TATEPA LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

CONTENTS **PAGE**

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
	: Late Hon J.J Mungai(died on 8 November 2016)	Director	Tanzania

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.

: Kyimbila Tea Packing Company Limited
: Plot 14, Themi Hill,Industrial Area
: Arusha - Tanzania.

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

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

PRINCIPAL BANKERS
: 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 financial statements for the year ended 30 September 2017, which disclose the state of affairs of Tatepa Limited ("the Company") and its subsidiaries ("the Group").

1. INCORPORATION

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

2. GROUP VISION

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

3. COMPANY MISSION

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

4. PRINCIPAL ACTIVITIES

The Company holds a majority equity stake of 70% in Wakulima Tea Company Limited (WTCL) (2016: 70%);an aggregated majority stake of 55.69% (2016: 55.69%) in the equity of Rungwe Avocado Company Limited (RACL), of which 45.42% (2016: 45.42%) is held directly by Tatepa Limited and 10.27% (2016: 10.27%) is held indirectly through WTCL; and a majority stake of 94.03% (2016: 94.03%) in Kyimbila Tea Packaging Company Limited (KPTL) of which 81.80% (2016: 81.80%) is held directly by Tatepa and 12.23% (2016: 12.23%) is held indirectly through WTCL.

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

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

5. COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company at the date of this report, all of whom have served since 1 October 2016 unless otherwise stated are:

Name	Position	Age (years)	Qualifications	Nationality	Remarks
George C. Theobald	Chairman	59	BA - Economics	Tanzanian	
Late Hon J. J. Mungai (retired MP)	Member	73	MPA (Master of Public Administration)	Tanzanian	Deceased on 8 November 2016
Peter D. Rowland	Member	63	MSc. Agric Eng. C. Eng.	British	
Johannes Gunnell	Member	37	MA (Oxon): Philosophy, Politics & Economics	British	
Robin Harrison	Member	60	Ma (History, Archaeology & Anthropology)	British	
Vimalendu K. Tewari	Member	68	M Com, FCA	Indian	

REPORT OF THE DIRECTORS (CONTINUED)

The Company Secretary at the date of this report is Ms Nicole Hoskyns Abrahall (Belgian national).

In accordance with the Company's Articles of Association, the Directors are elected by the shareholders in an Annual General Meeting (AGM), to hold office for a period of two years, after which they retire but are eligible for re-election. All above Directors were appointed for a period of two years in the Annual General Meeting of the Company held on 29 April 2016. The next AGM will appoint / reappoint the Directors.

The disclosure of Director's emoluments are set in note 33 to the financial statements.

6. CORPORATE GOVERNANCE

During the year ended 30 September 2017, the Board of the Company consisted of five Directors. The Board takes overall responsibility for the Company, including identification of the key risk areas, considering and monitoring investment decisions, considering financially significant matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring the comprehensive systems of internal control policies and procedures are operating, and for compliance with sound governance principles.

Board meetings are held at regular intervals; there were three meetings during the year ended 30 September 2017 (In 2016: three meetings). The individual companies are responsible for their own management and corporate governance through their respective Board of Directors.

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

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

Audit Committee

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

The Audit Committee reports to the Board of Directors of the Company and has been established to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's financial reports and financial reporting process, internal control structure, risk management systems and external audit process. The Audit Committee met two times during the year (In 2016: one meeting).

Remuneration Committee

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

The Remuneration Committee reports to the Board of Directors of the Company. The Committee reviews compensation arrangements for the Directors and the executive team by assessing the appropriateness of emoluments on a periodic basis. The Remuneration Committee did not meet during the year (In 2016: one meeting).

REPORT OF THE DIRECTORS (CONTINUED)

7. CAPITAL STRUCTURE

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

	Group		Company	
	Sep-17	Sep-16	Sep-17	Sep-16
	Tshs '000	Restated Tshs '000	Tshs '000	Tshs '000
Ordinary share capital	466,431	466,431	466,431	466,431
Share premium	4,048,462	4,048,462	4,048,462	4,048,462
Retained earnings	(12,347,125)	(10,727,970)	(893,702)	(891,636)
Revaluation reserve	608,845	-	-	-
Other reserves	(838,250)	(838,250)	-	-
Total owners' equity	(8,061,637)	(7,051,327)	3,621,192	3,623,257
Non-controlling interests	(510,939)	(75,814)	-	-
Total equity	(8,572,577)	(7,127,141)	3,621,192	3,623,257
Borrowings	22,317,198	22,499,990	7,539,457	7,320,605

8. MANAGEMENT

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

9. SHAREHOLDEROF THE COMPANY

The total number of shareholders as at 20 November 2017 was 1620 shareholders (2016:1631 shareholders). Three of the Directors had interests in the issued and fully paid up shares of the Company as detailed are provided below:

Name	Nationality	Number of ordinary shares
Estate of Late Hon J. J. Mungai (rtd MP)*	Tanzanian	2,340,281 shares
Mr P. D. Rowland	British	2,338,173 shares
Mr G. C. Theobald	Tanzanian	4,460,371 shares

* Deceased on 8 November 2016.

The shares of the company are held as follows:

S/N	Name	Number of ordinary shares held 30-Sep-17	30-Sep-16
1	Thompson Lloyd & Ewart Limited	4,442,565	4,442,565
2	Mr G. C. Theobald	4,460,371	4,204,411
3	Maris Tatepa Holdings Limited	3,370,520	3,370,520
4	Mr P. D. Rowland	2,338,173	2,338,173
5	Estate of Hon J. J. Mungai	2,340,281	2,340,281
6	Estate of George P. Theobald & Josephine M. Theobald	-	255,960
7	Various others	1,705,344	1,705,344
		18,657,254	18,657,254

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 2017 was Tshs 650 (2016: 650). The market capitalisation as at 30 September 2017 was Tshs 12.1 billion (2016: 12.1 billion). However, Dar es Salaam Stock Exchange and Capital market and Securities Authority were provided with the share valuation report with the request to allow an adjustment of share price at Tshs 132 per share. As required by CMSA, the EGM of the Company was held on 20 December 2017 that recommended the adjustment of share price to Tsh 132 per share. Now, approval of price adjustment is expected from CMSA soon.

11. RESULTS AND DIVIDEND

The results for the year are disclosed on page 13. The Board does not propose dividend for the year 2017 (2016 : Tshs Nil)

12. PERFORMANCE FOR THE YEAR

Wakulima Tea Company Limited: production increased by 16% as compared to 2016. This was due to more favourable weather conditions in 2017. The average sales price of USD 1.74 per Kg was better than last year's price of USD 1.67 per Kg. The higher price was due to an improvement in quality , despite stable world prices. Wakulima Tea Company Ltd made an operating profit before of Tsh 386.9m (last year Tsh 989.5m) before tax and gain on valuation of biological assets.

Rungwe Avocado Company Limited: The Company suffered a drop in production due to management issues. Exports during the year were 390 tons (previous year 1423 tons). The management issues have since been resolved. The plantations are now equipped with irrigations systems that will improve the quality of the fruits. The Company is also undergoing a restructuring process and measures are being taken to recapitalise the business by converting shareholder loan to equity plus injection of additional capital by shareholders.

Kyimbila Tea Packing Company Limited: made a loss after tax of Tshs 854 million (2016: Tshs 705 million). In 2017 the Company was still struggling to gain market share.

Tanzania Tea Packers (TATEPA) remained as a Holding Company with no other activity. During the year, it made a loss after tax of Tsh 2.1 million (2016: loss of Tshs 1.018 billion)

The Group loss after tax during the year increased to Tshs 2.299 billion compared to the loss of Tshs 1.602 billion in 2016 it was largly due to loss in Rungwe Avocado Company Ltd.

REPORT OF THE DIRECTORS (CONTINUED)

13. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Board assessed the internal control systems throughout the financial year ended 30 September 2017 and is of the opinion that they met acceptable criteria.

14. SOLVENCY

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

15. EMPLOYEES' WELFARE

Management and Employees' Relationship

There were continued good relationships between Group employees and management for the year ended 30 September 2017. A healthy relationship continues to exist between management and the trade union.

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

Training Facilities

When presenting its annual budget for the year ended 30 September 2017, the Group allocated a sum of Tshs 17.53 million (2016: 9.9 million) for staff training in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels.

REPORT OF THE DIRECTORS (CONTINUED)

15. EMPLOYEES' WELFARE (CONTINUED)

Medical Assistance

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

Healthy and Safety

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

Financial Assistance to Staff

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

Persons with Disabilities

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

Employees Benefit Plans

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

The Group also maintains an unfunded non-contributory employee gratuity arrangement (the "Arrangement"), which provides for lump sum payments to eligible employees on their retirement at the age of 60 years, or those allowed to retire early at the age of 55 years, based on the length of service and salary at retirement and qualifies as a defined benefits plan. The payments to the retired employees are made from Group's the internally generated funds.

The average number of employees in the Group during the year was 423 (2016: 393).

16. GENDER PARITY

As at 30 September 2017, the Group had 423 employees (2016: 393 employees), out of whom 110 (2016: 108) were female and 313 (2016: 285) were male.

17. RELATED PARTY TRANSACTIONS

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

18. POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year. Donations made to public institutions and charitable organisations during the year amounted to Tshs 2.96 million (2016: Tshs 9.37 million).

REPORT OF THE DIRECTORS (CONTINUED)

19. ENVIRONMENTAL CONTROL PROGRAMME

Wakulima Tea Company Ltd (WTCL) uses firewood as a source of power in the process of tea manufacturing. As part of its environmental control programme, WTCL has adopted policies aimed at the protection of the environment by establishing forest nurseries and distributing subsidised seedlings to its small holder tea growers. The Company discourages the harvesting of immature forests by not buying firewood harvested from immature forests. In addition, WTCL and RAC both follow international guidelines for environmental conservation, as stipulated by Rainforest Alliance and GlobalGap respectively.

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

20. CORPORATE SOCIAL RESPONSIBILITY

The Group continues to ensure that its employees, stakeholders have responsible environment management through collective bargain agreements, pursuit of International standards (Fairtrade, HACCP, ISO 22000 and Rain Forest Alliance), Innovative HIV/AIDS awareness and prevention schemes and continual dialogue.

21. AUDITOR

PKF Associates Tanzania were apointed on 28 April 2017 as the Group's and Company's auditor and have expressed their willlingenss to continue in office and are eligible for re-appointment.

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

______________________________ ______________________

G. C. Theobald **Date**
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzanian Companies Act, No. 12 of 2002 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the Company and Group's profit or loss for that year. It also requires the Directors to ensure that the Company and Group keep 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 Company and Group that enable them to prepare financial statements of the Company and Group that comply with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, No.12 of 2002. The Directors are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 Company and the Group as at 30 September 2017 and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002.

In preparing these financial statements the Directors have assessed the company's ability to continue as a going concern. The going concern preparation basis of these financial statements is disclosed in note 2a of these financial statements. Nothing has come to the attention of the Directors to indicate that the Company and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

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

So far as each of the Directors is aware, there is no relevant audit information which the auditor is unaware of, and each of the Directors has taken all steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

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

G. C. Theobald
Chairman

Date

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

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the Company and group's 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 the previous page.

In regard thereof, I **Mathew Ernest** being the Head of Finance/Accounting of Tatepa Limited hereby acknowledge my responsibility of ensuring that the Company's and group's financial statements for the year ended 30 September 2017 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 the group as on that date and that they been prepared based from properly maintained financial records.

Signed by: …………………………………………………………………….

Position: …………………………………………………………………….

NBAA Membership No: ………………………………………………….

Date: …………………………………….

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF TATEPA LIMITED.

Opinion

We have audited the accompanying financial statements of Tatepa Limited (the Company) and its subsidiaries, Rungwe Avocado Company Limited, Wakulima Tea Company Limited and Kyimbila Tea Packing Company Limited (together, the Group) set out on pages 14 to 69 which comprise the statement of financial position as at 30 September 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 September 2017, 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 2017, 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.

