
TANGANYIKA FARMERS' ASSOCIATION PLC

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST OCTOBER 2018

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TANGANYIKA FARMERS' ASSOCIATION PLC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Members of the Company will be held at TFA Arusha Shopping Centre premises situated along Sokoine Road, Ngarenaro, Arusha on Saturday the 30th day of March 2019 at 10:00 am to conduct the following businesses:-

1. Opening of the Annual General Meeting.
2. To read the notice calling the meeting.
3. To approve minutes of the previous Annual General Meeting held at Arusha on 28/10/2017.
4. To consider matters arising from the minutes of the Annual General Meeting held at Arusha on 28/10/2017.
5. To receive The Chairman's Statement.
6. To receive and if thought fit to approve Audited Financial Statements for the years ended 2016/2017 and 2017/2018 together with the Directors Report and the Report of the External Auditors.
7. To note that the External Auditors shall continue to audit the accounts of the company in accordance to the provisions of section 170(2) of the Companies Act.
8. To consider and approve the Directors remuneration for the ensuing year.
9. Any other business where appropriate notice thereof shall have been duly received.
10. Closing of the Meeting.

By Order of the Board of Directors



Pendo Jacob

Company Secretary

21/01/2019

NOTE:- Form of Proxy is available from all TFA Branches

TANGANYIKA FARMERS' ASSOCIATION PLC

COMPANY INFORMATION FOR THE YEAR ENDED 31ST OCTOBER 2018

**PRINCIPAL PLACE
OF BUSINESS:**

United Republic of Tanzania.

REGISTERED OFFICE:

Fire Road, Arusha
P O Box 3010, Arusha.
www.tfatz.com

BANKERS:

CBA (T) Limited
Arusha Branch
P. O. Box 2715
Arusha.

CRDB Bank PLC
Arusha Branch
P. O. Box 3150
Arusha.

NMB Limited
Clock Tower Branch
P. O. Box 3096
Arusha.

COMPANY SOLICITORS

M/s Knit & Audit Law Offices
P O Box 8003
Arusha.

COMPANY SECRETARY:

Pendo Jacob
P O Box 3010
Arusha.

COMPANY AUDITORS:

Ndamallya & Company,
Certified Accountants, Authorised Auditors & Tax
Consultants,
P. O. Box 340,
Arusha.

CHAIRMAN'S STATEMENT

1. INTRODUCTION

It is with great pride and humility, that I submit on behalf of the entire Board of Directors, the Directors Report jointly for the two financial years 2016/2017 and 2017/2018, together with the future plans for TFA PLC as outlined in our overall development strategic plan.

It is my strongly held belief, that all our members deserve and have every right to expect and to receive improved services for their investment in TFA PLC. Benefits of such investment will only be achieved where our company shall be operating profitably. Presently I am pleased to report that our company has achieved overall profitability in both the two financial years that are being reported upon.

After these short introductory remarks, allow me to take this opportunity to present our operational report for the two financial years namely 2016/2017 and 2017/2018.

2. BUSINESS DEVELOPMENT FROM 1/11/2016 – 31/10/2018

The company continued with the key business undertaking of serving the Tanzania farming community as outlined in our major business strategy. This business performance report is divided into to major activities and Departments as follows:-

2.1 TRADING DIVISION

We are proud to report a continuous growth trend of our agricultural input business for four years continuously.

This growth has been made possible by our team of Management under strategic policy directives of the Board of Directors specifically in:-

- i. Creative and innovation mind of the team as led by the Sales and Marketing team.
- ii. The growth has to a larger extent explained by the growth relationship between TFA and manufacturers within Tanzania and outside the country. Our importation volume has grown from TZS 500 Million to 2.5 Billion from 2015 - 2018.
- iii. The Board of Directors and Management have ensured the Implementation of cost cutting rationale strategy for the past four years (2014-2018) to be able to record profit after decades of loss making.

2.2 PROPERTY DIVISION

The Property Division continued to be the major source of other income for the TFA Plc. In the past four years (2014 - 2018), property has remained stable business despite the deteriorating trend in the sub sector of property leasing countrywide.

Our TFA Arusha Shopping Centre has managed to bring in new enchor tenants at the centre which has sharpen our business trend and remain stable.

