwa in tatizo kwa sekta ya kilimo
- Ununuzi haramu wa chai ghafi kutoka kwa Wakulima umepungua kwa kiwango kikubwa, pamoja na kwamba haujakoma kabisa kama tulivotarajia

Matatizo ya fedha yaliyobainishwa hapo juu hayatoi nafasi kwa Kampuni kutoa gawio kwa mwaka ulioisha licha ya faida iliyopatikana.

KUBADILIKA KWA JINA LA TATEPA

Mnamo tarehe 8, February 2019 BRELA ilitoa cheti cha mabadiliko ya jina kutoka TATEPA na kuwa TATEPA PUBLIC COMPANY LIMITED.

VYANZO VYA UENDESHAJI

WTC haina vyanzo vya nje vya uendeshaji, ila kwa bahati mzuri imeweza kutumia akiba yake kujiendesha . Hii ni pamoja na kuweka mfumo mpya wa 3 CTC ili kuimarisha uzalishaji wa chai katika kiwanda cha Katumba, ikiwa ni pamoja na kuongeza ubora wa chai na bei mzuri za chai katika soko.WTC bado imebakia na kiwango cha deni (Overdraft facilities) la Dola za kimerekani milioni 2 na fedha za Kitanzania Shs billioni 1.35.

RAC imebadili baadhi ya madeni yake kuwa hisa kwa idadi ya hisa 405,645 na kwa kiwango cha juu ya bei ya hisa sokoni.

TATEPA PLC na AgDevCo LTD zimechangia hisa 184,229 na 82,879 mtawalia. Hisa za TATEPA zililipwa kwa kufuta deni la mkopo wake kwa RAC na kiwango kilichosalia kililipwa kwa fedha taslimu dola za Kimerekani 439,000. AgDevCo ilibadili mkopo wake kwa hisa na pia kiwango kilichobaki kililipwa kwa fedha taslimu dola za Kimerekani 175,000.

Mikopo iliyobakia kwenye vitabu mwishoni mwa mwaka husika ni kama ifuatavyo:

- AECF – Dola za Kimerekani milioni 1.1
- Umiliki Investments - Dola za Kimerekani milioni 1.1
- AgDevCo – Dola za Kimerekani milioni 1.6
- CRDB Bank Plc O/D – Dola za Kimerekani milioni 1.

MAHUSIANO NA JAMII

Kuunga mkono Wakulima wadogo imekuwa ni kipa-umbele kwa Kampuni ya TATEPA .

WTC iliwalipa wakulima wadogo wadogo gawio kwa mara ya kwanza kwa mwaka ulioishia tarehe 30,September,2017 na pia gawio kwa mwaka ulioishia tarehe 30,September 2018 watalipwa pindi hali ya pesa itakapokuwa vizuri.

WTC imeendelea kuwalipa Wakulima wa chai kwa ununuzi wa majani ghafi ya chai kwa kiwango kilichopendekezwa na Serekali pamoja na kwamba kiwango kikubwa cha pesa kimeshikiliwa kwenye VAT inayodaiwa Serekalini. Kipa-umbele kikubwa cha malipo kimeelekezwa kwa Wakulima,Pia tumeendelea kutoa msaada wa hali na mali kwa AgDevCo – Smallholder Development unit, lengo likiwa kufanikisha mkakati wa kuwawezesha kufanya kazi kwa ukaribu zaidi na Wakulima.

Elimu kwa Wakulima imeendelea kutolewa ikiwa ni pamoja na kutoa mashine za uvunaji wa chai kwa ajili ya mradi wa mfano wa MTH. Mafunzo ya matumizi ya mashine yanaendelea pamoja na miundo mbinu ya kuziwezesha mashine kuwafikia wakulima mashambani inajengwa ambayo pia itarahisisha usafirishaji wa mazao baada ya kuvunwa.

Mweendelezo wa mashamba mawili ya mfano (shamba darasa) chini ya ufadhili wa The Harris Freeman Foundtion unaendelea kwa ufanisi mkubwa kwa msaada wa WTC kutoa mafunzo kwa vitendo.

Mradi wa kilimo kwa vitendo (FFS) unaotolewa na WFT umekuwa kichocheo kikubwa cha mashamba darasa.

Msaada kwa wakulima wadogo wa chai Rungwe (RSTGA) umekuwa ukiendelea na kwa mara ya kwanza, usambazaji wa mbolea kwa wakulima imewafikia kabla ya muda uliotarajiwa na RSTGA.

Tumeendelea kudumisha uwajibikaji wetu kwenye ushirikiano na wakulima hali kadhalika tunatii masharti yatolewayo na bodi za viwango (Rainforest Alliance Standard na ISO 2200) kuhusiana na usalama wa chakula.

WAKULIMA TEA COMPANY (WTC)

Uzalishaji wa chai uliongezeka kwa asilimia 28 ukilinganishwa na ule wa mwaka 2017. Hii haitokani na hali mzuri ya hewa



pekee bali pamoja na ushirikiano mzuri wa RSTGA, msaada kutoka bodi ya uongozi ya TATEPA na juhudi kubwa za wafanyakazi.

Kampuni ilifunga mwaka ikiwa na faida kabla ya makato ya kodi ya shilingi za Kitanzania billioni 4 ikilinganishwa na shs billioni 0.3 ya mwaka 2017.

Bei ya mauzo kwa kilo ya chai ilikuwa wastani wa Dola 1.90 ikilinganishwa na Dola 1.74 kwa mwaka uliopita. Ubora wa bei ulitokana na ongezeko la ubora wa chai na ongezeko la bei ya zao la chai katika soko la dunia.

Kiwanda cha Mwakaleli kilifunguliwa tena na pia kushiriki kuinuwa wastani wa bei kutokana na ubora wa uzalishaji. WTC ipo kwenye mkakati wa kufunga mashine mpya kwenye safu tatu kati ya nne za uzalishaji, hatua ambayo itaongeza ubora wa chai itakayozalishwa kwenye kiwanda cha Katumba.

WTC imeendelea kuunga mkono mipango mbalimbali ikiwepo maendeleo ya vikundi vidogo, (small Development unit) ukusanyaji magogo (woods family) uvunaji wa chai wa majaribio kwa kutumia mashine, Elimu kwa wakulima kwa njia ya vitendo pia kuongeza idadi ya washirika wa wakulima wa chai Wilaya ya Rungwe.

Kampuni ina mkakati wa kupanua wigo kwa kufungua kilimo cha Maparachichi. Mpango huu upo mbioni ukisubiri kibali cha bodi ya chai ili kon'goa miche ya chai ambayo haifanyi vizuri na kwa sasa tayari eneo la takribani hekari 10 zimeandaliwa. Kadhalika WTC ina mpango wa kuongeza kilimo cha miti kwa ajili ya kuzalisha magogo kwa ukaushaji wa chai, pia utafiti unafanyika kuona njia mbadala ya kutumia mafuta na kupunguza au kuachana kabisa matumiaji wa kuni.

RUNGWE AVOCADO COMPANY (RAC)

Matatizo ya kiuongozi wa miaka iliyopita yaliendelea kuathiri utendaji mzuri wa kampuni ambapo mwaka huu kulikuwa na hasara ya miche kwenye ukubwa wa shamba hekari 40.

Hali kadhalika tulipoteza idadi kubwa ya wakulima japo kwa sasa wanaonekana kurudi kidogo kidogo.

Matatizo yaliyotokana na usafirishaji wa zao la maparachichi nchi za nje yaliisababishia kampuni hasara kubwa, hii ilitokana na ucheleweshaji wa meli kuondoka na pia ubadilishaji wa safari za meli ambao ulichukua muda mrefu kuliko matarajio hivyo kuwa chanzo cha matunda kuharibika. Pamoja na kuwa na bima mzuri lakini kiwango kilicholipwa kilikuwa kidogo kulinganisha na thamani ya zao hilo kama lingefika salama sokoni, na haya yote yalikuwa ni nje ya uwezo wa kampuni kiutendaji.

Uongozi mzuri wa utumiaji wa viwatilifu vyote vilizingatiwa kwa kipindi chote cha mwaka.

Bei katika soko la Dunia zilikuwa chini kutokana na wingi wa zao hili sokoni. Aghalabu hatutegemei kukutana na vikwazo vikubwa katika msimu ujao.

Upatikanaji wa masoko kupitia Halls International haukuwa mzuri ukizingatia kwamba hakukuwa na mrejesho, na mwingi ulikuwa mdogo mno.

Kampuni inapanga kupitia upya mfumo wa masoko ili kuwa na uhakika wa ufanisi kwa msimu ujao ikiwa ni pamoja na kutafuta Mbua atakayekua sambamba na Halls katika usambazaji wa maparachichi pamoja na kufanya utafiti yakinifu wa masoko ya maparachichi.

Kutokana na matatizo yaliyojitokeza pale wakulima wadogo walipositisha kuuza maparachichi kwa kampuni, (RAC) imekua ni fundisho kwetu hivyo Kampuni imeamua kutafuta ardhi zaidi ili kuongeza idadi ya miche ya maparachichi, na kwa sasa vyanzo vya fedha vipo kwenye majadiliano na eneo la aridhi limekwisha bainishwa.

HITIMISHO

Pamoja na kuwa ulikuwa ni mwaka wa neema kwa kampuni ya WTC, na mwaka wa msukosuko kwa kampuni ya RAC bado tuna jukumu kubwa la kutafuta fedha za kuwezesha kundi la TATEPA kuendelea kuwasaidia wakulima wa mazao yote (chai na maparachichi) kwavile mpaka sasa hatujui na hakuna dalili ya lini Serekali italipa marejesho ya VAT.

TATEPA iliomba kwa Serekali kufidia garama zingine za kodi kwa kufuta kiwango cha VAT kinachotozwa ili angalau kuweka hali ya fedha sawa, lakini yote yalikataliwa.

Mwelekeo wa bei ya chai katika soko la dunia unashuka hali ambayo itaathiri uwezo wa kifedha kwa kundi zima la TATEPA. Uuzwaji wa KTPCL unatoa fursa ya usimamizi zaidi kwa makampuni ya WTC, SUMA na RAC katika kipindi hiki kigumu. Nguvu nyingi zitaelekezwa kwenye uzalishaji wa maparachichi na kuongeza ubora wa chai kwa kutumia mitambo ya mipya inayofungwa.

Makampuni ya TATEPA yatabaki kuwa imara yakitoe uzalishaji bora na wa kutosha kama ilivyodhihirika mwaka huu.

Kauli mbiu ikiwa ni mbele daima kurudi nyuma ni mwiko.

Mwisho ningependa kuwashukuru wafanyakazi wote wa makampuni ya TATEPA kwa nguvu zao na uwajibikaji wao kufikia ufanisi mkubwa uliopatikana.