Emphasis of matter

Without qualifying our opinion above, we draw attention to note 2(a) to the financial statements which indicates the existence of material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

Key Audit Matter

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

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

Measurement of bearer plants

Significant judgements and estimates is required by the Directors in determining the valuation and measurements of bearer plants. These assumptions and uncertainties involved in these estimates and judgements could have a material impact on the financial position is therefore a key audit matter. At the end of year, the caring value of the group's bearer plants amounted to Tshs 5.549 billion as disclosed in note 17

As a result of amendments to 1AS 41:Bearer plants, the Company reclassified its tea bushes (bearer plants) from biological assets where they were previously classified to property, plant and equipment. In addition the measurement of the bearer plants has been changed from fair value less cost to sell to cost less accumulated depreciation. In line with the requirement of the amended standards, these changes resulted in restatement of the amounts reported in the prior year financial statements as disclosed in note 37.

The measurement of the bearer plants requires Directors to make determination of the cost of the tea bushes and the estimate of the depreciation that should be charged based on their age and expected useful lives. Any estimation with uncertainty or error judgement could lead to misstatement.

Refer to note 18 of the financial statements for critical accounting estimates and judgements made in respect of bearer plants and on related disclosures.

We focused our attention on the significant assumptions, estimates and key judgements made by Directors by performing the following:

Bearer plants

We assessed the reasonableness of the key judgements made in adopting the amendments to financial reporting standards, especially relating to determination of the cost at the point of transition, estimation of the useful lives for the bearer plants and the appropriateness of the revised accounting policies adopted by the Company.

In addition, we tested the information used against the historical performance of the Company and available industry information. We also verified the mathematical accuracy of the figures recorded and adjusted in the financial statements.

We identified the Directors estimates and judgements to be within reasonable range based on the Company's historical performance.

Other information

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

Our opinion on the 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 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 report.

Responsibilities of Directors for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

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

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

- Identify and assess the risks of material misstatement of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements presents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal requirements

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

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) in our opinion proper books of account have been kept by the Company and the Group, so far as appears from our examination of those books; and

(iii) the Company's and Group's statement of financial position and statement of comprehensive income are in agreement with the books of account.

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

Mustansir Gulamhussein ACPA
PKF Associates Tanzania
REF: PKF/A023/A/064/17/mg

Date: …………………………….

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

	Notes	Group 2017 Tshs '000	Group 2016 *Restated Tshs '000	Company 2017 Tshs '000	Company 2016 Tshs '000
Revenue	6	17,945,019	18,276,264	-	-
Cost of sales	7	(14,020,973)	(12,845,656)	-	-
Gross profit		3,924,046	5,430,608	-	-
Other operating income	8	65,143	1,005,798	350,000	46,758
Selling and marketing costs	9	(1,922,144)	(1,949,040)	-	-
Administrative expenses	10	(3,727,806)	(3,855,882)	(519,664)	(828,650)
Grant amortisation	27	20,279	20,279	-	-
Fair value gain/(loss) on embedded derivative	26	34,568	(385,022)	34,568	(385,022)
Operating (loss) /profit		(1,605,914)	266,741	(135,096)	(1,166,914)
Finance costs	12	(1,841,310)	(1,437,863)	(195,350)	-
Finance income	13	53,020	135,249	345,880	220,356
(Loss) / profit before income tax		(3,394,204)	(1,035,873)	15,435	(946,558)
Income tax credit /(expense)	14	1,094,538	(566,642)	(17,500)	(71,256)
Loss for the year		(2,299,666)	(1,602,515)	(2,065)	(1,017,814)
Attributable to:					
- Owners of the parent		(1,619,155)	(1,513,562)	(2,065)	(1,017,814)
- Non-controlling interests		(680,511)	(88,953)	-	-
		(2,299,666)	(1,602,515)	(2,065)	(1,017,814)
Other comprehensive income:					
Item that will not be reclassified to profit or loss					
-Gain on revaluation of biological assets		1,004,230	-	-	-
- Actuarial gain/(loss), net of tax		-	15,616	-	(1,190)
Total comprehensive (loss)/income for the year		(1,295,436)	(1,586,899)	(2,065)	(1,019,004)
Attributable to:					
Owners of the parent		(1,010,311)	(1,497,946)	-	-
Non-controlling interests		(285,125)	(88,953)	-	-
		(1,295,436)	(1,586,899)	-	-
Dividend:					
Proposed final dividend for the year		150,000	-	-	-
Earning per share attributable to the equity holders of the Company during the year (expressed in Tshs per share)					
Basic earnings per share	15	(86.78)	(81.12)		
Diluted earnings per share	15	(24.63)	(16.81)		

The notes on pages 19 to 69 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

		Group			**Company**	
		2017	**2016 Restated**	**2015 Restated**	**2017**	**2016**
	Notes	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**
CAPITAL EMPLOYED						
Share capital	31	466,431	466,431	466,431	466,431	466,431
Share premium	31	4,048,462	4,048,462	4,048,462	4,048,462	4,048,462
Other reserves	35(a)	(838,250)	(838,250)	-	-	-
Properties revaluation reserve	35(b)	608,845	-		-	-
Accumulated losses		(12,347,125)	(10,727,970)	(6,712,218)	(893,702)	(891,636)
Equity attributable to owners of the Company		(8,061,637)	(7,051,327)	(2,197,325)	3,621,192	3,623,257
Non-controlling interests		(510,939)	(75,814)	(2,504,204)	-	-
Total equity		(8,572,577)	(7,127,141)	(4,701,529)	3,621,192	3,623,257
Non-current liabilities						
Borrowings	26	16,116,491	3,771,317	9,189,201	7,539,457	-
Deferred capital grant	27	191,109	211,388	231,667	-	-
Deferred income tax liability	28	59,347	535,696	254,782	-	-
Retirement benefit obligations	29	646,645	494,918	682,889	3,588	2,600
		17,013,592	5,013,319	10,358,539	7,543,046	2,600
		8,441,015	(2,113,822)	5,657,010	11,164,237	3,625,857
REPRESENTED BY						
Non-current assets						
Property, plant and equipment	17	10,367,711	9,297,999	9,846,832	-	-
Intangible asset		4,727	4,727	4,727	-	-
Investment in subsidiaries	19	-	-	-	8,652,164	8,652,164
Loan receivable	20	341,865	1,150,251	944,510	-	-
Deferred income tax asset	28	1,834,521	1,624,606	1,902,160	-	-
		12,548,824	12,077,583	12,698,229	8,652,164	8,652,164
Current assets						
Inventories	22	4,766,495	3,454,319	2,929,118	-	-
Trade and other receivables	23	2,407,035	3,757,697	2,813,593	1,127,199	1,135,068
Loan receivable	20	-	-	-	2,201,314	1,917,028
Prepaid land rent	21	6,744	-	7,884	-	-
Cash and cash equivalents	24	538,474	258,749	753,519	25,419	45,545
Tax recoverable		481,278	462,047	469,878	305,987	264,007
		8,200,026	7,932,812	6,973,992	3,659,919	3,361,648
Current liabilities						
Embedded derivative	26	350,454	385,022	-	350,454	385,022
Borrowings	26	6,200,707	18,728,673	11,189,261	-	7,320,605
Trade and other payables	25	5,756,675	3,010,522	2,825,950	797,390	682,326
		12,307,835	22,124,217	14,015,211	1,147,844	8,387,953
Net current liabilities		(4,107,809)	(14,191,405)	(7,041,219)	2,512,075	(5,026,306)
		8,441,015	(2,113,822)	5,657,010	11,164,238	3,625,857

The financial statements on pages 14 to 69 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

G. C. Theobald - Chairman **Date**

The notes on pages 19 to 69 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	(Accumulated losses)	Properties revaluation reserves	Other reserves	Total	Non controlling interest	Total equity
	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Year ended 30 September 2017								
As start of year	466,431	4,048,462	(10,727,970)	-	(838,250)	(7,051,327)	(75,814)	(7,127,141)
Comprehensive income								
Loss for the year	-	-	(1,619,155)	-		(1,619,155)	(680,511)	(2,299,666)
Other comprehensive income								
Gain on revaluation of bearer plants	-	-	-	608,845	-	608,845	395,385	1,004,230
Final dividend	-	-	-	-	-	-	(150,000)	(150,000)
At end of the period	466,431	4,048,462	(12,347,125)	608,845	(838,250)	(8,061,637)	(510,939)	(8,572,577)
Year ended 30 September 2016								
As start of year	466,431	4,048,462	(6,712,681)	-	-	(2,197,788)	(2,504,204)	(4,701,992)
Comprehensive income								
Loss for the year	-	-	(1,513,562)	-		(1,513,562)	(88,953)	(1,602,515)
Other comprehensive income								
Actuarial gain, net of tax	-	-	15,153	-		15,153	463	15,616
Transactions with owners:						-		-
Purchase of NCI in Kyimbila (Note 35)	-	-	(2,516,880)	-	(838,250)	(3,355,130)	2,516,880	(838,250)
At end of year	466,431	4,048,462	(10,727,970)	-	(838,250)	(7,051,327)	(75,814)	(7,127,141)

The notes on pages 19 to 69 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	(Accumulated (losses)/profit	Total equity
COMPANY	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**
Year ended 30 September 2017				
As start of year	466,431	4,048,462	(891,636)	3,623,257
Comprehensive income				
Loss for the year	-	-	(2,065)	(2,065)
Other comprehensive income				
Actuarial loss, net of tax	-	-	-	-
At end of the period	466,431	4,048,462	(893,702)	3,621,192
Year ended 30 September 2016				
As start of year	466,431	4,048,462	127,368	4,642,261
Comprehensive income				
Loss for the year	-	-	(1,017,814)	(1,017,814)
Other comprehensive income				
Actuarial loss, net of tax	-	-	(1,190)	(1,190)
At end of the period	466,431	4,048,462	(891,636)	3,623,257

The notes on pages 19 to 69 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Notes	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**
Operating activities					
Cash generated by/(used in) operations	32	1,917,518	304,019	(21,958)	(1,686,444)
Interest paid		(1,255,570)	(949,965)	(27,236)	-
Tax paid		(31,772)	(4,750)	(21,670)	-
Net cash used in operating activities		630,176	(650,696)	(70,864)	(1,686,444)
Investing activities					
Purchase of property, plant and equipment	17	(428,730)	(376,779)	-	-
Repayment of loan advanced to Moravian	20	1,038,619	69,405	-	-
Loans to third parties	20	(177,213)	(208,999)	-	-
Proceeds from sale of property, plant and equipment		650	14,237	-	-
Net cash used in investing activities		433,326	(502,136)	-	-
Financing activities					
Repayment of borrowings		-	(317,675)	-	-
Cash used in purchase of shares		-	-	-	(1,366,352)
Proceeds from borrowings		838,894	2,631,493	218,852	2,631,493
Effects of exchange rates on loan		(600,985)	(193,549)	(168,114)	-
		237,909	2,120,269	50,738	1,265,141
Increase in cash and cash equivalents		1,301,411	967,437	(20,126)	(421,303)
Movement in cash and cash equivalents					
At start of the period		(6,963,644)	(7,931,081)	45,544	466,847
Increase in cash and cash equivalents		1,301,411	967,437	(20,126)	(421,303)
At end of the period	24	(5,662,233)	(6,963,644)	25,418	45,544

The notes on pages 19 to 69 form an integral part of these financial statements.

Report of the independent auditor - page 11 to 13.

NOTES

1 - GENERAL INFORMATION

Tatepa Limited (the "Company") is incorporated in Tanzania under the Companies Act, No. 12 of 2002 as a limited liability company and listed on the 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:-

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Going concern

The financial statements have been prepared on the assumption that the Company and the Group would continue as a going concern. The Directors assessment of the appropriateness of the going concern assumption has taken account of the following:

1. The Group

   a. incurred a net loss of Tshs 2.299 billion for the year ended 30 September 2017 (2016:loss of Tshs 1.602billion);
   b. had its current liabilities exceed its current assets at 30 September 2017 by Tshs 4.107 billion (2016: Tshs 14.191 billion);and that
   c. had a shareholders' deficit of Tshs 8.572 billion as at 30 September 2017 (2016: Tshs 7.127 billion).

