

**TATEPA PUBLIC LIMITED COMPANY
(FORMERLY KNOWN AS TATEPA LIMITED)**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Tatepa Public Limited Company (formerly known as Tatepa Limited)
Annual report and consolidated financial statements
For the year ended 30 September 2019

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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
	Hon Dr Raphael Chegeni ***	Director	Tanzanian

** Appointed on 24 October 2018

*** Appointed on 22 January 2019

* Terminated on 13 November 2019

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. Box 700
- : Tukuyu - Mbeya.

- : Rungwe Avocado Company Limited
- : Tukuyu Township, Kyimo Ilenge Pack Shed
- : P.O. Box 247
- : Tukuyu - Mbeya.

INDEPENDENT AUDITOR

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

COMPANY SECRETARY

- : Mr. Vimalendu K. Tewari
- : 262 Eldeco Greens, Gomtinagar
- : Lucknow, U P , India

PRINCIPAL BANKER

- : CRDB Bank PLC
- : Pugu Road Branch
- : P.O. Box 268
- : 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 2019, which disclose the state of affairs of Tatepa Public Limited Company ("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) (2018: 70%); an aggregated majority stake of 63.75% (2018: 63.75%) in the equity of Rungwe Avocado Company Limited (RACL), of which 59.51% (2018: 59.51%) is held directly by Tatepa Public Limited Company and 4.24% (2018: 4.24%) is held indirectly through WTCL. During the year it disposed off its blending business, Kyimbila Tea Packaging Company Limited in which it held a 94.03% shares.

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.

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 2018 unless otherwise stated are:

Name	Position	Age (years)	Qualifications	Nationality	Remark
George C. Theobald	Chairman	61	BA - Economics	Tanzanian	
Peter D. Rowland	Member	65	MSc. Agric Eng. C. Eng.	British	
Johannes Gunnell	Member	39	MA (Oxon): Philosophy, Politics & Economics	British	
Robin Harrison	Member	62	Ma (History, Archaeology & Anthropology)	British	
Vimalendu K. Tewari	Member	70	M Com, FCA	Indian	Terminated on 13 November 2019
Mr. Hendrik Andres De Klerk	Member	54	Diploma in Agriculture	South African	Appointed on 24 October 2018
Hon Dr Raphael Chegeni	Member	55	B Com, MSc in Finance and PhD in BA	Tanzanian	Appointed on 22 January 2019

REPORT OF THE DIRECTORS (CONTINUED)

The Company Secretary at the date of this report is Mr. V. K. Tewari appointed with effect from 1 January 2020.

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(v) to the financial statements.

6. CORPORATE GOVERNANCE

During the year ended 30 September 2019, the Board of the Company consisted of seven 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 2019 (In 2018: 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 2018: 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	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Ordinary share capital	466,431	466,431	466,432	466,431
Share premium	4,048,462	4,048,462	4,048,463	4,048,462
Retained earnings	(14,659,031)	(11,754,389)	(6,250,099)	(32,968)
Revaluation reserve	582,169	595,507	-	-
Other reserves	-	(849,984)	-	-
Total owners' equity	(9,561,968)	(7,493,973)	(1,735,204)	4,481,925
Non-controlling interest	(1,713,323)	929,399	-	-
Total equity	<u>(11,275,291)</u>	<u>(6,564,574)</u>	<u>(1,735,204)</u>	<u>4,481,925</u>
Borrowings	<u>25,755,660</u>	<u>24,095,594</u>	<u>8,647,597</u>	<u>8,737,864</u>

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 30 September 2019 was 1619 shareholders (2018: 1620 shareholders). Three of the Directors had interests in the issued and fully paid up shares of the Company as detailed below:

Name	Nationality	Number of ordinary shares
Mr P. D. Rowland	British	2,253,453 shares
Mr G. C. Theobald	Tanzanian	4,460,371 shares
Mr. Hendrik Andres De Klerk	South African	25,000 shares

The shares of the Company are held as follows:

S/N	Name	Number of ordinary shares held	
		2019	2018
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	2,253,453	2,284,593
5	Estate of Hon J. J. Mungai	2,339,126	2,340,281
6	Mr. Hendrik Andres De Klerk	25,000	-
7	Various others	1,766,219	1,758,924
		<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 Dar es Salaam Stock Exchange (DSE) since 1999. The share price as at 30 September 2019 was Tshs 120 (2018: 120). The market capitalisation as at 30 September 2019 was Tshs 2.24 billion (2018: 2.24 billion).

11. RESULTS AND DIVIDEND

The results for the year are disclosed on page 14. The Board does not propose a dividend for the year 2018-2019 (Year 2017-2018: nil)

12. PERFORMANCE FOR THE YEAR

Wakulima Tea Company Limited: During the year tea production decreased by 3% as compared to 2018. This was due to weather conditions in 2019. The average selling price of USD 1.67 per Kg was lower than last years' price of USD 1.90 per Kg. The lower price was due to lower world tea prices. Wakulima Tea Company Ltd made an operating loss before tax of Tshs 1,007 million (2018: Operating profit before tax of Tshs 3.989 million). The 2019 operating loss before tax includes the loss on disposal of Kyimbila Tea Packing Company Limited shares of Tshs 908 million.

Rungwe Avocado Company Limited: Exports during the year were 1,186 tons (previous year 1,011 tons). The Company realised a net loss of Tshs 6,823,675,061 (2018-Tshs 1,463,524,617) and as at 30 September 2019 it had net current liabilities of Tshs 10,103,181,000 (2018-Tshs 2,339,298,000).

Tatepa Public Limited Company (TATEPA) remained as a Holding Company and concentrated on the management of the Group Companies. During the year, it made a loss before tax of Tshs 715 million (2018: profit of Tshs 898 million). Loss for the year includes the loss on disposal of Kyimbila Tea Packing Company Limited of Tshs 5,501 million and a bad debts provision of Tshs 452,972,370 in respect of the debt due from Suma Hydro Limited.

The Group loss before tax during the year is Tshs 5.640 billion compared to a profit of Tshs 1.769 billion in 2018

REPORT OF THE DIRECTORS (CONTINUED)

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 behaviors 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 2019 and is of the opinion that they met acceptable criteria.

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 confirms that applicable International Financial Reporting Standards ('IFRS') have been followed in the preparation of the financial statements.

15. EMPLOYEES' WELFARE

Management and Employees' Relationship

There were continued good relationships between Group employees and management for the year ended 30 September 2019. 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

During the year ended 30 September 2019, the Group allocated a sum of Tshs 13.15 million (2018: Tshs 35.6 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.

REPORT OF THE DIRECTORS (CONTINUED)

15. EMPLOYEES' WELFARE (CONTINUED)

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 personal protective equipment, training and supervision, as necessary.

Financial Assistance to Staff

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

Employees Benefit Plans

The Group pays contributions to a mandatory publicly administered pension plan(NSSF) which qualifies to be a defined benefit 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 to retire early at the age of 55 years, based on the length of service and salary at retirement . The payments for this are from the Group's internally generated funds.

The average number of employees in the Group during the year was 414 (2018: 414).

16. GENDER PARITY

As at 30 September 2019, the Group had 414 employees (2018: 414 employees), out of whom 105 (2018: 101) were female and 309 (2018: 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 (2018: nil).

REPORT OF THE DIRECTORS (CONTINUED)

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 and 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 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

21ST DECEMBER 2019
Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzania 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 Tanzania 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 Tanzania Companies Act, No. 12 of 2002. They also accept responsibility for:

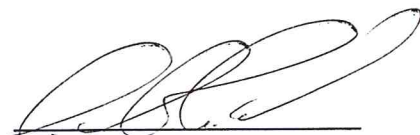
- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making 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 2019 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

21ST DECEMBER 2019

Date

Tatepa Public Limited Company (formerly known as Tatepa Limited)
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DECLARATION OF THE HEAD OF FINANCE/ACCOUNTING OF TATEPA PUBLIC LIMITED COMPANY

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 (IFRS) 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 Public Limited Company hereby acknowledge my responsibility of ensuring that the company and Group consolidated financial statements for the year ended 30 September 2019 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 have been prepared based from properly maintained financial records.


Signed by: **Mathew Ernest**

Position: **Chief Accountant**

NBAA Membership No: **AP 1246**

Date: 21 - December 2019

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

Opinion

We have audited the accompanying consolidated financial statements of Tatepa Public Limited Company (the Company) and its subsidiaries, Rungwe Avocado Company Limited and Wakulima Tea Company Limited (together, the Group) set out on pages 14 to 70 which comprise the consolidated and Company statement of financial position as at 30 September 2019, and consolidated and Company 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 2019, 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 2019, 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.

We have determined the matter described below to be a key audit matter.

Disposal of Subsidiary- Kyimbila Tea Packing Company Limited

During the year, the Group disposed off its 94.03% shareholding in its former subsidiary Kyimbila Tea Packing Company Limited out of which the Group record a profit of Tshs 1.9 billion (Note 38). We agreed the Group share of the sales proceeds to the sales agreement and net liabilities disposed off to the subsidiary's accounting records at the effective date of disposal.

Other information

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

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.

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

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation of the consolidated and Company 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 and Company financial statements, the Directors are responsible for assessing the Company's and Group'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 and Company 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 and Company 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
- 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 and Company'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 and Company financial statements, including the disclosures, and whether the consolidated and Company financial statements presents the underlying transactions and events in a manner that achieves fair presentation.

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.