G.C. Theobald

Chairman



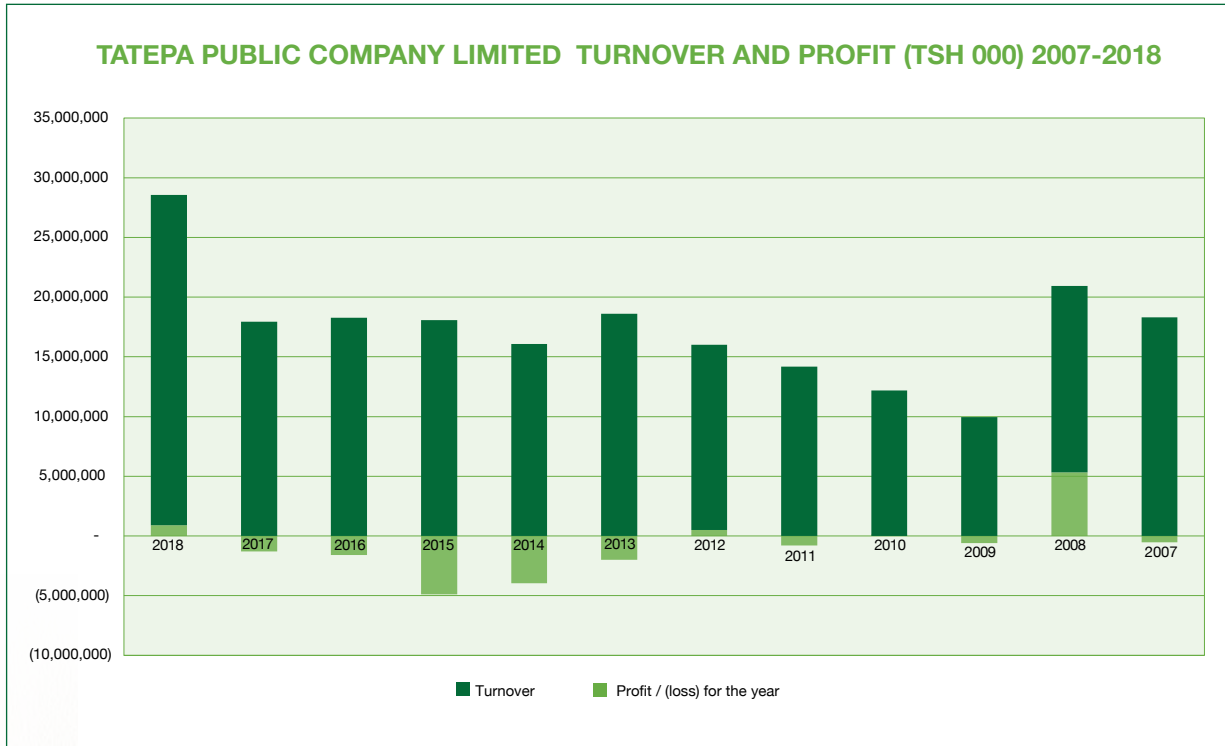
FINANCIAL REVIEW

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	Group	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'	TZs'000'
Turnover												
Continuing Operations	27,656,544	17,945,019	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
Discontinued Operations						-	-	-	-	-	5,391,086	12,271,844
Group turnover	27,656,544	17,945,019	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
Profit/(Loss) for the year												
From continuing operations	900,709	(1,296,436)	(1,586,899)	(4,893,271)	(3,972,147)	(2,005,639)	505,803	(806,647)	14,807	(582,270)	5,578,284	(1,964,520)
From Discontinued operations						-	-	-	-	-	(248,850)	1,422,234
Group profit / (loss) for the year	900,709	(1,296,436)	(1,586,899)	(4,893,271)	(3,972,147)	(2,005,639)	505,803	(806,647)	14,807	(582,270)	5,329,434	(542,286)
Dividends	-	-	-	-	-	357,143	-	-	-	-	6,517,865	2,525,088
Cash Generated From Operations	(2,815,551)	630,176	(650,696)	(3,461,251)	(2,915,087)	(1,697,878)	140,169	(1,665,384)	747,906	573,828	947,866	2,731,108
Net Cash from Investment activities	(308,424)	433,326	(502,136)	(434,279)	(406,758)	(868,029)	(595,232)	(1,516,129)	(2,358,066)	(586,510)	5,845,631	1,202,456
Interest Bearing Debt	13,753,545	13,494,145	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
Interest Free Debt	2,668,859	2,622,345	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)	31	(87)	(81)	(153)	(121)	(77)	22	(28)	(2)	(27)	294	(40)
Dividends Per Share (TZs)	-	-	-	-	-	20	0	0	0	0	365	100

FINANCIAL REVIEW

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



COMPANY INFORMATION

		(Position)	(Nationality)
BOARD OF DIRECTORS	: Mr. G. C. Theobald	Chairman	Tanzanian
	: Mr. P. D. Rowland	Director	British
	: Mr. Johannes Gunnell	Director	British
	: Mr. Robin Harrison	Director	British
	: Mr. Vimalendu K. Tewari	Director	Indian
	: Mr. Hendrik Andres De Klerk **	Director	South African
	** Appointed on 24 October 2018		

REGISTERED OFFICE

- : C/o Wakulima Tea Company Limited
- : Tukuyu Township, Katumba factory
- : P.O. Box 700
- : Tukuyu
- : Mbeya

PRINCIPAL PLACES OF BUSINESS

- : Wakulima Tea Company Limited
- : Tukuyu Township
- : Katumba Factory
- : P. O. Box700
- : Tukuyu - Mbeya.

- : Rungwe Avocado Company Limited
- : Tukuyu Township, Kyimo Ilenge Pack Shed
- : P.O. Box247
- : Tukuyu - Mbeya.

- : Kymbila Tea Packing Company Limited
- : Plot 14, Them Hill, Industrial Area
- : Arusha- Tanzania.

INDEPENDENT AUDITOR

- : PKF Associates Tanzania
- : P.O. Box 7323
- : Dar-es-salaam
- : Tanzania.

COMPANY SECRETARY

- : Ms Nicole Monique Verjus
- : P.O Box 1344
- : Dar-es-salaam
- : Tanzania.

PRINCIPAL BANKER

- : CRDB Bank PLC
- : Pugu Road Branch
- : P.O. Box268
- : Dar es salaam
- : Tanzania.

REPORT OF THE DIRECTORS

The Directors submit their report and the audited consolidated financial statements for the year ended 30 September 2018, 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.

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 endeavor 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) (2017: 70%); an aggregated majority stake of 63.75% (2017: 55.69%) in the equity of Rungwe Avocado Company Limited (RACL), of which 59.51% (2017: 45.42%) is held directly by Tatepa Limited and 4.24% (2017: 10.27%) is held indirectly through WTCL; and a majority stake of 94.03% (2017: 94.03%) in Kyimbila Tea Packaging Company Limited (KPTL) of which 81.80% (2017: 81.80%) is held directly by Tatepa and 12.23% (2017: 12.23%) 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 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 parent Company’s principal activities continued to be the holding and financing of the investments described above.

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 2017 unless otherwise stated are:

Name	Position	Age (years)	Qualifications	Nationality	Remark
George C. Theobald	Chairman	60	BA- Economics	Tanzanian	
Peter D. Rowland	Member	64	MSc. Agric Eng. C. Eng.		
Johannes Gunnell	Member	39	MA (Oxon): Philosophy, Politics & Economics	British	
Robin Harrison	Member	61	MA (History, Archaeology & Anthropology)	British	
Vimalendu K. Tewari	Member	69	MCom, FCA	Indian	
Mr. Hendrik Andres De Klerk	Member	53	Diploma in Agriculture	South African	Appointed on 24 October 2018



REPORT OF THE DIRECTORS (CONTINUED)

The Company Secretary at the date of this report is Ms. 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 Annual General Meeting of the Company held on 29 April 2016. The next AGM will appoint / reappoint the Directors.

The disclosure of Director’s emoluments are set in note 35 to the financial statements.

6. CORPORATE GOVERNANCE

During the year ended 30 September 2018, the Board of the Company consisted of five Directors. The Board takes overall responsibility for the Company, including identification of the 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.

Board meetings are held at regular intervals; there were three meetings during the year ended 30 September 2018 (In 2017: three 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 the subsidiaries. Its meetings are held as necessary and as directed by the Board.

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 is established to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group’s financial reporting process, internal control structure, risk management systems and external audit process. The Audit Committee met twice during the year (In 2017: met twice).

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 met once during the year.



REPORT OF THE DIRECTORS (CONTINUED)

7. CAPITAL STRUCTURE

The Group and Company capital structure as at the reporting date were as shown below:

	Group		Company	
	2018	2017	2018	2017
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Ordinary share capital	466,431	466,431	466,431	466,431
Share premium	4,048,462	4,048,462	4,048,462	4,048,462
Retained earnings	(11,754,389)	(12,347,125)	(32,967)	(893,702)
Revaluation reserve	595,507	608,845	-	-
Other reserves	(849,984)	(838,250)	-	-
Total owners' equity	(7,493,973)	(8,061,637)	4,481,926	3,621,192
Non-controlling interest	929,399	(510,939)	-	-
Total equity	(6,564,574)	(8,572,577)	4,481,926	3,621,192
Borrowings	24,095,593	22,317,198	8,737,864	7,539,457

8. MANAGEMENT

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

9. SHAREHOLDER OF THE COMPANY

The total number of shareholders as at 20 November 2018 was 1620 shareholders (2017: 1620 shareholders). Three of the Directors had interests in the issued and fully paid up shares of the Company as detailed are provided below:

Name	Nationality	Number of Ordinary Shares
Estate of Late Han J. J. Mungai (rtd MP)*	Tanzanian	2,340,281 shares
Mr P. D. Rowland	British	2,284,593 shares
Mr G. C. Theobald	Tanzanian	4,460,371 shares

* Deceased on 8 November 2016.

The shares of the Company are held as follows:

S/N	Name	Number of ordinary shares held	
		2018	2017
1	Thompson Lloyd & Ewart Limited	4,442,565	4,442,565
2	Mr. G. C. Theobald	4,460,371	4,460,371
3	Maris Tatepa Holdings Limited	3,370,520	3,370,520
4	Mr. P. D. Rowland	2,284,593	2,338,173
5	Estate of Hon J. J. Mungai	2,340,281	2,340,281
6	Various others	1,758,924	1,705,344
		<u>18,657,254</u>	<u>18,657,254</u>

REPORT OF THE DIRECTORS (CONTINUED)**10. STOCK EXCHANGE INFORMATION**

The Company is listed on the Dares Salaam Stock Exchange (DSE) since 1999. The share price as at 30 September 2018 was Tshs 120 (2017: 650). The market capitalisation as at 30 September 2018 was Tshs 2.24 billion (2017: 12.1 billion).

11. RESULTS AND DIVIDEND

The results for the year are disclosed on page 13. The Board does not propose a dividend for the year 2017- 2018 (Year 2016-2017: nil)

12. PERFORMANCE FOR THE YEAR

Wakulima Tea Company Limited: production increased by 28% as compared to 2017. This was due to good favorable weather conditions in 2018. The average sales price of USD 1.9 per Kg was better than last year's price of USD 1.74 per Kg. The higher price was due to an improvement in quality, despite stable world prices. Wakulima Tea Company Ltd made an operating profit before tax of Tshs 3.989 million (2017: Tshs 386.9 million)

Rungwe Avocado Company Limited: Exports during the year were 1011 tons (previous year 390 tons). The management issues have since been resolved. The plantations are now equipped with irrigation system that improves the quality of the fruits. The Company capitalised the entire debt of Tatepa Limited and capitalised part of AgDevCo debt. AgDevCo and Tatepa also contributed cash equity to the company. Management is discussing with the lenders for further capitalisation of their debts.