2. The Company

   a. incurred a net loss of Tshs 2.065 million for the year ended 30 September 2017 (2016: loss of Tshs 1.018 billion)
   b. had accumulated losses of Tshs 894 million as at 30 September 2017 (2016: Tshs 892 million)
   c. The Group had accumulated losses of Tshs 12.347 billion as at 30 September 2017(2016:Tsh 10.727 billion) and had net current liabilities of Tshs 4.107 billion as at 30 September 2017(2016:Tsh 14.191 billion)

NOTES

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Going concern (continued)

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

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

Tatepa Limited

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

Rungwe Avocado Company Limited

i The overdraft facility has been renewed for a period of one year from 31 January 2018 to 31 January 2019;
ii Restructuring of loans into equity: Subsequent to year end, the Company had a rights issue of 405,645 shares at a price of Tshs 17,331 each. Tatepa Ltd and AgDevCo Tanzania Ltd have subscribed for their full share of 184,229 and 82,879 shares respectively. Tatepa Ltd will convert their loan into equity to pay for the shares subscribed and the balance of about US dollars 438,914 will be paid in cash to RAC. Likewise AgDevCo will pay approximately US dollar 175,000 cash to RAC and will partly convert their loan into equity to pay for the shares. Conversion of AWC loan into equity is also being discussed.
iii The Directors expect more cash inflows from increased production in 2018 with better management and maturity of trees.

Kyimbila Tea Packing Company Limited

i Renewal of overdraft facilities for a period of one year from 31 January 2018 to 31 January 2019 is in process;
ii Sales expansion strategy: Following a thorough review of the market, the Directors have extended the sales of tea to Democratic Republic of Congo. In addition, the local distribution network has been expanded to cover Mtwara and Dodoma regions.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment, and comply with the Companies Act, No. 12 of 2002. The financial statements are presented in Tanzania Shillings (Tshs) and the values are rounded to the nearest thousands, except where otherwise indicated. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimated are significant the financial statements, are disclosed in Note 3.

(i) New and amended standards adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on 1 October 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group.

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

A number of new standards and amendment to standard and interpretations are effective for annual periods beginning after 1 October 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below:

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

A bearer plant is defined as a living plant that:

- is used in the production or supply of agriculture produce.
- is expected to bearer produce for more one period, and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less costs to sell with changes recognised in profit or loss as the produce grows. The standard is effective from periods beginning on or after 1 January 2016.

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

- IFRS 5 - when as asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does nor constitute a change to a plan of sale or distribution and does not have to be accounted for as such,
- IFRS 7 - specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for de-recognition,
- IAS 19 - that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where the currency that the liabilities are denominated in that is important and not the country where they arise.

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Changes in accounting policy and disclosure (continued)

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

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

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

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

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

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principle for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains form the good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue" and 'IAS 11" 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Changes in accounting policy and disclosure (continued)

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

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

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

c) **Consolidation**

(i) Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Consolidation (continued)

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

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

d) Revenue recognition

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

Sales of goods

The Group sells made tea, blended tea, and avocados in both local and international markets. Sale of goods is recognised when the Group has transferred to the customer the significant risks and rewards of ownership of the goods, the amount of revenue can be measured reliably and the customer has accepted the products and collectability of the related receivable is reasonably assured. The risks and rewards of ownership for exports are passed when goods are loaded into the ship and Bill of lading issued (i.e. free on stage [FOB]) while for local sales are passed at ex-factory stage.

e) Segment reporting

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

f) Functional currency and foreign currency translation

<u>Functional and presentation currency</u>

of the primary economic environment in which the entity operates ('the functional currency'). The functional currency for all entities in the Group is the Tanzania shillings (Tshs). The consolidated financial statements are presented in the Tanzania shilling (Tshs).

<u>Transactions and balances</u>

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g) **Property, plant and equipment**

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

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

Major renovations are depreciated over the remaining useful life od the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance expenditure are charged to the statement of profit or loss during the financial year in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gain or losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in profit or loss.

h) **Intangible assets**

Trademarks and licences

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

i) **Investments in subsidiaries**

In the Company's statement of financial position, investments in subsidiaries are carried at cost. If there is objective evidence than an impairment loss has been incurred on investments in subsidiaries, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Any subsequent reversal of an impairment loss is recognised in profit or loss.

j) **Biological assets**

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

k) **Impairment of non-financial assets**

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

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

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

l) **Operating leases**

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

m) **Inventories**

Biological assets produce is measured at fair value less costs to sell at the point of harvest. Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of made 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.

n) **Cash and cash equivalents**

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

o) **Borrowings**

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

NOTES (CONTINUED)

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

p) **Income tax**

Income tax expenses is the aggregate of the charge to profit or loss in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania income tax act, 2004.

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

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

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

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

q) **Dividend income**

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

r) **Employees benefits**

Retirement benefit obligations

The Group has defined benefit and defined contributions plans. The Group has an unfunded non-contributory employee gratuity arrangement (the "Arrangements"), which provides for lump sum payments to its employees on their retirement at the age of 60, or those allowed to retire early, based on length of service and salary at retirement and qualifies as a defined benefits plan. The payments of the retired employees are made from Group's internally generated funds. The liability recognised in the financial statements of financial position in respect of the defined benefits plan is the present value of the defined benefit obligation at the reporting date, together with adjustments for actuarial gains or losses and past service costs. A full actuarial valuation of the retirement benefits obligations is performed after every three years by independent actuaries using the projected unit credit method. An update valuation is performed by

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

r) **Employees benefits (continued)**

Retirement benefit obligations (continued)

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

s) **Dividend distribution**

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

t) **Trade payables**

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

u) **Trade receivables**

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

v) **Loans receivable**

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

w) **Financial assets**

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

Loans and receivables

These are no-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after end of the operating period which are classified as non-current assets.

Recognition and measurement

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

x) **Offsetting financial instruments**

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

y) **Impairment of financial assets**

Assets are carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discounted rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

z) **Provisions**

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

aa) **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 lone basis over expected useful lives of the related assets.

ab) **Share capital**

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

ac) **Share premium**

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ad) 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.

ae) 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 contacts. The embedded derivatives that are not closely related to the host contract are measured separately.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimate and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Valuation of biological assets

Critical assumptions are made by the Directors in determining the fair values of biological assets. The carrying amounts and key assumptions are set out in Note 18.

Tea plantation

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

Variable used in management's estimate	% changes in variable	Impacts on Group's profit or loss **2017** **Tshs millions**	**2016** **Tshs millions**
Market price of tea	+/- 5%	+/- 763	+/- 763
Tshs/USD exchange rate	+/- 2%	+/- 333	+/- 333
Tanzania inflation rate	+/- 2%	+/- 241	+/- 241
Discount rate	+ 1%	- 150	- 150
Discount rate	- 1%	+ 163	+ 163

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

NOTES (CONTINUED)

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

Avocado plantations

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

Variable used in management's estimate	% changes in variable	Impacts on Group's profit or loss 2017 Tshs millions	2016 Tshs millions
Market price of tea	+/- 5%	+/- 448	+/- 448
Tshs/USD exchange rate	+/- 2%	+/- 179	+/- 179
Tanzania inflation rate	+/- 2%	-/+ 137	-/+ 137
Discount rate	+ 1%	- 51	- 51
Discount rate	- 1%	+ 53	+ 53

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

<u>Retirement benefit obligation</u>

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

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

<u>Income Taxes</u>

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**.

<u>Valuation of embedded derivative</u>

During the last year 2016 the Company acquired a convertible loan facility from its shareholders. An initial conversion price as specified in the shareholders loan agreement is $ 0.0695 per share. In accordance with the requirement of IAS 39, the convertible option (embedded derivative) was fair valued and fair value loss recognised in the statement of profit or loss, The value of embedded derivatives was done by assigning probabilities of occurrence amongst the possible outcomes to produce a single best estimate liability value. Key assumptions used in the valuation are as follows:

i) Spot price

The share price at Dar es Salaam stock exchange was Tshs 650 as at 30 September 2017. However, an independent valuation of shares was carried out and accordingly Capital Markets and Securities Authority (CMSA) were requested to adjust the price at Tshs 132 per share. As advised by CMSA an EGM of the shareholders of the Company was held on 20 December 2017 and shareholders recommended that the share price be adjusted to Tshs 132 per share. We expect to have CMSA approval soon to adjust the share price to this level.

ii) Discount rate

A rate of 5% was used in the valuation.

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

Valuation of embedded derivative (continued)

iii) Dividend

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

iv) Interest on loan

The loan facility represents a no-interest bearing instrument. Interest rate of 12% per annum is only applied on overdue payments. As a result, the valuation did not consider any interest calculations.

a) sensitivity testing

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

Discount rate	**Embedded derivative (option) value**
	Tshs 132 Spot
5.0%	Tshs 350 million
10.0%	Tshs 1.877 billion
12.0%	Tshs 2.594 billion
14.0%	Tshs 3.353 billion
16.0%	Tshs 4.156 billion

4. **FINANCIAL RISK MANAGEMENT**

4.1 Financial risk factors

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

a) Market risk

i) Foreign exchange risk

The Group frequently enters into transactions denominated in foreign currencies [primary United States Dollars ("US$")]. In addition, the Group has assets and liabilities denominated in United States currency exchange rates at 84% (2016: 91%) of its earnings are in foreign currencies (mainly US dollars). The Group measures its exposures form fluctuations in foreign currencies by entering in short term contracts. As at 30 September 2017, 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 4.203 billion (2016: 1.461 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 2017, if the Tanzanian shillings (Tshs) had strengthened/weakened by 10% against the US dollar with all other variables held constant, the Company's loss after tax for the year and equity would have been Tshs 422 million 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. In 2016, the Company did not have any significant transactions or any significant assets and liabilities denominated in foreign currency.

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.

4. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

4.1 Financial risk factors (continued)

a) Market risk (continued)

ii) Interest rate risk

The Group's interest rate risk arises from long and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Where necessary the Group refinances its borrowings in order to ensure its borrowings terms remain competitive. the Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. Based on the simulation performed at 30 September 2017, an increase/decrease of 200 basis points would have resulted in a decrease/increase in consolidated post tax loss of Tshs 25 million (2016: Tshs 20 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 575 million (2016: Tshs 582 million).

b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. For banks and financial institutions only reputable banks and financial institutions are used by the Group for banking services. Loans and receivables do not expose the Group and Company into a significant credit risk as these are mainly issued to 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 2017 and 30 September 2016 is the carrying value of its financial assets in the statement of financial position.

NOTES (CONTINUED)

4. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

4.1 Financial risk factors (continued)

b) Credit risk (continued)

GROUP

Trade receivables (third parties)	**2017 Tshs '000**	**2016 Tshs '000**
Group 1 - Balance from customers with no past history of default and no provision for impairment raised against their balances	41,483	1,999,515
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	317,100	298,509
Total gross trade receivables **(Note 23)**	358,583	2,298,024
Bank and cash balances		
Total cash at bank	538,474	258,749
Farmers input debts		
Total farmers input debts	341,865	1,150,251

COMPANY

Trade and other receivables (third parties)

	2017 Tshs '000	**2016 Tshs '000**
Group 1 - Balance from customers with no past history of default and no provision for impairment raised against their balances	-	-
Bank and cash balances		
Total cash at bank	25,419	45,545
Farmers input debts		
Total farmers input debts	2,201,314	1,917,028

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 are 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.

4. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

4.1 Financial risk factors (continued)

c) Liquidity risk

Group	**Within 1 year** Tshs '000	**Between 1 and 2 years** Tshs '000	**Between 2 and 5 years** Tshs '000	**Over 5 years** Tshs '000
At 30 September 2017				
Borrowings	6,200,707	16,116,491	-	-
Interest on borrowings (*)				
Embedded derivative	350,454	-	-	-
Trade and other payables (excluding statutory deductions)	5,042,292	-	-	-
Total financial liabilities	11,593,452	16,116,491	-	-

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

At 30 September 2016				
Borrowings	18,728,673	1,888,345	1,882,972	-
Interest on borrowings (*)	1,402,988	190,448	100,549	-
Embedded derivative	385,022	-	-	-
Trade and other payables (excluding statutory deductions)	2,648,267	-	-	-
Total financial liabilities	23,164,950	2,078,793	1,983,521	-
Off balance sheet				
Guarantee	6,047,475	2,015,825	-	-

The parent Company (Tatepa Limited) has provided corporate guarantee to CRDB Bank Plc. in respect of overdraft facilities extended its subsidiaries Wakulima Tea Company Limited and Rungwe Avocado Company Limited. The overdrafts facilities were renewed on 19 December 2017 for Wakulima Tea Company Limited and on 04 January 2018 for Rungwe Avocado Company Limited for a period of 12 month up to 31 January 2019 for both the Companies.