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

Report on other matters prescribed by the Tanzania Companies Act, 2002

In our opinion the information given in the report of the Directors on page 2-8 is consistent with the financial statements.

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

- (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.



**Certified Public Accountants Dar es Salaam
CPA (Mustansir Gulamhussein), Practising certificate No. 1810
Signing partner responsible for the independent Audit
PKF Associates Tanzania
Ref: PKF/A/T011/169/19/mg**

Date: 14 / 6 / 2020

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

	Notes	Group		Company	
		2019	2018	2019	2018
		Tshs '000	Tshs '000	Tshs '000	Tshs '000
Revenue	6	23,570,168	27,656,544	-	-
Cost of sales	7	(22,172,207)	(18,914,550)	-	-
Gross profit		1,397,961	8,741,994	-	-
Other income	8	314,488	231,815	141,896	700,000
Selling and marketing costs	9	(2,033,077)	(2,229,631)	-	-
Administrative expenses	10	(3,980,151)	(3,831,211)	(1,025,714)	(491,910)
Grant amortisation	29	20,279	20,279	-	-
Fair value (loss)/gain on embedded derivative	27	(178,907)	226,743	(178,907)	226,743
Operating (loss)/profit		(4,459,407)	3,159,989	(1,062,725)	434,833
Finance costs	12	(1,180,983)	(1,390,992)	(187,155)	(331,439)
Finance income	13	-	-	534,577	794,724
(Loss)/ profit before tax from continuing operations		(5,640,390)	1,768,997	(715,303)	898,118
Tax charge	14	(1,998,790)	(868,288)	-	(37,384)
Loss/profit for the year from continuing operations		(7,639,181)	900,708	(715,303)	860,734
Discontinued Operations:					
Profit/ (loss) on disposal of subsidiary	38	1,944,400	-	(5,501,827)	-
Loss/profit for the year		(5,694,781)	900,708	(6,217,130)	860,734
Attributable to:					
- Owners of the parent		(2,917,979)	579,398	(6,217,130)	860,734
- Non-controlling interest	39	(2,776,802)	321,311	-	-
		(5,694,781)	900,708	(6,217,130)	860,734
Total comprehensive income for the year attributable to:					
- Owners of the parent		(2,917,979)	579,398	-	-
- Non-controlling interest	39	(2,776,802)	321,311	-	-
		(5,694,781)	900,708	-	-
Dividend:					
Proposed final dividend for the year	16	-	300,000	-	-
Earning per share attributable to the equity holders of the Company during the year (expressed in Tshs per share)					
- basic	15	(156.40)	31.05		
- diluted	15	(32.75)	4.22		

The notes on pages 19 to 70 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
CAPITAL EMPLOYED					
Share capital	33	466,431	466,431	466,432	466,431
Share premium	33	4,048,462	4,048,462	4,048,463	4,048,462
Other reserves	37(a)	-	(849,984)	-	-
Properties revaluation reserve	37(b)	582,169	595,507	-	-
Retained earnings		(14,659,031)	(11,754,389)	(6,250,099)	(32,968)
Equity attributable to owners of the Company		(9,561,968)	(7,493,973)	(1,735,204)	4,481,925
Non-controlling interest	39	(1,713,323)	929,399	-	-
Total equity		(11,275,291)	(6,564,574)	(1,735,204)	4,481,925
Non-current liabilities					
Borrowings	28	11,346,457	13,924,989	8,647,597	8,737,864
Deferred capital grant	29	150,551	170,830	-	-
Deferred income tax liability	30	139,177	138,421	-	-
Retirement benefit obligations	31	826,678	768,725	6,583	4,222
		<u>12,462,862</u>	<u>15,002,965</u>	<u>8,654,180</u>	<u>8,742,086</u>
		<u>1,187,571</u>	<u>8,438,391</u>	<u>6,918,976</u>	<u>13,224,011</u>
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	17	9,763,675	10,010,733	-	-
Intangible asset	19	-	4,727	-	-
Investment in subsidiaries	20	-	-	5,783,271	11,845,034
Loan receivable	21	279,244	391,628	-	-
Deferred income tax asset	30	-	1,995,224	-	-
		<u>10,042,919</u>	<u>12,402,312</u>	<u>5,783,271</u>	<u>11,845,034</u>
Current assets					
Inventories	23	4,427,019	5,875,913	-	-
Trade and other receivables	24	5,383,758	4,638,291	1,750,559	1,684,564
Prepaid land rent	22	20,481	7,066	-	-
Cash and cash equivalents	25	51,644	157,598	29,989	13,306
Tax recoverable		466,606	401,701	374,353	372,276
		<u>10,349,508</u>	<u>11,080,569</u>	<u>2,154,901</u>	<u>2,070,146</u>
Current liabilities					
Embedded derivative	27	302,618	123,711	302,619	123,711
Borrowings	28	14,409,204	10,170,605	-	-
Trade and other payables	26	4,493,034	4,750,174	716,577	567,458
		<u>19,204,856</u>	<u>15,044,490</u>	<u>1,019,196</u>	<u>691,169</u>
Net current (liabilities)/assets		(8,855,348)	(3,963,921)	1,135,705	1,378,977
		<u>1,187,571</u>	<u>8,438,391</u>	<u>6,918,976</u>	<u>13,224,011</u>

The financial statements on pages 14 to 70 were approved and authorised for issue by the Board of Directors on 21.12.2019 and were signed on its behalf by:


 G. C. Theobald - Chairman

The notes on pages 19 to 70 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

Tatepa Public Limited Company (formerly known as Tatepa Limited)
Annual report and consolidated financial statements
For the year ended 30 September 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2019								
At start of year	466,431	4,048,462	(11,754,389)	595,507	(849,984)	(7,493,973)	929,399	(14,058,547)
Other comprehensive income								
Total comprehensive income for the year	-	-	(2,917,979)	-	-	(2,917,979)	(2,776,802)	(8,612,759)
Elimination of other reserve on disposal of KTPCL	-	-	-	-	849,984	849,984	-	1,699,968
Elimination of non controlling interest on disposal of KTPCL	39	-	-	-	-	-	134,080	134,080
Amortisation	-	-	13,338	(13,338)	-	-	-	-
At end of the year	466,431	4,048,462	(14,659,030)	582,169	-	(9,561,968)	(1,713,323)	(11,275,291)
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)	(8,572,576)
Other comprehensive income								
Total comprehensive income for the year	-	-	579,398	-	-	579,398	321,311	900,708
Amortisation	-	-	13,338	(13,338)	-	-	-	-
Change in ownership interest in subsidiary.	-	-	-	-	(11,734)	(11,734)	1,419,028	1,407,294
Final dividend	16	-	-	-	-	-	(300,000)	(300,000)
At end of the year	466,431	4,048,462	(11,754,389)	595,507	(849,984)	(7,493,973)	929,399	(6,564,574)

The notes on pages 19 to 70 form an integral part of these financial statements.

Tatepa Public Limited Company (formerly known as Tatepa Limited)
Annual report and consolidated financial statements
For the year ended 30 September 2019

COMPANY STATEMENT OF CHANGES IN EQUITY

COMPANY	Share capital Tshs '000	Share premium Tshs '000	Retained earnings Tshs '000	Total Tshs '000
Year ended 30 September 2019				
At start of year	466,431	4,048,462	(32,968)	4,481,925
Total comprehensive loss for the year	-	-	(6,217,130)	(6,217,130)
At end of the year	<u>466,431</u>	<u>4,048,462</u>	<u>(6,250,098)</u>	<u>(1,735,205)</u>
Year ended 30 September 2018				
At start of year	466,431	4,048,462	(893,702)	3,621,191
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>(32,968)</u>	<u>4,481,925</u>

The notes on pages 19 to 70 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	Notes	Group		Company	
		2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Operating activities					
Cash (used in)/from operations	34	(532,370)	(793,389)	94,378	2,223,357
Interest paid		(1,069,812)	(1,095,438)	(149,831)	(167,438)
Tax paid		(62,077)	(926,724)	(2,077)	(68,673)
Net cash (used in)/from operating activities		(1,664,259)	(2,815,551)	(57,530)	1,987,246
Investing activities					
Purchase of property, plant and equipment	17	(504,136)	(358,187)	-	-
Proceeds from disposal of subsidiary		228,956		228,956	
Cash paid for purchase of Investment in subsidiaries		-	-	-	(3,192,870)
Loans to third parties	21	112,384	49,763	-	-
Net cash (used in)/from investing activities		(162,796)	(308,424)	228,956	(3,192,870)
Financing activities					
Repayment of borrowings		-	(1,026,356)	(457,884)	(12,952)
Proceeds from issue of shares		-	1,374,947	-	-
Proceeds from borrowings		879,396	-	256,552	1,070,867
Effects of exchange rates on loan		83,792	144,333	46,588	135,597
Net cash from/(used in) investing activities		963,188	492,924	(154,744)	1,193,513
(Decrease)/increase in cash and cash equivalents		(863,867)	(2,631,051)	16,683	(12,111)
Movement in cash and cash equivalents					
At start of the year		(8,293,413)	(5,662,362)	13,306	25,417
(Decrease)/increase in cash and cash equivalents		(863,867)	(2,631,051)	16,683	(12,111)
At end of the year	25	(9,157,280)	(8,293,413)	29,988	13,306

The notes on pages 19 to 70 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

NOTES

1 - GENERAL INFORMATION

Tatepa Public Limited Company (the "Company") is incorporated in Tanzania under the Companies Act, No. 12 of 2002 as a limited liability Company and listed on the Dar es Salaam Stock Exchange. It is domiciled in 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

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. Box 700
Tukuyu - Mbeya

Rungwe Avocado Company Limited
Tukuyu Township, Kyimo Ilenge Pack Shed
P O Box 247
Tukuyu - Mbeya

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements comply with the requirements of the Tanzania Companies Act, 2002. The statement of profit or loss and statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

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.