Kyimbila Tea Packing Company Limited: made a loss after tax of Tshs 795 million (2017: Tshs 854 million). Tatepa Limited (TATEPA) remained as a Holding Company and concentrated on the management of the Group Companies. During the year, it made a profit after tax of Tshs 861 million (2017: loss of Tshs 2.1 million)

The Group profit after tax during the year increased to Tshs 909 million compared to a loss of Tshs 2,299 million in 2017.

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 2018 and is of the opinion that they met acceptable criteria.

REPORT OF THE DIRECTORS (CONTINUED)**14. SOLVENCY**

The Directors believe that the Company and the Group will remain a going concern for at least the next twelve months from the date of this report. The Board of Directors has reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Board of Directors also confirm 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 relationships between Group employees and management for the year ended 30 September 2018. 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, tribe, 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 2018, the Group allocated a sum of Tshs 35.6 million (2017: Tshs 17.53 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.

Medical Assistance

All members of staff and a maximum number of four beneficiaries (dependents) for each employee are availed medical assistance (payment of certain medical bills) at Government hospitals within their locations or through medical insurance scheme.

Healthy and Safety

The Group has strong health and safety committees which ensure that a strong culture of safety prevails at all times. A safe and working environment is ensured for all employees and contractors by providing adequate and proper person 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 whenever 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 there employees.

Employees Benefit Plans

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

The Group also maintains an unfunded non-contributory employee gratuity arrangement (the "Arrangement"), which provides for lump sum payments to eligible employees on their retirement at the age of 60 years, or those allowed

REPORT OF THE DIRECTORS (CONTINUED)

to retire early at the age of 55 years, based on the 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 average number of employees in the Group during the year was 473 (2017: 423).

16. GENDER PARITY

As at 30 September 2018, the Group had 473 employees (2017: 423 employees), out of whom 115 (2017: 110) were female and 358 (2017: 313) were male.

17. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 35 to these financial statements.

18. POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year. The Group neither made donations to public institutions nor to charitable organizations during the year (2017: Tshs 2.96 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 establishing forest nurseries and distributing subsidised seedlings to its small holder tea growers. The Company discourages the harvesting of immature forests by not buying firewood harvested from immature forests. In addition, WTCL and RAC both follow international guidelines for environmental conservation, as stipulated by Rainforest Alliance and Global Gap respectively.

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 energy.

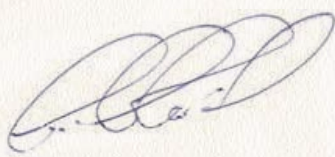
20. CORPORATE SOCIAL RESPONSIBILITY

The Group continues to ensure that its employees, stakeholders have responsible environment management 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 Company's Auditor, PKF Associates Tanzania has expressed their willingness to continue in office and is eligible for re-appointment.

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



G.C. Theobald
Chairman

04/12/2018

Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzanian Companies Act, No. 12 of 2002 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company and Group; that disclose, with reasonable accuracy, the financial position of the Group and Company and that enable them to prepare financial statements of the Group and Company that comply with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, No.12 of 2002. The Directors are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, No. 12 of 2002. They also accept responsibility for:

Designing, implementing and maintaining such internal control as they determine is necessary to enable

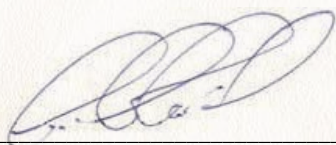
- i. the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances;

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and Company as at 30 September 2018 and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002.

In preparing these financial statements the Directors have assessed the Company's ability to continue as a going concern. The going concern preparation basis of these financial statements is disclosed in note 2a of these 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 the next twelve months from the date of this statement.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

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



G.C. Theobald
Chairman

04/12/2018

Date



DECLARATION OF THE HEAD OF FINANCE/ ACCOUNTING OF TATEPA LIMITED

The National Board of Accountants and Auditors (NBAA) according to the powers 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 to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the company and Group's consolidated financial position and performance in accordance with International Financial Reporting Standards (I FRS) and Statutory financial reporting requirements.

Full legal responsibility for the preparation of the financial statements rests with the Board of Directors as indicated under the Directors Responsibility statement on page 9. In regard thereof, I Mathew Ernest being the Head of Finance/Accounting of Tatepa Limited hereby

acknowledge my responsibility of ensuring that the company and Group consolidated financial statements for the year ended 30 September 2018 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 the company and Group as on that date and that they been prepared based from properly maintained financial records.



Signed by: **Mathew Ernest**

Position: **Chief Accountant**

NBAA Membership No: **AP 1246**

Date: 04/12/2018

PKF Associates Tanzania
Certified Public Accountants



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

Opinion

We have audited the accompanying consolidated financial statements of Tatepa Limited (the Company) and its subsidiaries, Rungwe Avocado Company Limited, Wakulima Tea Company Limited and Kyimbila Tea Packing Company Limited (together, the Group) set out on pages 14 to 67 which comprise the consolidated and Company statement of financial position as at 30 September 2018, and consolidated and Company the statement of profit or loss and other comprehensive income, consolidated and Company statement of changes in equity and consolidated and Company statement of cash flows for the year ended 30 September 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the Group's and Company's financial position as at 30 September 2018, and the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Tanzania Companies Act, No. 12 of 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described above, we have determined the matter described below to be a key audit matter.

Acquisition of additional shares in Rungwe Avocado Company Limited

Significant judgement is required by the Directors in determining the group interest and minority interest following the change in ownership in Rungwe Avocado Company Limited on 27 December 2017. After the acquisition of 8.06% additional shares by the group, group interest in RACL increased to 63.75% and the other resources balance increased from a debit of Tshs 838 million to a debit of Tshs 849 million as disclosed in note 37

Refer to notes 37(a) and 37(b) of the financial statements for the related disclosures

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report, the schedule of expenditure but does not include the consolidated financial statements and our auditor's report thereon.

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PKF Associates Tanzania is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.



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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements Responsibilities of Directors for the consolidated Financial Statements PKF

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit conducted in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of director's use of the going concern basis of accounting and based on the audit evidence obtained, assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements presents the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**Report on other legal requirements**

As required by the Tanzanian Companies Act, 2002 we report to you, based on our audit, that: PKF

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion proper books of account have been kept by the Company and the Group, so far as appears from our examination of those books; and
- (iii) the Group's and Company's statement of financial position and statement of comprehensive income are in , .., agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is:



Date: 04/12/2018

Mustansir Gulamhussein - ACPA 1810

PKF Associates Tanzania

REF: PKF/NT011/156/18/mg



CONSOLIDATED AND COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

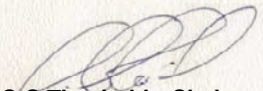
	Notes	Group		Company	
		2018	2017	2018	2017
		Tshs'000	Tshs'000	Tshs'000	Tshs'000
Revenue	6	27,656,544	17,945,019	-	-
Cost of sales	7	(18,914,550)	(14,020,973)	-	-
Gross profit		8,741,994	3,924,046	-	-
Other income	8	231,815	65,143	700,000	350,000
Selling and marketing costs	9	(2,229,631)	(1,922,144)	-	-
Administrative expenses	10	(3,831,211)	(3,727,806)	(491,909)	(519,664)
Grant amortisation	29	20,279	20,279	-	-
Fair value gain on embedded derivative	27	226,743	34,568	226,743	34,568
Operating profit/(loss)		3,159,989	(1,605,914)	434,834	(135,096)
Finance costs	12	(1,390,992)	(1,841,310)	(331,439)	(195,350)
Finance income	13	-	53,020	794,724	345,880
Profit/(loss) before tax		1,768,997	(3,394,204)	898,118	15,435
Tax (charge)/credit	14	(868,288)	1,094,538	(37,384)	(17,500)
		900,709	(2,299,666)	860,734	(2,065)
Profit/(loss) for the year		900,709	(2,299,666)	860,734	(2,065)
Attributable to:					
- Owners of the parent		579,398	(1,619,155)	860,734	(2,065)
- Non-controlling interest		321,311	(680,511)	-	-
		900,709	(2,299,666)	860,734	(2,065)
Other comprehensive income:					
Item that will not be reclassified to profit or loss					
- Gain on revaluation of biological assets		-	1,004,230	-	-
Total comprehensive income (loss) for the year					
Total comprehensive income for the year attributable to:					
Owners of the parent		579,398	(1,010,311)	-	-
Equity shareholders - Non-controlling interests		321,311	(285,125)	-	-
		900,709	(1,295,436)	-	-
Dividend:					
Proposed final dividend for the year	16	300,000	150,000	-	-
Earning per share attributable to the equity holders of the Company during the year (expressed in Tshs per share)					
- basic	15	31.05	(86.78)		
- diluted	15	4.22	(24.63)		

The notes on pages 30 to 64 form an integral part of these financial statements.
Report of the independent auditor - page 22 to 24.

CONSOLIDATED & COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
CAPITAL EMPLOYED					
Share capital	33	466,431			
Share premium	33	4,048,462			
Other reserves	37(a)	(849,984)			
Properties revaluation reserve	37(b)	595,507			
Accumulated losses		(11,754,389)			
Equity attributable to owners of the Company		<u>(7,493,973)</u>	<u>(8,061,637)</u>	<u>4,481,926</u>	<u>3,621,192</u>
Non-controlling interest	38	929,399	(510,939)	-	-
		(6,564,574)	(8,572,577)	4,481,926	3,621,192
Non-current liabilities					
Borrowings	28	13,924,988	16,116,491	8,737,864	7,539,457
Deferred capital grant	29	170,830	191,109	-	-
Deferred income tax liability	30	138,421	59,347	-	-
Retirement benefit obligations	31	768,726	646,644	4,222	3,588
		<u>15,002,965</u>	<u>17,013,591</u>	<u>8,742,086</u>	<u>7,543,046</u>
		<u>8,438,391</u>	<u>8,441,015</u>	<u>13,224,012</u>	<u>11,164,237</u>
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	17	10,010,733	10,367,711	-	-
Intangible asset	19	4,727	4,727	-	-
Investment in subsidiaries	20	-	-	11,845,034	8,652,164
Loan receivable	21	391,628	341,865	-	-
Deferred income tax asset	30	1,995,224	1,834,521	-	-
		<u>12,402,312</u>	<u>12,548,824</u>	<u>11,845,034</u>	<u>8,652,164</u>
Current assets					
Inventories	23	5,875,913	4,766,496	-	-
Trade and other receivables	24	4,638,291	2,407,034	1,684,566	1,127,200
Loan receivable	21	-	-	-	2,201,314
Prepaid land rent	22	7,066	6,744	-	-
Cash and cash equivalents	25	157,598	538,474	13,306	25,418
Tax recoverable		401,701	481,278	372,276	305,987
		<u>11,080,569</u>	<u>8,200,026</u>	<u>2,070,148</u>	<u>3,659,919</u>
Current liabilities					
Embedded derivative	27	123,711	350,454	123,711	350,454
Borrowings	28	10,170,605	6,200,707	-	-
Trade and other payables	26	4,750,174	5,756,675	567,458	797,390
		<u>15,044,490</u>	<u>12,307,835</u>	<u>691,169</u>	<u>1,147,844</u>
		<u>(3,963,921)</u>	<u>(4,107,810)</u>	<u>1,378,979</u>	<u>2,512,075</u>
Net current (liabilities)/assets		<u>8,438,391</u>	<u>8,441,015</u>	<u>13,224,012</u>	<u>11,164,237</u>

