

TATEPA PUBLIC LIMITED COMPANY

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Tatepa Public Limited Company
Annual report and consolidated financial statements
For the year ended 30 September 2020

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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 22 January 2019

* Up to 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 2020, 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. It was first incorporated on 24 October 2012 vide certificate No 24970 as TATEPA Limited.

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) (2019: 70%); an aggregated majority stake of 63.75% (2019: 63.75%) in the equity of Rungwe Avocado Company Limited (RACL), of which 59.51% (2019: 59.51%) is held directly by Tatepa Public Limited Company and 4.24% (2019: 4.24%) is held indirectly through WTCL. In the prior year, it disposed off its blending business, Kyimbila Tea Packaging Company Limited in which it held 94.03% share ownership.

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 subsidiary 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 2019 unless otherwise stated are:

Name	Position	Age (years)	Qualifications	Nationality	Remark
George C. Theobald	Chairman	62	BA - Economics	Tanzanian	
Peter D. Rowland	Member	66	MSc. Agric Eng. C. Eng.	British	
Johannes Gunnell	Member	41	MA (Oxon): Philosophy, Politics & Economics	British	
Robin Harrison	Member	63	Ma (History, Archaeology & Anthropology)	British	
Vimalendu K. Tewari	Member	71	M Com, FCA	Indian	Up to 13 November 2019
Mr. Hendrik Andres De Klerk	Member	56	Diploma in Agriculture	South African	Appointed on 24 October 2018
Hon Dr Raphael Chegeni	Member	56	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.

The disclosure of Directors' emoluments are set in note 29(v) to the financial statements.

6. CORPORATE GOVERNANCE

During the year ended 30 September 2020, 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 that 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 2020 (In 2019: 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 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. Vimalendu 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 2019: 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 debt and capital structure as at the reporting date were as shown below:

	Group		Company	
	2020	2019	2020	2019
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Ordinary share capital	466,431	466,431	466,432	466,432
Share premium	4,048,462	4,048,462	4,048,463	4,048,463
Retained earnings	(17,890,720)	(14,659,031)	(7,835,157)	(6,250,099)
Revaluation reserve	554,688	582,169	-	-
Total owners' equity	(12,821,139)	(9,561,968)	(3,320,262)	(1,735,204)
Non-controlling interest	(2,667,808)	(1,713,323)	-	-
Total equity	<u>(15,488,947)</u>	<u>(11,275,291)</u>	<u>(3,320,262)</u>	<u>(1,735,204)</u>
Borrowings	<u>29,665,549</u>	<u>25,755,660</u>	<u>10,348,074</u>	<u>8,647,597</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 2020 was 1617 shareholders (2019: 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	
		2020	2019
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 the late Hon J. J. Mungai	2,339,126	2,340,281
6	Mr. Hendrik Andres De Klerk	25,000	-
7	Various other shareholders	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 2020 was Tshs 120 (2019: 120). The market capitalisation as at 30 September 2020 was Tshs 2.24 billion (2019: 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 2019-2020 (Year 2018-2019: nil)

12. PERFORMANCE FOR THE YEAR

During the year Made tea production by Wakulima Tea Company Limited increased by 11% as compared to 2019. This was due to good weather conditions in 2020 as and purchase of green leaf from Metl Farm that increased made Tea production. The average sale price at USD 1.68 per Kg was slightly higher than last years' price of USD 1.67 per Kg. The price remained at almost the same level due to world tea prices. Wakulima Tea Company Ltd made an **operating profit before tax of Tshs 140 million** (2019: Operating loss before tax of Tshs 1,007 million).

Rungwe Avocado Company Limited: Exports during the year were 753 tons (previous year 1,186 tons). The Company realised a **net loss of Tshs 2.638 billion** (2019-Tshs 6.824 billion) and as at 30 September 2020 it had net current liabilities of Tshs 15.179 billion (2019-Tshs 10.103 billion).

Tatepa Public Limited Company (TATEPA) remained as the Holding Company and concentrated on the management of the Group Companies. During the year, it made a loss before tax of Tshs 1,585 million (2019: loss of Tshs 715 million). The loss for the year included bad debts provision of Tshs 1.197 billion in respect of the debts from Stone Valley (Tshs 137 million), Suma Hydro Limited(Tshs 453 million) and KTPCL(Kyimbila Tea Packaging Company Limited) (Tshs 586 million).

The Group loss before tax during the year amounted to Tshs 4.083 billion (2019:Tshs 5.640 billion)

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 2020 and is of the opinion that they met acceptable criteria.

REPORT OF THE DIRECTORS (CONTINUED)

14. SOLVENCY

Rungwe Avocado Company Limited (subsidiary)

During the year the company realised a net loss of Tshs 2,638,294,475 (2019 - Tshs 6,823,675,061) and as of year ends it had net current liabilities Tshs 15,179,480,000 (2019 - Tshs 10,103,181,000). The company meets its day to day cash operating requirements from operating cash flows bank financing and related party financing. The shareholders have given an undertaking that they will continue to provide financial support to the Company for the foreseeable future and will not seek repayment of the amounts owed in a manner that will affect the operations of the Company. Further, the lenders have reschedule the loans and that the management will discuss further rescheduling and capitalisation of debts to support the Company. Based on the above, the Directors have considered it appropriate to prepare these financial statements on the going concern basis.

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 employees and management for the year ended 30 September 2020. 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

The Group allocates a sufficient budget for staff training in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels.

Medical Assistance

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

Health and Safety

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

Financial Assistance to Staff

Loans are available to all permanent employees on commercial terms depending on the assessment of and at 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.

REPORT OF THE DIRECTORS (CONTINUED)

15. EMPLOYEES' WELFARE (CONTINUED)

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.

15. EMPLOYEES' WELFARE (CONTINUED)

Employees Benefit Plans (continued)

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 336 (2019: 414).

16. GENDER PARITY

As at 30 September 2020, the Group had 336 employees (2019: 414 employees), out of whom 88 (2019: 105) were female and 248 (2019: 309) were male.

17. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 29 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 (2019: nil).

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 distribution of subsidised seedlings to the 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 the 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 of energy.

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REPORT OF THE DIRECTORS (CONTINUED)

20. CORPORATE SOCIAL RESPONSIBILITY

The Group continues to ensure that its employees and other stakeholders have responsible environment management policies and follow 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;



George C. Theobald
Chairman

25 March, 2021
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 2020 and of the group and company 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.

During the year ended 30 September 2020 ,the one of the subsidiaries (Rungwe Avocado Company Limited), realised a net loss of Tshs 2.638 billion (2019 - Tshs 6.823 billion) and as of year end it had net current liabilities amounting to Tshs 15.179 billion (2019 - Tshs 10.103 billion). The company meets its day to day cash operating requirements from operating cash flows and third party financing and related parties financing. The shareholders have given an undertaking that they will continue to provide financial support to the Company for the foreseeable future and will not seek repayment of the amounts owed in a manner that will affect the operations of the Company. Further, the lenders have reschedule the loans and that the management will discuss further rescheduling and capitalisation of debts to support the Company. Based on the above, the Directors have considered it appropriate to prepare these financial statements on the going concern basis.

In preparing these financial statements the Directors have assessed the Group and 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

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



George C. Theobald
Chairman

25 March, 2021

Date

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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 previous page.

In regard thereof, I **Jeremiah Paschal Mhoja** 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 2020 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 from properly maintained financial records.

Signed by: Jeremiah Paschal Mhoja



Position: Financial controller

NBAA Membership No: ACPA 3963

Date:

25 MARCH 2021

**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 72 which comprise the consolidated and company statement of financial position as at 30 September 2020, 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 2020, 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 2020, 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.

Material Uncertainty Related to Going Concern of Subsidiary - Rungwe Avocado Company Limited

We draw attention to Note 2(a) to the financial statements, which indicates that the group and company incurred a net loss of Tshs 4.185 billion and Tshs 1.585 billion respectively during the year ended 30 September 2020 and as of that date, the group and company's current liabilities exceeded current assets by Tshs 21.912 billion and Tshs 8.896 billion respectively. As stated in note 2a, this is mainly attributed to the subsidiary company (Rungwe Avocado Company limited) which realised a net loss of Tshs 2.638 billion (2019 - Tshs 6.824 billion) and as of year end it had a net current liabilities amounting to Tshs 15.179 billion (2019 - Tshs 10.103 billion). These conditions, along with other matters noted in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 in the material uncertainty related to going concern section above to be a key audit matter.

How the matter was addressed in the audit

The most significant assumption in assessing the group's and Rungwe Avocado Company Limited's ability to continue as a going concern for the foreseeable future is the subsidiary's expected future turn around strategies. The assumptions require management to make judgements based on estimates of future performance.

We reviewed the funding commitments and renewal of credit facilities of the subsidiary and company together with forecasted performance of the subsidiary for at least the next twelve months.

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

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 and company 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 the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 regard.

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 have 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 financial statements.

As part of an audit conducted in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of director's use of the going concern basis of accounting and based on the audit evidence obtained, assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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

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**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF TATEPA PUBLIC LIMITED COMPANY (CONTINUED)****Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- 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 present 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 on other matters prescribed by the Tanzania Companies Act, 2002

In our opinion the information given in the report of the Directors on pages 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 Group and the Company, 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 (Innocent K. Mokaya), Registration certificate No. TACPA 834
Signing partner responsible for the independent Audit
PKF Associates Tanzania
PKF/A/T011/025/21/km