TANGANYIKA FARMERS' ASSOCIATION PLC

Soon we will see the centre starting operating an automated parking system which will in turn reduce the stressed parking space for shoppers.

We have managed to record 412.2 Million profit 2018 for the fourth time consecutively since 2015. This has been possible regardless of turbulences facing property and agriculture input business at the moment as to a larger extent contributed by the efforts of the current Board of Directors and Management. The profit recorded is the total growth of 70% of our previous business of financial year 2016/2017.

3. STRATEGIC PLANS AND OUTLOOK OF TFA PLC 2018/2019

3.1 INTRODUCTION

Based on our business trend for the past four years in record and in particular after this Board of Directors has assumed the mandate to oversee on your behalf the operations of TFA Plc, we are proud to share with you our future insights of TFA Plc which we believe we will manage to achieve without fail with your support.

The future plan will include both short term and long term. I am well aware that all these plans shall be very largely dependent on the developmental direction that TFA Plc shall adopt. Let me sincerely request and plead with all our shareholders (members) to continue supporting these very earnest and dedicated endevours on our journey towards the proverbial "*the land of milk and honey*".

The following are the major plans and strategies for TFA PLC in the coming future:

- i. As you may all be aware, your approval to list TFA PLC in the DSE was obtained in the last AGM and the Board and Management has started the listing process and we will still manage to get our Organization listed in 2020.
- ii. TFA Plc has started operating a wider Farmers need and opening more product range availability to our Farming community. A full time unit of Alternative Channel of Income has been established to increase our product range since 2018. A range of products will then be available soon in our stores which includes insurance agency, building materials, water drilling, etc. This will in turn increase sales and ulcinacely profit in future.
- iii. Plans are underway to start water bottling in the next 5 years after we have successfully managed to drill bore hole at TFA Arusha Shopping Centre. All these and others we believe will sustain our profit and avoid going back to lose making.

As opposed to the selling of assets trend picked up previously, this Board of Directors and Management have started working on acquiring new plots and land to use for new building and agriculture. This is evidenced by the currently aquired new plot in Kilolo of 2600 squre meters. The area is to building storage facilities and develops a distribution channel for agro inputs.

Indications to acquire more plots and farms for agriculture are at final stages of offer in Ifakara, Tanga, Mbinga and Dodoma. I wish to appeal to you that, the next 5 years when this program is complete we will have a very strong TFA with farming touch in the country.

TANGANYIKA FARMERS' ASSOCIATION PLC

- iv. It is planned to substantially increase the TFA PLC catchment area and coverage in the distribution of agricultural inputs by increasing the number of branches from the present sixteen (16) to twenty (20) by the year 2020.
- v. Plans are still underway to start farmers free magazine to extend our agricultural extension service role to our shareholders and farming community in Tanzania. TFA has started a program to run a free widely distribution magazine which will carry agriculture information in areas of crops and animal husbandry. This will be a free exchange of modern techniques and information of agriculture practices expected to revolutionize the sector in Tanzania.
- vi. TFA Plc has also benefited from the current nourishing relationship with development partners like donors and financial institutions, by managing to secure reduced interest rates and opportunities to apply for development projects like buying of grains and construction of new storage facilities.

We are also pleased to assure our shareholders that, TFA Plc is fully in compliance of the business requirement and in that, we were able to pay taxes worth more than 1.0bl. This has positioned our business to a very safe and stable environment.

4. A WORD OF THANKS

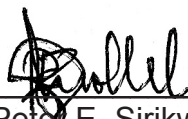
On my own behalf and on behalf of the entire Board of Directors and of the Management of TFA PLC, I am pleased to take this opportunity to extend my sincere thanks and appreciation to all the Members for the continued cooperation which you have extended to us.

I also thank all Shareholders (Members) for being patient for an extended period of time during which our company was operating at a loss, up till now when we are back into profit making. It has not been easy but we are glad that we have achieved this major goal.

Secondly, I wish to thank all our clients who have continued to procure their requirements from us.