COMPANY	**Within 1 year** Tshs '000	**Between 1 and 2 years** Tshs '000	**Between 2 and 5 years** Tshs '000	**Over 5 years** Tshs '000
At 30 September 2017				
Borrowings	6,200,707	-	-	-
Embedded derivative	350,454	-	-	-
Trade and other payables	779,306	-	-	-
Total financial liabilities	7,330,467	-	-	-
At 30 September 2016				
Borrowings	7,320,605	-	-	-
Embedded derivative	385,022	-	-	-
Trade and other payables	646,999	-	-	-
Total financial liabilities	8,352,626	-	-	-

4. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce costs. This ratio is calculated as a net dent dividend by total capital. Net dent is calculated as total borrowings (including current and no-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 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio within 25% to 50% on a long term basis. The gearing rations were as follows:

GROUP	**2017**	**2016**
	Tshs '000	**Tshs '000**
Total borrowings **(Note 26)**	22,317,198	22,499,990
Less cash and bank balances **(Note 24)**	(538,474)	(258,749)
Net debt	21,778,724	22,241,241
Total equity	(8,572,577)	(7,127,141)
Total capital	13,206,147	15,114,100
Gearing ratio	164.91%	147.16%

COMPANY		
	Tshs '000	**Tshs '000**
Total borrowings (Note 26)	7,539,457	7,320,605
Less cash and bank balances (Note 24)	(25,419)	(45,545)
Net debt	7,514,038	7,275,060
Total equity	3,621,192	3,623,257
Total capital	11,135,230	10,898,317
Gearing ratio	67.48%	66.75%

The increase in gearing during the financial year 2017 resulted from Group loss. Going forward the gearing will improve with capitalisation of loans into equity in case of Rungwe Avocado Company Ltd and better profitability projected from Wakulima Tea Company Ltd and Rungwe Avocado Company Ltd.

4.3 Fair value estimation

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

i. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
ii. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
iii. Inputs for 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**
At September 2017			
Liabilities			
Embedded derivative	-	-	350,454
Total liabilities	-	-	350,454

NOTES (CONTINUED)

4. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

4.3 Fair value estimation (continued)

GROUP (continued)	**Level 1**	**Level 2**	**Level 3**
At September 2016			
Liabilities			
Embedded derivative	-	-	385,022
Total liabilities	-	-	385,022

Company

At September 2017	**Level 1**	**Level 2**	**Level 3**
Liabilities			
Embedded derivative	-	-	350,454
Total liabilities	-	-	350,454

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 die to the short-term nature of receivables and payables. The fair value of borrowings also approximate the carrying amount because the borrowings bears interest in line with the market.

5. **OPERATING SEGMENT INFORMATION**

The Group determined its operating segments based on the review by management and in a manner consistent with internal reporting provided to the chief operating decision maker. The Group is currently organized into three operating segments; growing and processing of tea; blending and packaging 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)

5. **BUSINESS SEGMENT INFORMATION (CONTINUED)**

GROUP

2017	**Growing & processing tea**	**Other (*)**	**Avocado fruits**	**Blending and packing of black tea**	**Eliminations**	**Consolidation**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**
REVENUE						
Export sales	15,347,028	-	1,041,527	-	-	16,388,555
Local sales	456,570	-	30,691	1,512,856	(443,653)	1,556,464
Total sales	15,803,597	-	1,072,218	1,512,856	(443,653)	17,945,019
Fair value loss on embedded derivative	-	34,568	-	-	-	34,568
Operating profit/(loss) from operations	960,142	(135,096)	(1,371,469)	(695,010)	(364,482)	(1,605,914)
Interest income	27,236	345,880	53,020		(373,116)	53,020
Interest costs	(600,384)	(195,350)	(1,279,026)	(154,220)	387,670	(1,841,310)
Profit/(loss) before tax	386,994	15,435	(2,597,475)	(849,230)	(349,928)	(3,394,204)
Income tax credit/(charge)	624,911	(17,500)	491,736	(4,539)	-	1,094,608
Gain on revaluation	346,645	-	657,585	-	-	1,004,230
Loss for the year	1,358,550	(2,065)	(1,448,154)	(853,769)	(349,928)	(1,295,366)
Other segment items included in the statement of profit or loss:						
Depreciation	(399,969)	-	(237,199)	(154,547)	-	(791,715)

(*) Represents Tatepa Limited.

NOTES (CONTINUED)

5. **BUSINESS SEGMENT INFORMATION (CONTINUED)**

GROUP

2017	**Growing & processing tea**	**Other (*)**	**Avocado fruits**	**Blending and packing of black tea**	**Eliminations**	**Consolidation**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**
Segment assets and liabilities and capital expenditure:						
Assets						
Non-current assets	7,283,762	8,652,164	6,130,021	198,654	(9,715,777)	12,548,824
Current assets	6,051,780	3,659,919	1,146,970	213,258	(2,871,901)	8,200,026
Total assets	13,335,542	12,312,083	7,276,991	411,912	(12,587,678)	20,748,850
Liabilities						
Non-current liabilities	542,524	7,543,046	10,936,322	263,528	(2,271,828)	17,013,592
Current liabilities	7,970,698	1,147,844	2,189,459	1,599,434	(599,599)	12,307,836
Total liabilities	8,513,222	8,690,890	13,125,781	1,862,962	(2,871,427)	29,321,428
Additions: Property, plant and equipment	415,522	-	11,558	1,650	-	428,730

NOTES (CONTINUED)

5. **BUSINESS SEGMENT INFORMATION (CONTINUED)**

GROUP

2016	**Growing & processing tea**	**Other (*)**	**Avocado fruits**	**Blending and packing of black tea**	**Eliminations**	**Consolidation**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**
REVENUE						
- Export sales	12,897,251	-	3,720,790	-	-	16,618,041
- Local sales	543,549	-	-	1,588,701	(474,027)	1,658,223
Total sales	13,440,800		3,720,790	1,588,701	(474,027)	18,276,264
Fair value loss on embedded derivative		(385,022)	-	-	-	(385,022)
Operating profit/(loss) from operations	1,457,713	(1,166,914)	466,107	(546,396)	-	210,510
Interest income	23,171	220,356	66,147	62,559	(236,984)	135,249
Interest costs	(491,347)	-	(912,215)	(215,054)	236,984	(1,381,632)
Profit/(loss) before tax	989,537	(946,558)	(379,961)	(698,891)	-	(1,035,873)
Income tax credit/(charge)	(289,937)	(71,256)	(199,518)	(5,930)	-	(566,641)
	699,600	(1,017,814)	(579,479)	(704,821)	-	(1,602,514)
Actuarial (loss)/gain	(31,850)	(1,190)	18,556	30,100		15,616
Loss for the year	667,750	(1,019,004)	(560,924)	(674,721)	-	(1,586,898)
Other segment items included in the statement of profit or loss:						
Depreciation	(478,644)	-	(243,505)	(203,463)	-	(925,612)

(*) Represents Tatepa Limited.

NOTES (CONTINUED)

5. **BUSINESS SEGMENT INFORMATION (CONTINUED)**

GROUP

2016	**Growing & processing tea**	**Other**	**Avocado fruits**	**Blending and packing of black tea**	**Eliminations**	**Consolidation**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**
Segment assets and liabilities and capital expenditure:						
Assets						
Non-current assets	6,773,002	8,652,164	6,016,643	351,550	(9,715,776)	12,077,583
Current assets	4,129,316	3,361,648	2,247,195	449,856	(2,255,203)	7,932,812
Total assets	10,902,318	12,013,812	8,263,838	801,406	(11,970,979)	20,010,395
Liabilities						
Non-current liabilities	910,769	2,600	10,130,958	71,696	(6,102,704)	5,013,319
Current liabilities	6,027,780	8,387,953	2,533,528	1,326,991	3,847,965	22,124,217
Total liabilities	6,938,549	8,390,553	12,664,486	1,398,687	(2,254,739)	27,137,536
Additions: Property, plant and equipment	293,195	-	2,391	81,193	-	376,779

Transaction between segments are carried out at arm's length. The revenue from external parties reported is measured in a manner consistent with that in the financial statements. During the year the Blending and Packing Division(Kymbila Tea Company Limited) bought teas from the Tea Growing and processing division(Wakulima Tea Company Limited) , in additional to that the Tea Growing and Processing Division(Wakulima Tea Company Limited) provided accounting services to the Avocado division(Rungwe Avocado Company Limited). There were no other inter-segment transactions during 2017 and 2016. The amounts with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and physical location of the asset.

NOTES (CONTINUED)

5. **BUSINESS SEGMENT INFORMATION (CONTINUED)**

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**
United Republic of Tanzania	1,556,464	1,658,223	-	-
United Kingdom	16,388,555	16,618,041	-	-
Total	17,945,019	18,276,264	-	-

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

6. **REVENUE**

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**
Sale of tea	15,359,945	12,966,773	-	-
Sale of avocados	1,072,218	3,720,790	-	-
Sale of packed tea	1,512,856	1,588,701	-	-
	17,945,019	18,276,264	-	-

7. **COST OF SALES**

Staff related costs (Note 11)	2,638,222	1,976,055	-	-
Processing costs	2,199,188	1,608,736	-	-
Blending cost	456,038	462,532	-	-
Packing material costs	157,425	1,153,712	-	-
Purchased from out growers	6,311,404	4,606,092	-	-
Field costs	2,805,109	3,017,251	-	-
Depreciation charges	633,905	630,589	-	-
Changes in stock of finished goods and work in progress (*)	(1,180,318)	(609,311)	-	-
	14,020,973	12,845,656	-	-

* Movement between opening and closing stock.

8. **OTHER OPERATING INCOME**

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**
Profit on disposal of equipment				
Bad debts recovery	650	14,237	-	-
Other income	62,393	43,243	-	-
	2,100	948,318	350,000	46,758
	65,143	1,005,798	350,000	46,758

NOTES (CONTINUED)

9. SELLING AND MARKETING COSTS

	Group		Company	
	2017	2016	2017	2016
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Transport, distribution & handling charges	1,258,148	1,217,094	-	-
Travelling expenses	80,176	102,469	-	-
Cess and other government levies	148,759	138,020	-	-
Staff related costs (Note 11)	118,538	62,062	-	-
Depreciation	67,828	102,073	-	-
Bad & doubtful debts	80,983	36,916	-	-
Other selling costs	167,712	290,406	-	-
	1,922,144	1,949,040	-	-

10. ADMINISTRATIVE EXPENSES

Staff related costs (Note 11)	1,479,263	1,358,476	88,339	109,793
Travelling costs	173,397	183,981	60,174	102,686
Consultancy and professional fees	599,063	524,629	123,175	265,209
Directors fees and allowances	122,399	130,509	87,654	98,872
Office expenses	188,677	198,135	-	-
Auditors' remuneration	118,251	115,011	25,458	18,321
Research expenses on new products	32,036	1,904	-	-
Rental charges	49,279	43,872	4,902	9,748
Depreciation	91,899	192,949	-	-
Security and residential maintenance	260,717	267,604	-	-
Other administration costs	612,826	838,812	129,963	224,021
	3,727,806	3,855,882	519,664	828,650

11. STAFF RELATED COSTS

	Group		Company	
	2017	2016	2017	2016
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Salaries, wages and bonuses	3,516,920	2,695,321	37,624	51,058
Medical expenses	18,077	33,786	-	-
Canteen costs, uniforms and amenities	11,408	180,790	-	-
Defined contribution schemes (NSSF)	107,918	256,220	44,385	57,377
Defined benefit scheme	26,626	70,360	5,025	1,296
Gratuity	71,253	-	1,304	-
Other staff cost	451,945	-	-	-
Interest cost	-	86,600	-	62
Leave travel assistance	8,978	60,958	-	-
Staff training	22,897	12,558	-	-
	4,236,023	3,396,593	88,339	109,793