Date: 25 MARCH 2021

PKF ASSOCIATES TANZANIA
P.O. Box 7323
DAR-ES-SALAAM

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

	Notes	Group		Company	
		2020	2019	2020	2019
		Tshs '000	Tshs '000	Tshs '000	Tshs '000
Revenue	3	22,873,346	23,570,168	-	-
Cost of sales		<u>(16,984,015)</u>	<u>(22,172,207)</u>	-	-
Gross profit		5,889,331	1,397,961	-	-
Other income	4	284,368	314,488	190,906	141,896
Selling and marketing costs		<u>(2,444,907)</u>	<u>(2,033,077)</u>	-	-
Administrative expenses		<u>(5,731,576)</u>	<u>(3,980,151)</u>	<u>(1,882,281)</u>	<u>(1,025,714)</u>
Grant amortisation	13	20,279	20,279	-	-
Fair value (loss)/gain on embedded derivative	27	<u>(457,647)</u>	<u>(178,907)</u>	<u>(457,647)</u>	<u>(178,907)</u>
Operating (loss)/profit	5	<u>(2,440,152)</u>	<u>(4,459,407)</u>	<u>(2,149,022)</u>	<u>(1,062,725)</u>
Finance (costs) / income	7	<u>(1,643,167)</u>	<u>(1,180,983)</u>	<u>563,964</u>	<u>347,422</u>
Loss before tax from continuing operations		<u>(4,083,319)</u>	<u>(5,640,390)</u>	<u>(1,585,058)</u>	<u>(715,303)</u>
Tax charge	8	<u>(101,479)</u>	<u>(1,998,790)</u>	-	-
Loss for the year from continuing operations		<u>(4,184,799)</u>	<u>(7,639,181)</u>	<u>(1,585,058)</u>	<u>(715,303)</u>
Discontinued Operations:					
Profit/ (loss) on disposal of subsidiary	32	-	1,944,400	-	(5,501,827)
Loss for the year		<u>(4,184,799)</u>	<u>(5,694,781)</u>	<u>(1,585,058)</u>	<u>(6,217,130)</u>
Attributable to:					
- Owners of the parent		(3,240,092)	(2,917,979)	(1,585,058)	(6,217,130)
- Non-controlling interest	33	<u>(944,707)</u>	<u>(2,776,802)</u>	-	-
		<u>(4,184,799)</u>	<u>(5,694,781)</u>	<u>(1,585,058)</u>	<u>(6,217,130)</u>
Total comprehensive loss for the year attributable to:					
- Owners of the parent		(3,240,092)	(2,917,979)	-	-
- Non-controlling interest	33	<u>(944,707)</u>	<u>(2,776,802)</u>	-	-
		<u>(4,184,799)</u>	<u>(5,694,781)</u>	-	-
Dividend:					
Proposed final dividend for the year	10	-	-	-	-
Earning per share attributable to the equity holders of the Company during the year (expressed in Tshs per share)					
- basic	9	<u>(173.66)</u>	<u>(156.40)</u>		
- diluted	9	<u>(36.20)</u>	<u>(34.89)</u>		

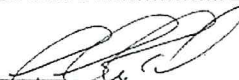
The notes on pages 19 to 73 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

Tatepa Public Limited Company
Annual report and consolidated financial statements
For the year ended 30 September 2020

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION					
	Notes	Group		Company	
		2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
CAPITAL EMPLOYED					
Share capital	11	466,431	466,431	466,432	466,432
Share premium	11	4,048,462	4,048,462	4,048,463	4,048,463
Properties revaluation reserve	31(b)	554,688	582,169	-	-
Retained earnings		(17,890,720)	(14,659,031)	(7,835,157)	(6,250,099)
Equity attributable to owners of the		(12,821,139)	(9,561,968)	(3,320,262)	(1,735,204)
Non-controlling interest	33	(2,667,808)	(1,713,323)	-	-
Total equity		(15,488,947)	(11,275,291)	(3,320,262)	(1,735,204)
Non-current liabilities					
Borrowings	12	1,927,033	11,346,457	200,006	8,647,597
Deferred capital grant	13	130,272	150,551	-	-
Deferred income tax liability	14	85,477	139,177	-	-
Retirement benefit obligations	15	704,599	826,678	7,960	6,583
Lease liabilities	16	926,051	-	-	-
		3,773,431	12,462,862	207,966	8,654,180
		(11,715,516)	1,187,571	(3,112,296)	6,918,976
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	18	9,237,971	9,763,675	-	-
Right use-of-asset	17	958,682	-	-	-
Investment in subsidiaries	20	-	-	5,783,271	5,783,271
Loan receivable	21	-	279,244	-	-
Deferred income tax asset	14	-	-	-	-
		10,196,653	10,042,919	5,783,271	5,783,271
Current assets					
Inventories	22	5,920,666	4,427,019	-	-
Trade and other receivables	24	4,855,041	5,383,758	2,331,488	1,750,559
Prepaid land rent	23	-	20,481	-	-
Cash and cash equivalents	25	72,033	51,644	23,674	29,989
Tax recoverable		441,560	466,606	375,656	374,353
		11,289,300	10,349,508	2,730,819	2,154,901
Current liabilities					
Embedded derivatives	27	760,265	302,618	760,265	302,618
Borrowings	12	27,738,516	14,409,204	10,148,069	-
Trade and other payables	26	4,636,885	4,493,033	718,052	716,578
Lease liabilities	16	65,803	-	-	-
		33,201,469	19,204,855	11,626,386	1,019,196
Net current (liabilities)/assets		(21,912,169)	(8,855,348)	(8,895,567)	1,135,705
		(11,715,516)	1,187,571	(3,112,296)	6,918,976

The financial statements on pages 14 to 73 were approved and authorised for issue by the Board of Directors on..... 2021 and were signed on its behalf by:


George C. Theobald
Chairman

25 March, 2021
Date

The notes on pages 19 to 73 form an integral part of these financial statements.
Report of the independent auditor - page 11 to 13.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earning	Property revaluation reserve	Other reserves	Total	Non controlling interest	Total equity
Notes	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Year ended 30 September 2020								
At start of year	466,431	4,048,462	(14,659,031)	582,169	-	(9,561,968)	(1,713,323)	(11,275,291)
Transition adjustment								
- Changes on initial application of IFRS 16 (Note 1(a))			(19,079)			(19,079)	(9,778)	(28,857)
Other comprehensive income								
Total comprehensive income for the year	-	-	(3,240,092)		-	(3,240,092)	(944,707)	(4,184,799)
Armotisation of excess depreciation revaluation	-	-	39,259	(39,259)	-	-	-	-
Deferred tax on depreciation transfer			(11,778)	11,778	-	-	-	-
At end of the year	<u>466,431</u>	<u>4,048,462</u>	<u>(17,890,720)</u>	<u>554,688</u>	<u>-</u>	<u>(12,821,139)</u>	<u>(2,667,808)</u>	<u>(15,488,947)</u>
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	(6,564,574)
Other comprehensive income								
Total comprehensive income for the year	-	-	(2,917,979)	-	-	(2,917,979)	(2,776,802)	(5,694,781)
Elimination of other reserve on disposal of KTPCL	-	-	-	-	849,984	849,984	-	849,984
Elimination of non controlling interest on disposal of KTPCL	39	-	-	-	-	-	134,080	134,080
Armotisation of excess depreciation revaluation	-	-	13,338	(13,338)	-	-	-	-
At end of the year	<u>466,431</u>	<u>4,048,462</u>	<u>(14,659,031)</u>	<u>582,169</u>	<u>-</u>	<u>(9,561,968)</u>	<u>(1,713,323)</u>	<u>(11,275,291)</u>

The notes on pages 19 to 73 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

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 2020				
At start of year	466,431	4,048,462	(6,250,098)	(1,735,205)
Total comprehensive loss for the year	-	-	(1,585,058)	(1,585,058)
At end of the year	<u>466,431</u>	<u>4,048,462</u>	<u>(7,835,156)</u>	<u>(3,320,263)</u>
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>

The notes on pages 19 to 73 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	
		2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
Operating activities					
Cash (used in)/from operations	28	(1,834,248)	(532,370)	(1,512,128)	94,377
Interest paid		(904,313)	(1,069,812)	-	(149,831)
Interest paid on lease liabilities		(90,832)	-	-	-
Tax paid		(130,133)	(62,077)	(1,303)	(2,077)
Net cash (used in)/from operating activities		<u>(2,959,526)</u>	<u>(1,664,259)</u>	<u>(1,513,432)</u>	<u>(57,530)</u>
Investing activities					
Purchase of property, plant and equipment	18	(175,239)	(504,136)	-	-
Proceeds from disposal of subsidiary		-	228,956	-	228,956
Loans to third parties	21	-	112,384	-	-
Cash paid for right-of-use- assets	17	(9,256)	-	-	-
Net cash (used in)/from investing activities		<u>(184,495)</u>	<u>(162,796)</u>	<u>-</u>	<u>228,956</u>
Financing activities					
Repayment of borrowings		(5,837,918)	-	(890,528)	(457,884)
Proceeds from borrowings		6,953,541	879,396	2,365,488	256,552
Effects of exchange rates on loan		-	83,792	32,156	46,588
Payment of principal portion of the lease liability		(55,664)	-	-	-
Net cash from/(used in) investing activities		<u>1,059,959</u>	<u>963,188</u>	<u>1,507,116</u>	<u>(154,744)</u>
(Decrease)/increase in cash and cash equivalents		<u>(2,084,062)</u>	<u>(863,867)</u>	<u>(6,316)</u>	<u>16,682</u>
Movement in cash and cash equivalents					
At start of the year		(9,157,280)	(8,293,413)	29,989	13,307
(Decrease)/increase in cash and cash equivalents		<u>(2,084,062)</u>	<u>(863,867)</u>	<u>(6,316)</u>	<u>16,682</u>
At end of the year	25	<u><u>(11,241,342)</u></u>	<u><u>(9,157,280)</u></u>	<u><u>23,673</u></u>	<u><u>29,989</u></u>

The notes on pages 19 to 73 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 Avocado.

The address of its registered office is:

C/O Wakulima Tea Company Limited
Tukuyu Township[, Katumba Factory
P. O. Box 700, Tukuyu
Mbeya, Tanzania

And its principal places of business are given below:-

Tukuyu Township
Katumba Factory
P. O. 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.

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

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

Transfer between levels of the fair value hierarchy are recognised by the directors at the end of the reporting period during which the change occurred

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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 4.18 billion for the year ended 30 September 2020 (2019:Tshs 5.695 billion);
 - b. had current liabilities in excess of its current assets at 30 September 2020 of Tshs 21.9 billion (2019: Tshs 8.855 billion);and that
 - c. had a shareholders' deficit of Tshs 12.821 billion as at 30 September 2020 (2019: Tshs 9.562 billion).
2. The Company:
 - a. incurred a net loss of 1.585 billion for the year ended 30 September 2020 (2019: Tshs 6.217 billion)
 - b. had net current liabilities as at 30 September 2020 of Tshs 8.896 billion

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 facility into equity is to be completed by the year ending September 2021

Rungwe Avocado Company Limited

- i During the year the Company realised a net loss of Tshs 2.638 billion (2019 - Tshs 6.823 billion)and as of year end, it had net current liabilities of Tshs 15.179 billion (2019 - Tshs 10.103 billion). The Company meets its day to day cash operating requirements from operating cash flows, bank overdraft and related party financing. The shareholders have given an undertaking that they will continue to provide financial support to the company for the foreseeable future and will not seek repayment of the amounts owed in a manner that will affect the operations of the company. Further, the lenders have rescheduled the loans and management are in discussion with the lenders for the capitalisation of debts to support the company.
- ii The CRDB Bank Plc overdraft facility has been renewed for a period of one year.