Lastly but in no way the least, I wish to thank all Stake holders with whom we have done business during the period under review including the Banks, Manufacturers and distributors of agricultural inputs, the Government of the United Republic of Tanzania and all its Ministries and Departments and all Others who have in one way or the other enabled us to achieve these very impressive, satisfying and encouraging results.

Thank you very much.



Peter E. Sirikwa
CHAIRMAN

TANGANYIKA FARMERS' ASSOCIATION PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST OCTOBER 2018

The Directors present this report and the Audited Financial Statements for the year ended 31st October, 2018.

INCORPORATION

The company is incorporated in Tanzania under the companies Act as Public limited company by share and issued with a Certificate of Incorporation Number 1826.

STRATEGIC'S VISION

To provide quality products and excellent service to customers, a fair return to shareholders be the employer of choice and endeavour to bring prosperity to our suppliers, associates and the community.

CORE VALUE

In the pursuit of its vision, the board and management will Endeavour to lead the organization:

- With honesty
- Transparency
- Be accountable for our behaviour and results
- Conscious of our social responsibility and
- Caring for others who are affected in our day to day business

PRINCIPAL ACTIVITY

The principal activities of the company are retail trading of agricultural input and related products and property development and renting.

FUTURE DEVELOPMENT PLANS

The company will continue to improve its profitability through the introduction of quality products, services, focusing on value-added customer products and selective expansion of its product lines while carefully managing both costs and risks.

TANGANYIKA FARMERS' ASSOCIATION PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST OCTOBER 2018

CORPORATE GOVERNANCE

The Board of Directors consists of 6 directors, of which one director hold executive position in the company. The Board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board delegates the day to day management of the business to Managing Director assisted by senior management. Senior Management facilitates the effective control of all the company's operational activities, acting as a medium of communication and coordination between all the various business units. The company is committed to the principles of effective corporate governance .The directors also recognize the importance of integrity, transparency and accountability.

COMPANY'S CAPITAL STRUCTURE

The capital structure consists of share capital of TZS 2.5 billion and retained earnings.

RESULTS AND DIVIDEND

The results of the company are set out on page 15.The Directors do not recommend the payment of dividends this year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company. 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;
- Safeguarding of the company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behavior towards all stakeholders.

TANGANYIKA FARMERS' ASSOCIATION PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST OCTOBER 2018

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

DELEGATION

Overall objectives of the company are agreed by the Board of directors, which delegates the day-to-day operations to Management for execution. There is a clear organization structure, detailing lines of authority.

BUDGETS

Detailed annual budgets are prepared by the Management and approved by the Board of directors. The annual budgets are derived from the Company's Corporate Plan. Competence Staff skills are maintained both by a formal recruitment process and a performance appraisal system, which identifies training needs. Also, necessary training both in house and externally, helps to consolidate existing staff skills and competences.

INTERNAL AUDIT

An internal audit unit has been established due to the growth of the company's activities. The Unit assesses risk and reviews controls. The unit ensures that recommendations to improve controls are followed up by the Management. The Internal Audit Manager reports functionally to the Board of Directors and administratively to the Managing Director.

SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that Tanganyika FARMERS' Association Plc has adequate resources to continue in operational existence for the foreseeable future.

EMPLOYEES WELFARE

Management and Employees' Relationship

There were continued good relation between employees and management for the year 2018. There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and employees.

TANGANYIKA FARMERS' ASSOCIATION PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST OCTOBER 2018

THE COMPANY IS EQUAL OPPORTUNITY EMPLOYER

The company gives equal access to employment opportunities and ensures 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 duties.

FINANCIAL HELP

Financial help is available to all employees depending on the assessment by management as to the need and ability of the company to help.

EMPLOYEES BENEFIT PLAN

The company pays contributions to a publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan. The average number of employees during the year was 56.

RELATED PARTY TRANSACTIONS

All related party transactions and balances, including directors emoluments are disclosed in the financial statements.

GENDER PARITY

The Company is equal opportunity employer. It gives equal access to employment opportunities and ensures 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 duties.

ENVIRONMENTAL CONTROL PROGRAM

The Company monitors the impact of its operations on the environment, which is mainly through the use of power, water and the generation of waste. The company minimizes its impact through the better use of its premises and inbuilt facilities to ensure that there is proper waste management.