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 loss of Tshs 5.695 billion for the year ended 30 September 2019 (2018: profit of Tshs 901 million);
 - b. had its current liabilities exceed its current assets at 30 September 2019 by Tshs 8.855 billion (2018: Tshs 3.964 billion);and that

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

Going concern (continued)

- c. had a shareholders' deficit of Tshs 11.275 billion as at 30 September 2019 (2018: Tshs 6.564 billion).
2. The Company
- a. incurred a net loss of 6.217 billion for the year ended 30 September 2019 (2018: profit of Tshs 861 million)
 - b. had its current assets exceed its current liabilities at 30 September 2019 by Tshs 1.136 billion (2018: Tshs 1.379 billion);and that

The Directors take note that the loss was partly due to one of written off expenditure on disposal of Kymbila Tea Packing Company Limited and a bad debts written off of the Suma Hydro Limited and are aware 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 PLC

- i The conversion of Shareholders loan into equity is to be completed by 28th September 2020

Rungwe Avocado Company Limited

- i The overdraft facility has been renewed for a period of one year from 31 January 2019 to 31 January 2020;

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

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New and amended standards adopted by the Group

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 October 2018 have been adopted by the company. Of those, the following have had an effect on the Company's financial statements:

International Financial Reporting Standard 9 (IFRS 9); Financial Instruments

IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: 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.

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-month ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognised from inception.

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Therefore the adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in opening retained earnings.

Consequently, for notes and disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes and disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

IFRS 15: Revenue from contracts with customers

Under IFRS 15, revenue from sale of goods is recognised when the customer obtains control of the goods. Revenue from sales of services is recognised over time provided the consumption of the goods. Revenue from sales of services is recognised over time provided the consumption of the service by the customer is simultaneous with the performance of the service by the Company. The application of the standard, retrospectively, in the current year has not had a material impact on the financial position or financial performance of the Company, and a prior period adjustment has, therefore, not been required.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) 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:

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.
- IFRS 16 'Leases' (issued in January 2017) 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, 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 2022 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.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

b) Critical accounting estimates and judgement (continued)

In the application of the accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The Directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Critical accounting estimates and judgement (continued)

- Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behavior.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

- Fair value measurement and valuation process:

In estimating the fair value of a financial asset and liability, the Group uses market observable data to the extent it is available. Where these are not available, the Group uses valuation models to determine the fair value of its financial instruments.

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.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment in subsidiaries/Consolidation (continued)

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.

- Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Revenue recognition

The Group recognises revenue from sells made tea, and avocados in both local and international markets. The Group recognises revenue as and when it satisfies a performance obligation by transferring control of a product to a customer. The amount of revenue recognised is the amount the Company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales of goods

The Group sells made 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.

e) Segment reporting

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

f) 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.
- 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.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Translation of foreign currencies (continued)

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.

g) 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:

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

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)

g) 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.

h) Biological assets

The biological assets other than bearer plants have been stated at their fair values less estimated point-of-sale costs. The cost incurred on bearer plants up to the time they come to production 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 tea/avocados 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.

i) Impairment of non-financial assets

The Group assesses at each reporting date whether there are indications 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.

j) 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.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Inventories

Biological assets produce is measured at fair value less costs to sell at the point of harvest. Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of made a tea comprises the fair value of tea harvested from the Group's plantations less costs to sell at the point of harvest or cost of purchasing leaf from out growers, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Stores and consumables are stated at cost less any provision for obsolesce.

l) 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.

m) 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.

n) Dividend income

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

o) Employees benefits

Retirement benefit obligations

The Group has defined benefit and defined contributions plans. The Group has an unfunded non-contributory employee gratuity arrangement (the "Arrangements"), which provides for lump sum payments to its employees on their retirement at the age of 60, or those allowed to retire early, based on length of service and salary at retirement and qualifies as a defined benefits plan. The payments 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)

o) Employees benefits (continued)

Retirement benefit obligations (continued)

For defined contribution plan, all companies in the Group pay contributions to publicly administered pension plans (NSSF or PPF) on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefits expense when they are due.

p) 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.

q) 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.

r) Financial instruments

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

- Financial assets

The company classifies its financial assets into the following categories:

i) Amortised cost;

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

ii) Fair Value Through Other Comprehensive Income (FVTOCI):

Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

iii) Fair Value Through Profit or Loss (FVTPL):

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Financial instruments (continued)

- Financial assets(continued)

iii) Fair Value Through Profit or Loss (FVTPL) (continued):

Notwithstanding the above, the group may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the group has not identified a change in its business models.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the group has transferred substantially all risks and rewards of ownership, or when the group has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment

The group recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognised on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Financial instruments (continued)

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

- Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

- All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

- Offsetting financial instruments

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

s) 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.

t) 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.

u) Share capital

Ordinary shares are classified as equity.

v) 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.

w) 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.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Earnings per share (continued)

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 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.

x) 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.

y) Comparatives

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

NOTES (CONTINUED)

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. The option derivative was fair valued and loss of Tshs 179 million (2018: gain of Tshs 226 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 2019.

ii) Discount rate

A rate of 10% 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)

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

a) Market risk

i) Foreign exchange risk

The Group frequently enters into transactions denominated in foreign currencies [primary United States Dollars ("US\$")]. In addition, the Group has assets and liabilities denominated in United States currency exchange rates at 113% (2018: 92%) of its earnings are in foreign currencies (mainly US dollars). The Group measures its exposures from fluctuations in foreign currencies by entering in short term contracts. As at 30 September 2019, if the Tanzanian shilling (Tshs) had strengthened/weakened by 10% against the US dollar with all other variables held constant, the Group's loss after tax for the year and equity would have been Tshs 1.85 billion (2018: 1.656 billion) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables, trade payables, bank balances and borrowings.

At 30 September 2019, if the Tanzanian shillings (Tshs) had strengthened/weakened by 10% against the US dollar with all other variables held constant, the Company's loss after tax for the year and equity would have been Tshs 609 million lower/higher (2018: Tshs 611 million), mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables, trade payables, bank balances and borrowings.

The movement of the Tanzanian shilling against other currencies is insignificant because the number and value of transaction in other foreign currencies entered into by the Group and Company is insignificant.

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

a) Market risk (continued)

ii) Interest rate risk

The Group's interest rate risk arises from long and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Where necessary the Group refinances its borrowings in order to ensure its borrowings terms remain competitive. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. Based on the simulation performed at 30 September 2019, an increase/decrease of 200 basis points would have resulted in a decrease/increase in consolidated post tax loss of Tshs 26 million (2018: Tshs 22 million), mainly as a result of higher/lower interest charges on variable rate borrowings.

iii) Commodity price fluctuation risk

The Group does not anticipate the prices of tea and avocado to decline significantly in the foreseeable future. The Group reviews its outlook for world prices regularly in considering the need for active financial risk management. Therefore, the Group and Company does not use any derivative to hedge against commodity price fluctuation risk. Had the prices of tea or avocado changed by 5% during the year the loss after tax for the Group would have been higher/lower by Tshs 1.16 billion (2018: Tshs 1.31 billion).

b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. For banks and financial institutions only reputable banks and financial institutions are used by the Group for banking services. Loans and receivables do not expose the Group and Company into a significant credit risk as these are mainly issued to out growers who are suppliers of raw material and related parties. The Group has the right to offset the receivable amount with the liability arising from purchasing avocados from the out growers. Customers are assessed for credit quality by taking into account their financial position, past experience and other factors before approved to buy goods or services on credit. The account balances and length of time outstanding are regularly monitored. No collateral is held for cash and cash equivalents and trade and other receivables.

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

The amount that best represents the Group's and Company's maximum exposure to credit risk at 30 September 2019 and 30 September 2018 is the carrying value of its financial assets in the statement of financial position.

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

b) Credit risk (continued)

GROUP

Trade receivables (third parties)	2019	2018
	Tshs '000	Tshs '000
Group 1 - Balance from customers with no past history of default and no provision for impairment raised against their balances	478,268	1,893,792
Group 2 - Balance from customers with no past history of default but provision has been made against their balances	-	-
Group 3 - Balance from customers with past history of default and provision made against their balances	42,589	328,305
Total gross trade receivables (Note 24)	<u>520,858</u>	<u>2,222,097</u>
Bank and cash balances		
Total cash at bank	<u>51,644</u>	<u>157,598</u>
Farmers input debts		
Total farmers input debts	<u>279,244</u>	<u>391,628</u>

COMPANY

Trade and other receivables (third parties)

Group 1 - Balance from customers with no past history of default and no provision for impairment raised against their balances	-	-
Bank and cash balances		
Total cash at bank	<u>29,989</u>	<u>13,306</u>

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

c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group and the Company maintain flexibility in funding by maintaining availability under committed credit lines and through inter-company short-term advances. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The table below analyses the Group's derivative and no-derivative financial liabilities into relevant maturity groupings based on the remaining period to the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

c) Liquidity risk

Group	Within 1 year Tshs '000	Between 1 and 2 years Tshs '000
As at 30 September 2019		
Borrowings	14,409,204	11,346,457
Interest on borrowings (*)		
Embedded derivative	302,618	-
Trade and other payables (excluding statutory deductions)	4,493,034	-
Total financial liabilities	19,204,856	11,346,457
As at 30 September 2018		
Borrowings	10,170,605	13,924,989
Interest on borrowings (*)		
Embedded derivative	123,711	-
Trade and other payables	4,366,594	-
Total financial liabilities	14,660,910	13,924,989

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

The parent Company (Tatepa Limited) has provided corporate guarantee to CRDB Bank Plc. in respect of overdraft facilities extended its subsidiaries Wakulima Tea Company Limited and Rungwe Avocado Company Limited. The overdrafts facilities were renewed on 19 December 2018 for Wakulima Tea Company Limited and on 04 January 2019 for Rungwe Avocado Company Limited for a period of 12 month up to 31 January 2020 for both the Companies.