Based on the above measures, the Directors believe that the Group and Company will continue to operate as a going concern for the foreseeable future.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations 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 2019 have been adopted by the group. Of those, the following has had an effect on the group's financial statements:

International Financial Reporting Standard 16 (IFRS 16): Leases

From 1 October 2019, to comply with IFRS 16, Leases, which replaced IAS 17, Leases, the group now recognises lease liabilities relating to leases under which the group is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 October 2019 and leases of low value items). Such liabilities have been measured at 1 October 2019 at the present value of the remaining lease payments discounted using the group's incremental borrowing rate as at 1 October 2019. Corresponding right-of-use assets have been recognised, measured as if the group's new accounting policy (see Note 1(r)) had been applied since the commencement of each lease but discounted using the group's incremental borrowing rate as at 1 October 2019. The difference between the lease liabilities and right-of-use assets at 1 October 2019 has been recognised as an adjustment to retained earnings at that date.

As permitted by the transition provisions in the new standard, comparative amounts have not been restated. The group's accounting policy for leases under which the group was lessee was, up to 31 September 2019, as follows:

Leases of property, plant and equipment including hire purchase contracts where the group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease

The measurement of assets and liabilities that were recognised as finance leases under the previous accounting policy has continued unchanged, but the assets have been reclassified from Property, plant and equipment to Right-of-use assets. Right-of-use assets and lease liabilities in respect of operating leases (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) in force at 1 October 2019 have been recognised in accordance with the transition requirements of IFRS 16, as described above.

The resulting adjustment passed at 1 October 2019 as a result of applying IFRS 16, was as

	Group Tshs'000
Lease liabilities	(1,056,775)
Right-of-use assets	<u>1,027,918</u>
Net adjustment to retained earnings at 1 October 2019	<u><u>(28,857)</u></u>

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations adopted by the group (continued)

Other standards and amendments

The following, which became effective from 1 October 2019, have been adopted but have not had a significant impact on the group's financial statements.

- 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.
- Amendments to IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.
- 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.

New standards, amendments and interpretations issued but not effective

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

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014) applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- Amendments to IFRS 3 'Definition of a Business' (issued in October 2018) applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations adopted by the group (continued)

Other standards and amendments (continued)

New standards, amendments and interpretations issued but not effective (continued)

- Amendments to IAS 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The group plans to apply the changes above from their effective dates.

b) Critical accounting estimates and judgement

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.

- 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.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Critical accounting estimates and judgement (continued)

- **Measurement of expected credit losses (ECL) (continued):**

- 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.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments that are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The group uses these guidelines in determining the staging of its financial assets unless there is persuasive evidence available to rebut these presumptions.

For trade receivables, the group has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

- **Useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets**
- **Accounting for leases under IFRS 16**

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate: To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g.. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Critical accounting estimates and judgement (continued)

- Accounting for leases under IFRS 16 (continued)

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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 regularly. 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 15** 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 facility from its shareholders. An initial conversion price as specified in the shareholders facility agreement is \$ 0.0695 per share. The option derivative was fair valued and loss of Tshs 458 million (2019: Tshs 179 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 2020

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.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Critical accounting estimates and judgement (continued)

- Valuation of embedded derivative (continued)

iv) Interest on facility

The 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.

c) 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.

i) 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.

d) Investment in subsidiaries/Consolidation

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

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

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

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

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

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Investment in subsidiaries/Consolidation (continued)

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.

- Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to/by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' in profit or loss income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Investment in subsidiaries/Consolidation (continued)

- Business combinations (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

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

j) Accounting for leases

The group as lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the group's incremental borrowing rate is used.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Accounting for leases (continued)

The group as lessee (continued)

For leases that contain non-lease components, the group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the group at the end of the lease term, the estimated useful life would not exceed the lease term.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are recognised in profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the retained earnings to revaluation surplus reserve.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

The above accounting policy has been applied from 1 October 2019. Note 1 (a) sets out the equivalent policy applied in the previous year and the impact of the change in accounting policy.

The group as lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position.

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 regularly by independent actuaries using the projected unit credit method. An update valuation is performed by the Directors at the end of each year in the intervening period.

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

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) 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 for environmental restoration, restructuring costs and legal claims are recognised when 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 the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions for future operating losses are not recognised.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The amount recognised as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre-tax rate that reflects the current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in profit or loss under finance costs.

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.

NOTES (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Revenue from contracts with customers	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
Recognised at a point in time:				
- Revenue from sale of tea	21,414,579	22,108,725	-	-
- Revenue from sale of avocadoes	1,458,767	1,461,443	-	-
	<u>22,873,346</u>	<u>23,570,168</u>	<u>-</u>	<u>-</u>
4. Other Income				
Other income	<u>284,368</u>	<u>314,488</u>	<u>190,906</u>	<u>141,896</u>
5. Operating loss				
The following items have been charged/(credited) in arriving at the operating loss:				
Depreciation on property, plant and equipment (Note 18)	700,941	648,903	-	-
Right-of-use assets depreciation (Note 17)	89,944	-	-	-
Auditor's remuneration	69,786	80,667	11,490	26,066
Director expenses	39,894	173,467	11,732	103,787
Expected credit loss	1,840,076	452,972	1,197,867	452,972
Staff costs (Note 6)	<u>4,261,336</u>	<u>3,959,643</u>	<u>464,073</u>	<u>111,722</u>
6. Staff costs				
Salaries and wages	4,132,199	3,387,055	397,454	68,947
Other staff costs	<u>129,138</u>	<u>572,588</u>	<u>66,619</u>	<u>42,775</u>
	<u>4,261,336</u>	<u>3,959,643</u>	<u>464,073</u>	<u>111,722</u>
7. Finance (costs)/income				
Interest expense	(1,558,757)	(1,286,719)	(15,279)	(11,021)
Interest expense to (WTC)	-	-	(178,082)	(138,809)
Net foreign exchange (gain) /loss	114,294	105,735	(24,675)	(37,322)
Interest income on loan from (RACL)	-	-	176,323	20,774
Management income from (WTC)	-	-	422,057	370,095
Guarantee income	-	-	183,620	143,706
Overdraft facilities fees	(107,872)	-	-	-
Interest on lease liabilities	<u>(90,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(1,643,167)</u>	<u>(1,180,983)</u>	<u>563,964</u>	<u>347,422</u>
8. Tax				
Current tax charge	155,179	-	-	-
Deferred income tax charge/(credit) (Note 14)- WTC	(53,700)	3,566	-	-
Deferred tax asset derecognised (RAC) (Note 14)	<u>-</u>	<u>1,995,224</u>	<u>-</u>	<u>-</u>
Tax charge/(credit)	<u>101,479</u>	<u>1,998,790</u>	<u>-</u>	<u>-</u>

NOTES (CONTINUED)

8. Tax (continued)

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

	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
(Loss before income tax)	<u>(4,083,319)</u>	<u>(5,640,390)</u>	<u>(1,585,058)</u>	<u>(715,303)</u>
Tax calculated at a rate of 30% (2019: 30%)	(1,224,996)	(1,692,117)	(475,517)	(214,591)
Tax effect of:				
- expenses not deductible for tax	14,751	279,943	-	-
- interest expense not deductible for tax purposes		62,759	-	-
- depreciation transfer of revaluation reserves	2,811	-	-	-
- adjustment on loss on disposed subsidiary		(272,593)	-	-
- capitalised transaction costs		25,207	-	-
- depreciation on right of use assets	13,885	-	-	-
- depreciation on bearer plants	28,022			
- deferred tax asset not recognised	<u>1,267,006</u>	<u>3,595,591</u>	<u>475,517</u>	<u>214,591</u>
Tax charge/(credit)	<u>101,479</u>	<u>1,998,790</u>	<u>-</u>	<u>-</u>

9. Earning/(loss) per share

	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
- Basic				
Profit/(loss) attributable to Group shareholder	(3,240,092)	(2,917,979)	-	-
Weighted average number of shares in issue (Note 11)	<u>18,657,254</u>	<u>18,657,254</u>	<u>-</u>	<u>-</u>
Basic earnings per share (Tshs)	<u>(173.66)</u>	<u>(156.40)</u>	<u>-</u>	<u>-</u>
- Diluted				
Weighted average number of share	89,502,361	83,631,418	-	-
Diluted earnings per share (Tshs)	<u>(36.20)</u>	<u>(34.89)</u>	<u>-</u>	<u>-</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding and assumed conversion of all dilutive potential ordinary shares relating to convertible debt. The convertible debt is assumed to have been converted into ordinary shares.

NOTES (CONTINUED)

9. Earning/(loss) per share (continued)

- Diluted(continued)

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the company by the adjusted weighted average number of ordinary shares in issue during the year.

Reconciliation of earnings used in calculating diluted earnings per share	Group	
	2020 Tshs '000	2019 Tshs '000
Profit/ (loss) attributable to Group shareholders	<u>(3,240,092)</u>	<u>(2,917,979)</u>

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

	Group	
	2020	2019
Weighted average number of shares in issue (Note 11)	18,657,254	18,657,254
Additional shares on convertible instruments	<u>70,845,107</u>	<u>64,974,164</u>
Weighted average number of shares	<u>89,502,361</u>	<u>83,631,418</u>

There are potential ordinary shares on conversions

10 Dividends

The directors do not propose a dividend for the year (2019: Nil).

11 Share capital	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
Share capital				
Authorised:				
20,000,000 (2019: 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>
Issued and fully paid:				
18,657,254 (2019: 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>
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>

NOTES (CONTINUED)

12 Borrowings	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
Non-current				
AECF loan (ii)	-	894,292	-	-
AWC loan (iii)	-	1,146,341	-	-
AgDevco loan (iv)	-	921,585	-	-
Maris Tatepa Holdings Limited term loan (v)	1,727,028	488,018	-	-
Long term loan - TLE (viii)	200,006	182,734	200,006	182,734
WTC Special loan - USD	-	-	-	751,376
Shareholders facility (vi)	-	7,713,487	-	7,713,487
	<u>1,927,033</u>	<u>11,346,457</u>	<u>200,006</u>	<u>8,647,597</u>
Current				
Bank overdrafts: CRDB Bank Plc. (i)	11,313,374	9,208,924	-	-
AWC loan (iii)	-	1,568,526	-	-
AECF loan (ii)	2,692,496	1,788,583	-	-
AgDevco loan (iv)	-	1,843,171	-	-
RAC Holdings BVI - AWC	2,926,982			
RAC Holdings BVI - AgDevCo	3,064,469			
Shareholders facility (vi)	7,741,194	-	7,741,147	-
WTC Special loan - USD (vii)			2,406,921	
	<u>27,738,516</u>	<u>14,409,204</u>	<u>10,148,069</u>	<u>-</u>
Total	<u>29,665,549</u>	<u>25,755,660</u>	<u>10,348,074</u>	<u>8,647,597</u>
Reconciliation of liabilities arising from financing activities:				
At start of year	16,546,737	15,644,582	8,647,597	8,737,864
Interest charged to profit or loss	652,398	503,267	193,361	149,937
Foreign exchange (gain)/loss	70,956	83,792	32,156	46,588
Cash flows:				
- Operating activities (interest paid)	(33,539)	(189,805)	-	-
- Proceed from long-term borrowings	6,953,541	628,941	2,365,488	171,092
- Loan related to Subsidiary that was disposed (KPTCL)		(124,040)	-	-
- Repayments of long-term borrowings	(5,837,918)	-	(890,528)	(457,884)
At end of year	<u>18,352,175</u>	<u>16,546,737</u>	<u>10,348,074</u>	<u>8,647,597</u>

(i) CRDB Bank Plc. Overdraft

Wakulima Tea Company Ltd (WTC)

Overdrafts

The Wakulima Tea Company Ltd (WTC) had a CRDB Bank Plc overdraft facility for USD 3 million and Tshs 1.35 billion as at 30 September 2020. The facility attracts an interest rate of 7.5% for the USD facility and 15% for the Tshs facility per annum.