TANGANYIKA FARMERS' ASSOCIATION PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST OCTOBER 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Companies Act, 2002 requires the directors to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities. The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

MANAGEMENT

The Management of the Company is under the Managing Director and is organized in the following departments:

- Internal Audit department ;
- Finance and administration department;
- Sales and marketing department;
- Property department.
- Corporate department.

TANGANYIKA FARMERS' ASSOCIATION PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST OCTOBER 2018

DIRECTORS AND INTEREST

Directors

Directors who served the company from 1 November 2017 and to the date of this report were:

S/N	Name	Designation	Date of appointment	Nationality
1.	Mr. Peter E. Sirikwa	Chairman	30/4/2016	Tanzanian
2.	Mrs. Cathy-Elizabeth S. Long'lway	Deputy Chairperson	30/4/2016	Tanzanian
3.	Mr. Walter S. Maeda	Member	30/4/2016	Tanzanian
4.	Mr. George B. Lupembe	Member	30/4/2016	Tanzanian
5.	Mr. Stanley J. I. Mwanri	Member	30/4/2016	Tanzanian
6.	Mr. Justin M. Shirima	Managing Director	03/1/2017	Tanzanian

Board of directors met 10 times during the year under review.

DIRECTOR'S INTEREST

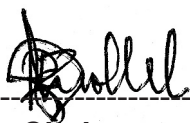
The directors' interest in the shares of the company is as follows

S/N	Name	Number of shares
1.	Mr. Peter E. Sirikwa	970
2.	Mrs. Cathy-Elizabeth S. Long'lway	15
3.	Mr. Walter S. Maeda	5,270
4.	Mr. George B. Lupembe	50
5.	Mr. Stanley J. I. Mwanri	965

AUDITORS

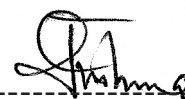
M/s Ndamallya & Company auditors were appointed in accordance with Section 170(1) of the Companies Act 2002, and have expressed their willingness to continue in office in accordance with section 170(2) of the Companies Act 2002.

By Order of the Board



Chairman

06/03/2019



Managing Director

06/03/2019

TANGANYIKA FARMERS' ASSOCIATION PLC

REPORT OF THE INDEPENDENT AUDITORS

To the members of
TANGANYIKA FARMERS' ASSOCIATION PLC

We have audited the accompanying Financial Statements of TANGANYIKA FARMERS' ASSOCIATION PLC which comprise of the Statement of Financial Position as at 31st October, 2018 Statement Financial Performance, Statement of Cash Flows, and Statement of Changes in Equity for the year then ended, and the summary of significant accounting policies and other explanatory notes as set out from page 20 to 31.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS.

The Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

TANGANYIKA FARMERS' ASSOCIATION PLC

UNQUALIFIED OPINION

In our opinion, the financial statements give a true and fair view of the financial position of TANGANYIKA FARMERS' ASSOCIATION PLC and the results of its operations for the year then ended in accordance with International Financial Reporting Standards and comply with the establishing Act.

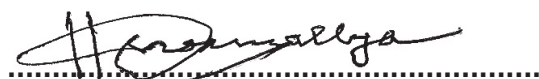
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Compliance with the Public Procurement Act, 2011.

In view of our responsibility on the procurement legislation and taking into consideration the Procurement transactions and processes, we have reviewed as part of this Audit, we state that, TANGANYIKA FARMERS' ASSOCIATION PLC procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No. 7 of 2011 and its underlying Regulations of 2013.