The financial statements on pages 13 to 64 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:


G.C Theobold - Chairman

Date 04/12/2018

The notes on pages 30 to 64 form an integral part of these financial statements.
Report of the independent auditor - page 22 to 24.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Tshs'000	Share premium Tshs'000	Retained earning Tshs'000	Properties revaluation reserves Tshs'000	Other reserves Tshs'000	Total Tshs'000	Non controlling interest Tshs'000	Total equity Tshs'000
Year ended 30 September 2018									
At start of year		466,431	4,048,462	(12,347,125)	608,845	(838,250)	(8,061,637)	(510,939)	(8,572,577)
Other comprehensive income									
Total comprehensive income for the year		-	-	579,398	-	-	579,398	321,311	900,709
Amortisation		-	-	13,338	(13,338)	-	-	-	-
Change in ownership interest in subsidiary	38	-	-	-	-	(11,734)	(11,734)	1,419,028	1,407,294
Final dividend	16	-	-	-	-	-	-	(300,000)	(300,000)
		<u>466,431</u>	<u>4,048,462</u>	<u>(11,754,389)</u>	<u>595,507</u>	<u>(849,984)</u>	<u>(7,493,973)</u>	<u>929,399</u>	<u>(6,564,574)</u>
Year ended 30 September 2017									
At start of year		466,431	4,048,462	(10,727,970)	-	(838,250)	(7,051,327)	(75,814)	(7,127,141)
Total comprehensive loss for the year		-	-	(1,619,155)	-	-	(1,619,155)	(680,511)	(2,299,666)
Gain on revaluation of bearer plants		-	-	-	608,845	-	608,845	395,385	1,004,230
Final dividend	16	-	-	-	-	-	-	(150,000)	(150,000)
		<u>466,431</u>	<u>4,048,462</u>	<u>(12,347,125)</u>	<u>608,845</u>	<u>(838,250)</u>	<u>(8,061,637)</u>	<u>(510,939)</u>	<u>(8,572,577)</u>

The notes on pages 30 to 64 form an integral part of these financial statements.
Report of the independent auditor - page 22 to 24.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

COMPANY	Share capital	Share premium	Retained earnings	Properties revaluation reserves
	Tshs'000	Tshs'000	Tshs'000	Tshs'000
Year ended 30 September 2018				
At start of year	466,431	4,048,462	(893,702)	3,621,192
Total comprehensive income for the year	-	-	860,734	860,734
At end of the year	<u>466,431</u>	<u>4,048,462</u>	<u>(11,754,389)</u>	<u>595,507</u>
Year ended 30 September 2017				
At start of year	466,431	4,048,462	(891,636)	3,623,257
Total comprehensive income for the year	-	-	(2,065)	(2,065)
At end of the year	<u>466,431</u>	<u>4,048,462</u>	<u>(893,702)</u>	<u>3,621,192</u>



CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	Notes	Group		Company	
		2018	2017	2018	2017
		Tshs'000	Tshs'000	Tshs'000	Tshs'000
Operating activities					
Cash generated by/(used in) operations	34	(793,389)	1,917,389	2,223,356	(21,959)
Interest paid		(1,095,438)	(1,255,570)	(167,438)	(27,236)
Tax Paid		(926,724)	(31,772)	(68,673)	(21,670)
Net cash (used in)/from operating activities		<u>(2,815,551)</u>	<u>630,047</u>	<u>1,987,246</u>	<u>(70,865)</u>
Investing activities					
Purchase of property, plant and equipment	17	(358,187)	(428,730)	-	-
Repayment of loan advanced to Moravian	21	-	1,038,619	-	-
Cash paid for purchase of Investment in subsidiaries		-	-	(3,192,870)	-
Loans to third parties	21	49,763	(177,213)	-	-
Proceeds from sale of property, plant and equipment		-	650	-	-
		<u>(308,424)</u>	<u>433,326</u>	<u>(3,192,870)</u>	<u>(70,865)</u>
Financing activities					
Repayment of borrowings		(1,026,356)	-	(12,952)	(168,113)
Proceeds from issue of shares		1,374,947	-	-	-
Proceeds from borrowings		-	-	1,070,867	-
Effects of exchange rates on loan		144,333	237,909	135,597	218,851
Net cash (used in)/from operating activities		<u>492,924</u>	<u>237,909</u>	<u>1,193,513</u>	<u>50,738</u>
Decrease/(increase) in cash and cash equivalents		<u>(2,631,051)</u>	<u>1,301,282</u>	<u>(12,112)</u>	<u>(20,127)</u>
Movement in cash and cash equivalents					
At start of the year		(5,662,362)	(6,963,644)	25,417	45,544
Decrease/(increase) in cash and cash equivalents		<u>(2,631,051)</u>	<u>1,301,282</u>	<u>(12,112)</u>	<u>(20,127)</u>
At end of the year	25	<u>(8,293,413)</u>	<u>(5,662,362)</u>	<u>13,305</u>	<u>25,417</u>

The notes on pages 30 to 64 form an integral part of these financial statements.
Report of the independent auditor - page 22 to 24.

NOTES

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 Dares Salaam Stock Exchange. It is domiciled in the United Republic of Tanzania. The Company and its subsidiaries (the Group) are involved in growing, processing, packing and sale of tea in 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:

Tukuyu Township
Katumba Factory
P. O. Box700
Tukuyu- Mbeya

Rungwe Avocado Company Limited
Tukuyu Township, Kyimo Ilenge Pack Shed
P O Box247
Tukuyu - Mbeya

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

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all 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 a going concern. The Directors assessment of the appropriateness of the going concern assumption has taken account of the following:

1. The Group
 - a. incurred a net profit of Tshs 909 million for the year ended 30 September 2018 (2017: loss of Tshs 1,295 billion);
 - b. had its current liabilities exceed its current assets at 30 September 2018 by Tshs 2,236 billion (2017: Tshs 4.107 billion);and that
 - c. had a shareholders' deficit of Tshs 6,556 billion as at 30 September 2018 (2017: Tshs 8.572 billion).
2. The Company
 - a. incurred a net profit of Tshs 860 million for the year ended 30 September 2018 (2017: loss of Tshs 2.065 billion)
 - b. had its current assets exceed its current liabilities at 30 September 2018 by Tshs 1,378 billion (2017: Tshs 2,512 billion);and that



NOTES (CONTINUED)**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****a) Going concern (continued)**

The Directors take note of the fact that accumulated losses position present a cash flow challenge.

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 taken by the Company and Subsidiary companies as outlined below:

Tatepa Limited

- i. Cash flow forecasts prepared by the Directors indicate dividend income of Tshs 700 million from Wakulima Tea Company subject to approval from CRDB Bank Pic ,and
- ii The conversion of Shareholders loan into equity is under discussion.

Rungwe Avocado Company Limited

- i. The overdraft facility has been renewed for a period of one year from 31 January 2018 to 31 January 2019;
- ii Restructuring of loans into equity: During the year end, the Company had a rights issue of 405,645 shares at a price of Tshs 17,331 each. Tatepa Ltd and AgDevCo Tanzania Ltd have subscribed for their full share of 184,229 and 81,129 shares respectively. Tatepa Ltd converted their loan into equity to pay for the shares subscribed and the balance of about US dollars 438,914 paid in cash to RAC. Likewise AgDevCo paid US dollar 175,000 cash to RAC and partly converted their loan into equity to pay for the shares. Conversion of other debts into equity is being discussed by the management with the lenders.

Kyimbila Tea Packing Company Limited

- i Renewal of overdraft facilities for a period of one year from 31 January 2018 to 31 January 2019 was approved;

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

b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, 'except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS).

The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' (Annual Improvements to IFRSs 2014-2017 Cycle, issued in December 2017) - The amendment, applicable to annual periods beginning on or after 1 January 2018, clarifies that exemption from applying the equity method is available separately for each associate or joint venture at initial recognition.
- Amendments to IAS 40 'Transfers of Investment Property' (issued in December 2017) that are effective for annual periods beginning on or after 1 January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.
- Amendment to IFRS 1 (Annual Improvements to IFRSs 2014-2016 Cycle, issued in December 2016) that is effective for annual periods beginning on or after 1 January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.
- Amendments issued in June 2017 to IFRS 2 'Share-based Payment' which are effective for annual periods beginning on or after 1 January 2018 clarify the effects of vesting conditions on cash settled schemes, treatment of net settled schemes and modifications for equity settled schemes.
- Amendments to IFRS 4 titled Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (issued in September 2017) that are effective for annual periods beginning on or after 1 January 2018, include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial.
- IFRS 9 'Financial Instruments' (Issued in July 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.
- In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risks.
- IFRS 15 'Revenue from Contracts with Customers' (issued in May 2014) effective for annual periods beginning on or after 1 January 2018, replaces IAS 11 'Construction Contracts', IAS 18 'Revenue and their interpretations (SIC-31 and IFRIC 13,15 and 18). It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.
- IFRS 16 'Leases' (issued in January 2016) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition,



NOTES (CONTINUED)**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****b) Basis of preparation (continued)**

measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

- IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (issued in December 2016) effective for annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability. The directors expect that the future adoption of IFRS 9, IFRS 15 and IFRS 16 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

c) Investment in subsidiaries/Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. Control is achieved when the Company; has power over the trustee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The Group also assesses the existence of control where it does not have a majority of the voting 'rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances where including the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, where potential voting rights are held by the Company and rights from other contractual arrangements etc.

When the Company has assessed and has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-Group balances, income and expenses on transactions between Group Companies are eliminated. Profits and losses resulting from inter-Company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary adjustments are made to financial statements of subsidiary to bring their accounting policies into line with the Groups accounting policy.

- 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 the 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.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 estimated return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

e) 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 stage [FOB]) while for local sales are passed at ex-factory stage.

f) 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.

g) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Tanzania Shillings (the 'functional currency'), at the rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain future foreign currency risks which meet the criteria for hedge accounting which are recognised in the other comprehensive income; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Group companies

The results and financial position of the subsidiary companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that reporting date.



NOTES (CONTINUED)**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****g) Translation of foreign currencies (continued)**

- income and expenses for each statement of comprehensive income are translated at average exchange rates.
- all resulting exchange differences are recognised under a separate component of equity.

On disposal of a foreign operation resulting in loss of control of subsidiary, loss of joint control over a jointly controlled entity or loss of significant influence of an associate, all of the accumulated exchange differences in respect of the foreign operation are reclassified to profit or loss.

Upon consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Group and translated at the closing rate. Exchange differences arising are recognised in equity.

h) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation (except as stated below). Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Freehold and leasehold land, buildings and plant and machinery are subsequently shown 'at market value, based on periodic valuations less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the retained earnings to revaluation reserve.

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 company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Freehold land is not depreciated.

Leasehold land is depreciated over the remaining period of the lease.

Depreciation on all other assets is calculated on the reducing balance basis [or straight line if that applies] method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

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

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.

NOTES (CONTINUED)**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****h) Property, plant and equipment (continued)**

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

i) Intangible assets*Trademarks and licenses*

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

j) Biological assets

The biological assets other than bearer plants have been stated at their fair values less estimated point-of-sale costs. Bearer plants are recognised as property, plant and equipment.