NOTES (CONTINUED)

12. Borrowings (continued)

The facility is secured by the following:

- a) Legal mortgage over landed properties CT No. 2757 MBYLR L.O NO. 58375 Farm No. 391 located at Rungwe District, Mbeya region in the name of Wakulima Tea Company Limited.
- b) Legal mortgage over landed properties CT No. 4140 MBYLR L.O No. 86501 Farm No. 1 Block A located in Mwakaleli Area, Rungwe District, Mbeya region in the name of Wakulima Tea Company Limited.
- c) Legal mortgage over landed properties CT No. 13686 MBYLR, located in Rungwe District, Mbeya region in the name of Wakulima Tea Company Limited.
- d) Legal mortgage over landed properties CT No. 10275 MBYLR, located in Rungwe district, Mbeya region in the name of Wakulima Tea Company Limited.
- e) First charge legal mortgage over farm, CT No. 9087 MBYLR, L.O. No. 174749, located in Bujingijila village, Rungwe District, Mbeya region in the name of Wakulima Tea Company Limited.
- f) First charge specific debenture over vehicles: T324 BLD, T322, BLD, T320 BLD, T182 BLK, T844 BLC, T321 BLD, T325 BLD, T151 BKX, T326 BLD, T318 BLD, T531 BMZ, T534 BMZ, T524 BMZ, T540 BMZ, T530 BMZ, T163 BPC, T244 BMB, T373 BRX, T168 BPC, T178 BPB, T315 BLD, T323 BLD, T319 BLD, T362 BRX and T249 BMB in the name of Wakulima Tea Company Limited.
- g) First charge fixed and floating debenture over entire assets of the company.
- h) Cross Company guarantee from Tatepa Limited

Rungwe Avocado Company Limited (RACL)

Rungwe Avocado Company Limited (RACL) has a USD denominated overdraft facility with CRDB with a carrying value of Tshs. 3.435 million bearing an interest of 7.5% per annum and due to renewal on 30 April 2021. The overdraft facility is cross guaranteed by Wakulima Tea Company Limited and TATEPA (parent entity) and is also secured by a charge mortgage charge on Farm no. 1168 Kyimo Village area, property of Rungwe Avocado Company Limited, a deed of assignment over lease agreement on Farm no 322 at Syukula Village, property of The Registered Trustees of Moravian Church of southern Tanzania and first charge fixed and floating debenture of the Company assets.

Rungwe Avocado Company Limited (RACL)- Other Borrowings

(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. 2,692,495,729

(iii) RAC Holdings BVI - AWC loan

The Company has unsecured loan facility from RAC Holdings BVI denominated in US dollars term as result of assignment of AWC Loan to RAC BVI for which a total of Tsh.2,926,982,000 is outstanding as at the reporting date with an interest of 8% per annum.

(iv) RAC Holdings BVI - AgDevCo loan

On 27 December 2017, AgDevCo partly converted their debt to equity (USD \$ 455,288) and also paid cash USD \$ 175,000 to acquire 81,129 shares of the Company. Thus AgDevCo have got 118,449 shares in the Company as at 30 September 2020 (2019: 118,449 shares). The outstanding loan balance from AgDevCo as of Dec 2019 was USD. 1,233,044.59 all of which was assigned to RAC BVI on the same date. As of the date of reporting, the Loan payable to RAC BVI amounts to TZS. 3,064,469 denominated in USD.

NOTES (CONTINUED)

12. Borrowings (continued)

(v) Maris Tatepa Holdings Limited Loan

Term loan one

The Rungwe Avocado Company Limited has unsecured loan facilities from Maris Ltd denominated in US dollars, with an interest of 12% and 8% respectively per annum.

Tatepa Public Limited Company

(vi) Shareholder's facility

On 1 October 2015 Tatepa entered into a facility 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 is repayable either in (a) bullet repayment by the due date of 15 August 2020 ; or (b) conversion of the outstanding principal amount into shares at an initial conversion price of US dollar 0.0695 per share. The Company will have the facility converted into shares by the financial year ending 30 September 2021.

(vii) WTC Special loan - USD

The Company had an unsecured loan facility from Wakulima Tea Company Limited denominated in US dollars, with a carrying value of Tshs 2,406,921,419 and an interest of 12% per annum. The loan was requested for the purpose of supporting its business.

(viii) TLE loan

The Company has an unsecured loan facility from Thompson Lloyd & Ewart denominated in US dollars, with carrying value of Tshs 200,006,000 and an interest of 8% per annum. The loan was requested for the purpose of supporting its business.

The weighted average effective interest rate at the reporting date were:

	Group		Company	
	2020	2019	2020	2019
	%	%	%	%
AECF loan	Nil	Nil	Nil	Nil
AWC loan	8%	8%	8%	8%
AgDevco loan	8%	8%	8%	8%
Maris Tatepa Holdings Limited term loan one	12% & 8%	12%	Nil	Nil
Long term loan - TLE	8%	8%	8%	8%
WTC Special loan - USD	Nil	Nil	12%	12%
Bank overdrafts: CRDB Bank Plc:				
- Tanzania shilling	15%	15%	Nil	Nil
- US Dollar	7.5%	7.5%	7.5%	7.5%
RAC Holdings BVI - AWC	8%	Nil	8%	Nil
RAC Holdings BVI - AgDevCo	8%	Nil	8%	Nil
Shareholders facility	Nil	Nil	Nil	Nil

In the opinion of the directors, the carrying amount of short-term borrowings approximates their fair value.

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2020	2019	2020	2019
	Tshs.'000	Tshs.'000	Tshs.'000	Tshs.'000
Tanzania shilling	8,970,911	9,284,991	2,606,927	182,734
US Dollar	20,694,638	16,470,670	7,741,147	8,464,863
	<u>29,665,549</u>	<u>25,755,660</u>	<u>10,348,074</u>	<u>8,647,597</u>

NOTES (CONTINUED)

12. Borrowings (continued)

Undrawn facilities as at the reporting date were as follows:

	2020	2019
	Tshs.'000	Tshs.'000
Bank overdraft		
- Tanzania shilling	344,067	38,233
- US Dollar	38,482	193,442
	<u>382,549</u>	<u>231,675</u>

13. Deferred capital grant

Group	2020	2019
	Tshs '000	Tshs '000
Opening balance	150,551	170,830
Grant amortisation	<u>(20,279)</u>	<u>(20,279)</u>
Closing balance	<u>130,272</u>	<u>150,551</u>

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

14. Deferred tax assets and liabilities

Rungwe Avocado Company Limited

Deferred tax assets- For disclosure purpose only

Deferred income tax is calculated, in full, on all temporary difference under the liability method using a tax rate of 30% (2019: 30%). The movement on the deferred tax asset account is as follows:

	2020	2019
	Tshs '000	Tshs '000
At start of year	-	(1,995,224)
Profit/loss effect for the year	(786,419)	(1,656,663)
Deferred tax assets not recognised	<u>786,419</u>	<u>3,651,887</u>
At end of the year	<u>-</u>	<u>-</u>

The Company's deferred tax asset of Tshs 786,419,280 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.

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 2020 (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 assets:</i>			
Property, plant and equipment	766,287	(56,620)	709,667
Changes in fair value of biological assets	-	-	-
Provision	(98,132)	(91,049)	(189,181)
Unrealised foreign exchange gain	(880,831)	(10,412)	(891,243)
Tax losses	<u>(3,439,212)</u>	<u>(628,338)</u>	<u>(4,067,550)</u>
Net deferred tax assets	<u>(3,651,888)</u>	<u>(786,419)</u>	<u>(4,438,307)</u>

NOTES (CONTINUED)

14. Deferred tax assets and liabilities (continued)

Rungwe Avocado Company Limited (continued)

Year ended 30 September 2019 (Disclosure only)	At start of year Tshs '000	(Credited)/ charged to Profit or loss Tshs '000	At end of year 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>

COMPANY

Tatepa Public Limited Company (For disclosure only)

Year ended 30 September 2020	At start of year Tshs '000	Potential credit to profit or loss Tshs '000	At end of year Tshs '000
<i>Deferred tax assets:</i>			
Other timing differences	(43,737)	(194,133)	(237,870)
Tax losses	(1,685,511)	66,040	(1,619,471)
Net deferred tax assets	<u>(1,729,247)</u>	<u>(128,094)</u>	<u>(1,857,341)</u>
Year ended 30 September 2019			
<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>

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.

NOTES (CONTINUED)

14. Deferred tax assets and liabilities (continued)

Wakulima Tea Company Limited

Deferred tax liabilities

Deferred tax is calculated using the enacted income tax rate of 30% (2019:30%). The movement on the deferred tax account is as follows:

	2020	2019
	Tshs '000	Tshs '000
At start of year	139,177	138,421
Revaluation on biological asset	-	(2,811)
Charge to profit or loss (Note 8)	<u>(53,700)</u>	<u>3,566</u>
At end of year	<u><u>85,477</u></u>	<u><u>139,177</u></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 2020	At start of year	Charged/(cre dited) to Profit or loss	At end of year
	Tshs '000	Tshs '000	Tshs '000
<i>Deferred tax liabilities:</i>			
Revaluation	(2,811)	2,811	-
Property, plant and equipment			
- Accelerated capital allowance	369,564	41,929	411,493
Provisions c/fwd	(221,234)	(155,843)	(377,077)
Unrealised foreign exchange loss	60,235	(9,174)	51,061
Tax losses carried forward	<u>(66,577)</u>	<u>66,577</u>	<u>-</u>
	<u><u>139,177</u></u>	<u><u>(53,700)</u></u>	<u><u>85,477</u></u>
Year ended 30 September 2019			
<i>Deferred tax liabilities:</i>			
Revaluation	(2,811)	-	(2,811)
Property, plant and equipment	316,277	53,287	369,564
Unrealised foreign exchange loss	12,109	48,126	60,235
General provisions	(187,154)	(34,080)	(221,234)
Tax losses	<u>-</u>	<u>(66,578)</u>	<u>(66,578)</u>
Net deferred tax liabilities	<u><u>138,421</u></u>	<u><u>756</u></u>	<u><u>139,177</u></u>

NOTES (CONTINUED)

15. Retirement benefit obligations

	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
As at 1 October	826,678	768,725	6,583	4,222
Current service cost	105,625	119,532	1,377	2,360
Interest cost	103,543	85,122	-	-
Disposal of subsidiary (KPTCL)	-	(93,413)	-	-
Benefit paid	(331,247)	(53,288)	-	-
At end of the year	704,599	826,678	7,960	6,583

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 period of service and salary at retirement and qualifies as a defined benefit plan.