NDAMALLYA & COMPANY

Certified Accountants & Authorised Auditors



H. Ndamallya, FCPA.082

MANAGING PARTNER

ARUSHA

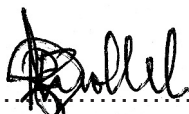
DATE: 11/03/2019



TANGANYIKA FARMERS' ASSOCIATION PLC

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
31ST OCTOBER 2018**

INCOME	NOTES	2018/2017 TZS'000	2017/2016 TZS'000
Sales	3.0	7,050,705	6,977,101
Cost of sales	4.0	<u>(5,671,067)</u>	<u>(5,730,074)</u>
Gross operating income surplus		1,379,638	1,247,027
Other income	5.0	<u>2,315,663</u>	<u>2,190,145</u>
Gross Operating surplus for the year		<u>3,695,301</u>	<u>3,437,172</u>
Operating expenses			
Administrative expenses	6.0	(1,349,443)	(1,425,449)
Selling and distribution expenses	7.0	<u>(457,682)</u>	<u>(454,353)</u>
Total operating expenses		<u>(1,807,125)</u>	<u>(1,879,802)</u>
Surplus / (deficit) for the year		1,888,176	1,557,370
Finance costs	8.0	<u>(1,084,173)</u>	<u>(899,635)</u>
Depreciation		<u>(391,754)</u>	<u>(376,772)</u>
Surplus for the period attributed to owners of the parent company		412,248	280,963
Other financial performance items that may be reclassified to the surplus or deficit			
Exceptional items		-	<u>(38,990)</u>
Net surplus for the period attributed to the owners of the parent Company		<u>412,248</u>	<u>241,973</u>



Peter E. Sirikwa
Chairman
06/03/2019



Justin M. Shirima
Managing Director
06/03/2019

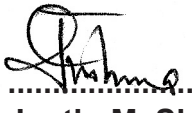
TANGANYIKA FARMERS' ASSOCIATION PLC

STATEMENT OF FINANCIAL POSITION AT 31ST OCTOBER, 2018

ASSETS	NOTES	31.10.2018	31.10.2017
		<u>TZS'000</u>	<u>TZS'000</u>
Non-current assets			
Property, Plant and Equipments	9.0	23,070,827	23,023,991
Prepaid Lease	12.0	2,380	5,800
Investment in financial assets	11.0	5,000	5,000
Total non - current assets		<u>23,078,207</u>	<u>23,034,791</u>
Current assets			
Inventories	13.0	2,247,211	2,980,778
Trade and other receivables	14.0	2,219,642	1,580,245
Current tax assets	10.0	140,555	144,555
Cash and cash equivalents	15.0	162,197	97,820
Total current assets		<u>4,769,605</u>	<u>4,803,398</u>
Total assets		<u>27,847,812</u>	<u>27,838,189</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20.0	2,513,694	2,513,694
Retained earnings	21.0	<u>18,561,018</u>	<u>18,039,636</u>
Total equity		<u>21,074,712</u>	<u>20,553,330</u>
Non-current liabilities			
Borrowings	19.0	<u>4,044,553</u>	<u>4,047,219</u>
Current liabilities			
Trade and other payables	18.0	1,591,889	1,722,238
Bank overdraft	16.0	<u>1,136,658</u>	<u>1,515,402</u>
Total current liabilities		<u>2,728,547</u>	<u>3,237,640</u>
Total equity and liabilities		<u>27,847,812</u>	<u>27,838,189</u>



Peter E. Sirikwa
Chairman
06/03/2019



Justin M. Shirima
Managing director
06/03/2019

TANGANYIKA FARMERS' ASSOCIATION PLC


STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST OCTOBER 2018

		2018/2017	2017/2016
CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	<u>TZS'000</u>	<u>TZS'000</u>
Surplus before tax		412,248	241,973
Non cash adjustments to reconcile surplus before tax to net cash flows			
- Impairment of assets		391,754	372,005
- Prior year adjustment		109,134	(83,638)
- Depreciation adjustment		<u>(3,000)</u>	-
Total cash flows from operating activities		<u>910,136</u>	<u>530,340</u>
Working capital adjustments			
(Increase)/ decrease in inventories		733,567	(1,653,856)
(Increase)/ decrease in receivables		(639,397)	(208,207)
(Increase)/ decrease in prepaid tax		4,000	(4,000)
Increase/ (decrease) in payables		<u>(130,349)</u>	<u>335,548</u>
Net changes in level of working capital items		(32,179)	(1,530,515)
Other adjustments		(170)	2,625
Sub Total		(32,349)	-
Net cash flows used in operating activities (A)		<u>877,787</u>	<u>(997,550)</u>
Investing activities			
Additions on property and equipment	9.0	(438,620)	(274,261)
Gain on disposal of motor vehicle		3,200	-
Prepaid lease		<u>3,420</u>	<u>11,000</u>
Net cash flows from investing activities (B)		<u>(432,000)</u>	<u>(263,261)</u>
Financing activities			
CBA term loan		(2,666)	1,310,051