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

	Group		Company	
	2017	2016	2017	2016
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Cost of sales	2,638,222	1,976,055	-	-
Administrative expenses	1,479,263	1,358,476	88,339	109,793
Selling and marketing expenses	118,538	62,062	-	-
	4,236,023	3,396,593	88,339	109,793

NOTES (CONTINUED)

12. **FINANCE COST**

	Group 2017 Tshs '000	Group 2016 Tshs '000	Company 2017 Tshs '000	Company 2016 Tshs '000
Interest expense	1,240,325	1,244,314	27,236	-
Net foreign exchange loss	600,985	193,549	168,114	-
	1,841,310	1,437,863	195,350	-

13. **FINANCE INCOME**

	Group 2017 Tshs '000	Group 2016 Tshs '000	Company 2017 Tshs '000	Company 2016 Tshs '000
Interest on loans	53,020	135,249	345,880	220,356

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

	Group 2017 Tshs '000	Group 2016 Tshs '000	Company 2017 Tshs '000	Company 2016 Tshs '000
Current tax charge	-	6,211	17,500	661
Adjustments to tax in respect of prior years-current tax	-	(4,248)	-	-
Adjustments to deferred income tax in	-	(5,959)	-	-
Deferred income tax charge/(credit) (Note 28)	(1,116,648)	499,903	-	-
Deferred income tax derecognised	22,110	70,595	-	70,595
Income tax expense/(credit)	(1,094,538)	566,502	17,500	71,256

The tax on the profit/(loss) before income tax for the Group and Company differs from the theoretical

	Group 2017 Tshs '000	Group 2016 Tshs '000	Company 2017 Tshs '000	Company 2016 Tshs '000
Loss/(profit) before income tax	(3,394,204)	(1,035,873)	15,435	(946,558)
Tax calculated at a rate of 30%	(1,018,261)	(310,762)	4,630	(283,968)
Expenses not deductible for tax		445,514		115,507
Separate source of income tax				
Withholding tax on dividend	(17,570)	-	(17,570)	
Withholding tax on interest	(21,766)	-	-	
Alternative minimum tax	5,575	5,615	1,037	661
Adjustments to tax in respect of prior years	(483,525)	(10,207)	-	1
Income not deductible for tax purposes	-	(6,084)	-	-
Penalties	-	596	-	-
Deferred tax asset not recognised	441,009	441,830	29,403	239,055
Income tax (credit)/charge	(1,094,538)	566,502	17,500	71,256

NOTES (CONTINUED)

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

The Group has unused tax losses amounting to Tshs 13.7 billion (2016: Tshs 11.8 billion) which relates to Tatepa Limited (Tshs 657 million), Wakulima Tea Company Limited(Tshs 760.2 million), Kymbila Tea Packing Company limited (Tshs 5,776 million) and Rungwe Avocado Company Limited (Tshs 6,525 with tax loss). Deferred tax asset of Tshs 1,878 million has not been recognised in respect of tax losses for Kymbila as it not probable that there will be sufficient taxable profit in the foreseeable future to utilise the tax losses. However, the Directors believe that Rungwe Avocado will generate sufficient taxable profits in the foreseeable future to utilise the deferred tax asset of Tshs 1,835 million that has been recognised in the financial statements.

15. **EARNINGS PER SHARE**

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**
Loss attributable to group shareholders	(1,619,155)	(1,513,562)	-	-
Weighted average number of shares in issue (Note 31)	18,657,254	18,657,254	-	-
Basic earnings per share (Tshs)	(86.78)	(81.12)	-	-
Weighted average number of share	67,136,226	67,134,777	-	-
Diluted earnings per share (Tshs)	(24.63)	(16.81)	-	-

Reconciliation of earnings used in calculating diluted earnings per share

	Group	
	2017	**2016**
	Tshs '000	**Tshs '000**
Loss attributable to Group shareholders	(1,619,155)	(1,513,562)
Add: Changes of fair value in embedded derivatives	(34,568)	385,022
	(1,653,724)	(1,128,540)

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

	Group	
	2017	**2016**
	Tshs '000	**Tshs '000**
Weighted average number of shares in issue (Note 31)	18,657,254	18,657,254
Options	48,478,972	48,477,523
Weighted average number of shares	67,136,226	67,134,777

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

16. **DIVIDEND PER SHARE**

The Company did not pay any dividend during the year (2016: Nil)

NOTES (CONTINUED)

17. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Leasehold improvements & buildings	Motor vehicles	Machinery, equipment, furniture & fittings	Computers	Capital work in progress	Bearer plants	Total
	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Year ended 30 September 2017							
Opening net book value	3,384,593	109,316	1,336,231	9,861	204,946	4,253,052	9,297,999
Additions	23,078	213,900	87,106	8,554	96,092	-	428,730
Transfers	-	-	301,038	-	(301,038)	-	-
Revaluation	-	-	-	-	-	1,434,614	1,434,614
Disposals	-	(1,917)	-	-	-	-	(1,917)
Depreciation charge	(135,084)	(146,684)	(371,112)	(729)	-	(138,106)	(791,715)
Net book value	3,272,587	174,615	1,353,263	17,686	-	5,549,560	10,367,711
At 30 September 2017							
Cost	4,701,462	2,069,164	7,243,450	18,415	-	5,825,772	19,858,263
Accumulated depreciation	(1,428,876)	(1,894,547)	(5,890,187)	(729)	-	(276,212)	(9,490,551)
Net book value	3,272,586	174,617	1,353,263	17,686	-	5,549,560	10,367,711

	Leasehold improvements & buildings	Motor vehicles	Machinery, equipment, furniture & fittings	Computers	Capital work in progress	Bearer plants	Total
	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Year ended 30 September 2016							
Opening net book value	3,460,124	245,425	1,726,178	23,947	-	4,391,158	9,846,832
Additions	73,249	-	95,115	3,469	204,946	-	376,779
Transfers	-	4,899	(4,899)	-	-	-	-
Depreciation charge	(148,780)	(141,008)	(480,163)	(17,555)	-	(138,106)	(925,612)
Net book value	3,384,593	109,316	1,336,231	9,861	204,946	4,253,052	9,297,999
At 30 September 2016							
Cost	4,678,384	1,857,179	6,759,404	105,764	204,946	4,391,158	17,996,835
Accumulated depreciation	(1,293,791)	(1,747,863)	(5,423,173)	(95,903)	-	(138,106)	(8,698,836)
Net book value	3,384,593	109,316	1,336,231	9,861	204,946	4,253,052	9,297,999

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

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

Depreciation expense of Tshs 633.9 million (2016: Tshs 630.6 million) has been charged to cost of goods sold, Tshs 67.8 million (2016: Tshs 102 million) has been charged to selling and marketing costs and Tshs 91.9 million (2016: Tshs 192.9 million) is classified under administrative expenses. The Group's property, plant and equipment have been charged to secure loans as set out in Note 26 to the financial statements.

18. **BEARER PLANTS**

In revaluing the bearer plant, the Directors have made certain assumptions about the yields and market prices of tea in future years, and the costs of running the estates.

The key assumptions made concerning the future (projected over 10 years) in respect of tea bushes and avocado are as follows:

Climatic conditions are expected to be average.

Tea

The average market price of made tea has been projected at US$ 1.77 in the year 2017-18, rising by devaluation factor of 1.5% per annum until 2021-22 and remaining constant for the rest of the period. Cost of inflation will be 5.5% in 2017-18 and 2018-19 and 5% thereafter throughout the projection period. The US$/Tshs exchange rate is expected to increase per annum by 3.52% in 2017-18, 4.06% in 2018-19, 4.07% in 2019-20 and 2020-21and 3.5% thereafter throughout the projection period.

The pre-tax discount rate applied to the expected net cash flows in 2017 was 23.03 % (2016: 23.03%).

The Company has 316 hectares (2016: 316 hectares) and 198.2 hectares (2016: 198.2 hectares) of mature tea bushes and forestry, respectively, located in Tukuyu district in Tanzania.

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

Avocado

Average market price per kg of avocado ex-pack shed of US$ 1.18 in the year 2016-17 considered to be constant throughout the projection period but affected by dollar inflation. The actual tons sold/produced during year were 390 tons, management has assumed an average production of 682 tons each year. Cost of inflation will be 5.5% in 2017-18, 5.5% in 2018-19, 5.0% in 2019-20 thereafter throughout the projection period. The US$/Tshs exchange rate to increase by 5.5% in 2017-18, 5.5% in 2018-19 and 5.0% in 2019-20 throughout the projection period.

19. **INVESTMENT IN SUBSIDIARIES**

	2017 Tshs '000	2016 Tshs '000
Wakulima Tea Company Limited (a)	1,704,274	1,704,274
Rungwe Avocado Company Limited (b)	886,127	886,127
Kymbila Tea Packing Company Limited (c)	6,061,763	6,061,763
	8,652,164	8,652,164

Investments relates to:

Nature of business	Number and description of share held		% of issued shares held	
	2017 Ordinary shares	2016 Ordinary shares	2017	2016
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.	84,747	84,747	45.42%	45.42%
c) Blending and packing tea.	387,698	387,698	81.80%	81.80%

The Company has a direct interest of 70% in Wakulima Tea Company Limited (WTCL), 81.80% in Kymbila Tea Packing Company Limited (KTPCL) and 45.42% in Rungwe Avocado Company Limited (RACL). The Company has an indirect interest of 10.27% in RACL and 12.23% share in KTPCL through WTCL which holds 14.67% of RACL and 17.47% of KTPCL.

Company	Total % holding of Tatepa Ltd at 30 Sept 2017	Total % holding of Tatepa Ltd at 30 Sept 2016
RACL	55.69%	55.69%
KTPCL	94.03%	94.03%
WTCL	70.00%	70.00%

NOTES (CONTINUED)

19. **INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Summarise financial information on subsidiaries with material non controlling interests

Set out are the summarised financial information for each subsidiary that are material on the Group. During the year, the Tatepa Limited purchased share non-controlling interests (Note 35).

Summarised statement of financial position	**WTCL**		**RACL**		**KTPCL**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**
Current						
Assets	6,051,780	4,129,316	1,146,970	2,247,195	213,258	449,856
Liabilities	(7,970,698)	(6,027,780)	(2,189,459)	(2,533,528)	(1,599,434)	(1,326,991)
Total current net assets	(1,918,918)	(1,898,464)	(1,042,489)	(286,333)	(1,386,176)	(877,135)
Non-current						
Assets	7,283,762	6,773,002	6,130,021	6,016,643	198,654	351,550
Liabilities	(542,524)	(910,769)	(10,936,322)	(10,130,958)	(263,528)	(71,696)
Total non-current net assets	6,741,238	5,862,233	(4,806,301)	(4,114,315)	(64,874)	279,854
Net assets/(liabilities)	4,822,320	3,963,769	(5,848,790)	(4,400,648)	(1,451,050)	(597,281)

NOTES (CONTINUED)

19. **INVESTMENT IN SUBSIDIARIES (CONTINUED)**

<u>Summarise financial information on subsidiaries with material non controlling interests (continued)</u>

Summarised statement of profit or loss and other comprehensive income

	WTCL		RACL		KTPCL	
	2017 Tshs '000	2016 Tshs '000	2017 Tshs '000	2016 Tshs '000	2017 Tshs '000	2016 Tshs '000
Revenue	15,803,597	13,440,800	1,072,218	3,720,790	1,512,856	1,588,701
Profit/(loss) before tax	386,994	989,537	(2,597,476)	(379,962)	(849,230)	(698,891)
Income tax (expense)/credit	624,911	(289,937)	491,737	(199,518)	(4,539)	(5,930)
Profit/(loss) after tax	1,011,905	699,600	(2,105,738)	(579,480)	(853,769)	(704,821)
Other comprehensive income	346,645	(31,850)	657,585	18,556	-	30,100
Total comprehensive income	1,358,550	667,750	(1,448,153)	(560,924)	(853,769)	(674,721)
Total comprehensive income allocated to non-controlling interests	303,572	263,330	(933,104)	13,341	(50,979)	(40,257)
Dividends paid to non-controlling interests	150,000	-	-	-	-	-

NOTES (CONTINUED)