COMPANY	Within 1 year Tshs '000	Between 1 and 2 years Tshs '000
As at 30 September 2019		
Borrowings	-	8,647,597
Embedded derivative	302,619	-
Trade and other payables	716,577	-
Total financial liabilities	1,019,196	8,647,597
As at 30 September 2018		
Borrowings	-	8,737,864
Embedded derivative	123,711	-
Trade and other payables	567,458	-
Total financial liabilities	691,169	8,737,864

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce costs. This ratio is calculated as a net debt dividend by total capital. Net debt is calculated as total borrowings (including current and no-current borrowings as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt. During the year ended 30 September 2019, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio within 25% to 50% on a long term basis. The gearing ratios were as follows:

GROUP	2019 Tshs '000	2018 Tshs '000
Total borrowings (Note 28)	25,755,660	24,095,594
Less cash and bank balances (Note 25)	(51,644)	(157,598)
Net debt	25,704,017	23,937,996
Total equity	(11,275,285)	(6,564,574)
Total capital	14,428,732	17,373,422
Gearing ratio	178.14%	137.79%
COMPANY	2019 Tshs '000	2018 Tshs '000
Total borrowings (Note 28)	8,647,597	8,737,864
Less cash and bank balances (Note 25)	(29,989)	(13,306)
Net debt	8,617,608	8,724,558
Total equity	(1,735,205)	4,481,925
Total capital	6,882,403	13,206,483
Gearing ratio	125.21%	66.06%

The increase in gearing during the financial year 2019 resulted from Group loss.

4.3 Fair value estimation

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

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

GROUP	Level 1	Level 2	Level 3
As at September 2019			
Liabilities			
Embedded derivative	-	-	302,618
Total liabilities	-	-	302,618

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

GROUP (continued)	Level 1	Level 2	Level 3
As at September 2018			
Liabilities			
Embedded derivative	-	-	123,711
Total liabilities	-	-	123,711
Company			
As at September 2019	Level 1	Level 2	Level 3
Liabilities			
Embedded derivative	-	-	302,618
Total liabilities	-	-	302,618
As at September 2018			
Liabilities			
Embedded derivative	-	-	123,711
Total liabilities	-	-	123,711

There were no transfers between any levels during the year.

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

5. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the review by management and in a manner consistent with internal reporting provided to the chief operating decision maker. Before the disposal of its the blending and packing subsidiary (Kymbila Tea Packing Company Limited) the Group was organized into three operating segments; growing and processing of tea and growing and processing of avocado. Management considers the business form both market and product perspectives. Market wise, management considers the revenue generated from sales of products in various markets. Product wise, management considers the main lines through which the group derives its revenue.

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NOTES (CONTINUED)

5. BUSINESS SEGMENT INFORMATION (CONTINUED)

GROUP	2019	Growing & processing tea Tshs '000	Other (*) Tshs '000	Avocado fruits Tshs '000	Blending and packing of black tea Tshs '000	Eliminations Tshs '000	Consolidation Tshs '000
REVENUE							
Export sales	21,327,953			1,461,443			22,789,396
Local sales	780,773						780,773
Total sales	22,108,725			1,461,443			23,570,168
Fair value loss on embedded derivative			(178,907)				(178,907)
Operating loss from operations	48,280		(1,062,725)	(3,791,237)		346,279	(4,459,403)
Interest income	-		534,577			(534,577)	-
Interest costs	(146,802)		(187,155)	(1,037,216)		188,298	(1,182,875)
Profit/(loss) before tax	(98,522)		(715,303)	(4,828,453)		0	(5,642,278)
Income tax credit/(charge)	(3,566)		-	(1,995,224)			(1,998,790)
Profit/(loss) on disposal of subsidiary	(908,644)		(5,501,827)			8,318,003	1,907,532
Profit/(loss) for the year	(1,010,732)		(6,217,130)	(6,823,678)		8,318,003	(5,733,536)
Other segment items included in the statement of profit or loss:							
Depreciation	362,633		-	286,270			648,903

(*) Represents Tatepa Limited.

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NOTES (CONTINUED)

5. BUSINESS SEGMENT INFORMATION (CONTINUED)

GROUP	2018	Growing & processing tea Tshs '000	Other (*) Tshs '000	Avocado fruits Tshs '000	Blending and packing of black tea Tshs '000	Eliminations Tshs '000	Consolidation Tshs '000
		24,303,270	-	2,537,959	-	-	26,841,229
		353,530	-	-	622,401	(160,616)	815,315
		24,656,800	-	2,537,959	622,401	(160,616)	27,656,544
		-	226,743	-	-	-	226,743
		4,227,619	434,834	(726,089)	(654,609)	(121,766)	3,159,989
		-	794,724	-	-	(794,724)	-
		(237,671)	(331,439)	(898,139)	(140,232)	216,489	(1,390,992)
		3,989,948	898,119	(1,624,228)	(794,841)	(700,001)	1,768,997
		(991,607)	(37,384)	160,703	-	-	(868,288)
		2,998,341	860,735	(1,463,525)	(794,841)	(700,001)	900,709
		(344,942)	-	(282,821)	(87,402)	-	(715,165)

(*) Represents Tatepa Limited.

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NOTES (CONTINUED)

5. BUSINESS SEGMENT INFORMATION (CONTINUED)

GROUP

2019

	Growing & processing tea Tshs '000	Other (*) Tshs '000	Avocado fruits Tshs '000	Blending and packing of black tea Tshs '000	Eliminations Tshs '000	Consolidation Tshs '000
Segment assets and liabilities and capital expenditure:						
Assets						
Non-current assets	7,011,725	5,783,271	3,817,834	-	(6,569,912)	10,042,918
Current assets	9,053,103	2,154,901	1,144,180	-	(2,002,676)	10,349,509
Total assets	16,064,829	7,938,172	4,962,014	-	(8,572,588)	20,392,427
Liabilities						
Non-current liabilities	820,287	8,654,180	3,251,753	-	(263,358)	12,462,862
Current liabilities	9,428,990	1,019,196	11,247,361	-	(2,490,692)	19,204,855
Total liabilities	10,249,277	9,673,376	14,499,114	-	(2,754,049)	31,667,718
Additions: Property, plant and equipment	380,497	-	123,639	-	-	504,136

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NOTES (CONTINUED)

5. BUSINESS SEGMENT INFORMATION (CONTINUED)

GROUP

2018	Growing & processing tea Tshs '000	Other (*) Tshs '000	Avocado fruits Tshs '000	Blending and packing of black tea Tshs '000	Eliminations Tshs '000	Consolidation Tshs '000
Segment assets and liabilities and capital expenditure:						
Assets						
Non-current assets	8,329,925	11,845,034	6,088,073	112,601	(13,973,321)	12,402,312
Current assets	7,893,090	2,070,148	3,157,519	161,123	(2,201,311)	11,080,569
Total assets	16,223,015	13,915,182	9,245,592	273,724	(16,174,632)	23,482,881
Liabilities						
Non-current liabilities	705,898	8,742,086	6,402,200	283,826	(1,131,046)	15,002,964
Current liabilities	8,693,645	691,169	5,556,969	2,235,788	(2,133,082)	15,044,489
Total liabilities	9,399,543	9,433,255	11,959,169	2,519,614	(3,264,128)	30,047,453
Additions: Property, plant and equipment	326,430	-	30,407	1,350	-	358,187

NOTES (CONTINUED)

5. BUSINESS SEGMENT INFORMATION (CONTINUED)

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

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
United Republic of Tanzania	780,773	815,315	-	-
United Kingdom	22,789,396	26,841,229	-	-
Total	23,570,168	27,656,544	-	-

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

6. REVENUE	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Revenue from contracts with customers				
Sale of tea	22,108,725	24,496,184	-	-
Sale of avocados	1,461,443	2,537,959	-	-
Sale of packed tea	-	622,401	-	-
	23,570,168	27,656,544	-	-

7. COST OF SALES

Staff related costs (Note 11)	2,749,259	3,410,090	-	-
Processing costs	3,597,676	3,408,714	-	-
Blending cost	-	37,474	-	-
Production overheads	168,402	-	-	-
Packing material costs	644,705	724,759	-	-
Purchases from out growers	9,335,027	7,756,179	-	-
Field costs	4,322,929	3,195,409	-	-
Depreciation charges	642,273	700,112	-	-
Changes in inventory of finished goods and work in progress	711,935	(318,187)	-	-
	22,172,207	18,914,550	-	-

* Movement between opening and closing stock.