TANGANYIKA FARMERS' ASSOCIATION PLC

Letter of Credit	-	780,963
CBA bank overdraft	<u>(378,744)</u>	<u>(774,163)</u>
Net cash flows from financing activities (C)	<u>(381,410)</u>	<u>1,316,851</u>
TOTAL CASH FLOWS FOR THE YEAR (A+B+C)	64,377	56,040
Cash and cash equivalents at the beginning of the year	<u>97,820</u>	<u>41,780</u>
Cash and cash equivalents at the end of the year	<u>162,197</u>	<u>97,820</u>

These financial statements were approved by the Board of Directors on 06/03/2019 and signed on its behalf by:



.....
Peter E. Sirikwa
Chairman



.....
Justin M. Shirima
Managing Director

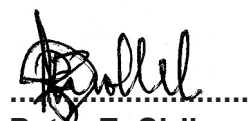
The accompanying notes are an integral part of the financial statements

TANGANYIKA FARMERS' ASSOCIATION PLC

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31ST OCTOBER 2018**

PARTICULARS	Share	Retained	Total as at	Total as at
	capital	earnings	31.10.2018	31.10.2017
	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 01.11.2017	2,513,694	18,039,636	20,553,330	20,394,994
Profit / (loss) for the year	-	412,248	412,248	241,973
Prior year's adjustment	-	109,134	109,134	(83,639)
Balance as at 31.10.2018- c/f	2,513,694	18,561,018	21,074,712	20,553,329

These financial statements were approved by the Board of Director on 06/03/2019 and signed on its behalf by:



.....
Peter E. Sirikwa
Chairman



.....
Justin M. Shirima
Managing Director

The accompanying notes are an integral part of the financial statements.

TANGANYIKA FARMERS' ASSOCIATION PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER, 2018

NOTES

1. GENERAL INFORMATION

TANGANYIKA FARMERS' ASSOCIATION PLC (TFA) was established with the principal activities of the company are retail trading of agricultural input and related products and property development and renting. The address of its registered office is:

Fire Road, Arusha P. O. Box 3010, Arusha
www.tfatz.com

2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets. The principal accounting policies are set out below:

1.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

Revenue comprises the fair value of the consideration received and receivable for services rendered in the ordinary course of the company's activities. Revenue is shown net of value-added tax (VAT), rebates and discounts.

Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(b) Foreign currency translations

i) Functional and presentation currency

Items included in these financial statements are measured using the currency of economic environment in which the company operates ('the functional currency')

The financial statements are presented in Tanzania shillings (TZs'000), which is the company's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into Tanzania shillings using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Tanzania Shillings at rates prevailing at that

TANGANYIKA FARMERS' ASSOCIATION PLC

date. The resultant exchange gains and losses are recognized in the income statement.

The exchange rates used as at 31st October, 2018 was:-

1USD =TZS 2,186/=

(c) Retirement Benefit Costs

Payments to National Social Security Fund (NSSF), PPF and LAPF, a state-managed retirement benefit scheme are dealt with as payment to defined contribution schemes. Payments to defined contribution schemes are charged as an expense as they fall due.

(d) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to Tanzania Revenue Authority. The tax rates used to compute the amount are those prescribed by legislation from time to time. The current rate of taxation is 30%.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences (unless the liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and at that time affects neither accounting profits nor taxable profits).

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

(e) Property, Plant and Equipment

Property, Plant and Equipment is stated at cost less accumulated depreciation and accumulated impairment in value. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An item of property, plant and equipment is derecognized upon disposal or when no future benefits are expected from its use or disposal.

Any gain or loss arising on derecognizing of the asset is included in the income statement in the year the asset is derecognized. The asset's residue values, useful lives and methods are reviewed, and adjusted if appropriate at each financial year.