Actuarial valuation of the Arrangement is based on using the Projected Unit Method. The principal assumptions used in the actuarial valuation are:

- i) Actuarial method - Projected Unit Method;
- ii) Discount 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.

16. Lease liabilities	Group	Company
	2020 Tshs.'000	2020 Tshs.'000
Non-current	926,051	-
Current	65,803	-
	991,854	-
The total cash outflow for leases in the year was:		
Payments of principal portion of the lease liability	55,664	
Interest paid on lease liabilities	90,832	
	146,496	-
Reconciliation of lease liabilities arising from financing activities:		
At start of year	-	
Transition adjustment (Note 1(a))	28,857	
Interest charged to profit or loss	90,832	
Foreign exchange (gain)/loss	-	
Cash flows:		
- Operating activities (interest paid)	(90,832)	
- Amounts financed through leases	1,018,661	
- Payments under leases	(55,664)	
At end of year	991,854	-
The lease liabilities are unsecured		

NOTES (CONTINUED)

16. Lease liabilities

In the opinion of the directors, the carrying amounts of lease liabilities approximate to their fair value.

The carrying amounts of the company's lease liabilities are denominated in Tanzania shillings

	Group 2020 Tshs.'000
Maturity based on the repayment structure of lease liabilities is as follows:	
Gross lease liabilities - minimum lease payments	
Not later than 1 year	147,705
Later than 1 year and not later than 5 years	417,111
Later than 5 years	<u>1,176,278</u>
Total gross lease	<u>1,741,094</u>
Future interest expense on leases liabilities	<u>(749,240)</u>
Present value of lease liabilities	<u>991,854</u>
	2020 Tshs.'000
Present value of lease liabilities - minimum lease payments	
Not later than 1 year	45,096
Later than 1 year and not later than 5 years	215,959
Later than 5 years	<u>730,799</u>
	<u>991,854</u>

Wakulima Tea Company Limited: The company leases plucking machine under non-cancellable lease agreements. The lease terms are between 1 and 3 years, and ownership of the assets lie within the company.

Rungwe Avocado Company Limited: The Company has leased the farm for growing avocado for the period of 20 years commencing from 30 November 2018 ending on 30 September 2039. The ownership of the farm is with The Registered Trustees of Moravian Church in Southern Tanganyika, relating to 80 hectares on farm no.322, Syukula Village in Rungwe District. The Company does not have an option of purchase at the expiry of the lease period.

17. Right-of use assets

	Group 2020 Tshs.'000	Company 2020 Tshs.'000
Year ended 30 September 2020		
At start of year	-	-
Transferred from prepaid operating lease rentals (Note 23)	20,707	
Effect of change in accounting policy (Note 1(a))	<u>1,027,918</u>	
	1,048,625	-
Additions	-	
Depreciation charge for the year	<u>(89,944)</u>	
At end of year	<u>958,682</u>	-

NOTES (CONTINUED)

17. Right-of use assets (continued)	Group 2020 Tshs.'000	Company 2020 Tshs.'000
Year ended 30 September 2020		
At start of year	-	-
Effect of change in accounting policy (Note 1(a))	1,048,625	-
	<u>1,048,625</u>	<u>-</u>
Additions	-	-
Depreciation charge for the year	(89,944)	-
	<u>(89,944)</u>	<u>-</u>
At end of year	<u>958,682</u>	<u>-</u>

Under the previous accounting policy, prepaid operating lease rentals were recognised at historical cost and subsequently amortised over the lease period.

Wakulima Tea Company Limited: The company leases plucking machine under non-cancellable lease agreements. The lease terms are between 1 and 3 years, and Control of the assets lie within the company.

Rungwe Avocado Company Limited: The Company has leased the farm for growing avocado for the period of 20 years commencing from 30 November 2018 ending on 30 September 2039. The ownership of the farm is with The Registered Trustees of Moravian Church in Southern Tanganyika, relating to 80 hectares on farm no.322, Syukula Village in Rungwe District. The Company does not have an option of purchase at the expiry of the lease period.

In the statement of cash flows, the amount for payments for right-of-use assets represents:

Additions, as above	154,728
Less: amounts financed through lease liabilities	<u>(145,472)</u>
	<u>9,256</u>

For information on the related lease liabilities, see Note 16.

NOTES (CONTINUED)

18. 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 2020						
Cost						
At start of the year	4,254,590	1,723,655	7,560,848	98,325	5,859,165	19,496,584
Additions	23,247	18,000	133,992	-	-	175,239
Transfer	98,325			(98,325)		-
At end of year	<u>4,376,162</u>	<u>1,741,655</u>	<u>7,694,840</u>	<u>-</u>	<u>5,859,165</u>	<u>19,671,823</u>
Accumulated depreciation						
At start of year	1,250,231	1,622,291	6,181,929	-	678,458	9,732,910
Charge for the year	86,375	82,949	330,497	-	201,121	700,942
At end of year	<u>1,336,606</u>	<u>1,705,240</u>	<u>6,512,426</u>	<u>-</u>	<u>879,579</u>	<u>10,433,852</u>
Net book value	<u>3,039,556</u>	<u>36,415</u>	<u>1,182,414</u>	<u>-</u>	<u>4,979,586</u>	<u>9,237,971</u>
As at 30 September 2019						
Cost						
At start of the year	4,309,199	1,699,466	7,040,191	186,719	5,859,165	19,094,739
Additions	-	25,313	380,497	98,325	-	504,136
Transfer	-	-	186,719	(186,719)	-	0
Subsidiary assets disposed off (KPTCL)	(54,609)	(1,124)	(46,559)	-	-	(102,292)
At end of year	<u>4,254,590</u>	<u>1,723,655</u>	<u>7,560,848</u>	<u>98,325</u>	<u>5,859,165</u>	<u>19,496,584</u>
Accumulated depreciation						
At start of year	1,165,074	1,546,189	5,895,408	-	477,336	9,084,007
Charge for the year	85,157	76,102	286,521	-	201,122	648,902
At end of year	<u>1,250,231</u>	<u>1,622,291</u>	<u>6,181,929</u>	<u>-</u>	<u>678,458</u>	<u>9,732,910</u>
Net book value	<u>3,004,359</u>	<u>101,364</u>	<u>1,378,919</u>	<u>98,325</u>	<u>5,180,707</u>	<u>9,763,674</u>

NOTES (CONTINUED)

18. 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 701 million (2019: Tshs 649 million) has been charged to the profit or loss account. The Group's property, plant and equipment have been charged to secure loans as set out in **Note 12** to the financial statements.

19. Bearer plants

Wakulima Tea Company Limited- Tea

The Company has 316 hectares (2019: 316 hectares) and 198.2 hectares (2019: 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. Forestry maintenance costs are recognised in profit or loss account.

20. Investment in subsidiaries - at cost

	2020	2019
	Tshs '000	Tshs '000
Wakulima Tea Company Limited (a)	1,704,274	1,704,274
Rungwe Avocado Company Limited (b)	4,078,997	4,078,997
	<u>5,783,271</u>	<u>5,783,271</u>

Investments relates to:

Nature of business	Number and description of share		% of issued shares held	
	2020	2019	2020	2019
	Ordinary shares			
a) Growing, processing and sale of made tea.	1,537,693	1,537,693	70%	70%
b) Growing, processing and sale of avocado and other fruits.	268,976	268,976	59.51%	59.51%

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.

Company	Total holding of Tatepa Ltd at 30 Sept 2020	% of holding at 30 Sept 2020	Total holding of Tatepa Ltd at 30 Sept 2020	% of holding at 30 Sept 2020
RACL		63.75%		63.75%
WTCL		70.00%		70.00%

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.

Summarised statement of financial position	WTCL		RACL	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
Current				
Assets	10,303,396	9,053,103	1,526,489	1,144,180
Liabilities	<u>(11,265,796)</u>	<u>(9,428,990)</u>	<u>(16,705,969)</u>	<u>(11,247,361)</u>
Total current net liabilities	<u>(962,400)</u>	<u>(375,887)</u>	<u>(15,179,480)</u>	<u>(10,103,181)</u>
Non-current				
Assets	7,525,267	7,011,725	4,104,905	3,817,834
Liabilities	<u>(718,936)</u>	<u>(820,287)</u>	<u>(1,119,502)</u>	<u>(3,251,753)</u>
Total non-current net assets/(liabilities)	<u>6,806,331</u>	<u>6,191,438</u>	<u>2,985,403</u>	<u>566,081</u>
Net assets/(liabilities)	<u>5,843,931</u>	<u>5,815,551</u>	<u>(12,194,077)</u>	<u>(9,537,100)</u>
Summarised statement of profit or loss and other comprehensive income				
Revenue	21,414,579	22,108,725	1,458,767	1,461,443
Profit/(loss) before tax	141,056	(98,522)	(2,638,294)	(4,828,453)
Income tax expense	(101,479)	(3,566)	-	(1,995,224)
Loss on disposal of subsidiary	-	(908,644)	-	-
Profit/(loss) after tax	<u>39,577</u>	<u>(1,010,732)</u>	<u>(2,638,294)</u>	<u>(6,823,678)</u>
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss)	<u>39,577</u>	<u>(1,010,732)</u>	<u>(2,638,294)</u>	<u>(6,823,678)</u>
Total comprehensive income/(loss) allocated to non-controlling interests	<u>11,873</u>	<u>(303,220)</u>	<u>(956,118)</u>	<u>(2,472,901)</u>
Dividends paid to non-controlling interests	-	-	-	-
Cash flows from operating activities				
Cash generated from/(utilised in) operations	(1,397,610)	229,292	(689,354)	(976,404)
Interest paid	(608,048)	(541,767)	(387,097)	(528,045)
Interest received	236,419	284,531	-	-
Income tax paid	<u>(114,310)</u>	<u>(60,000)</u>	<u>-</u>	<u>-</u>
Net cash used in operating activities	(1,883,549)	(87,945)	(1,076,451)	(1,504,449)
Net cash used in investing activities	(182,196)	(380,497)	(2,300)	(123,639)
Net cash (used in)/from financing activities	<u>(36,293)</u>	<u>-</u>	<u>1,103,041</u>	<u>457,849</u>
Net decrease in cash and	<u>(2,102,038)</u>	<u>(468,442)</u>	<u>24,290</u>	<u>(1,170,239)</u>
Cash and cash equivalents at beginning of the year	<u>(5,764,487)</u>	<u>(5,296,045)</u>	<u>(3,422,782)</u>	<u>(2,252,543)</u>
Cash and cash equivalents at end of the year	<u>(7,866,525)</u>	<u>(5,764,487)</u>	<u>(3,398,493)</u>	<u>(3,422,782)</u>