The fair value of biological assets is determined based on the present value of expected net cash flows from the biological assets discounted at a market-determined pre-tax rate. The fair value of harvested flowers is determined based on the prices existing in the market less point of sale costs, to sell at the time of harvest. The fair value is determined based on market prices.

The cost of replanting, infilling and upkeep are recognised as an expense in profit or loss in the year in which they are incurred.

Harvested assets are measured at their fair value (at the point of harvest) less costs to sell. The fair value of harvested assets is determined based on the prices existing in the market less costs to sell. Any changes to that fair value are recognised in the profit or loss in the year in which they arise. All costs of replanting, infilling, upkeep and maintenance are recognised in the profit or loss under production costs in the period in which they are incurred.

k) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset is impaired. If any such indication exists, or when annual 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 the 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 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 asset is tested 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.

m) Inventories

Biological assets produce is measured at fair value less costs to sell at the point of harvest. Inventories are carried at



NOTES (CONTINUED)**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****m) Inventories (continued)**

the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of made a tea comprises the fair value of tea harvested from the Group's plantations less costs to sell at the 2. 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 obsolesce.

n) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalent 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) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income and equity.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale.

p) Dividend income

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

q) Employees benefits***Retirement benefit obligations***

The Group has defined benefit and defined contributions plans. The Group has an unfunded noncontributory 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 of the retired employees are made from Group's internally generated funds. The liability recognised in the financial statements 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 benefits obligations is performed after every three years by independent actuaries using the projected unit credit method. An update valuation is performed Actuarial gains and losses arising from change in experience adjustments and actuarial assumptions are charged or credited to the equity in other compressive income in the period in which they arise.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Employees benefits (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.)

r) 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.

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.

s) Loans receivable

Loans receivable are non-derivative financial assets with fixed or determined 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.

t) 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 no-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 operating period which are classified as non-current assets.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the assets. Investment are initially recognised at fair value plus transaction costs for all financial costs carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows for the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

u) Offsetting financial instruments

Financial assets and liabilities are offset end the net amount 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.



NOTES (CONTINUED)**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****v) Impairment of financial assets***Assets are 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 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 debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the **SIGNIFICANT** 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 estimated future cash flows (excluding future credit losses that have 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 discounted 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.

w) 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 to the amount of the obligation can be made.

x) Capital grants

Grants are recognised at the 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 credited to profit or loss on straight line basis over expected useful lives of the related assets.

y) Share capital

Ordinary shares are classified as equity.

z) Share premium

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

aa) Earnings per share

Basic earning per share represent the profit on ordinary activities after taxation attributable to the equity shareholders of the parent entity, divided by 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 of shareholders, divided by the weighted average number of ordinary shares outstanding during the year, including the

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Earnings per share (continued)

weighted average number of ordinary shares held in the Group's plus the weighted average number of dilutive shares resulting from share option and other potential ordinary shares outstanding during the year.

ab) Derivative financial instruments

Derivative financial assets and financial liabilities are financial instruments whose value changes in responses 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.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation 'in the current year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimate 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.

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 assumption will impact the carrying amount of benefit obligations.

The Group determines the appropriate discount rate at the end of every 3 years. This is an 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 used Alexander Forbes Financial Services to carry out a full actuarial valuation. The key assumptions are set out in Note 31 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's 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 judgment 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 2016 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. As required by IAS 39, the option



NOTES (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

aa) Earnings per share (continued)

derivative was fair valued and gain of Tshs 226 million (2017: Tshs 34 million) was recognised in the statement of profit or loss.

i) Spot price

The share price at Dar es Salaam stock exchange was Tshs 120 as at 30 September 2018.

ii) Discount rate

A rate of 5% was used in the valuation.

iii) 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.

iv) Interest on loan

The loan facility represents a no-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.

NOTES (CONTINUED)

	Group		Company	
	2018	2017	2018	2017
	Tshs'000	Tshs'000	Tshs'000	Tshs'000
Interest expense	1,095,438	1,240,325	167,438	27,236
Net foreign exchange loss	295,554	600,985	164,002	168,114)
	<u>1,390,992</u>	<u>1,841,310</u>	<u>331,439</u>	<u>195,350</u>

13. FINANCE INCOME

Interest income on loan from RACL	-	-	53,760	253,523
Management income from WTC	-	-	601,249	-
Guarantee income	-	-	139,715	92,357
Interest on loans	-	53,020	-	-
	<u>-</u>	<u>53,020</u>	<u>794,724</u>	<u>345,880</u>

14. INCOME TAX (CREDIT)/ EXPENSE

Current tax charge	944,722	-	35,000	17,500
Alternative minimum tax (0.3 on turnover)	2,384	-	2,384	-
Deferred income tax charge/(credit) (Note 30)	(78,818)	(1,116,648)	-	-
Deferred tax derecognised	-	22,110	-	-
Tax charge/(credit)	<u>868,288</u>	<u>(1,094,538)</u>	<u>37,384</u>	<u>17,500</u>

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	
	2018	2017	2018	2017
	Tshs'000	Tshs'000	Tshs'000	Tshs'000
Profit/(Loss) before income tax	1,768,997	(3,394,204)	898,118	15,434
Tax calculated at a rate of 30% (2017: 30%)	530,699	(1,018,261)	269,436	4,630
Tax effect of:				
- expenses not deductible for tax	8,142	-	-	-
- separate source of income tax				
- withholding tax on dividend	(35,000)	(17,570)	(35,000)	(17,570)
- withholding tax on interest	2,736	(21,766)	(42,424)	-
- alternative minimum tax	2,384	5,575	2,384	1,037
- adjustments to tax in respect of prior years	-	(483,525)	-	-
- capitalised transaction costs	(212,369)	-	-	-
- overprovision in prior year tax	326,566	-	-	-
- deferred tax asset not recognised	245,130	441,009	(157,011)	29,403
Tax charge/(credit)	<u>868,288</u>	<u>(1,094,538)</u>	<u>37,384</u>	<u>17,500</u>



NOTES (CONTINUED)**14. INCOME TAX (CREDIT)/ EXPENSE (CONTINUED)**

The Group has unused tax losses amounting to Tshs 11.28 billion (2017: Tshs 13.7 billion) which relates to Tatepa Limited Tshs 24.8 million (2017: Tshs 657 million), Wakulima Tea Company Limited Tshs 3,032 billion tax income (2017: Tshs 760.2 million tax loss), Kymbila Tea Packing Company limited Tshs 6,994 billion tax loss (2017: Tshs 5,776 million tax loss) and Rungwe Avocado Company Limited Tshs 7,291 billion tax loss (2017: Tshs 6,525 billion tax loss). Deferred tax asset of Tshs 2,278 million (2017: Tshs 1,878 million) has not been recognised in respect of tax losses for Kymbila as it not probable that there will be sufficient taxable profit in the foreseeable future to utilise the tax losses.

	Group		Company	
	2018	2017	2018	2017
	Tshs'000	Tshs'000	Tshs'000	Tshs'000
Profit/(loss) attributable to Group shareholders	579,398	(1,619,155)	-	-
Weighted average number of shares in issue (Note 33)	18,657,254	18,657,254	-	-
	31.05	(86.78)	-	-
Weighted average number of share	83,631,418	67,136,226		
	4.22	(24.63)		

Reconciliation of earnings used in calculating diluted earnings per share

	Group	
	2018	2017
	Tshs'000	Tshs'000
Profit/ (loss) attributable to Group shareholders	579,398	(1,619,155)
Add: Changes of fair value in embedded derivatives	(226,742)	(34,568)
	352,656	(1,653,724)

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

	Group	
	2018	2017
	Tshs'000	Tshs'000
Weighted average number of shares in issue (Note 33)	18,657,254	18,657,254
Options	64,974,164	48,478,972
Weighted average number of shares	83,631,418	67,136,226

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

16 DIVIDEND

The Group paid a final dividend of Shs per total of Tshs 300 million (2017: Tshs 150 million) to the minority interest in respect of Wakulima Tea Company Limited for the year.

NOTES (CONTINUED)

17. PROPERTY, PLANT AND 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	Bearer plants Tshs'000	Total Tshs'000
Year ended 30 September 2018							
Opening net book value	3,272,587	174,615	1,353,263	17,686	-	5,549,560	10,367,711
Additions	-	65,164	71,561	1,350	186,719	33,393	358,187
Disposals	-	(59,747)	-	-	-	-	(59,747)
Depreciation charge	(128,461)	(26,756)	(299,077)	-	-	(201,124)	(655,418)
Net book value	3,144,126	153,276	1,125,747	19,036	186,719	5,381,829	10,010,733
Year ended 30 September 2017							
Opening net book value	3,384,593	109,316	1,336,231	9,861	204,946	4,253,052	9,297,999
Additions	23,078	213,900	87,106	8,554	96,092	-	428,730
Transfers	-	-	301,038	-	(301,038)	-	-
Revaluation	-	-	-	-	-	1,434,614	1,434,614
Disposals	-	(1,917)	-	-	-	-	(1,917)
Depreciation charge	(135,084)	(146,684)	(371,112)	(729)	-	(138,106)	(791,715)
Net book value	3,272,587	174,615	1,353,263	17,686	-	5,549,560	10,367,711
As at 30 September 2017							
Cost	4,701,462	2,069,164	7,243,450	18,415	-	5,825,772	19,858,263
Accumulated depreciation	(1,428,876)	(1,894,547)	(5,890,187)	(729)	-	(276,212)	(9,490,551)
	3,272,587	174,615	1,353,263	17,686	-	5,549,560	10,367,711



NOTES (CONTINUED)

17. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTINUED)

During the year 2017, the Company's bearer plants were revalued by the Directors. The increase in revaluation of the related deferred tax were accounted for in the revaluation reserve.

Depreciation expense of Tshs 700.1 million (2017: Tshs 633.9 million) has been charged to cost of goods sold, Tshs 5.9 million (2017: Tshs 67.8 million) has been charged to selling and marketing costs and Tshs 9.1 million (2017: Tshs 91.9 million) is classified under administrative expenses. The Group's property, plant and equipment have been charged to secure loans as set out in Note 26 to the financial statements.

18. BEARER PLANTS

Tea

The Company has 313 hectares (2017: 316 hectares) and 198.2 hectares (2017: 198.2 hectares) of mature tea bushes and forestry, respectively, located in Tukuyu district in Tanzania.

The forest plantations are maintained to provide wood fuel which is required in withering of tea green leaf and drying of made tea. The fair value of forestry plantations is zero, as has been the case for a number of years in the past and for the year under review all forestry maintenance cost were recognised in profit or loss.