TANGANYIKA FARMERS' ASSOCIATION PLC

Depreciation on Property, Plant and Equipment is calculated on straight line balance at the following annual rates: -

Asset category	%
Land and Buildings	1.25
Heavy Motor vehicles	37.50
Motor vehicles – light	25.00
Plant and machinery	12.50
Furniture, fittings other equipment	12.50
ICT and computers	37.50

(f) Impairment of Assets

The carrying amount of assets other than inventories and deferred loss are reviewed at each balance sheet date whether there is any indication of impairment.

(g) Inventory

Inventories are valued at lower of cost and net realizable value, less a provision for any obsolete or unusable inventory on hand. Net realizable value is the price at which the inventory can be realized in the normal course of business after allowing for the costs of realization and, where appropriate, the cost of the conversion from its existing state to a realizable condition.

(h) Trade and other receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for the estimated irrecoverable amounts.

(i) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalent comprise cash on hand and at bank.

(j) Provisions

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

(k) Trade and other payables

Trade payables do not carry any interest and are stated at their nominal value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

(l) Accounting for 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 are charged to the profit and loss account on a straight-line basis over the period of the lease.

TANGANYIKA FARMERS' ASSOCIATION PLC

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST OCTOBER 2018**

	2018/2017	2017/2016
	TZS'000	TZS'000
NOTE 3.0 REVENUE		
Sales	<u>7,050,705</u>	<u>6,977,101</u>
Sales are from agricultural inputs and other related products.		
 NOTE 4.0 COST OF SALES		
Opening inventories	2,980,778	1,326,922
Purchases	<u>4,937,501</u>	<u>7,383,930</u>
	7,918,279	8,710,852
Closing inventories	<u>(2,247,212)</u>	<u>(2,980,778)</u>
Total	<u>5,671,067</u>	<u>5,730,074</u>
 NOTE 5.0 OTHER INCOME		
Rent income from properties	2,080,911	1,982,244
Service charges	222,575	195,885
Miscellaneous income	8,879	10,217
Commissions received	98	1,799
Gain on disposal of Property plant and equipment	3,200	-
Total	<u>2,315,663</u>	<u>2,190,145</u>
 NOTE 6.0 ADMINISTRATIVE EXPENSES		
Skills Development Levy (SDL)	26,187	31,553
Workers Compensation Fund	6,629	9,437
Staff training	11,567	440
Directors fees and expenses	76,830	107,487
Subscriptions	6,166	5,098
Audit fees	15,875	14,020
Donations	930	1,820
Staff welfare and medical expenses	47,755	43,110
Stamp duty	-	100
Newspapers and periodicals	1,938	2,327
Cleaning and sanitation	85,869	103,217
Repair and maintenance	11,094	20,041
Insurance and licenses	119,816	115,238
Lighting and power	25,106	17,240
Legal fees and expenses	22,068	32,953
Professional fees	48,956	63,284

TANGANYIKA FARMERS' ASSOCIATION PLC

Telephone, postage and fax	32,390	25,280
Rent and rates	137,735	108,185
Staff Salaries	285,569	284,580
NSSF/LAPF/PPF	23,704	16,031
Printing and Stationery	29,664	40,875
Transport and Travelling	165,200	168,156
Entertainment	8,960	4,024
Water and conservancy	49,279	57,604
Security expenses	96,345	102,721
Terminal benefits	13,812	-
Annual General Meeting Expenses	-	49,630
Total	<u>1,349,443</u>	<u>1,425,449</u>

NOTE 7.0 SELLING AND DISTRIBUTION EXPENSES

Salaries and wages	277,200	275,340
NSSF employer contribution	27,031	24,323
PPF contribution	-	455
Gratuity expenses	29,781	51,593
Advertisement and marketing	47,050	31,611
Vehicle running expenses	<u>76,620</u>	<u>71,031</u>
Total	<u>457,682</u>	<u>454,353</u>

NOTE 8.0 FINANCE COSTS

Bank charges and commissions	139,083	21,343
Bank interest	970,943	885,179
Foreign exchange gain / loss	<u>(25,853)</u>	<u>(6,887)</u>
Total	<u>1,084,173</u>	<u>899,635</u>