8. OTHER INCOME

Profit on disposal of equipment	-	8,729	-	-
Other income	314,488	223,086	141,896	-
Dividend income	-	-	-	700,000
	314,488	231,815	141,896	700,000

NOTES (CONTINUED)

9. SELLING AND MARKETING COSTS	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Transport, distribution and handling charges	1,668,223	1,695,016	-	-
Travelling expenses	-	36,416	-	-
Cess and other government levies	135,334	146,916	-	-
Staff related costs (Note 11)	36,705	122,413	-	-
Depreciation	-	5,915	-	-
Bad and doubtful debts	-	11,205	-	-
Other selling costs	192,814	211,750	-	-
	<u>2,033,077</u>	<u>2,229,631</u>	<u>-</u>	<u>-</u>
10. ADMINISTRATIVE EXPENSES				
Staff related costs	1,094,020	1,284,724	111,722	144,129
Travelling costs	201,946	189,838	88,619	94,935
Consultancy and professional fees	664,859	907,269	184,989	64,497
Directors fees and allowances	173,467	137,614	103,787	105,393
Office expenses	172,904	183,984	-	-
Auditors' remuneration	80,667	123,558	26,066	26,631
Research expenses on new products	54,043	51,948	-	-
Rental charges	-	9,137	-	6,477
Depreciation	6,629	280,356	-	-
Security and residential maintenance	223,006	549,112	-	-
Other administration costs	543,050	113,671	57,559	49,848
Management fee	131,590	-	-	-
Expected credit loss - farmers loans receivable	180,997	-	-	-
Expected credit loss- Suma Hydro Limited	452,972	-	452,972	-
	<u>3,980,151</u>	<u>3,831,211</u>	<u>1,025,714</u>	<u>491,909</u>
11. STAFF RELATED COSTS				
Salaries, wages and bonuses	3,387,055	3,387,055	68,947	137,524
Medical expenses	5,613	7,050	-	-
Canteen costs, uniforms and amenities	7,936	8,494	-	-
Statutory Social Security (NSSF)	20,447	10,281	6,166	3,811
Workers compensation fund	16,929	15,793	689	591
Gratuity	182,827	182,827	-	-
Other staff costs	330,351	330,351	35,919	2,203
Staff training	8,485	18,813	-	-
	<u>3,959,643</u>	<u>3,960,664</u>	<u>111,722</u>	<u>144,129</u>

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

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Cost of sales	2,749,259	3,410,090	-	-
Administrative expenses	1,094,020	1,284,724	111,722	144,129
Selling and marketing expenses	36,705	122,413	-	-
	<u>3,879,984</u>	<u>4,817,227</u>	<u>111,722</u>	<u>144,129</u>

NOTES (CONTINUED)

12. FINANCE COST	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs'000	2018 Tshs '000
Interest expense	1,286,719	1,095,438	149,831	167,438
Net foreign exchange (gain) /loss	(105,735)	295,554	37,324	164,002
	<u>1,180,983</u>	<u>1,390,992</u>	<u>187,155</u>	<u>331,439</u>
13. FINANCE INCOME				
Interest income on loan from RACL	-	-	20,774	53,760
Management income from WTC	-	-	370,097	601,249
Guarantee income	-	-	143,706	139,715
	<u>-</u>	<u>-</u>	<u>534,577</u>	<u>794,724</u>
14. INCOME TAX (CREDIT)/ EXPENSE				
Current tax charge	-	944,722	-	35,000
Alternative minimum tax (0.3 on turnover)-RAC/ TTP	-	2,384	-	2,384
Deferred income tax charge/(credit) (Note 30)- WTC	3,566	(78,818)	-	-
Deferred tax asset derecognised (RAC)	1,995,224	-	-	-
Tax charge/(credit)	<u>1,998,790</u>	<u>868,288</u>	<u>-</u>	<u>37,384</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	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Profit/(Loss) before income tax	(5,640,390)	1,768,997	(715,303)	898,118
Tax calculated at a rate of 30% (2018: 30%)	(1,692,117)	530,699	(214,591)	269,435
Tax effect of:				
- expenses not deductible for tax	279,943	8,142	-	-
- separate source of income tax				
- withholding tax on dividend	-	(35,000)	-	(35,000)
- withholding tax on interest	-	2,736	-	(42,424)
- interest expense not deductible for tax purposes	62,759	-	-	-
- alternative minimum tax	-	2,384	-	2,384
- adjustment on loss on disposed subsidiary	(272,593)	-	-	-
- capitalised transaction costs	25,207	(212,369)	-	-
- overprovision in prior year tax	-	326,566	-	-
- deferred tax asset not recognised	3,595,591	245,130	214,591	(157,011)
Tax charge/(credit)	<u>1,998,790</u>	<u>868,288</u>	<u>-</u>	<u>37,384</u>

NOTES (CONTINUED)

14 INCOME TAX (CREDIT)/ EXPENSE (CONTINUED)

The Group has unused tax losses amounting to Tshs 11.28 billion (2018: Tshs 11.28 billion) which relates to Tatepa Public Limited Company Tshs 24.8 million (2018: Tshs 24.8 million), Wakulima Tea Company Limited Tshs 3.032 billion tax income (2018: Tshs 3.032 billion tax loss), and Rungwe Avocado Company Limited Tshs 7.291 billion tax loss (2018: Tshs 7.291 billion tax loss).

15 EARNINGS PER SHARE

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Profit/(loss) attributable to Group shareholders	(2,917,979)	579,398	-	-
Weighted average number of shares in issue (Note 33)	18,657,254	18,657,254	-	-
Basic earnings per share (Tshs)	(156.40)	31.05	-	-
Weighted average number of share	83,631,418	83,631,418	-	-
Diluted earnings per share (Tshs)	(32.75)	4.22	-	-

Reconciliation of earnings used in calculating diluted earnings per share

	Group	
	2019 Tshs '000	2018 Tshs '000
Profit/ (loss) attributable to Group shareholders	(2,917,979)	579,398
Add: Changes of fair value in embedded derivatives	178,907	(226,742)
	(2,739,072)	352,655

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

	Group	
	2019 Tshs '000	2018 Tshs '000
Weighted average number of shares in issue (Note 33)	18,657,254	18,657,254
Options	64,974,164	64,974,164
Weighted average number of shares	83,631,418	83,631,418

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

16 DIVIDEND

The Group did not propose a dividend (2018: Tshs 300 million) to the minority interest in respect of Wakulima Tea Company Limited for the year.

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NOTES (CONTINUED)

17. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Leasehold improvements & buildings Tshs '000	Motor vehicles Tshs '000	Machinery, equipment, furniture & fittings Tshs '000	Capital work in progress Tshs '000	Bearer plants Tshs '000	Total Tshs '000
Year ended 30 September 2019						
Opening net book value	3,144,125	153,277	1,144,783	186,719	5,381,829	10,010,733
Additions	-	25,313	380,497	98,325	-	504,136
Transfers	-	-	186,719	(186,719)	-	-
Subsidiary assets disposed off (KPTCL)	(54,609)	(1,124)	(46,559)	-	(201,122)	(102,292)
Depreciation charge	(85,157)	(76,102)	(286,521)	-	-	(648,902)
Net book value	3,004,359	101,365	1,378,919	98,325	5,180,707	9,763,674
As at 30 September 2019						
Cost	4,254,590	1,723,655	7,560,848	98,325	5,859,165	19,496,584
Accumulated depreciation	(1,250,231)	(1,622,291)	(6,181,929)	-	(678,458)	(9,732,910)
Net book value	3,004,359	101,364	1,378,919	98,325	5,180,707	9,763,674
Year ended 30 September 2018						
Opening net book value	3,272,587	174,615	1,370,949	-	5,549,560	10,367,711
Additions	-	65,164	72,911	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	1,144,783	186,719	5,381,829	10,010,733
As at 30 September 2018						
Cost	4,701,462	2,074,581	6,993,632	186,719	5,859,165	19,815,559
Accumulated depreciation	(1,557,337)	(1,921,304)	(5,848,849)	-	(477,336)	(9,804,826)
Net book value	3,144,125	153,277	1,144,783	186,719	5,381,829	10,010,733

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 642 million (2018: Tshs 700 million) has been charged to cost of goods sold, and Tshs 6.6 million (2018: Tshs 280 million) is classified under administrative expenses. The Group's property, plant and equipment have been charged to secure loans as set out in **Note 28** to the financial statements.