NOTES (CONTINUED)

21. Loans receivables - Seedling debtors

	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
At start of year	279,244	391,629	-	-
Loan advanced during the year (seedling debtors)	1,006	221,192	-	-
Recoveries from TAPP revolving fund		(152,580)	-	-
Less: provision for expected credit losses	(280,250)	(180,997)	-	-
At end of year	-	279,244	-	-
	2020			
	Gross amount	Recoveries amount	ECL allowance	Carrying amount
	Tshs '000'	Tshs '000'	Tshs '000'	Tshs '000'
Loans receivable (non-commercial)	280,250	-	(280,250)	-
	2019			
	Gross amount	Recoveries amount	ECL allowance	Carrying amount
	Tshs '000'	Tshs '000'	Tshs '000'	Tshs '000'
Loans receivable (non-commercial)	612,820	(152,580)	(180,997)	279,244

Seedling debtors

Rungwe Avocado Company limited: The loan amount due from outgrowers as at 30 September 2020 was nil (2019: Tshs 279.2 million). The Avocado outgrower farmers seedling debtors are interest free. The outgrowers are required to pay at least 50% of the loan as commitment fee. The remaining 50% of the loan will be recovered from sale of avocado fruits to the Company. In the event, that the farmer does not sell the fruits to the Company, then the farmer is required to pay the Company a penalty of 15% per annum from the date the loan commencement to the date of full repayment of the loan.

22. Inventories	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
Finished products - at cost	4,206,319	2,457,344	-	-
Unprocessed products - at cost	-	-	-	-
Stores and consumables - at cost	1,728,094	2,171,180	-	-
Provision for slow moving items	(13,747)	(201,506)	-	-
	5,920,666	4,427,019	-	-
Movement for provision is as follows:				
As start of year	201,506	20,873	-	-
(Decrease)/Increase during the year	(187,759)	180,633	-	-
	13,747	201,506	-	-
23. Prepaid Land rent				
Total prepaid land rent	20,707	20,481	-	-
Less: current portion	-	(20,481)	-	-
Transfer to Right of use assets (Note 17)	(20,707)		-	-
	-	-	-	-

NOTES (CONTINUED)

24. Trade and other receivables	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
Trade receivables	971,459	520,858	-	-
VAT recoverable	3,664,751	2,818,409	-	-
Other receivables	2,230,836	1,886,674	1,795,640	1,817,187
Advance to suppliers	269,377	-	-	-
Due from related parties (Note 29(iii))	-	19,425	2,209,721	386,343
Less: expected credit losses	<u>(2,335,638)</u>	<u>(42,589)</u>	<u>(1,677,186)</u>	<u>(452,972)</u>
Net trade and other receivables	4,800,785	5,202,776	2,328,174	1,750,558
Deposits and prepayments	<u>54,255</u>	<u>180,981</u>	<u>3,313</u>	<u>-</u>
	<u>4,855,041</u>	<u>5,383,757</u>	<u>2,331,487</u>	<u>1,750,558</u>
			Group 2020	
		Gross amount Tshs '000	ECL allowance Tshs '000	Carrying amount Tshs '000
Trade receivables		971,459	-	971,459
VAT recoverable		3,664,751	(2,335,638)	1,329,113
Other receivables		2,230,836	-	2,230,836
Advance to suppliers		269,377	-	269,377
Due from related parties (Note 29(iii))		-	-	-
		<u>7,136,423</u>	<u>(2,335,638)</u>	<u>4,800,785</u>
			2019	
Trade receivables		520,858	(42,589)	478,268
VAT recoverable		2,818,409	-	2,818,409
Other receivables		1,886,674	-	1,886,674
Due from related parties (Note 29(iii))		19,425	-	19,425
		<u>5,245,365</u>	<u>(42,589)</u>	<u>5,202,776</u>
			Company 2020	
		Gross amount Tshs '000	ECL allowance Tshs '000	Carrying amount Tshs '000
Other receivables		1,795,640	(1,677,186)	118,453
Due from related parties (Note 29(iii))		2,209,721	-	2,209,721
		<u>4,005,360</u>	<u>(1,677,186)</u>	<u>2,328,174</u>
			2019	
Other receivables		1,817,187	(452,972)	1,364,215
Due from related parties (Note 29(iii))		386,343	-	386,343
		<u>2,203,530</u>	<u>(452,972)</u>	<u>1,750,558</u>

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair values.

NOTES (CONTINUED)

24. Trade and other receivables

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

	2020	Group	2020	Company
	Tshs '000	2019	Tshs '000	2019
		Tshs '000		Tshs '000
US Dollars	273,653	22,026	273,653	332,896
Pounds	-	-	-	-
Euro	563,577	135,175	-	-
Tanzania Shillings	4,017,811	5,226,556	2,057,835	1,417,662
	<u>4,855,041</u>	<u>5,383,757</u>	<u>2,331,487</u>	<u>1,750,558</u>

25. Cash and cash equivalents

Cash at bank	69,255	50,336	1,282	29,941
Cash in hand	2,778	1,308	22,392	48
	<u>72,033</u>	<u>51,644</u>	<u>23,674</u>	<u>29,989</u>

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

Cash at bank and in hand	72,033	51,644	23,674	29,989
Bank overdraft (Note 12)	(11,313,374)	(9,208,924)	-	-
	<u>(11,241,342)</u>	<u>(9,157,280)</u>	<u>23,674</u>	<u>29,989</u>

The Company's bank balances are held with major Tanzanian financial institutions.

The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Tanzania Shilling (Tshs)	45,799	48,697	17,566	19,320
US Dollar (\$)	-	-	6,108	10,669
Euro (€)	26,233	2,947	-	-
	<u>72,033</u>	<u>51,644</u>	<u>23,674</u>	<u>29,989</u>

26. Trade and other payables

Trade payables	2,243,234	1,577,062	-	-
Other payables and accrued expenses	1,055,226	790,471	265,299	234,609
Due to related parties (Note 29 (iii))	1,203,069	1,988,192	317,396	344,660
Unclaimed dividends	135,356	137,309	135,356	137,309
	<u>4,636,885</u>	<u>4,493,034</u>	<u>718,052</u>	<u>716,578</u>

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

NOTES (CONTINUED)

26. Trade and other payables (continued)

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

	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
US Dollar	-	-	16,444	413,299
Tanzania shillings	4,636,885	4,493,034	701,608	303,279
	<u>4,636,885</u>	<u>4,493,034</u>	<u>718,052</u>	<u>716,578</u>

Group:

The maturity analysis of the group's trade and other payables is as follows:

Year ended 30 September 2020	1 to 3 months	4 to 12 months	Total
	Tshs '000'	Tshs '000'	Tshs '000'
Trade payables	2,243,234	-	2,243,234
Other payables and accrued expenses	-	1,055,226	1,055,226
Due to related parties (Note 29 (iii))	-	1,203,069	1,203,069
Unclaimed dividends	-	135,356	135,356
	<u>2,243,234</u>	<u>2,393,651</u>	<u>4,636,885</u>

Year ended 30 September 2019

Trade payables	1,577,062	-	1,577,062
Other payables and accrued expenses	-	790,471	790,471
Due to related parties (Note 29 (iii))	-	1,988,192	1,988,192
Unclaimed dividends	-	137,309	137,309
	<u>1,577,062</u>	<u>2,915,972</u>	<u>4,493,034</u>

Company:

The maturity analysis of the company's trade and other payables is as follows:

Year ended 30 September 2020

Other payables and accrued expenses	265,299	-	265,299
Due to related parties (Note 29 (iii))	-	317,396	317,396
Unclaimed dividends	-	135,356	135,356
	<u>265,299</u>	<u>452,752</u>	<u>718,052</u>

Year ended 30 September 2019

Other payables and accrued expenses	234,609	-	234,609
Due to related parties (Note 29 (iii))	-	344,660	344,660
Unclaimed dividends	-	137,309	137,309
	<u>234,609</u>	<u>481,969</u>	<u>716,578</u>

NOTES (CONTINUED)

27. Embedded derivatives

Embedded derivative

The existence of a convertible option in the shareholders' facility implies an embedded derivative which is not closely related to the shareholder facility. As required by IFRS 9, the option derivative was fair valued and a loss of Tshs 457,646,942 (2019: Tshs 178,907,000) 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 70,845,107 shares at a DSE share price of Tshs 120 giving capitalisation of Tshs 8.5 billion.

	Group		Company	
	2020	2019	2020	2019
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
	<u>760,265</u>	<u>302,618</u>	<u>760,265</u>	<u>302,618</u>

28. Cash used in operations

Loss before income tax	(4,083,319)	(5,640,390)	(1,585,058)	(715,303)
Adjustments for:				
Unrealised foreign exchange (gain)/loss				
Fair value gain/(loss) on embedded derivatives	457,647	178,907	457,647	178,907
Depreciation (Note 18)	700,942	648,902		
Depreciation on right of use assets	89,944			
Amortisation of deferred capital grant (Note 29)	-	(20,279)		
Amortisation of prepaid land rent (Note 23)	20,481	(13,415)		
Other non cash	-	813,116		
Interest expense	1,553,140	1,286,719	193,361	149,831
Interest on lease liabilities	90,832	-		
Interest income	-	-	-	(164,480)
Unrealised exchange loss on terms loans		(105,735)		37,324
Investment written off of KTPCL	-	-		6,061,763
Retirement benefit obligations (Note 15)	(122,079)	(57,953)	1,377	-
Profit/ (loss) on disposal of subsidiary	-	1,944,400	-	(5,501,827)
<i>Changes in working capital:</i>				
- Inventories	(1,493,647)	1,448,894	-	-
- Trade and other receivables	528,717	(758,396)	(580,929)	(103,317)
- Trade and other payables	143,852	(257,140)	1,474	151,479
- Loan receivables	279,244	-	-	-
Cash (used in)/generated from operations	<u>(1,834,248)</u>	<u>(532,370)</u>	<u>(1,512,128)</u>	<u>94,377</u>

NOTES (CONTINUED)

29. Related party transactions and balances

TATEPA is a public quoted 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% (2019: 8.22%) and 26.21% (2019: 26.21%) shareholding in RACL respectively.