19. INTANGIBLE ASSETS

Trade mark

	Group	
	2018	2017
	Tshs '000	Tshs '000
Trade mark		
At start of the year	4,727	4,727
At end of year	4,727	4,727

NOTES (CONTINUED)

20. INVESTMENT IN SUBSIDIARIES

	Group	
	2018	2017
	Tshs'000	Tshs'000
Wakulima Tea Company Limited (a)	1,704,274	1,704,274
Rungwe Avocado Company Limited (b)	4,078,997	886,127
Kymbila Tea Packing Company Limited (c)	6,061,763	6,061,763
	<u>11,845,034</u>	<u>8,652,164</u>

Investments relates to:

Nature of business	Number and description of share held		% of issued shares held	
	2018	2017	2018	2017
	Ordinary shares	Ordinary shares		
a) Growing, processing and sale of made tea.	1,537,693	1,537,693	70%	70%
b) Growing, processing and sale of avocado and other fruits.	268,976	84,747	59.51%	45.42%
c) Blending and packing tea.	387,698	387,698	81.80%	81.80%

The Company has a direct interest of 70% in Wakulima Tea Company Limited (WTCL), 81.80% in Kymbila Tea Packing Company Limited (KTPCL) and 59.51% in Rungwe Avocado Company Limited (RACL). The Company has an indirect interest of 4.24% in RACL and 12.23% share in KTPCL through WTCL which holds 6.06% of RACL and 17.47% of KTPCL.

Company	Total % holding of Tatepa ltd at 30 Sept 2018	Total % holding of Tatepa Ltd at 30 Sept 2017
RACL	63.75%	55.69%
KTPCL	94.03%	94.03%
WTCL	70.00%	70.00%

Summarise financial information on subsidiaries with material non controlling interests

Set out are the summarised financial information for each subsidiary that are material on the Group. During the year, the Tatepa Limited purchased share noncontrolling interests (Note 37(a)).

Summarised statement of financial position	WTCL		RACL		KTPCL	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Current						
Assets	7,893,090	6,051,780	3,157,519	1,146,970	161,123	213,258
Liabilities	(8,693,645)	(7,970,698)	(5,556,969)	(2,189,459)	(2,235,788)	(1,599,434)
Total current net assets	<u>(800,5552)</u>	<u>(1,918,918)</u>	<u>(2,399,450)</u>	<u>(1,042,489)</u>	<u>(2,074,666)</u>	<u>(1,386,176)</u>
Non-current						
Assets	8,329,925	7,283,762	6,088,073	6,130,021	112,601	198,654
Liabilities	(705,898)	(542,524)	(6,402,200)	(10,936,322)	(283,826)	(263,528)
Total non-current net assets	<u>7,624,027</u>	<u>6,741,238</u>	<u>(314,127)</u>	<u>(4,806,301)</u>	<u>(171,226)</u>	<u>(64,874)</u>
	<u>6,823,472</u>	<u>4,822,320</u>	<u>(2,713,577)</u>	<u>(5,848,790)</u>	<u>(2,245,891)</u>	<u>(1,451,050)</u>

NOTES (CONTINUED)

20. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarise financial information on subsidiaries with material non controlling interests (continued)**Summarised statement of profit or loss and other comprehensive income**

Summarised statement of financial position	WTCL		RACL		KTPCL	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Revenue	24,656,800	15,803,597	2,537,959	1,072,218	622,401	1,512,856
Profit/(loss) before tax	3,989,948	386,994	(1,624,228)	(2,597,476)	(700,001)	(849,230)
Income tax (expense)/credit	(991,607)	624,911	-	491,737	-	(4,539)
Profit/(loss) after tax	2,998,341	1,011,905	(1,624,228)	(2,105,738)	(700,001)	(853,769)
Other comprehensive income	-	346,645	-	657,585	-	-
Total comprehensive income	2,998,341	1,358,550	(1,624,228)	(1,448,153)	(700,001)	(853,769)
Total comprehensive income allocated to non-controlling	-	303,572	-	(933,104)	-	(50,979)
Dividends paid to non-controlling interests	300,000	150,000	-	-	-	-

Summarise financial information on subsidiaries with material non controlling interests (continued)**Summarised statement of cash flows**

Cash flows from operating activities	WTCL		RACL		KTPCL	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Cash generated from/(utilised in) operations	378,214	2,250,937	(1,498,436)	(235,806)	106,701	(108,981)
Interest paid	183,036	(571,918)	(623,691)	(551,924)	(119,105)	(140,004)
Interest received	(518,490)	8,276	-	-	-	-
Income tax paid	(926,724)	-	-	-	-	(5,932)
Net cash for operating activities	(883,964)	1,687,295	(2,122,127)	(787,730)	(12,404)	(254,918)
Net cash from/(used) in investing activities	(326,430)	(415,522)	(80,170)	1,204,273	(1,350)	(1,650)
Net cash (used in)/from financing activities	(700,000)	(350,000)	1,503,614	-	3,763	239,789
Net increase/(decrease) in cash and cash equivalents	(1,910,394)	921,773	(698,683)	416,543	(9,991)	(16,778)
Cash and cash equivalents at beginning of the year	(3,385,650)	(4,307,423)	(1,553,862)	(1,970,405)	(748,140)	(731,362)
Cash and cash equivalents at end of the year	(5,296,044)	(3,385,650)	(2,252,545)	(1,553,862)	(758,131)	(748,140)

NOTES (CONTINUED)

21. LOAN RECEIVABLE

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
(i) Rungwe Avocado Company Limited	1,095,438	1,240,325	167,438	27,236
Rungwe Avocado Company Limited				

The loan to Rungwe Avocado Company Limited (RACL) from TATEPA was a medium term facility denominated in US dollars and carried interest at 12% per annum (2017: 12%). The fair value of the loan receivable balance is approximately the carrying value. On 27 December 2017 the loan was converted to equity (Note 35(iv))

	2018 Tshs'000	2017 Tshs'000
	(ii) Advanced during the year	
Moravian (a)	-	121,517
Seedling debtors (b)	49,763	55,696
Total loans advanced during the year	49,763	177,213
(iii) Interest receivable from loans		
Moravian (a)	-	53,020
Total interest income accrued during the year	-	53,020
(iv) Non-current portion of the loans		
Seedling debtors (b)	391,628	341,865
	391,628	341,865

22. PREPAID LAND RENT

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Total prepaid land rent	7,066	6,744	-	-
Less: Current portion	(7,066)	(6,744)	-	-
	-	-	-	-

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.

23. INVENTORIES

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Finished products - at cost	3,066,063	2,590,985	-	-
Unprocessed products - at cost	89,717	32,609	-	-
Stores and consumables - at cost	2,737,171	2,152,684	-	-
Work in progress- at cost	3,835	4,562	-	-
Provision for slow moving items	(20,873)	(14,343)	-	-
	5,875,913	4,766,496	-	-
Movement for provision is as follows:				
As start of year	14,343	14,343	-	-
Increase during the year	6,530	-	-	-
	20,873	14,343	-	-

NOTES (CONTINUED)

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Trade receivables	2,222,097	358,583	-	-
Less provision for impairment losses	(328,305)	(317,100)	-	-
	<u>1,095,438</u>	<u>1,240,325</u>	<u>167,438</u>	<u>27,236</u>
Trade receivable- net	1,893,792	41,483	-	-
Advances to suppliers	-	9,422	-	-
VAT recoverable	1,531,954	1,060,271	-	-
Other receivables	918,309	1,034,449	897,233	718,740
Deposits and prepayments	185,740	250,874	-	3,786
Due from related parties (Note 35(iii))	<u>108,496</u>	<u>10,535</u>	<u>787,333</u>	<u>404,674</u>
	<u>4,638,291</u>	<u>2,407,034</u>	<u>1,684,566</u>	<u>1,127,200</u>

Trade receivables that are less than 30 days (2017: 30 days) are with in the Group's credit period. As of 30 September 2018, trade receivables of Tshs 29 million (2017: Tshs 23 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:

ii) Past due and impaired

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

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
At start of year	317,100	298,509	-	-
Charged to profit or loss	12,582	18,591	-	-
Recovered during the year	(1,377)	-	-	-
At end of year	<u>328,305</u>	<u>317,100</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
US Dollars	2,006,895	676,360	-	-
Pounds	-	16,835	-	-
Euro	1,081,866	-	-	-
Tanzania Shillings	<u>1,549,531</u>	<u>1,713,839</u>	<u>-</u>	<u>-</u>
	<u>4,638,291</u>	<u>2,407,034</u>	<u>-</u>	<u>-</u>

NOTES (CONTINUED)

25. CASH AT BANK AND IN HAND

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Cash at bank	155,570	533,393	13,154	25,290
Cash in hand	2,028	4,952	152	129
	<u>157,598</u>	<u>538,345</u>	<u>13,306</u>	<u>25,418</u>

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

Cash at bank and in hand	157,598	538,345	13,306	25,418
Bank overdraft (Note 28)	<u>(8,451,011)</u>	<u>(6,200,707)</u>	-	-
At end of year	<u>(8,293,413)</u>	<u>(5,662,362)</u>	<u>13,306</u>	<u>25,418</u>

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

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Trade payables	1,525,954	2,459,957	-	214,373
Other payables and accrued expenses	2,594,853	2,812,365	428,922	209,913
Due to related parties (Note 35 (iii))	490,831	293,487	-	233,706
Unclaimed dividends	<u>138,5361</u>	<u>139,398</u>	<u>138,536</u>	<u>139,398</u>
	<u>4,750,17</u>	<u>5,705,207</u>	<u>567,458</u>	<u>797,390</u>

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

27. EMBEDDED DERIVATIVES

Embedded derivative

The existence of a convertible options 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 gain of Tshs 226 million (2017: Tshs 34 million) was recognised in the statement of profit or loss. The embedded derivative was fair valued at a current market spot price of Tshs 120 per share. The total listed shares at the DSE of 18,657,254 at share price of Tshs 120 gives a market capitalisation of Tshs 2.24 billion. 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.

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
	<u>123,711</u>	<u>350,454</u>	<u>123,711</u>	<u>350,454</u>

NOTES (CONTINUED)

28. BORROWINGS

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Non-current				
AECF loan (ii)	2,668,859	2,622,345	-	-
AWC loan (iii)	1,810,660	2,476,948	-	-
AgDevco loan (iv)	1,648,240	3,367,488	-	-
Maris Tatepa Holdings Limited term loan one (v)	124,040	110,252	-	-
WTC Special loan - USD	-	-	1,064,675	-
Shareholders loan	7,673,189	7,539,457	7,673,189	7,539,457
	<u>13,924,988</u>	<u>16,116,491</u>	<u>8,737,864</u>	<u>7,539,457</u>
Current				
Bank overdrafts: CRDB Bank Pic. (i)	8,451,011	6,200,707	-	-
AWC loan (iii)	742,229	-	-	-
AgDevco loan (iv)	977,36	-	-	-
	<u>10,170,605</u>	<u>6,200,707</u>	<u>-</u>	<u>-</u>
Total	<u>24,095,593</u>	<u>22,317,198</u>	<u>8,737,864</u>	<u>7,539,457</u>
Reconciliation of liabilities arising from financing activities:				
At start of year	16,116,491	15,277,597	7,539,456	7,320,605
Interest charged to profit or loss	652,160	807,810	76,153	-
Foreign exchange (gain)/loss	144,333	237,909	135,597	218,851
Cash flows:				
- Operating activities (interest paid)	(242,046)	(206,825)	-	-
- Proceed from long-term borrowings	-	-	999,609	-
- Repayments of long-term borrowings	(1,026,356)	-	(12,952)	-
At end of year	<u>15,644,582</u>	<u>16,116,491</u>	<u>8,737,864</u>	<u>7,539,456</u>

(i) CRDB Bank Pic. Overdrafts**Wakulima Tea Company Ltd (WTC)**Overdrafts

WTC has a US dollar denominated overdraft facility of USD 2 million bearing an interest rate of 7.5% (2017: 7.5%) per annum, and a Tanzania shilling denominated overdraft facility of Tshs 1,350 million bearing an interest rate of 15% (2017: 15%) per annum. The facilities were renewed on 19 December 2017 for the period of twelve months to 31 January 2019. The overdraft facility is 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.