18. BEARER PLANTS

Tea

The Company has 313 hectares (2018: 313 hectares) and 198.2 hectares (2018: 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 (Kymbila Tea Packing Company Limited)

	Group	
	2019	2018
	Tshs '000	Tshs '000
At start of the year	4,727	4,727
Amortisation	(4,727)	-
At end of year	<u>-</u>	<u>4,727</u>

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20. INVESTMENT IN SUBSIDIARIES

	2019 Tshs '000	2018 Tshs '000
Wakulima Tea Company Limited (a)	1,704,274	1,704,274
Rungwe Avocado Company Limited (b)	4,078,997	4,078,997
Kymbila Tea Packing Company Limited (Note 38) (c) *	-	6,061,763
	5,783,271	11,845,034

Investments relates to:

Nature of business

	Number and description of share held		% of issued shares held	
	2019 Ordinary shares	2018 Ordinary shares	2019	2018
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%	59.51%
c) Blending and packing tea.	-	387,698	Nil	81.80%

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

* Effective 1 October 2018, the Group disposed of off its investment in Kymbila Tea Packing Company Limited (see note 38)

	Total % holding of Tatepa Ltd at 30 Sept 2019	Total % holding of Tatepa Ltd at 30 Sept 2018
Company		
RACL	63.75%	63.75%
WTCL	70.00%	70.00%
KTPCL	Nil	94.03%

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NOTES (CONTINUED)

20. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summaries 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. On 1 October 2018, the group sold its interest in Kyimbila Tea Packing Company Limited to Stone Valley Tea Solution Limited

	WTCL		RACL		KTPCL	
	2019	2018	2019	2018	2019	2018
	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Summarised statement of financial position						
Current						
Assets	9,053,103	7,893,090	1,144,180	3,157,519	-	161,123
Liabilities	(9,428,990)	(8,693,645)	(11,247,361)	(5,556,969)	-	(2,235,788)
Total current net liabilities	(375,887)	(800,555)	(10,103,181)	(2,399,450)	-	(2,074,665)
Non-current						
Assets	7,011,725	8,329,925	3,817,834	6,088,073	-	112,601
Liabilities	(820,287)	(705,898)	(3,251,753)	(6,402,200)	-	(283,826)
Total non-current net assets/(liabilities)	6,191,438	7,624,027	566,081	(314,127)	-	(171,225)
Net assets/(liabilities)	5,815,551	6,823,472	(9,537,100)	(2,713,577)	-	(2,245,890)

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

	WTCL		RACL		KTPCL	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Revenue	22,108,725	24,656,800	1,461,443	2,537,959	-	622,401
Profit/(loss) before tax	(98,522)	3,989,948	(4,828,453)	(1,624,228)	-	(700,001)
Income tax expense	(3,566)	(991,607)	(1,995,224)	-	-	-
Loss on disposal of subsidiary	(908,644)	-	-	-	-	-
Profit/(loss) after tax	(1,010,732)	2,998,341	(6,823,678)	(1,624,228)	-	(700,001)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss)	(1,010,732)	2,998,341	(6,823,678)	(1,624,228)	-	(700,001)
Total comprehensive income/(loss) allocated to non-controlling inter	(303,220)	899,502	(2,472,901)	(588,620)	-	-
Dividends paid to non-controlling interests	-	300,000	-	-	-	-

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NOTES (CONTINUED)

20. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Summarised statement of cash flows

	WTCL		RACL		KTPCL	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Cash flows from operating activities						
Cash generated from/(utilised in) operations	229,292	378,214	(976,404)	(1,498,436)	-	106,701
Interest paid	(541,767)	183,036	(528,045)	(623,691)	-	(119,105)
Interest received	284,531	(518,490)	-	-	-	-
Income tax paid	(60,000)	(926,724)	-	-	-	-
Net cash used in operating activities	(87,945)	(883,964)	(1,504,449)	(2,122,127)	-	(12,404)
Net cash used in investing activities	(380,497)	(326,430)	(123,639)	(80,170)	-	(1,350)
Net cash (used in)/from financing activities	-	(700,000)	457,849	1,503,614	-	3,763
Net decrease in cash and cash equivalents	(468,442)	(1,910,394)	(1,170,239)	(698,683)	-	(9,991)
Cash and cash equivalents at beginning of the year	(5,296,045)	(3,385,650)	(2,252,543)	(1,553,862)	-	(748,140)
Cash and cash equivalents at end of the year	(5,764,486)	(5,296,044)	(3,422,782)	(2,252,545)	-	(758,131)

NOTES (CONTINUED)

21. LOAN RECEIVABLE

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
(i) Advanced during the year				
Seedling debtors	-	-	-	49,763
(ii) Non-current portion of the loans				
Seedling debtors	279,244	391,628	-	391,628

22. PREPAID LAND RENT

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Total prepaid land rent	20,481	7,066	-	-
Less: Current portion	(20,481)	(7,066)	-	-
	-	-	-	-

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	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Finished products - at cost	2,457,344	3,066,063	-	-
Unprocessed products - at cost	-	89,717	-	-
Stores and consumables - at cost	2,171,180	2,737,171	-	-
Work in progress - at cost	-	3,835	-	-
Provision for slow moving items	(201,506)	(20,873)	-	-
	4,427,019	5,875,913	-	-
Movement for provision is as follows:				
As start of year	20,873	14,343	-	-
Increase during the year	180,633	6,530	-	-
	201,506	20,873	-	-

NOTES (CONTINUED)

24. TRADE AND OTHER RECEIVABLES	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Trade receivables	520,858	2,222,097	-	-
Less provision for impairment losses	(42,589)	(328,305)	-	-
Trade receivable - net	478,268	1,893,792	-	-
VAT recoverable	2,818,409	1,531,954	-	-
Other receivables	1,886,674	918,309	1,364,215	897,231
Deposits and prepayments	180,981	185,740	-	-
Due from related parties (Note 35(iii))	19,425	108,496	386,343	787,333
	<u>5,383,757</u>	<u>4,638,291</u>	<u>1,750,558</u>	<u>1,684,564</u>

Trade receivables that are less than 30 days (2018: 30 days) are with in the Group's credit period. As of 30 September 2019, trade receivables of Tshs 30 million (2018: Tshs 29 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	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
At start of year	328,305	317,100	-	-
Charged to profit or loss	-	12,582	-	-
Recovered during the year	(285,716)	(1,377)	-	-
At end of year	<u>42,589</u>	<u>328,305</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
US Dollars	22,026	676,360	332,896	-
Pounds	-	16,835	-	-
Euro	135,175	-	-	-
Tanzania Shillings	5,226,556	3,945,096	1,417,662	1,684,564
	<u>5,383,757</u>	<u>4,638,291</u>	<u>1,750,558</u>	<u>1,684,564</u>

NOTES (CONTINUED)

25. CASH AT BANK AND IN HAND	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Cash at bank	50,336	155,570	29,941	13,154
Cash in hand	1,308	2,028	48	152
	<u>51,644</u>	<u>157,598</u>	<u>29,989</u>	<u>13,306</u>
For the purposes of statement of cash flows, cash and cash equivalents comprise the following:				
Cash at bank and in hand	51,644	157,598	29,989	13,306
Bank overdraft (Note 28)	(9,208,924)	(8,451,011)	-	-
	<u>(9,157,280)</u>	<u>(8,293,413)</u>	<u>29,989</u>	<u>13,306</u>

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

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Trade payables	1,577,062	1,525,954	-	-
Other payables and accrued expenses	790,471	2,594,853	234,609	428,922
Due to related parties (Note 35 (iii))	1,988,192	490,831	344,660	-
Unclaimed dividends	137,309	138,536	137,309	138,536
	<u>4,493,034</u>	<u>4,750,174</u>	<u>716,578</u>	<u>567,458</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 IFRS 9, the option derivative was fair valued and a loss of Tshs 179 million (2018: gain Tshs 227 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. On conversion to shares, the amount will be equivalent to 18,657,254 shares at a DSE share price of Tshs 120 giving capitalisation of Tshs 2.24 billion.

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
	<u>302,618</u>	<u>123,711</u>	<u>302,618</u>	<u>123,711</u>

NOTES (CONTINUED)

28. BORROWINGS

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Non-current				
AECF loan (ii)	894,292	2,668,859	-	-
AWC loan (iii)	1,146,341	1,810,660	-	-
AgDevco loan (iv)	921,585	1,648,240	-	-
Maris Tatepa Holdings Limited term loan one (v)	488,018	124,040	-	-
Long term loan - TLE	182,734	-	182,734	-
WTC Special loan - USD	-	-	751,376	1,064,675
Shareholders loan	7,713,487	7,673,189	7,713,487	7,673,189
	<u>11,346,457</u>	<u>13,924,989</u>	<u>8,647,597</u>	<u>8,737,864</u>
Current				
Bank overdrafts: CRDB Bank Plc. (i)	9,208,924	8,451,011	-	-
AWC loan (iii)	1,568,526	742,229	-	-
AECF loan (ii)	1,788,583	-	-	-
AgDevco loan (iv)	1,843,171	977,365	-	-
	<u>14,409,204</u>	<u>10,170,605</u>	<u>-</u>	<u>-</u>
Total	<u>25,755,660</u>	<u>24,095,594</u>	<u>8,647,597</u>	<u>8,737,864</u>
Reconciliation of liabilities arising from financing activities:				
At start of year	15,644,582	16,116,491	8,737,864	7,539,456
Interest charged to profit or loss	504,737	652,160	149,937	76,153
Foreign exchange (gain)/loss	83,792	144,333	46,588	135,597
Cash flows:				
- Operating activities (interest paid)	(189,805)	(242,046)	-	-
- Proceed from long-term borrowings	628,941	-	171,092	999,609
- Loan related to Subsidiary that was disposed (KPTCL)	(124,040)	-	-	-
- Repayments of long-term borrowings	-	(1,026,356)	(457,884)	(12,952)
At end of year	<u>16,548,207</u>	<u>15,644,582</u>	<u>8,647,597</u>	<u>8,737,864</u>

(i) CRDB Bank Plc. Overdraft

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% (2018: 7.5%) per annum, and a Tanzania shilling denominated overdraft facility of Tshs 1,350 million bearing an interest rate of 15% (2018: 15%) per annum.

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.