19. **INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Summarised statement of cash flows

	WTCL		RACL		KTPCL	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**	**Tshs '000**
Cash flows from operating activities						
Cash generated from/(utilised in) operations	2,250,937	2,088,734	(235,806)	475,116	(108,981)	(371,886)
Interest paid	(571,918)	(495,724)	(551,924)	(318,950)	(140,004)	(167,459)
Interest received	8,276	8,258	-	-	-	-
Income tax paid	-	-	-	-	(5,932)	(4,750)
Net cash for operating activities	1,687,295	1,601,268	(787,730)	156,166	(254,918)	(544,095)
Net cash from/(used) in investing activities	(415,522)	(654,338)	1,204,273	(137,748)	(1,650)	(81,193)
Net cash (used in)/from financing activities	(350,000)	(317,675)	-	-	239,789	1,366,352
Net increase/(decrease) in cash and cash equivalents	921,773	629,255	416,543	18,418	(16,778)	741,063
Cash and cash equivalents at beginning of the year	(4,307,423)	(4,936,678)	(1,970,405)	(1,988,823)	(731,362)	(1,472,425)
Cash and cash equivalents at end of the year	(3,385,650)	(4,307,423)	(1,553,862)	(1,970,405)	(748,140)	(731,362)

NOTES (CONTINUED)

20. **LOAN RECEIVABLE**

	Group		Company	
	2017 Tshs '000	**2016 Tshs '000**	**2017 Tshs '000**	**2016 Tshs '000**
Non-current				
Moravian Church and seedling debtors	341,865	1,150,251	-	-
Current				
Rungwe Avocado Company Limited	-	-	2,201,314	1,917,028

Rungwe Avocado Company Limited

The loan to Rungwe Avocado Company Limited (RACL) from TATEPA is a medium term facility denominated in US dollars and carries interest at 12% per annum (2016: 12%). As per agreement, the repayment plan has to be agreed by both the lender and borrower. The fair value of the loan receivable balance is approximately the carrying value. Subsequent to year end, the Directors of TATEPA have passed a resolution to convert the loan to equity on 11 November 2017.

Kyimbila Tea Packing Company Limited

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

Moravian Church and seedling debtors

The Registered Trustees of Moravian Church ('Moravian') had fully repaid their loan balance as at 30 September 2017 . The loan plus any accrued interest was to be deducted from the sale proceeds of the avocados produced from the Moravian Plantation to Rungwe Avocado Company Limited.

The loan amount due from Seedling Debtors as at 30 September 2017 was Tshs 341 million. It is an interest free loan. The out growers are required to pay at least 50% of the total sale value of plants in cash at the time of buying the plants. The remaining 50% of the sale value is loan to be recovered from the sale of avocado fruits to the Company. In the event, that the farmer does not sell the fruits to the RACL, then the farmer is required to pay RACL a penalty of 15% per annum from the date of the loan commencement to the date of full repayment of the loan. The loans given to individual out growers are very immaterial, the impact of discounting may not be material. The fair values of these loans at the point of initial recognition are therefore considered to approximate their cost.

Movement of Moravian Church and seedling debtors is as follows:	**2017 Tshs '000**	**2016 Tshs '000**
All the start of the year (i)	1,150,251	944,510
Loan advanced during the year (ii)	177,213	208,999
Interest accrued (iii)	53,020	66,147
Repayment made during the year	(1,038,619)	(69,405)
Balance at the end of the year (vi) - current	341,865	1,150,251

(i) At the start of the year

Moravian (a)	864,082	745,312
Other seedling debtors (b)	286,169	199,198
Balance at the start of the year	1,150,251	944,510

NOTES (CONTINUED)

20. **LOAN RECEIVABLE (CONTINUED)**

	2017 Tshs '000	2016 Tshs '000
(ii) Advanced during the year		
Moravian (a)	121,517	122,028
Seedling debtors (b)	55,696	86,971
Total loans advanced during the year	177,213	208,999
(iii) Interest receivable from loans		
Moravian (a)	53,020	66,147
Total interest income accrued during the year	53,020	66,147
(iv) Non-current portion of the loans		
Moravian (a)	-	864,082
Seedling debtors (b)	341,865	286,169
	341,865	1,150,251

21. **PREPAID LAND RENT**

	Group		Company	
	2017 Tshs '000	2016 Tshs '000	2017 Tshs '000	2016 Tshs '000
Total prepaid land rent	6,744	-	-	-
Less: Current portion	(6,744)	-	-	-
	-	-	-	-
Movement in gross amounts				
Opening balance	-	21,095		
Amortisation	-	(21,095)		
Closing balance	-	-		

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

22. **INVENTORIES**

	Group		Company	
	2017 Tshs '000	2016 Tshs '000	2017 Tshs '000	2016 Tshs '000
Finished products - at cost	2,590,985	1,506,439	-	-
Unprocessed products - at cost	32,609	40,919	-	-
Stores and consumables - at cost	2,152,683	1,882,592	-	-
Work in progress - at cost	4,562	38,712	-	-
Provision for slow moving items	(14,343)	(14,343)	-	-
	4,766,495	3,454,319	-	-

Movement for provision is as follows:

Opening balance	14,343	51,476	-	-
Increase during the year	-	-	-	-
Release	-	(37,133)	-	-
	14,343	14,343	-	-

NOTES (CONTINUED)

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Trade receivables	358,583	2,298,024	-	-
Less provision for impairment losses	(317,100)	(298,509)	-	-
Trade receivable - net	41,483	1,999,515	-	-
Advances to suppliers	9,422	119,044	-	3,003
VAT recoverable	1,060,271	442,199	-	-
Other receivables	1,044,985	1,069,813	905,706	932,086
Deposits and prepayments	250,874	3,158	3,786	3,158
Due from related parties (Note 33(iii))	-	123,968	217,708	196,820
	2,407,035	3,757,697	1,127,199	1,135,067

Trade receivables that are less than 30 days (2016: 30 days) are with in the Group's credit period. As of 30 September 2017, trade receivables of Tshs 23 million (2016: Tshs 101 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these trade receivables is as follows:

GROUP	2017	2016
	Tshs '000	Tshs '000
i) Current		
- by to 30 days	18,273	1,898,241
ii) Past due but not impaired		
- up to 3 months	7,553	38,831
- over to 3 months	15,656	62,443
	23,209	101,274
	41,483	1,999,515

ii) Past due and impaired

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

	Group		Company	
	2017	2016	2017	2016
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
At start of the year	298,509	348,478	-	-
Charged to profit or loss	18,591	36,916	-	-
Recovered during the year	-	(86,885)	-	-
At end of the year	317,100	298,509	-	-

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

	Group		Company	
	2017	2016	2017	2016
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
US dollar	-	1,885,546	-	-
Tanzania shillings	41,483	113,969	-	-
	41,483	1,999,515	-	-

NOTES (CONTINUED)

24. **CASH AT BANK AND IN HAND**

	Group		Company	
	2017	2016	2017	2016
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Cash at bank	533,522	257,072	25,419	45,545
Cash in hand	4,952	1,677	-	-
	538,474	258,749	25,419	45,545

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

Cash at bank and in hand	538,474	258,749	25,419	45,545
Bank overdraft (Note 26)	(6,200,707)	(7,222,393)	-	-
	(5,662,233)	(6,963,644)	25,419	45,545

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

25. **TRADE AND OTHER PAYABLES**

	Group		Company	
	2017	2016	2017	2016
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Trade payables	2,459,957	1,467,574	214,373	4,782
Other payables and accrued expenses	3,105,852	1,038,403	209,913	196,605
Due to related parties (Note 33 (iii))	51,468	364,439	233,706	340,834
Unclaimed dividends	139,398	140,106	139,398	140,105
	5,756,675	3,010,522	797,390	682,326

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

26. **BORROWNGS**

	Group		Company	
	2017	2016	2017	2016
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
Non-current				
AECF loan (ii)	2,622,345	1,697,483	-	-
AWC loan (iii)	2,476,948	-	-	-
AgDevco loan (iv)	3,367,488	2,068,460	-	-
Maris Tatepa Holdings Limited term loan one	110,252	5,374	-	-
Shareholders loan	7,539,457	-	7,539,457	-
	16,116,491	3,771,317	7,539,457	-

NOTES (CONTINUED)

26. **BORROWNGS (CONTINUED)**

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**
Current				
Bank overdrafts: CRDB Bank Plc. (i)	6,200,707	7,222,393	-	-
AECF loan (ii)	-	848,742	-	-
AWC loan (iii)	-	2,302,702	-	-
AgDevco loan (iv)	-	1,034,231	-	-
Shareholders loan (vii)	-	7,320,605	-	7,320,605
	6,200,707	18,728,673	-	7,320,605
Total	22,317,198	22,499,990	7,539,457	7,320,605

(i) CRDB Bank Plc. Overdrafts

Wakulima Tea Company Ltd (WTC)

Overdrafts

WTC has a US dollar denominated overdraft facility of USD 2 million bearing an interest rate of 7.5% (2016: 7.5%) per annum, and a Tanzania shilling denominated overdraft facility of Tshs 1,350 million bearing an interest rate of 15% (2016: 15%) per annum. The facilities were renewed subsequent to the year end on **19 December 2017** for the period of twelve months to **31 January 2019**.

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

Kyimbila Tea Packing Company Limited (KTPCL)

Overdrafts

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

Rungwe Avocado Company Limited (RACL)

Overdrafts

RACL has a US dollar denominated overdraft facility value of USD 1 million bearing an interest of 7.5% annum. The facility was renewed on **04 January 2018** until **31 January 2019**, at a limit of USD 1 million. The overdraft facility is secured by a first mortgage of Farm No. 1168 Kyimo Village area, property of Rungwe Avocado Company Ltd, a deed of assignment over the lease agreement on Farm No. 322 at Syukula Village, property of the Registered Trustees of Moravian Church of Southern Tanzania and first change on fixed and floating assets of RACL. It is guaranteed by Wakulima Tea Company Ltd as well as Tatepa Ltd.

26. **BORROWNGS (CONTINUED)**

Rungwe Avocado Company Limited (RACL)

(ii) AECF loan and deferred capital grant

Rungwe Avocado Company Limited has an interest free and unsecured loan from Africa Challenge Enterprise Fund (AECF) with a carrying value of Tshs. 2,622 million. The repayment of the loan is being discussed to be rescheduled and be repaid in 4 equal instalments starting from 1 October 2019. The effect of discounting given the remaining tenor to maturity is immaterial.

(iii) AWC CB1 Limited loan

Rungwe Avocado Company Limited has unsecured loan facility from AWC CB1 Limited denominated in US dollars, with a carrying value of Tshs. 2,467 million attracting an interest of 8% per annum. The loan was acquired for the development of the Company's sustainable agriculture operations to help leverage conservation on and around both the agricultural sites and across the broader landscape. The repayment of the loan is being discussed to be rescheduled and be repaid in 4 equal instalments starting from 1 October 2019. AWC have also indicated that they may convert most of their loan into equity of RACL.

(iv) AgDevCo loan

Rungwe Avocado Company Limited has a loan facility from Agdevco Tanzania Limited denominated in US dollars, with a carrying value of Tshs. 3,367 million and an interest of 8% per annum. The loan was acquired for the purpose of financing commercial operations against the set business plan and installation of a micro-jet irrigation system on Kipunji and Moravian commercial farms. Subsequent to year end on 11 November 2017 Agdevco agreed to subscribe for 82,879 shares and they will pay approximately $175,000 in cash and the balance to be paid by part conversion of their loan into equity .

They agreed to re-schedule their loan such that the repayment will be in 3 equal annual instalments starting from 30 Sept 2018. The re-scheduling of loan to be repaid in 4 equal annual instalments starting from 1 Oct 2019 is being discussed.

(v) Maris Tatepa Holdings loan

Term loan one

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

(vi) Shareholder's loan

On 1 October 2015 Tatepa entered into a loan agreement for the sum of US dollar 3,376,321 with its shareholders; Maris, Joseph Mungai, George Theobald and Thompson Lloyd & Ewart to fund the Company's working capital and business development requirements. The loan facility includes funds already advanced by the lenders to a subsidiary of Tatepa (Kyimbila Tea Packing Company Limited) by way of debt or equity and were converted (in respect to debt portion) into equity in Kyimbila Tea Packing Company Limited and transferred to the borrower in consideration of draw down. The facility will be repaid either in (a) bullet repayment by year 2020; or (b) conversion of the outstanding principal amount into shares at a conversion price of US dollar 0.0695 per share.