Kyimbila Tea Packing Company Limited (KTPCL)Overdrafts

KTPCL has an overdraft facility of Tshs 750 million which carries interest at a rate of 16% (2017: 16%) per annum. The facility was renewed on 19 February 2018 for the period of 12 months to 31 January 2019. The overdraft facility is secured against the entire assets of the Company and guarantee from Private Agricultural Sector Support (PASS). As at 30 September 2018 the Company had utilised Tshs 759 million. Renewal of facility for the following 12 months is in process.

NOTES (CONTINUED)

28. BORROWINGS (CONTINUED)

Rungwe A vocado Company Limited (RACL)

Overdrafts

RACL has a US dollar denominated overdraft facility value of USD 1 million bearing an interest of 7.5% annum. The facility was renewed on 04 January 2018 until 31 January 2019, at a limit of USD 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 the lease agreement on Farm No. 322 at Syukula Village, property of the Registered Trustees of Moravian Church of Southern Tanzania and first charge on fixed and floating assets of RACL. It is guaranteed by Wakulima Tea Company Ltd as well as Tatepa Ltd.

Rungwe Avocado Company Limited (RACL)

(ii) AECF loan and deferred capital grant

The Company has an interest free and unsecured loan from Africa Challenge Enterprise Fund (AECF) with a carrying value of Tshs. 2,622 million. AECF were requested to reschedule the loan repayment starting from 1 October 2019 in 4 equal installments. Management had favorable discussions with them and their approval is awaited.

Management is also discussing with AECF their interest in converting some or all of their loan into equity of the Company. Potentially, this may happen during the year 2017-18.

(iii) AWC CBI Limited loan

The Company has unsecured loan facility from AWC CBI Limited denominated in US dollars, with a carrying value of Tshs. 2,467 million and an interest of 8% per annum. 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. AWC were requested to reschedule the loan repayment starting from 1 October 2019 in 4 equal installments. Management had favorable discussions with them and their approval is awaited.

Management is also discussing with AWC their interest in converting some or all of their loan into equity of the Company as this has been occasioned by the shortfall in funding from the Rights Issue as described in Note I (a). Potentially, this may happen during the year 2017-18.

(iv) AgDevCo loan

The Company has a loan facility from AgDevCo Tanzania Limited denominated in US dollars, with a carrying value of Tshs. 3,367 million and an interest of 8% per annum. 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 repayment of loan is re-scheduled to be made in 3 equal installments starting from 30 September 2018. However, the management is discussing with them to reschedule the loan repayable in 4 equal installments starting from 1 October 2019.

The loan is secured by a second ranking fixed and floating charge over all assets present and future, a second ranking legal mortgage over the piece of land known as farm Kyimo village.

In a board of Directors meeting held on 11 November 2017 it was noted that AgDevCo had accepted the offer to take up to 81,129 shares. AgDevCo have agreed to pay for the shares a sum of US \$ 175,000 in cash and the balance through conversion of their loan into equity.

(v) Maris Tatepa Holdings loan

Term loan one

Kyimbila Tea Packing Company Limited: The Company has an unsecured loan facility from Maris Tatepa Holdings with a carrying value of USD 49,272. As per the agreement the Company shall repay to the extent permitted by its cash flows. Therefore, the loan has been classified as long term liability since Kyimbila has unconditional right to defer payment.



NOTES (CONTINUED)

28. BORROWINGS (CONTINUED)

(vi) Shareholder's loan

On 1 October 2015 Tatepa entered into a loan agreement for the sum of US dollar 3,376,321 with its shareholders; Maris, Joseph Mungai, George Theobald and Thompson Lloyd & Ewart 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 (Kymbila Tea Packing Company Limited) by way of debt or equity and were converted (in respect to debt portion) into equity in Kymbila Tea Packing Company Limited and transferred to the borrower in consideration of draw down. 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 dollar 0.0695 per share.

29. DEFERRED CAPITAL GRANT

GROUP	2018	2017
	Tshs '000	Tshs '000
Opening balance	191,109	211,388
Grant amortisation	(20,279)	(20,279)
Closing balance	170,830	191,109

The capital grant from African Enterprise Challenge Fund (AECF) was used to fund the construction of a storage pack shed in Rungwe.

30. DEFERRED TAX ASSETS AND LIABILITIES

a) Deferred tax assets

	2018	2017
	Tshs '000	Tshs '000
Rungwe Avocado Company Limited	(1,995,224)	(1,834,521)
	(1,995,224)	(1,995,224)

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

	2018	2017
	Tshs '000	Tshs '000
At start of year	(1,834,521)	(1,624,606)
Credited to other comprehensive income	-	-
Charged to revaluation reserve	(8,967)	281,822
(Credit)/charged to profit or loss	(151,736)	(491,737)
At end of the year	(1,995,224)	(1,834,521)

NOTES (CONTINUED)

30. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

Year ended 30 September 2018	At start of year	(Credited)/ charged to Profit or loss	Charged to revaluation reserve	At end of year
		Tshs'000	Tshs'000	Tshs'000
<i>Deferred tax liabilities:</i>				
Property, plant and equipment	(5,818)	824,275	-	818,457
Changes in fair value of biological assets	281,822	-	(8,967)	272,855
	276,004	824,275	(8,967)	1,091,312
<i>Deferred tax assets:</i>				
Provision	(37,343)	4,122	-	(33,221)
Unrealised foreign exchange gain	(115,563)	(750,230)	-	(865,793)
Tax losses	(1,957,620)	(229,903)	-	(2,187,523)
	(1,834,522)	(151,736)	(8,967)	(1,995,225)
Year ended 30 September 2017	Tshs'000	Tshs'000	Tshs'000	Tshs'000
<i>Deferred tax liabilities:</i>				
Property, plant and equipment	206,796	(212,614)	-	(5,818)
Changes in fair value of biological assets	-	-	281,822	281,822
	206,796	(212,614)	281,822	276,004
<i>Deferred tax assets:</i>				
Provision	(330,746)	293,403	-	(37,343)
Unrealised foreign exchange gain	-	(115,563)	-	(115,563)
Tax losses	(1,500,656)	(456,964)	-	(1,957,620)
	(1,624,606)	(491,738)	281,822	(1,834,521)
COMPANY- TATEPA LIMITED				
For disclosure only				
	At start of year	Potential credit to Profit or loss	Under provision in prior year	At end of year
	Tshs'000	Tshs'000	Tshs'000	Tshs'000
<i>Deferred tax assets:</i>				
Other timing differences	(1,076)	18,349	(3,658)	13,615
Tax losses	(197,142)	156,762	-	(40,380)
Net deferred tax assets	(98,218)	175,111	(3,658)	(26,765)

NOTES (CONTINUED)

30. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

COMPANY- TATEPA LIMITED (CONTINUED)

For disclosure only

	At start of year	Potential credit to Profit or loss	Potential credit to other Comprehensive Income	At end of year
Year ended 30 September 2017				
For disclosure only	Tshs'000	Tshs'000	Tshs'000	Tshs'000
<i>Deferred tax assets:</i>				
Other timing differences	(16,414)	(297)	15,635	(1,076)
Tax losses	(222,641)	(2,556)	28,055	(197,142)
Net deferred tax assets	(239,055)	(2,853)	43,690	(198,218)

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.

b) Deferred tax liabilities- WTC

Deferred tax is calculated using the enacted income tax rate of 30% (2017:30%). The movement on the deferred tax account is as follows:

	2018 Tshs '000	2017 Tshs '000
At start of year	59,347	535,696
Credit to other comprehensive income	(2,811)	148,562
Debit to profit or loss	81,885	(624,911)
At end of year	138,421	59,347

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

Year ended 30 September 2017	At start of year	(Credited)/ charged to Profit or loss	Revaluation	At end of year
	Tshs'000	Tshs'000	Tshs'000	Tshs'000
<i>Deferred tax assets:</i>				
Revaluation	148,562	(148,562)	(2,811)	(2,811)
Property, plant and equipment	365,936	(49,659)	-	316,277
Unrealised foreign exchange loss	11,024	1,085	-	12,109
	525,522	(197,137)	(2,811)	325,575
<i>Deferred tax liabilities:</i>				
General provisions	(238,104)	50,950	-	(187,154)
Tax losses	(228,071)	228,071	-	-
Net deferred tax liabilities	59,347	81,885	(2,811)	138,421

NOTES (CONTINUED)

30. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

b) Deferred tax liabilities

Year ended 30 September 2017	At start of year	(Credited)/ charged to Profit or loss	Revaluation	At end of year
	Tshs'000	Tshs'000	Tshs'000	Tshs'000
<i>Deferred tax assets:</i>				
Revaluation	-	-	148,562	148,562
Property, plant and equipment	175,043	190,893	-	365,936
Changes in fair value of biological assets	-	-	-	-
Unrealised foreign exchange loss	-	11,024	-	11,024
Underprovision in prior year	865,470	(865,470)	-	-
Net deferred tax liabilities	1,040,513	(663,553)	148,562	525,522

31. RETIREMENT BENEFIT OBLIGATIONS

	2018	2017	2018	2017
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
As at 1 October	646,644	494,918	3,588	2,600
Current service cost	110,351	100,786	634	988
Interest cost	72,475	56,305	-	-
Benefit paid	(60,745)	(5,364)	-	-
At end of the year	768,726	646,644	4,222	3,588

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) Discounted 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- A 1949/52 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.



NOTES (CONTINUED)**31. 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.