NOTES (CONTINUED)

28. BORROWINGS (CONTINUED)

Rungwe Avocado Company Limited (RACL)

Overdrafts

RACL has a US dollar denominated overdraft facility with a carrying value of Tshs 3,431 million bearing an interest of 7.5% annum and expiring on 31 January 2020. The overdraft facility is secured by a first mortgage over 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. 2,668 million.

(iii) AWC CB1 Limited loan

The Company has unsecured loan facility from AWC CB1 Limited denominated in US dollars, with a carrying value of Tshs. 2,553 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.

(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 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.

(v) Maris Ltd

Term loan one

The Company has unsecured loan facility from Maris Ltd denominated in US dollars, with an interest of 12% per annum.

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 facility will be repaid either in (a) bullet repayment ; 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	2019 Tshs '000	2018 Tshs '000
Opening balance	170,830	191,109
Grant amortisation	<u>(20,279)</u>	<u>(20,279)</u>
Closing balance	<u>150,551</u>	<u>170,830</u>

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

Rungwe Avocado Company Limited

Deferred tax assets (Derecognised in 2019)

Deferred income tax is calculated, in full, on all temporary difference under the liability method using a tax rate of 30% (2018: 30%). The movement on the deferred tax asset account is as follows:

	2019 Tshs '000	2018 Tshs '000
At start of year	(1,995,224)	(1,834,521)
Profit/loss effect for the year	(1,656,663)	(160,703)
Derecognised deferred tax assets	<u>3,651,887</u>	<u>-</u>
At end of the year	<u>-</u>	<u>(1,995,224)</u>

The Company's deferred tax asset of Tshs 3,651,887,000 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 will be utilised.

NOTES (CONTINUED)

30. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Rungwe Avocado Company Limited (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 2019 (Disclosure only)	At start of year	(Credited)/ charged to Profit or loss	At end of year
	Tshs '000	Tshs '000	Tshs '000
<i>Deferred tax liabilities:</i>			
Property, plant and equipment	818,457	(52,170)	766,287
Changes in fair value of biological assets	272,855	(272,855)	-
	<u>1,091,312</u>	<u>(325,025)</u>	<u>766,287</u>
<i>Deferred tax assets:</i>			
Provision	(33,221)	(64,911)	(98,132)
Unrealised foreign exchange gain	(865,793)	(15,038)	(880,831)
Tax losses	(2,187,523)	(1,251,689)	(3,439,212)
Net deferred tax assets	<u>(1,995,225)</u>	<u>(1,656,663)</u>	<u>(3,651,888)</u>
Year ended 30 September 2018			
	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
	<u>276,004</u>	<u>815,308</u>	<u>1,091,312</u>
<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)
Net deferred tax assets	<u>(1,834,522)</u>	<u>(160,703)</u>	<u>(1,995,225)</u>

COMPANY

Tatepa Public Limited Company (For disclosure only)

Year ended 30 September 2019	At start of year	Potential credit to profit or loss	At end of year
	Tshs '000	Tshs '000	Tshs '000
<i>Deferred tax assets:</i>			
Other timing differences	13,615	(57,352)	(43,737)
Tax losses	(40,380)	(1,645,130)	(1,685,511)
Net deferred tax assets	<u>(26,765)</u>	<u>(1,702,482)</u>	<u>(1,729,247)</u>

NOTES (CONTINUED)

30. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

COMPANY

Tatepa Public Limited Company (continued)- (For disclosure only)

	At start of year	Potential credit to profit or loss	Under provision in prior year	At end of year
Year ended 30 September 2018	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	<u>(198,218)</u>	<u>175,111</u>	<u>(3,658)</u>	<u>(26,765)</u>

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.

Wakulima Tea Company Limited

Deferred tax liabilities

Deferred tax is calculated using the enacted income tax rate of 30% (2018:30%). The movement on the deferred tax account is as follows:

	2019 Tshs '000	2018 Tshs '000
At start of year	138,421	59,347
Credit to other comprehensive income	(2,811)	(2,811)
Debit to profit or loss	3,566	81,885
At end of year	<u>139,177</u>	<u>138,421</u>

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 2019	At start of year	Charged/(credited) to Profit or loss	Revaluation	At end of year
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
<i>Deferred tax liabilities:</i>				
Revaluation	(2,811)	2,811	(2,811)	(2,811)
Property, plant and equipment	316,277	53,287	-	369,564
Unrealised foreign exchange loss	12,109	48,126	-	60,235
	<u>325,575</u>	<u>104,224</u>	<u>(2,811)</u>	<u>426,988</u>
<i>Deferred tax assets:</i>				
General provisions	(187,154)	(34,080)	-	(221,234)
Tax losses	-	(66,578)	-	(66,578)
Net deferred tax liabilities	<u>138,421</u>	<u>3,566</u>	<u>(2,811)</u>	<u>139,177</u>

NOTES (CONTINUED)

30. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Wakulima Tea Company Limited (continued)

Deferred tax liabilities (continued)

Year ended 30 September 2018	At start of year	Charged/(credited) to Profit or loss	Revaluation	At end of year
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
<i>Deferred tax liabilities:</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
	<u>525,522</u>	<u>(197,136)</u>	<u>(2,811)</u>	<u>325,575</u>
<i>Deferred income tax assets:</i>				
General provisions	(238,104)	50,950	-	(187,154)
Tax losses	<u>(228,071)</u>	<u>228,071</u>	<u>-</u>	<u>-</u>
Net deferred tax liabilities	<u>59,347</u>	<u>81,885</u>	<u>(2,811)</u>	<u>138,421</u>

31. RETIREMENT BENEFIT OBLIGATIONS

	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
As at 1 October	768,725	646,644	4,222	3,588
Current service cost	119,532	110,351	2,360	634
Interest cost	85,122	72,475	-	-
Disposal of subsidiary (KPTCL)	(93,413)	-	-	-
Benefit paid	<u>(53,288)</u>	<u>(60,745)</u>	<u>-</u>	<u>-</u>
At end of the year	<u>826,678</u>	<u>768,725</u>	<u>6,583</u>	<u>4,222</u>

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 principal assumptions used in the actuarial valuation were:

- i) Actuarial method - Projected Unit Method;
- ii) Discounted rate of 15%;
- iii) Rate of salary escalation of 10% per annum;
- iv) Retirement age - 25% at age 55 and the balance at age 60; and
- v) Pre-retirement mortality - A1949/52 Ultimate.

The "notional" Company contribution rate to meet the cost of future accrual of the gratuity benefit is estimated at 4.7% of basic salaries per annum for management and 3.3% of basic salaries per annum for non-management.

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.

	2019 15.0%	2018 18.9%	2017 18.9%
GROUP			
Discounted	<u>826,679</u>	<u>768,726</u>	<u>646,645</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.

	15.0%	18.9%	18.9%
COMPANY			
Discounted	<u>6,583</u>	<u>3,588</u>	<u>2,600</u>

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

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

Group	2019 Tshs '000	2018 Tshs '000	2017 Tshs '000
As at 1 October	768,726	646,645	494,918
Current service cost	119,532	110,351	100,786
Interest cost	85,122	72,475	56,305
Disposal of subsidiary (KPTCL)	(93,413)		
Benefits paid	(53,288)	(60,745)	(5,364)
Actuarial loss/(gain)	-	-	-
As at 31 September	<u>826,679</u>	<u>768,726</u>	<u>646,645</u>
Company	2019 Tshs '000	2018 Tshs '000	2017 Tshs '000
As at 1 October	4,222	2,600	838
Current service cost	2,360	988	988
As at 31 September	<u>6,582</u>	<u>3,588</u>	<u>1,826</u>

32. COMMITMENTS

Capital commitments

The Group had no capital commitments at the year end.

Operating lease commitments

The Group (WTC) 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. The future aggregate minimum lease payments under a non-cancellable operating leases are as follows

NOTES (CONTINUED)

32. COMMITMENTS (CONTINUED)

Capital commitments (continued)

Operating lease commitments (continued)

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Less than 1 year	5,425	45,472	-	-
2-5 years	22,364	45,472	-	-
Later than 5 years	265,147	-	-	-
	<u>292,936</u>	<u>90,944</u>	<u>-</u>	<u>-</u>

33. SHARE CAPITAL AND PREMIUM

Share capital

Authorised

20,000,000 (2018: 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 (2018: 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	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Profit/(loss) before income tax	(5,694,781)	900,708	(6,217,130)	860,734
Adjustments for:				
Income tax expense recognised in profit or loss	1,998,790	868,288	-	37,384
Fair value gain/(loss) on embedded derivatives	178,907	(226,742)	178,908	(226,742)
Depreciation (Note 17)	648,902	655,417	-	-
Amortisation of deferred capital grant (Note 29)	(20,279)	(20,279)	-	-
Amortisation of prepaid land rent (Note 22)	(13,415)	(322)	-	-
Other non cash	813,116	116,534	-	-
Employees' gratuity	(57,953)	(122,082)	-	-
Interest expense	1,286,719	1,095,438	149,831	167,438
Interest income	-	-	(164,480)	(193,475)
Gain on disposal of property, plant and equipment	-	(8,729)	-	-
Unrealised exchange loss on terms loans	(105,735)	295,554	37,324	164,002
Investment written off of KTPCL	-	-	6,061,763	-
<i>Changes in working capital:</i>				
Inventories	1,448,894	(1,109,417)	-	-
Loan received from related party	-	-	-	2,201,314
Trade and other receivables	(758,396)	(2,231,257)	(103,317)	(557,366)
Trade and other payables	(257,140)	(1,006,501)	151,479	(229,932)
Cash generated (used in)/from operations	<u>(532,370)</u>	<u>(793,389)</u>	<u>94,378</u>	<u>2,223,357</u>

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 two subsidiary companies, Wakulima Tea Company Limited (WTCL) and Rungwe Avocado Company (RACL). 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% (2018: 8.22%) and 26.21% (2018: 26.21%) shareholding in RACL respectively. Mr G. C. Theobald a shareholder of Tatepa Public Limited Company also owns Tanganyika Finance Company.