NOTES (CONTINUED)

26. **BORROWNGS (CONTINUED)**

(vi) Shareholder's loan

Embedded derivative

The existence of a convertible option in the shareholders' loan implies an embedded derivative which is not closely related to the host debt contract. As required by IAS 39, the option derivative was fair valued and gain of Tshs 34 million was recognised in the statement of profit or loss.

The embedded derivative was fair valued at a spot price of Tshs 132 per share instead of the current market spot price of Tshs 650 per share. As indicated in the Directors' report, the Group Directors believe that the market share price of Tshs 650 per share does not represent the correct value of the Company's shares. Both the share price of Tshs 650 and market capitalisation of Tshs 12.1 billion have not moved since 2013. The spot price of Tshs 132 per share was established through an independent valuation of shares and approval by Dar es Salaam Stock Exchange and Capital Market and securities is awaited. The results of sensitivity tests are disclosed under Note 3 of the financial statements. At the time of conversion the liability will be extinguished in exchange of issue of shares.

27. **DEFERRED CAPITAL GRANT**

GROUP	**2017 Tshs '000**	**2016 Tshs '000**
Opening balance	211,388	231,667
Grant amortisation	(20,279)	(20,279)
Closing balance	191,109	211,388

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

28. **DEFERRED TAX ASSETS AND LIABILITIES**

a) Deferred tax assets

	2017 Tshs '000	**2016 Tshs '000**
Rungwe Avocado Company Limited	(1,834,521)	(1,624,606)
	(1,834,521)	(1,624,606)

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

	2017 Tshs '000	**2016 Tshs '000**
As start of year	(1,624,606)	(1,832,076)
Credited to other comprehensive income	-	7,952
Charged to revaluation reserve	281,822	-
(Credit)/charged to profit or loss	(491,737)	199,518
At end of the year	(1,834,521)	(1,624,606)

NOTES (CONTINUED)

28. **DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**

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

GROUP

Year ended 30 September 2017	**01-Oct 2016 Tshs '000**	**(Credited)/ charged to Profit or loss Tshs '000**	**Charged to revaluation reserve Tshs '000**	**30-Sep 2017 Tshs '000**
Deferred tax liabilities:				
Property, plant and equipment	206,796	(212,614)	-	(5,818)
Changes in fair value of biological assets	-		281,822	281,822
	206,796	(212,614)	281,822	276,004
Deferred tax assets:				
Provision	(330,746)	177,840	-	(152,906)
Tax losses	(1,500,656)	(456,964)	-	(1,957,620)
Net deferred tax assets	(1,624,606)	(491,738)	281,822	(1,834,521)

Year ended 30 September 2016	**01-Oct 2015 Tshs '000**	**(Credited)/ charged to Profit or loss Tshs '000**	**Charged to Other Comprehensive Income Tshs '000**	**30-Sep 2016 Tshs '000**
Deferred tax liabilities:				
Property, plant and equipment	212,697	(5,901)	-	206,796
Under provision in prior year		(636,906)	-	(636,906)
Changes in fair value of biological assets	336,452	300,454	-	636,906
	549,149	(342,353)	-	206,796
Deferred tax assets:				
Other timing difference	(716,367)	(31,744)	7,952	(740,159)
Under provision in prior year			409,412	409,412
Tax losses	(1,664,858)	164,202	-	(1,500,656)
Net deferred tax assets	(1,832,076)	(209,895)	417,364	(1,624,606)

COMPANY

Year ended 30 September 2017 For disclosure only	**01-Oct 2016 Tshs '000**	**Potential credit to profit or loss Tshs '000**	**Under provision in prior year Tshs '000**	**30-Sep 2017 Tshs '000**
Deferred tax assets:				
Other timing differences	(16,414)	(297)	15,635	(1,076)
Tax losses	(222,641)	(2,556)	28,055	(197,142)
Net deffered tax assets	(239,055)	(2,853)	43,690	(198,218)

NOTES (CONTINUED)

28. **DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**

COMPANY

Year ended 30 September 2016 For disclosure only	01-Oct 2015 Tshs '000	Potential credit to profit or loss Tshs '000	Potential credit to Other Comprehensive Income Tshs '000	30-Sep 2016 Tshs '000
Deferred tax assets:				
Other timing differences	96,706	(112,610)	(510)	(16,414)
Tax losses	(166,791)	(55,850)	-	(222,641)
Net deferred tax assets	(70,085)	(168,460)	(510)	(239,055)

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.

GROUP

b) Deferred tax liabilities

Deferred tax is calculated using the enacted income tax rate of 30%(2016:30%). The movement on the deferred tax account is as follows:

	2017 Tshs '000	2016 Tshs '000
At 1 October	535,696	254,782
Credit to other comprehensive income	148,562	(13,650)
Debit to profit or loss	(624,911)	294,564
As 30 September	59,347	535,696

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

Year ended 30 September 2017	01-Oct 2016 Tshs '000	Charged/(credited) to Profit or loss Tshs '000	Revaluation Tshs '000	30-Sep 2017 Tshs '000
Deferred tax liabilities:				
Revaluation			148,562	148,562
Property, plant and equipment	175,043	190,893	-	365,936
Changes in fair value of biological assets	-		-	-
Unrealised foreign exchange gain/(loss)		11,024		11,024
Underprovision in prior year	865,470	(865,470)	-	-
	1,040,513	(663,553)	148,562	525,522
Deferred tax assets:				
General provisions	(161,277)	(76,827)	-	(238,104)
Tax losses	(343,540)	115,469	-	(228,071)
Net deferred tax liabilities	535,696	(624,911)	148,562	59,347

NOTES (CONTINUED)

28. **DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**

GROUP

b) Deferred tax liabilities

Year ended 30 September 2016	**01-Oct 2015 Tshs '000**	**Charged/(credited) to Profit or loss Tshs '000**	**Charged to other comprehensive income Tshs '000**	**30-Sep 2016 Tshs '000**
Deferred tax liabilities:				
Property, plant and equipment	171,157	3,886	-	175,043
Changes in fair value of biological assets	798,238	67,232	-	865,470
	969,395	71,118	-	1,040,513
Deferred income tax assets:				
General provisions	(487,558)	339,931	(13,650)	(161,277)
Tax losses	(317,062)	(26,478)	-	(343,540)
Net deferred tax liabilities	164,775	384,571	(13,650)	535,696

29. **RETIREMENT BENEFIT OBLIGATIONS**

	2017 Tshs '000	**2016 Tshs '000**	**2017 Tshs '000**	**2016 Tshs '000**
As at 1 October	494,918	682,891	2,600	838
Current service cost	100,786	54,473	988	-
Interest cost	56,305	86,600	-	62
Actuarial (gain)/loss	-	(9,409)	-	1,700
Benefit paid	(5,364)	(319,637)	-	-
At end of the year	646,645	494,918	3,588	2,600

The Group, as part of its policy, operates an unfunded non-contributory employee gratuity arrangement (the "Arrangement"), which provides for lump sum payments to its employees on their retirement at the age of 60 years, or those allowed to retire early at the age of 55 years, based on length of service and salary at retirement and qualifies as a defined benefit plan.

A firm of professional actuaries, Alexander Forbes Financial Services (East Africa) Limited, carried out a full actuarial valuation of the Arrangement at 30 September 2016, using the Projected Unit Method. The next valuation is due at 30 September 2019. The principal assumptions used in the actuarial valuation were:

i) Actuarial method - Projected Unit Method;
ii) Discounted rate of 18.9%;
iii) Rate of salary escalation of 10% per annum;
iv) Retirement age - 25% at age 55 and the balance at age 60; and
v) Pre-retirement mortality - A1949/52 Ultimate.

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

NOTES (CONTINUED)

29. **RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**

Sensitivity analysis

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

GROUP	**18.9%**	**18.9%**	**17.9%**
Discounted	646,645	494,918	513,516

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

COMPANY	**18.9%**	**18.9%**	**17.9%**
Discounted	3,588	2,600	2,600

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

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

Group	**2016** **Tshs '000**	**2015** **Tshs '000**	**2014** **Tshs '000**
As at 1 October	682,891		494,161
Current service cost	54,473	630,780	98,959
Interest cost	86,600	79,286	70,127
Benefits paid	(319,637)	84,036	(32,467)
Actuarial loss/(gain)	(9,409)	(111,213)	-
As at 31 September	494,918	682,889	630,780

Company	**2016** **Tshs '000**	**2015** **Tshs '000**	**2014** **Tshs '000**
As at 1 October	838	705	561
Current service cost	-	133	144
Interest cost	62	-	-
Benefits paid	1,700	-	-
Actuarial loss/(gain)	-	-	-
As at 31 September	2,600	838	705

30. **COMMITMENTS**

Capital commitments

The Group had no capital commitments at the year end.

Operating lease commitments

The Group leased land from the Government of the United Republic of Tanzania with lease terms ranging from 33 years to 99 years which can be renewed at the end of each term subject to the laws of the country at the time. The Group is obliged to pay annual land rent to the Government during the lease period. This land remains the property of the Tanzania Government as land under the present jurisdiction cannot be owned on a freehold basis. Also Kyimbila Tea Packing Company Limited as subsidiary Company has an office lease agreement for a period of 5 years form 1 June 2015. The annual lease rental is Tshs 44 million (2016: 43 million). The future aggregate minimum lease payments under a non-cancellable operating leases are as follows above:

NOTES (CONTINUED)

30. **COMMITMENTS (CONTINUED)**

Capital commitments (continued)

Operating lease commitments (continued)

	Group		Company	
	2017 Tshs '000	2016 Tshs '000	2017 Tshs '000	2016 Tshs '000
Less than 1 year	44,377	44,393	-	-
2-5 years	177,508	177,573	-	-
Later than 5 years	105,807	105,845	-	-
	327,692	327,811	-	-

31. **SHARE CAPITAL**

Group and Company	2017 Tshs '000	2016 Tshs '000
Authorised: 20,000,000 ordinary shares of Tshs 25 each	500,000	500,000

	2017 Number	2016 Number
Number of issued and fully paid shares	18,657,254	18,657,254
Weighted average number of shares	18,657,254	18,657,254

Share capital and premium

Group and Company	Share capital Tshs '000	Share premium Tshs '000	Total Tshs '000
At 1 October 2016 and at 30 September 2017	466,431	4,048,462	4,514,893

NOTES (CONTINUED)

32. **CASH GENERATED FROM/(UTILISED IN) OPERATIONS**

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**
Loss before income tax	(3,394,204)	(1,035,873)	15,435	(946,558)
Adjustments for:				
Fair value gain/(loss) on embedded derivatives	(34,568)	385,022	(34,568)	385,022
Depreciation (Note 17)	791,715	925,612	-	-
Amortisation of deferred capital grant (Note 27)	(20,279)	(20,279)	-	-
Amortisation of prepaid land rent (Note 21)	(6,744)	7,884	-	-
Fair value gain on biological assets (Note 18)	-	-	-	-
Employees' gratuity	151,727	(178,564)	-	62
Interest expense	1,240,325	1,244,314	27,236	-
Interest income	(53,020)	(135,249)	(345,880)	(220,356)
Tax adjustment (*)	(142,407)	216,575	21,670	-
Gain on disposal of property, plant and equipment	(650)	(14,237)	-	-
Unrealised exchange loss on terms loans	600,985	193,549	168,114	6,708
Foreign exchange loss on other working capital items:		-		
Changes in working capital:				
Inventories	(1,312,176)	(525,201)	-	-
Trade and other receivables	1,350,662	(944,105)	10,971	(976,572)
Trade and other payables	2,746,153	184,571	115,064	65,250
Cash generated from/(used in) operations	1,917,518	304,019	(21,958)	(1,686,444)

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

33. **RELATED PARTY TRANSACTIONS AND BALANCES**

At the year-end there was no single shareholder with a controlling interest in the Company. The Company owns three subsidiary companies, Wakulima Tea Company Limited (WTCL), Rungwe Avocado Company (RACL) and Kyimbila Tea Packing Company Limited (KTPCL). 30% of WTCL shareholding is owned by Rungwe Smallholders Tea Development Trust Fund. Rungwe Smallholders Tea Development Trust Fund is a fund under Rungwe Smallholders Tea Growers Association. Robert Clowes and AgDevco Tanzania Limited own 19.91% and 20% shareholding in RACL respectively. There is no ultimate parent of the Companies in the Group (2015: None). WTCL own 17.47% to KTPCL also buys raw material from WTCL. Mr G. C. Theobald a shareholder of Tatepa Limited also owns Tanganyika Finance Company.