The following transactions were carried out with related parties:

	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
i) Sale of services				
Subsidiaries (guarantee fees)	-	-	183,620	143,706
Subsidiaries (interest income)	-	-	176,323	20,774
Subsidiaries (management income)	-	-	422,057	370,095
ii) Purchases of services				
Wakulima Tea Company (Interest)	-	-	178,082	138,809
iii) Year-end balances				
Amounts due from related parties				
Rungwe Avocado Company Limited	-	-	2,105,158	366,918
Wakulima Tea Company Limited	-	-	104,562	-
Nicole H. Abrahall - Tatepa director	-	19,425	-	19,425
	-	19,425	2,209,721	386,343
Amounts due to related parties				
Directors fee - <i>directors</i>	-	182,377	-	182,377
Rungwe Smallholders Tea Growers Association	41,752	668,473	-	-
Wakulima Tea Company Limited	-	-	-	155,683
Maris Tatepa Holdings Limited - Interest	311,807	-	310,198	5,024
G. C. Theobald - Tatepa director	-	-	-	269
Thompson Lloyd & Ewart Limited	773,383	1,137,342	-	1,307
P. D. Rowland- Tatepa director	7,198	-	7,198	-
Tanganyika Finance Company Limited	68,929	-	-	-
	1,203,069	1,988,192	317,396	344,660

Amount due from/(to) related parties are interest free, have no specific dates of repayment and are unsecured

NOTES (CONTINUED)

29. Related party transactions and balances (continued)

iv) Loan and facility from related parties

Shareholder facility	7,741,194	8,201,505	7,741,194	7,713,487
Wakulima Tea Company Limited	-	-	2,406,921	751,421
	<u>7,741,194</u>	<u>8,201,505</u>	<u>10,148,116</u>	<u>8,464,908</u>

Borrowings from Wakulima Tea Company Limited are subject to interest at 12% per annum, maturity date of the repayment is latest by 30 September 2021 and are unsecured. The unsecured Shareholders facility is expected to be converted into equity by the year ending 30 Sept 2021

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.

	Fees 2020 Tshs '000	Group Fees 2019 Tshs '000	Total 2020 Tshs '000	Company Total 2019 Tshs '000
Johannes Gunnell	-	18,315	-	18,315
G. C. Theobald	-	22,894	-	22,894
Robin Harrison	-	17,171	-	17,171
Peter D. Rowland	-	17,171	-	17,171
V. K. Tewari	18,381	18,315	18,381	18,315
Andres de Klerk	-	269,884	-	57,236
Hon Dr Raphael Chegeni	9,546	11,816	9,546	11,816
	<u>27,927</u>	<u>375,566</u>	<u>27,927</u>	<u>162,918</u>

30. Financial instruments

a) By category

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

Group

<i>Financial assets as per statement of financial position</i>	2020 Tshs '000	2019 Tshs '000
<u>Loans and receivables</u>		
Trade and other receivables (excluding payments and suppliers advances)	4,585,664	5,383,757
Loan receivables	-	279,244
Cash at bank and on hand	<u>72,033</u>	<u>51,644</u>
	<u>4,657,697</u>	<u>5,714,645</u>

Financial liabilities as per statement of financial position

Other financial liabilities amortised at cost

Trade and other payables (excluding statutory obligations)	4,636,885	4,493,033
Borrowings	<u>29,665,549</u>	<u>25,755,660</u>

Other financial liabilities at fair value through profit or loss

Embedded derivative	<u>760,265</u>	<u>302,618</u>
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NOTES (CONTINUED)

30. **Financial instruments (continued)**

Company	2020	2019
	Tshs '000	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)	2,331,487	1,750,558
Cash at bank and on hand	<u>23,674</u>	<u>29,989</u>
	<u>2,355,161</u>	<u>1,780,547</u>
<i>Financial liabilities as per statement of financial position</i>		
<u>Other financial liabilities amortised at cost</u>		
Trade and other payables	718,052	716,578
Borrowings	<u>10,348,074</u>	<u>8,647,597</u>
	<u>11,066,126</u>	<u>9,364,175</u>
<u>Other financial liabilities at fair value through profit or loss</u>		
Embedded derivative	<u>760,265</u>	<u>302,618</u>

	Group	
	2020	2019
	Tshs '000	Tshs '000
31. Properties revaluation reserve		
Balance at beginning of the year	582,169	595,507
Amortization to retained earnings	<u>(27,481)</u>	<u>(13,338)</u>
	<u>554,688</u>	<u>582,169</u>

NOTES (CONTINUED)

32. Disposal of subsidiary

On 1 October 2018, the Group entered into a 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	2020 Tshs '000	2019 Tshs '000
Non-current liabilities		
Borrowings	-	190,411
Retirement benefit obligation	-	93,416
	<u>-</u>	<u>283,826</u>
Non-current assets		
Property, plant and equipment	-	107,874
Intangible asset	-	4,727
	<u>-</u>	<u>112,601</u>
Current assets		
Inventories	-	96,562
Trade and other receivables	-	63,160
Cash and cash equivalents	-	1,401
	<u>-</u>	<u>161,123</u>
Current liabilities		
Trade and other payables	-	1,400,992
Income tax payable	-	2,828
Borrowings	-	831,969
	<u>-</u>	<u>2,235,789</u>
Net current liabilities	<u>-</u>	<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>-</u>	<u>(1,261,828)</u>
Group share of consideration	-	682,572
	<u>-</u>	<u>682,572</u>
Gain on disposal	<u>-</u>	<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)	-	6,061,763
Share of consideration (81.82% direct shareholding by TATEPA in KTPCL)	-	559,936
	<u>-</u>	<u>559,936</u>
Loss on disposal	<u>-</u>	<u>5,501,827</u>

NOTES (CONTINUED)

33. Non controlling interest

	NCI %	2020 Tshs '000	2019 Tshs '000
Non-controlling interest brought forward		(1,713,324)	929,399
Changes on initial application of IFRS 16 (Note 1(a))		<u>(9,778)</u>	<u>-</u>
		(1,723,102)	929,399
Changes in the year:			
Net profit/(loss) for the year for WTC	30%	11,873	(303,220)
Net loss for the year for RCL	36.25%	<u>(927,201)</u>	<u>(2,473,583)</u>
Non-controlling interest share of (loss)/profit for the year		(915,328)	(2,776,803)
Share of change in shareholding in subsidiary.		-	-
Elimination of non controlling interest on disposal of KTPCL		<u>-</u>	<u>134,080</u>
At the end of year		<u>(2,638,430)</u>	<u>(1,713,324)</u>
NET LIABILITIES OF KTPCL AT POINT OF DISPOSAL			
Share capital			4,739,460
Share premium			2,128,314
Retained earnings			<u>(9,113,664)</u>
			<u>(2,245,890)</u>
Non controlling interest adjustment on disposal of KTPCL	5.97%		<u>(134,080)</u>

NOTES (CONTINUED)

34. Financial risk management

34.1 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 94% (2019: 113%) 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 2020, 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 1.50 billion (2019: 1.85 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 2020, if the Tanzanian shillings (Tshs) had strengthened/weakened by 10% against the US dollar with all other variables held constant, the Company's profit after tax for the year and equity would have been Tshs 18.4 million lower/higher (2019: loss of Tshs 609 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.

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 2020, an increase/decrease of 200 basis points would have resulted in a decrease/increase in consolidated post tax loss of Tshs 35 million (2019: Tshs 26 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 1.14 billion (2019: Tshs 1.16 billion).

NOTES (CONTINUED)

34. Financial risk management (continued)

34.1 Financial risk factors (continued)

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 2020 and 30 September 2019 is the carrying value of its financial assets in the statement of financial position.

Group	2020 Tshs '000	2019 Tshs '000
Trade receivables (third parties)		
Group 1 - Balance from customers with no past history of default and no provision for impairment raised against their balances	866,657	478,268
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	<u>2,335,638</u>	<u>42,589</u>
Total gross trade receivables (Note 24)	<u><u>3,202,295</u></u>	<u><u>520,858</u></u>
Bank and cash balances		
Total cash at bank	<u><u>72,033</u></u>	<u><u>51,644</u></u>
Farmers input debts		
Total farmers input debts	<u><u>-</u></u>	<u><u>279,244</u></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	<u><u>-</u></u>	<u><u>-</u></u>

NOTES (CONTINUED)

34. Financial risk management (continued)

34.1 Financial risk factors (continued)

Bank and cash balances

Total cash at bank	<u>23,674</u>	<u>29,989</u>
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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.

Group	Within 1 year	Between 1 and 2 years
	Tshs '000	Tshs '000
As at 30 September 2020		
Borrowings	27,738,516	1,927,033
Interest on borrowings (*)		
Embedded derivative	760,265	-
Trade and other payables (excluding statutory deductions)	<u>4,636,885</u>	<u>-</u>
Total financial liabilities	<u><u>33,135,666</u></u>	<u><u>1,927,033</u></u>
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)	<u>4,493,033</u>	<u>-</u>
Total financial liabilities	<u><u>19,204,855</u></u>	<u><u>11,346,457</u></u>

(*) 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 to its subsidiaries Wakulima Tea Company Limited and Rungwe Avocado Company Limited. The overdraft facilities were renewed on 19 December 2019 for Wakulima Tea Company Limited and on May 2020 for Rungwe Avocado Company Limited for a period of 12 months up to January 2021 and April 2021 respectively.