The followings transactions were carried out with related parties:

i) Sale of services	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Subsidiaries (guarantee fees)	-	-	168,955	139,715
Subsidiaries (interest income)	-	-	20,775	53,760

NOTES (CONTINUED)

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
ii) Purchases of services				
Shareholder - Maris Tatepa Holdings Limited (interest)	-	11,713	-	-
Shareholder - Thompson Lloyd & Ewart (interest)	-	23,721	-	16,884
Wakulima Tea Company (Interest)	-	-	138,809	150,554
	-	35,434	138,809	167,438
iii) Year-end balances				
Amounts due from related parties				
Tanganyika Finance Company Limited	-	11,360	-	11,360
Receivable from Rungwe Smallholder Tea Growers Association	-	78,627	-	-
Rungwe Avocado Company Limited	-	-	366,918	28,869
Kyimbila Tea Packing Company Limited	-	-	-	477,354
Wakulima Tea Company Limited	-	-	-	251,241
Nicole H. Abrahall - Tatepa director	-	18,509	19,425	18,509
	-	108,496	386,343	787,333
Amounts due to related parties				
Directors fee - directors	182,377	454,201	182,377	94,600
Rungwe Smallholders Tea Growers Association	668,473	-	-	-
Wakulima Tea Company Limited	-	-	155,683	-
Maris Tatepa Holdings Limited - Interest	-	4,997	5,024	4,997
G. C. Theobald - Tatepa director	-	30,332	269	30,332
Thompson Lloyd & Ewart Limited	1,137,342	1,300	1,307	1,300
	1,988,192	490,831	344,660	131,230

NOTES (CONTINUED)

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

iv) Loans payable to related parties

	Group		Company	
	2019 Tshs '000	2018 Tshs '000	2019 Tshs '000	2018 Tshs '000
Shareholder loans	8,201,505	7,797,229	7,713,487	7,673,189
Wakulima Tea Company Limited	-	-	751,421	1,064,675
	<u>8,201,505</u>	<u>7,797,229</u>	<u>8,464,908</u>	<u>8,737,864</u>

v) Directors remuneration

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

	Group		Company	
	Fees 2019 Tshs '000	Fees 2018 Tshs '000	Total 2019 Tshs '000	Total 2018 Tshs '000
Johannes Gunnell	18,315	18,024	18,315	18,024
G. C. Theobald	22,894	22,530	22,894	22,530
Robin Harrison	17,171	18,024	17,171	18,024
Peter D. Rowland	17,171	18,024	17,171	18,024
V. K. Tewari	18,315	18,024	18,315	18,024
Andres de Klerk	269,884	-	57,236	-
Hon Dr Raphael Chegeni	11,816	-	11,816	-
Duncan Page	-	220,002	-	-
	<u>375,566</u>	<u>316,004</u>	<u>162,918</u>	<u>94,626</u>

36. FINANCIAL INSTRUMENTS

a) By category

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

GROUP

	2019 Tshs '000	2018 Tshs '000
<i>Financial assets as per statement of financial position</i>		
<u>Loans and receivables</u>		
Trade and other receivables (excluding payments and suppliers advances)	5,383,757	4,638,291
Loans receivable	279,244	391,628
Cash at bank and on hand	51,644	157,598
	<u>5,714,645</u>	<u>5,187,517</u>

NOTES (CONTINUED)

36. FINANCIAL INSTRUMENTS (Continued)

a) By category

	2019	2018
	Tshs '000	Tshs '000
Financial liabilities as per statement of financial position		
<u>Other financial liabilities amortised at cost</u>		
Trade and other payables (excluding statutory obligations)	4,493,034	4,750,174
Borrowings	<u>25,755,660</u>	<u>24,095,593</u>
	<u>30,248,694</u>	<u>28,845,767</u>
<u>Other financial liabilities at fair value through profit or loss</u>		
Embedded derivative	<u>302,618</u>	<u>123,711</u>

COMPANY

Financial assets as per statement of financial position

Loans and receivables

Trade and other receivables (excluding payments and suppliers advances)	1,750,558	1,684,564
Loans receivable	-	391,628
Cash at bank and on hand	<u>29,989</u>	<u>13,306</u>
	<u>1,780,547</u>	<u>2,089,498</u>

Financial liabilities as per statement of financial position

Other financial liabilities amortised at cost

Trade and other payables	716,578	567,458
Borrowings	<u>8,647,597</u>	<u>8,737,864</u>
	<u>9,364,175</u>	<u>9,305,322</u>

Other financial liabilities at fair value through profit or loss

Embedded derivative	<u>303</u>	<u>123,711</u>
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37(a) OTHER RESERVES

	<u>-</u>	<u>(849,984)</u>
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In 2016 Tatepa Public Limited Company acquired shares of the Non-Controlling interest of one of its subsidiary, Kyimbila Tea Packing Company . This transaction 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 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. On disposal of this subsidiary in 2019, this reserve has been derecognised (Note 38)

37(b) PROPERTIES REVALUATION RESERVE

	GROUP	
	2019	2018
	Tshs '000	Tshs '000
Balance at beginning of the year	595,507	608,845
Amortization to retained earnings	<u>(13,338)</u>	<u>(13,338)</u>
	<u>582,169</u>	<u>595,507</u>

NOTES (CONTINUED)

38. DISPOSAL OF SUBSIDIARY

On 1 October 2018, the Group entered into sale agreement to dispose off Kyimbila Tea Packing Company Limited(KTPCL). The disposal of 94.03% share investment in KTPCL took effect at the start of the year when the Group passed on control of KTPCL to the acquirer (Stone Valley Tea Solutions Limited). The total consideration for the sale of KTPCL was US \$ 300,000 (TZS 684,600,000).

Analysis of Kyimbila Tea Packing Company Limited(KTPCL) assets and liabilities over which control was lost is as below:

GROUP	2019 Tshs '000
Non-current liabilities	
Borrowings	190,411
Retirement benefit obligation	93,416
	<u>283,826</u>
Non-current assets	
Property, plant and equipment	107,874
Intangible asset	4,727
	<u>112,601</u>
Current assets	
Inventories	96,562
Trade and other receivables	63,160
Cash and cash equivalents	1,401
	<u>161,123</u>
Current liabilities	
Trade and other payables	1,400,992
Income tax payable	2,828
Borrowings	831,969
	<u>2,235,789</u>
Net current liabilities	<u>(2,245,891)</u>
Gain on disposal of subsidiary:	
94.03% of net liabilities disposed off attributable to the group	(2,111,812)
Other reserves reclassified from equity on disposal of Subsidiary	849,984
	<u>(1,261,828)</u>
Group share of consideration	682,572
	<u>682,572</u>
Gain on disposal	<u>1,944,400</u>
The gain on disposal is included in the profit for the year under discontinue operations	
COMPANY	
Investment in KPTCL by company (TATEPA) (Note 20)	6,061,763
Share of consideration (81.82% direct shareholding by TATEPA in KTPCL)	559,936
	<u>559,936</u>
Loss on disposal	<u>5,501,827</u>

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NOTES (CONTINUED)

39. NON CONTROLLING INTEREST

	NCI %	2019 Tshs '000	2018 Tshs '000
Non-controlling interest brought forward		929,399	(510,939)
Changes in the year:			
Net (loss)/profit for the year for WTC	30%	(303,220)	899,502
Net loss for the year for RCL	36.25%	(2,473,583)	(530,583)
Net loss for the year for KTPCL	6%	-	(47,608)
Non-controlling interest share of (loss)/profit for the year		(2,776,803)	321,311
Share of change in shareholding in subsidiary.		-	1,419,027
Final dividend - 30% for WTC	30%	-	(300,000)
Elimination of non controlling interest on disposal of KTPCL		134,080	-
Non-controlling interest as at 30 September 2019		(1,713,324)	929,399
NET LIABILITIES OF KTPCL AT POINT OF DISPOSAL			
Share capital			4,739,460
Share premium			2,128,314
Retained earnings			(9,113,664)
			(2,245,890)
Non controlling interest adjustment on disposal of KTPCL	5.97%		(134,080)

SCHEDULE OF EXPENDITURE FOR THE COMPANY

	2019 Tshs '000	2018 Tshs '000
1. ADMINISTRATIVE EXPENSES		
Employment costs		
Salaries and wages	68,947	137,524
National social security fund	6,166	3,811
Workers compensation fund	689	591
Other staff costs	35,919	2,203
Total employment costs	<u>111,722</u>	<u>144,129</u>
Other administration expenses:		
Travelling costs	88,619	94,935
Consultancy and professional fees	184,989	64,497
Directors' fees and allowance	103,787	105,393
Auditors' remuneration	26,066	26,631
Rental charges	-	6,477
Other administration costs	57,559	49,848
Expected credit loss- Suma Hydro Limited	452,972	-
Total other administrative expenses	<u>913,992</u>	<u>347,780</u>
Total administrative expenses	<u><u>1,025,714</u></u>	<u><u>491,909</u></u>