The followings transactions were carried out with related parties:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Tshs '000	**Tshs '000**	**Tshs '000**	**Tshs '000**
i) Sale of services				
Subsidiaries (guarantee fees)	-	-	92,357	-
Subsidiaries (interest income)	-	-	253,523	220,356

33. **RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

	Group		Company	
	2017 Tshs '000	**2016 Tshs '000**	**2017 Tshs '000**	**2016 Tshs '000**
ii) Purchases of services				
Shareholder - Maris Tatepa Holdings Limited (interest)	10,379	12,647	-	-
Shareholder - Thompson Lloyd & Ewart (interest)	6,081	2,660	-	-
Ultimate Holding Company (Interest)	6,786	-	-	-
Common shareholding - Tanganyika Finance Company Limited (interest)	-	2,237	-	-
	23,246	17,544	-	-

iii) Year-end balances

	Group 2017 Tshs '000	Group 2016 Tshs '000	Company 2017 Tshs '000	Company 2016 Tshs '000
Amounts due from related parties				
Receivable from subsidiaries	-		217,708	195,310
Hon J. J. Mungai - *Shareholder*	-	1,510	-	1,510
Receivable from Rungwe Smallholder Tea Growers Association	7,983	112,594	-	-
Nomad Tanzania Limited - *Common Shareholding*	-	428	-	-
C.S Newe - *Kyimbila Director*	500	500	-	-
Group Financial Controller-key management	2,052	8,936	-	-
	10,535	123,968	217,708	196,820

	Group 2017 Tshs '000	Group 2016 Tshs '000	Company 2017 Tshs '000	Company 2016 Tshs '000
Amounts due to related parties				
Directors fee - *directors*	141,504	99,100	141,504	99,100
Group financial controller - *key management*	-	769	-	769
Shareholders	25,757	12,916	25,757	12,916
Nomad Tanzania Limited - *Common shareholding*	47,438	46,476	47,438	46,476
Tanganyika Finance Company Limited - *Common shareholding*	5,828	121	5,828	121
Subsidiaries				136,071
Maris Tatepa Holdings Limited - Interest	-			-
bearing	-	103,124	-	-
Thompson Lloyd & Ewart Limited -	-	-	-	-
Shareholder of a parent company	-	101,933	-	45,381
	220,527	364,439	220,527	340,834

iv) Loans receivable from subsidiaries

	Group		Company	
	2017 Tshs '000	**2016 Tshs '000**	**2017 Tshs '000**	**2016 Tshs '000**
Kyimbila Tea Packing Company Limited	-	-	-	-
Rungwe Avocado Company Limited	-	-	2,201,314	1,917,028
	-	-	2,201,314	1,917,028

NOTES (CONTINUED)

33. **RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

v) Loans payable to related parties

	Group		Company	
	2017 Tshs '000	2016 Tshs '000	2017 Tshs '000	2016 Tshs '000
Shareholder loans	-	7,320,605	7,539,457	7,320,605
Maris Tatepa Holdings Limited - *shareholder*	12,184	5,373	-	-
	12,184	7,325,978	7,539,457	7,320,605

vi) Directors remuneration

The Director's fees, Chairman's fees and sitting allowances for all Board and sub-committee meetings of the Company was approved to be paid with effect from 1 September 2016. Directors' fees are disclosed below.

	Group and Company			
	Fees 2017 Tshs '000	Sitting allowance 2017 Tshs '000	Total 2017 Tshs '000	Total 2016 Tshs '000
J. J. Mungai	1,376	1,119	2,494	18,876
Johannes Gunnell	13,422	3,356	16,778	16,335
G. C. Theobald	17,896	3,356	21,252	18,150
Robin Harrison	13,422	3,356	16,778	15,246
Peter D. Rowland	13,422	3,356	16,778	16,335
V. K. Tewari	13,422	1,119	14,541	14,157
	72,960	15,659	88,619	99,099

vii) Key management's remuneration	Group		Company	
	2017 Tshs '000	2016 Tshs '000	2017 Tshs '000	2016 Tshs '000
Salaries and other short-term employment benefits	1,037,407	1,123,659	502,492	481,452

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

34. **FINANCIAL INSTRUMENTS**

a) By category

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

GROUP

	2017 Tshs '000	2016 Tshs '000
Financial assets as per statement of financial position		
<u>Loans and receivables</u>		
Trade and other receivables (excluding payments and suppliers advances)	2,156,161	3,633,060
Loans receivable	341,865	1,150,251
Cash at bank and on hand	538,474	258,749
	3,036,500	5,042,060

NOTES (CONTINUED)

34. **FINANCIAL INSTRUMENTS (Continued)**

a) By category

	2017 Tshs '000	2016 Tshs '000
Financial liabilities as per statement of financial position		
Other financial liabilities amortised at cost		
Trade and other payables (excluding statutory obligations)	5,585,425	2,756,970
Borrowings	22,317,198	22,499,990
	27,902,622	25,256,960
Other financial liabilities at fair value through profit or loss		
Embedded derivative	350,454	385,022

COMPANY

	2017 Tshs '000	2016 Tshs '000
Financial assets as per statement of financial position		
Loans and receivables		
Trade and other receivables (excluding payments and suppliers advances)	1,123,414	1,110,104
Loans receivable	1,150,251	1,917,028
Cash at bank and on hand	25,419	45,545
	2,299,083	3,072,677
Financial liabilities as per statement of financial position		
Other financial liabilities amortised at cost		
Trade and other payables (excluding statutory obligations)	780,136	646,999
Borrowings	7,539,457	7,320,605
	8,319,593	7,967,604
Other financial liabilities at fair value through profit or loss		
Embedded derivative	350,454	385,022

35(a). **OTHER RESERVES**

In 2016 Tatepa Limited acquired shares of the Non-Controlling interest of one of its subsidiary, Kyimbila Tea Packing Company Limited. The transaction did not result in a charge of control. The carrying amount of non-controlling interest was adjusted to reflect the change in non-controlling interest's ownership interest in Kyimbila Tea Packing Company Limited. The requirements of IFSR 10, the difference of Tshs 838 million between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid was recognised in equity as other reserve.

35(b). **PROPERTIES REVALUATION RESERVE**

	GROUP	
	2017 Tshs '000	2016 Tshs '000
Balance at begins of the year		
Increase arising on revaluation of bearer plants	1,434,614	-
Deferred tax arising on revaluation	(430,384)	-
	1,004,230	-
Attributable to Group	608,845	-
Attributable to Minority interest	395,385	-
	1,004,230	-

36. **EVENTS AFTER THE REPORTING PERIOD**

At Rungwe Avocado Company Limited board meeting held in November 2017, a resolution was passed by the Board to have rights issue of shares.

- The Rungwe Avocado Company had a rights issue of 405,645 shares at a price of Tshs 17,331.
- Tatepa Ltd and AgDevCo Tanzania Ltd have subscribed for their full share of 184,229 and 82,879 shares respectively. Tatepa will convert their loan into equity to pay for the shares subscribed and the balance of about US dollar 438,914 will be paid in cash to the Company. Like wise AgDevCo will pay approximately US dollar 175,000 Cash to the Company and will partly convert their loan into equity to pay for the shares.
- Wakulima Tea Company Limited and Robert Clowes did not subscribe for the shares offered to them. However, AWC are considering to take those shares and pay for them by converting their part loan to the Company.

37. **Restatement of prior year balances**

Impact of changes in accounting policy

During the year, the Group adopted the amendments to International Accounting Standards (IAS) 41, Agriculture, and IAS 16, Property, Plant and equipment, which are effective for annual periods beginning on or after 1 January 2016.

These amendments were issued by the International Accounting Standards Board (IASB) and are required to be applied retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. Consequently, the group has amended its accounting policies as required by IAS 8 and, retrospectively adjusted the amounts reported in the prior year financial statements to comply with the amendments. The restatements have been applied with effect from 30 September 2015 being the beginning of the earliest period presented in these first financial statements.

The key amendment involves distinguishing bearer plants from biological assets and requiring that the bearer plants be accounted for under the scope of IAS 16 for purposes of recognition, measurement and disclosures in the financial statements.

A bearer plant is defined as a plant that:

a) is used in the production or supply of agriculture produce
b) is expected to bear produce for more than once period;
c) has a remote likelihood of being sold as agriculture produce, except for scrap sales.

Bearer plants are solely used to grow produce over their productive lives and are treated similar to property, plant and equipment of a Company. The produce growing on bearer plants will however continue to be measured at fair value less cost to sell under IAS 41, Agriculture.

Impact of the amendments

The Group's tea plantations and avocado plants meet the definition of bearer plants above and have therefore been reclassified as bearer plants to the Company's property and equipment (Note 17). These are now accounted for as property plant and equipment and depreciated over their useful lives. As permitted by the transition provisions, the Company has used the fair value of the bearer plants as at 30 September 2015 as their deemed cost as at date.

NOTES (CONTINUED)

a) **Effect of IAS 16 and IAS 41 amendments adoption - Statement of profit or loss and other comprehensive income**

	Year ended 30-Sep-16 (As previously reported) Tshs '000	Prior year adjustment Tshs '000	Note	Year ended 30-Sep-16 (As restated) Tshs '000
Cost of sales (i)	12,707,550	138,106	(i)	12,845,656
Gain arising from changes in fair value (ii)	(920,226)	920,226	(ii)	-
Income tax effect (vii)	884,142	(317,500)	(vii)	566,642
	12,671,466	740,832		13,412,298
Effect of Non-controlling interests on restated amount				
Non-controlling interest	209,268	(297,758)		(88,490)
Net effect on profit for the year (iii)	**12,880,734**	**443,074**	(iii)	**13,323,808**

b) **Effect of IAS 16 and IAS 41 amendments adoption - Statement of financial position**

	Year ended 30-Sep-15 (As previously reported) Tshs '000	Prior year adjustment Tshs '000		Year ended 30-Sep-15 (As restated) Tshs '000
Non- current asset				
Biological assets	4,391,158	(4,391,158)	(iv)	-
Property, plant and equipment	5,455,674	4,391,158	(v)	9,846,832

	Year ended 30-Sep-16 (As previously reported) Tshs '000	Prior year adjustment Tshs '000		Year ended 30-Sep-16 (As restated) Tshs '000
Non- current asset				
Biological asset	5,311,384	(5,311,384)	(iv)	-
Property, plant and equipment	5,044,947	5,311,384	(v)	10,356,331
Amortisation of bearer plants	-	(138,106)	(i)	(138,106)
Derecognition of gain in fair value	-	(920,226)	(ii)	(920,226)
	10,356,331	**(1,058,332)**		**9,297,999**
Deferred tax liabilities	(625,703)	90,007	(vii)	(535,696)
Deferred tax assets	1,397,113	227,493	(vii)	1,624,606
Equity				
Retained earnings	(10,284,896)	(443,074)		(10,727,970)

i) Adjustments to cost of sales to recognise depreciation on bearer plants,(Rungwe Avocado Company Limited Tshs 62.188 Million and Wakulima Tea Company 75.918 million),

ii) Adjustments to derecognise fair value gain on bearer plants that was recorded in the prior year financial statements,

iii) Overall net effect to the profit or loss for the year ended 30 September 2016,

iv) Reclassification of tea plantations and avocado plants (bearer plants) to property, plant and equipment,

v) Reclassification adjustment described in (iv) above to property, plant and equipment as at 30 September 2016,

vi) Amortisation of biological assets, and

vii) Adjustment to incorporate tax effect on (i) and (ii)