GROUP	18.9%	18.9%	17.9%
Discounted	<u>768,726</u>	<u>646,645</u>	<u>494,918</u>

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

COMPANY	18.9%	18.9%	17.9%
Discounted	<u>3,588</u>	<u>2,600</u>	<u>2,600</u>
	1,040,513	(663,553)	148,562

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;

Group	2018	2017	2016
	Tshs '000	Tshs '000	Tshs '000
As at 1 October	494,918	682,891	
Current service cost	100,786	54,473	630,780
Interest cost	56,305	86,600	79,286
Benefits paid	(5,364)	(319,637)	84,036
Actuarial loss/(gain)	-	(9,409)	(111,213)
As at 31 September	<u>646,645</u>	<u>494,918</u>	<u>682,889</u>
Company	2018	2017	2016
	Tshs '000	Tshs '000	Tshs '000
As at 1 October	2,600	838	705
Current service cost	<u>988</u>	<u>988</u>	<u>133</u>
	<u>3,588</u>	<u>1,826</u>	<u>838</u>

32. 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 Tea Packing Company 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 45.5 million (2017: 44 million). The future aggregate minimum lease payments under a non-cancellable operating leases are as follows above:

NOTES (CONTINUED)

32. COMMITMENTS (CONTINUED)

Capital commitments (continued)

Operating lease commitments (continued)

	Group		Company	
	2018	2017	2018	2017
	Tshs'000	Tshs'000	Tshs'000	Tshs'000
Less than 1 year	45,472	44,377	-	-
2-5 years	45,472	177,508	-	-
Later than 5 years	-	105,807	-	-
	<u>90,944</u>	<u>327,692</u>	<u>-</u>	<u>-</u>

33. SHARE CAPITAL AND PREMIUM

Share capital

Authorised

20,000,000 (2017: 20,000,000)

Ordinary shares of Tshs 25 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
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Issued and fully paid

18,657,254 (2017: 18,657,254)

Ordinary share of Tshs 25 each	<u>466,431</u>	<u>466,431</u>	<u>466,431</u>	<u>466,431</u>
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Share premium

At start and end of year	<u>4,048,462</u>	<u>4,048,462</u>	<u>4,048,462</u>	<u>4,048,462</u>
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NOTES (CONTINUED)

34. CASH FROM/(USED IN) OPERATIONS

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Profit/(loss) before income tax	1,768,997	(3,394,204)	898,118	15,434
Adjustments for:				
Fair value gain/(loss) on embedded derivatives	(226,742)	(34,568)	(226,742)	(34,568)
Depreciation (Note 17)	655,418	791,715	-	-
Amortisation of deferred capital grant (Note 29)	(20,279)	(20,279)	-	-
Amortisation of prepaid land rent (Note 22)	(322)	(6,744)	-	-
Other non cash	116,534	-	-	-
Employees' gratuity	(122,082)	151,726	-	-
Interest expense	1,095,438	1,240,325	167,438	27,236
Interest income	-	(53,020)	(193,475)	(345,880)
Tax adjustment(*)	-	(142,407)	-	21,670
Gain on disposal of property, plant and equipment	(8,729)	(650)	-	-
Unrealised exchange loss on terms loans	295,554	600,985	164,002	168,114
<i>Changes in working capital:</i>				
Inventories	(1,109,417)	(1,312,177)	-	-
Loan received from related party	-	-	2,201,314	-
Trade and other receivables	(2,231,257)	1,350,534	(557,366)	10,971
Trade and other payables	(1,006,501)	2,746,153	(229,932)	115,064
Cash generated (used in)/from operations	<u>(793,389)</u>	<u>1,917,389</u>	<u>2,223,356</u>	<u>(21,959)</u>

(*) This related to restated numbers in prior year which has effect in the prior and current year tax computation.

35. 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 8.22% (2017: 19.91 %) and 26.21% (2017: 20.00%) shareholding in RACL respectively. There is no ultimate parent of the Companies in the Group (2016-2017). WTCL own 17.47% to KTPCL also buys raw material from WTCL. Mr G. C. Theobald a shareholder of Tatepa Limited also owns Tanganyika Finance Company.

The followings transactions were carried out with related parties:

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
i) Sale of services				
Subsidiaries (guarantee fees)	<u>-</u>	<u>-</u>	<u>139,715</u>	<u>92,357</u>
Subsidiaries (interest income)	<u>-</u>	<u>-</u>	<u>53,760</u>	<u>253,523</u>

NOTES (CONTINUED)

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
ii) Purchases of services				
Shareholder- Maris Tatepa Holdings Limited (interest)	11,713	10,379	-	-
Shareholder - Thompson Lloyd & Ewart (interest)	23,721	6,081	16,884	-
Ultimate Holding Company (interest)	9,503	6,786	-	-
Common shareholding- Wakulima Tea Company Limited (interest)	-	-	150,554	-
	<u>44,937</u>	<u>23,246</u>	<u>167,438</u>	<u>-</u>
iii) Year-end balances				
Tanganyika Finance Company Limited	11,360	-	11,360	-
Receivable from Rungwe Smallholder Tea Growers Association	78,627	7,983	-	-
Rungwe Avocado Company Limited	-	-	28,869	10,994
Kyimbila Tea Packing Company Limited	-	-	477,354	206,712
Wakulima Tea Company Limited	-	-	251,241	186,968
C.S Newe - <i>Kyimbila Director</i>	-	500	-	-
Nicole H. Abrahall- Tatepa director	18,509	-	18,509	-
Group Financial Controller- key management	-	2,052	-	-
	<u>108,496</u>	<u>10,535</u>	<u>787,333</u>	<u>404,674</u>
Amounts due to related parties				
Directors fee - directors	454,201	214,464	94,600	141,504
Shareholders	-	25,757	-	25,757
Nomad Tanzania Limited- <i>Common shareholding</i>	-	47,438	-	47,438
Tanganyika Finance Company Limited- <i>common shareholding</i>	-	5,828	-	5,828
Maris Tatepa Holdings Limited- Interest	4,997	-	4,997	-
G. C. Theobald- Tatepa director	30,332	-	30,332	-
Thompson Lloyd & Ewart Limited	1,300	-	1,300	-
iv) Loans receivable from subsidiaries				
Rungwe Avocado Company Limited	-	-	-	404,674



NOTES (CONTINUED)

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

v) Loans payable to related parties

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Shareholder loans	-	-	7,673,189	7,539,457
Wakulima Tea Company Limited	-	-	1,064,675	
Maris Tatepa Holdings Limited- <i>shareholder</i>	-	12,184	-	-
	<u>-</u>	<u>12,184</u>	<u>8,737,864</u>	<u>7,539,457</u>

vi) Directors remuneration

The Director's fees, Chairman's fees and sitting allowances for all Board and sub-committee meetings of the Company are disclosed below.

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Johannes Gunnell	18,024	13,422	18,024	16,778
G. C. Theobald	22,530	17,896	22,530	21,252
Robin Harrison	18,024	13,422	18,024	16,778
Peter D. Rowland	18,024	13,422	18,024	16,778
V. K. Tewari	18,024	13,422	18,024	14,541
Duncan Page	220,002	-	-	-
Nicole Hoskyns	49,155	-	-	-
Stamili Mlaponi	13,899	-	-	-
	<u>377,681</u>	<u>72,960</u>	<u>94,626</u>	<u>88,619</u>

vii) Key management's remuneration

	Group		Company	
	2018 Tshs'000	2017 Tshs'000	2018 Tshs'000	2017 Tshs'000
Salaries and other short-term employment benefits	<u>1,037,407</u>	<u>1,037,407</u>	<u>502,492</u>	<u>502,492</u>

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.

36. FINANCIAL INSTRUMENTS

a) By category

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

GROUP

	2018 Tshs'000	2017 Tshs'000
Financial assets as per statement of financial position		
<u>Loans and receivables</u>		
Trade and other receivables (excluding payments and suppliers advances)	4,638,291	2,156,160
Loans receivable	391,628	341,865
Cash at bank and on hand	<u>157,598</u>	<u>538,345</u>
	<u>5,187,517</u>	<u>3,036,370</u>

NOTES (CONTINUED)

36. FINANCIAL INSTRUMENTS (CONTINUED)

a) By category

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

a) By category	2018	2017
Financial assets as per statement of financial position	Tshs'000	Tshs'000
<u>Other financial liabilities amortised at cost</u>		
Trade and other payables (excluding statutory obligations)	4,750,174	5,533,957
Borrowings	<u>24,095,593</u>	<u>22,317,198</u>
	<u>28,845,767</u>	<u>27,851,154</u>
<u>Other financial liabilities at fair value through profit or loss</u>		
Embedded derivative	<u>123,711</u>	<u>350,454</u>

COMPANY

Financial assets as per statement of financial position

Loans and receivables

Trade and other receivables (excluding payments and suppliers advances)	1,684,566	1,123,414
Loans receivable	391,628	341,865
Cash at bank and on hand	<u>13,306</u>	<u>25,418</u>
	<u>2,089,500</u>	<u>1,490,697</u>

Financial liabilities as per statement of financial position

Other financial liabilities amortised at cost

Trade and other payables (excluding statutory obligations)	2,993,268	780,136
Borrowings	<u>8,737,864</u>	<u>7,539,457</u>
	<u>11,731,132</u>	<u>8,319,593</u>

Other financial liabilities amortised at cost

Embedded derivative	<u>123,711</u>	<u>350,454</u>
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37(a) OTHER RESERVES

In 2016 Tatepa Limited acquired shares of the Non-Controlling interest of one of its subsidiary, Kyimbila Tea Packing Company Limited and in 2018 it acquired 8.06% additional shares in Rungwe Avocado Company Limited. These transactions did not result in a change of control. The carrying amount of the non-controlling interest was adjusted to reflect the change in non-controlling interest's ownership interest. As per the requirements of IFSR 10, the debit difference of Tshs 838,250,000 (in 2016) and Tshs 11,734,000 debit in 2018 between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid is recognised in equity as other reserves.

37(b) PROPERTIES REVALUATION RESERVE

	GROUP	
	2018	2017
	Tshs'000	Tshs'000
Balance at beginning of the year	1,004,230	-
Increase/(decrease) arising on revaluation of bearer plants	(408,723)	1,434,614
Deferred tax arising on revaluation	<u>-</u>	<u>(430,384)</u>
	<u>595,507</u>	<u>1,004,230</u>
Attributable to Group	595,507	608,845
Attributable to Minority interest	<u>-</u>	<u>395,385</u>
	<u>595,507</u>	<u>1,004,230</u>

NOTES (CONTINUED)

38. NON CONTROLLING INTEREST

In 27 December 2017, the group acquired an addition 8.06% interest in Rungwe Avocado Company Limited (RACL) for Tshs 3,192,566 through cash and loan conversion, increasing its ownership from 55.5% to 63.75%. The Group recognised a decrease in other reserves of Tshs 11 .7 million. The following is a summary of non controlling interest as at 30 September 2018.

Year ended 30 September 2018	Net current assets/ (liabilities) Tshs'000	Non controlling interest %	Non controlling interest Tshs'000
Wakulima Tea Company Limited	6,823,472	30%	2,047,042
Rungwe Avocado Company Limited	(2,713,577)	36.25%	(983,563)
Kymbila Tea Packing Company Limited	(2,245,891)	5.97%	(134,080)
	<u>2,089,500</u>		<u>1,490,697</u>

The following summarises the effects of changes in the monthly interest.

	2018 Tshs'000	2017 Tshs'000
At start of year	(510,940)	(75,814)
Other comprehensive income attributable to Non- controlling interest	321,311	(680,511)
Final dividend by Wakulima Tea company Limited (WTC)	(300,000)	(150,000)
Gain on revaluatio of bearer plants	-	395,385
Minority acquisition of additional shares in RACL	1,419,028	-
	<u>929,399</u>	<u>(510,940)</u>

SCHEDULE OF EXPENDITURE FOR THE COMPANY

	2018 Tshs'000	2017 Tshs'000
1. Other operating income		
Dividend Income	<u>(700,000)</u>	<u>(350,000)</u>
2. ADMINISTRATIVE EXPENSES		
Staff costs		
Salaries and wages	137,524	37,624
National social security fund	3,811	44,385
Workers compensation fund	590	5,025
Other staff costs	<u>2,203</u>	<u>1,304</u>
Total employment costs	<u>144,129</u>	<u>88,339</u>
Other administration expenses:		
Travelling costs	94,935	60,174
Consultancy and professional fees	64,497	123,175
Directors' fees and allowance	105,393	87,654
Auditors' remuneration	26,631	25,458
Rental charges	6,477	4,902
Other administration costs	<u>49,848</u>	<u>129,963</u>
Total other administrative expenses	<u>347,7809</u>	<u>431,325</u>
Total administrative expenses	<u>491,909</u>	<u>519,664</u>





TATEPA PLC