NOTES (CONTINUED)

34. Financial risk management (continued)

34.1 Financial risk factors (continued)

c) Liquidity risk (continued)

Company	Within 1 year Tshs '000	Between 1 and 2 years Tshs '000
As at 30 September 2020		
Borrowings	10,148,069	200,006
Embedded derivative	760,265	-
Trade and other payables	<u>718,052</u>	<u>-</u>
Total financial liabilities	<u><u>11,626,386</u></u>	<u><u>200,006</u></u>
As at 30 September 2019		
Borrowings	-	8,647,597
Embedded derivative	302,618	-
Trade and other payables	<u>718,052</u>	<u>-</u>
Total financial liabilities	<u><u>1,020,670</u></u>	<u><u>8,647,597</u></u>

34.2 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 non-current borrowings as shown in the consolidated statement of financial 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 2020, 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	2020 Tshs '000	2019 Tshs '000
Total borrowings (Note 12)	29,665,549	25,755,660
Less cash and bank balances (Note 25)	<u>(72,033)</u>	<u>(51,644)</u>
Net debt	29,593,516	25,704,017
Total equity	<u>(15,488,947)</u>	<u>(11,275,291)</u>
Total capital	<u>14,104,569</u>	<u>14,428,725</u>
Gearing ratio	<u>209.82%</u>	<u>178.14%</u>

NOTES (CONTINUED)

34. Financial risk management (continued)

34.2 Capital risk management (continued)

Company	2020 Tshs '000	2019 Tshs '000
Total borrowings (Note 12)	10,348,074	8,647,597
Less cash and bank balances (Note 25)	<u>(23,674)</u>	<u>(29,989)</u>
Net debt	10,324,400	8,617,608
Total equity	<u>(3,320,263)</u>	<u>(1,735,205)</u>
Total capital	<u>7,004,137</u>	<u>6,882,403</u>
Gearing ratio	<u>147.40%</u>	<u>125.21%</u>

The increase in gearing during the financial year 2020 resulted from Group loss.

34.3 Fair value estimation

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

- i. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- ii. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- iii. Inputs for 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 2020			
Liabilities			
Embedded derivative	<u>-</u>	<u>-</u>	<u>760,265</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>760,265</u>
As at September 2019			
Liabilities			
Embedded derivative	<u>-</u>	<u>-</u>	<u>302,618</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>302,618</u>

NOTES (CONTINUED)

34. Financial risk management (continued)

34.3 Fair value estimation (continued)

Company

As at September 2020	Level 1	Level 2	Level 3
Liabilities			
Embedded derivative	-	-	760,265
Total liabilities	-	-	760,265
As at September 2019			
Liabilities			
Embedded derivative	-	-	302,618
Total liabilities	-	-	302,618

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.

35. 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. The Group 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.

NOTES (CONTINUED)

35. Business segment information (continued)

Group					
2020	Growing & processing tea Tshs '000	Other (*) Tshs '000	Avocado fruits Tshs '000	Eliminations Tshs '000	Consolidation Tshs '000
Revenue					
Export sales	21,072,322	-	1,387,772		22,460,094
Local sales	342,257	-	70,995	-	413,252
Total sales	21,414,579	-	1,458,767	-	22,873,346
Fair value loss on embedded derivative		(457,647)			(457,647)
Operating profit/ (loss) from operations	<u>590,123</u>	<u>(2,149,022)</u>	<u>(1,268,928)</u>	<u>387,675</u>	<u>(2,440,152)</u>
Finance (costs)/ income	<u>(450,089)</u>	<u>563,964</u>	<u>(1,369,366)</u>	<u>(387,675)</u>	<u>(1,643,166)</u>
Profit/(loss) before tax	140,034	(1,585,058)	(2,638,294)	-	(4,083,318)
Income tax credit/(charge)	(101,479)	-		-	(101,479)
Profit/(loss) for the year	<u>38,555</u>	<u>(1,585,058)</u>	<u>(2,638,294)</u>	<u>-</u>	<u>(4,184,797)</u>
Other segment items included in the statement of profit or loss:					
Depreciation on property, plant and equipments and right of use assets	459,980	-	222,167	-	682,147

(*) Represents Tatepa Public Company Limited.

NOTES (CONTINUED)

35. Business segment information (continued)

Group

2019	Growing & processing tea Tshs '000	Other (*) Tshs '000	Avocado fruits 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 (costs)/ income	(146,802)	347,422	(1,037,216)	188,298	(648,298)
Profit/(loss) before tax	(98,522)	(715,303)	(4,828,453)	534,577	(5,107,701)
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)	8,852,580	(5,198,959)
Other segment items included in the statement of profit or loss:					
Depreciation	362,633	-	286,270	-	648,903

(*) Represents Tatepa Public Company Limited.

NOTES (CONTINUED)

35. Business segment information (continued)

Group

2020

	Growing & processing tea Tshs '000	Other (*) Tshs '000	Avocado fruits Tshs '000	Eliminations Tshs '000	Consolidation Tshs '000
Segment assets and liabilities and capital expenditure:					
Assets					
Non-current assets	7,525,267	5,783,271	4,105,305	(7,217,190)	10,196,653
Current assets	<u>10,303,396</u>	<u>2,730,819</u>	<u>1,526,489</u>	<u>(3,297,749)</u>	<u>11,262,955</u>
Total assets	<u>17,828,663</u>	<u>8,514,090</u>	<u>5,631,794</u>	<u>(10,514,939)</u>	<u>21,459,608</u>
Liabilities					
Non-current liabilities	718,936	207,966	1,119,502	1,727,028	3,773,432
Current liabilities	<u>11,265,796</u>	<u>11,626,386</u>	<u>16,705,969</u>	<u>(6,423,028)</u>	<u>33,175,123</u>
Total liabilities	<u>11,984,732</u>	<u>11,834,351</u>	<u>17,825,471</u>	<u>(4,696,000)</u>	<u>36,948,554</u>
Additions: Property, plant and equipment	<u>172,939</u>	<u>-</u>	<u>2,300</u>	<u>-</u>	<u>175,239</u>

(*) Represents Tatepa Public Company Limited.

NOTES (CONTINUED)

35. Business segment information (continued)

Group

2019

	Growing & tea Tshs '000	Other (*) Tshs '000	Avocado fruits 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	<u>9,053,103</u>	<u>2,154,901</u>	<u>1,144,180</u>	<u>(2,002,676)</u>	<u>10,349,508</u>
Total assets	<u>16,064,829</u>	<u>7,938,172</u>	<u>4,962,014</u>	<u>(8,572,588)</u>	<u>20,392,427</u>
Liabilities					
Non-current liabilities	820,287	8,654,180	3,251,753	(263,358)	12,462,862
Current liabilities	<u>9,428,990</u>	<u>1,019,196</u>	<u>11,247,361</u>	<u>(2,490,692)</u>	<u>19,204,856</u>
Total liabilities	<u>10,249,277</u>	<u>9,673,376</u>	<u>14,499,114</u>	<u>(2,754,049)</u>	<u>31,667,718</u>
Additions: Property, plant and equipment	<u>380,497</u>	<u>-</u>	<u>123,639</u>	<u>-</u>	<u>504,136</u>

(*) Represents Tatepa Public Company Limited.

NOTES (CONTINUED)

36. Commitments

Capital commitments

The Group had no capital commitments at the year end.

Operating lease commitments

WTC'S 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

	Group		Company	
	2020 Tshs '000	2019 Tshs '000	2020 Tshs '000	2019 Tshs '000
Less than 1 year	4,451	5,425	-	-
2-5 years	17,803	22,364	-	-
Later than 5 years	219,849	265,147	-	-
	<u>242,102</u>	<u>292,936</u>	<u>-</u>	<u>-</u>

37. Contingent liabilities

As of sign off of these financial statements ,the company and group's prior corporation tax had not been agreed with the TRA for closure.

37. Incorporation

The Company was incorporated in Tanzania and registered under the Companies Act as a private limited liability Company.

38. Presentation currency

These financial statements are presented in Tanzanian Shillings rounded off to the nearest thousands (Tshs.'000).

SCHEDULE OF EXPENDITURE	Group		Company	
	2020	2019	2020	2019
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
COST OF SALES				
Staff related costs	2,569,737	2,561,500	-	-
Processing costs	3,485,770	3,597,676	-	-
Production overheads	-	168,402	-	-
Packing material costs	367,659	644,705	-	-
Purchases from out growers	8,563,008	9,335,027	-	-
Field costs	3,124,607	4,322,929	-	-
Amortization - bearer plants	107,716	107,716	-	-
Inventory written off	444	187,759	-	-
Depreciation on property, plant and equipment	586,596	534,558	-	-
Depreciation on right of use asset	46,284	-	-	-
Changes in inventory of finished goods and work in progress (*)	(1,867,806)	711,935	-	-
	<u>16,984,015</u>	<u>22,172,207</u>	<u>-</u>	<u>-</u>
* Movement between opening and closing inventories.				
SELLING AND MARKETING COSTS				
Transport, distribution and handling charges	2,075,269	1,668,223	-	-
Travelling expenses	-	-	-	-
Cess and other government levies	201,926	135,334	-	-
Staff related costs	54,980	36,705	-	-
Depreciation on property, plant and equipment	-	-	-	-
Bad and doubtful debts	-	-	-	-
Other selling costs	112,732	192,814	-	-
	<u>2,444,907</u>	<u>2,033,077</u>	<u>-</u>	<u>-</u>
ADMINISTRATIVE EXPENSES				
Staff related costs	1,638,919	1,094,020	464,073	111,722
Travelling costs	111,558	201,946	14,971	88,619
Consultancy and professional fees	510,458	664,859	121,700	184,989
Directors fees and allowances	39,894	173,467	11,732	103,787
Office expenses	193,196	172,904	-	-
Auditor's remuneration	69,786	80,667	11,490	26,066
Research expenses on new products	-	54,043	-	-
Rental charges	15,692	-	15,692	-
Depreciation	6,629	6,629	-	-
Depreciation on right-of-use-assets	43,660	-	-	-
Security and residential maintenance	268,410	223,006	-	-
Other administration costs	515,515	543,050	44,756	57,559
Management fee	131,789	131,590	-	-
Provision for supplier advance	23,971	-	-	-
Bad debts written off	41,773	-	-	-
Expected credit loss on farmers loans	280,250	180,997	-	-
Expected credit loss	1,840,076	452,972	1,197,867	452,972
	<u>5,731,576</u>	<u>3,980,151</u>	<u>1,882,281</u>	<u>1,025,714</u>

SCHEDULE OF EXPENDITURE

OTHER ADMINISTRATION EXPENSES:	Group		Company	
	2020	2019	2020	2019
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Staff related costs				
Salaries, wages and bonuses	4,132,199	3,387,055	397,454	68,947
Medical expenses	12,655	5,613	-	-
Canteen costs, uniforms and amenities	7,659	7,936	-	-
Statutory Social Security (NSSF)	57,202	20,447	44,058	6,166
Workers compensation fund and skills & development levy	22,850	16,929	9,474	689
Gratuity		182,827		
Other staff costs	13,087	330,351	13,087	35,919
Staff training	15,685	8,485	-	-
	<u>4,261,336</u>	<u>3,959,643</u>	<u>464,073</u>	<u>111,722</u>

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

	Group		Company	
	2020	2019	2020	2019
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Cost of sales	2,567,437	2,828,917	-	-
Administrative expenses	1,638,919	1,094,020	464,073	111,722
Selling and marketing expenses	54,980	36,705	-	-
	<u>4,261,336</u>	<u>3,959,642</u>	<u>464,073</u>	<u>111,722</u>