TANGANYIKA FARMERS' ASSOCIATION PLC

NOTE 9.0 PROPERTY, PLANT AND EQUIPMENTS

	LAND & BUILDINGS TZS. '000	PLANT MACHINERY & EQUIPMENT TZS. '000	FURNITURE & FITTINGS TZS. '000	MOTOR VEHICLES TZS. '000	ICT SYSTEMS & EQUIPMENT TZS. '000	TOTAL TZS.'000
COST/VALUATION						
At 01.11.2017	25,409,873	113,037	145,424	321,483	134,680	26,124,497
Additions	377,697	3,019	1,271	22,639	33,994	438,620
Disposals	-	-	-	(3,000)		(3,000)
At 31.10.2018	<u>25,787,570</u>	<u>116,055</u>	<u>146,695</u>	<u>341,122</u>	<u>168,674</u>	<u>26,560,117</u>
DEPRECIATION:						
At 01.11.2017	2,594,050	79,672	115,532	186,063	125,219	3,100,536
For the year	322,345	4,548	3,895	44,670	16,296	391,754
On Disposal	-	-	-	(3,000)		(3,000)
At 31.10.2018	<u>2,916,395</u>	<u>84,220</u>	<u>119,427</u>	<u>227,733</u>	<u>141,515</u>	<u>3,489,290</u>
CARRYING AMOUNT						
At 31.10.2018	<u>22,871,175</u>	<u>31,836</u>	<u>27,268</u>	<u>113,389</u>	<u>27,256</u>	<u>23,070,827</u>
At 31.10.2017	<u>22,815,824</u>	<u>33,396</u>	<u>29,892</u>	<u>135,419</u>	<u>9,461</u>	<u>23,023,991</u>

TANGANYIKA FARMERS' ASSOCIATION PLC

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST OCTOBER 2018**

NOTE 10.0 INCOME TAX EXPENSE

There is no tax charge for the year because the company has carried forward tax losses amounting to Shs. 5,366 million (2015: Shs. 4,622 million). The losses up to the year of income 2011 have been agreed with the Tanzania Revenue Authority. The respective deferred tax asset has not been recognized in these financial statements due to uncertainties as to whether sufficient taxable Surpluses will be available in the future against which the temporary differences giving rise to the deferred tax asset can be utilized.

	31.12.2018	31.12.2017
	<u>TZS'000</u>	<u>TZS'000</u>
NOTE11.0 INVESTMENT IN FINANCIAL ASSETS		
Happy Sausages	5,000	5,000
Total	<u>5,000</u>	<u>5,000</u>

The company holds shares in other company. The number of shares at reporting period were as follows;

Name of the company	No of shares held	No of shares held
Happy Sausages Ltd	<u>391</u>	<u>391</u>
Total shares	<u>391</u>	<u>391</u>

	31.10.2018	31.10.2017
	<u>TZS'000</u>	<u>TZS'000</u>
NOTE12.0 PREPAID LEASE		
Rent paid in advance	2,380	5,800
	2018	2017
NOTE13.0 INVENTORIES	<u>TZS'000</u>	<u>TZS'000</u>
General inventories	2,262,964	2,996,531
Less: Provision for Obsolete Inventories	(15,753)	(15,753)
Total	<u>2,247,211</u>	<u>2,980,778</u>

TANGANYIKA FARMERS' ASSOCIATION PLC

**NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST OCTOBER 2018**

The cost inventories recognized as an expense during the year was TZS 5.671 billion (2017: TZS 5.730 billion). The cost of inventories recognized as expense during the year excludes TZS 15.7 million (2017: TZS 15.7 Million) in respect of allowance for obsolete inventories. Inventories are expected to be recovered within twelve months.

NOTE 14.0 TRADE AND OTHER RECEIVABLES

	31.10.2018	31.10.2017
	TZS'000	TZS'000
Trade receivables	2,107,139	1,464,361
Staff loans and advances	<u>112,503</u>	<u>115,884</u>
Total	<u>2,219,642</u>	<u>1,580,245</u>

NOTE 15.0 CASH AND CASH EQUIVALENTS

Cash in hand	3,169	20,627
Bank balance	<u>159,028</u>	<u>77,193</u>
Total	<u>162,197</u>	<u>97,820</u>

NOTE 16.0 BANK OVERDRAFT

CBA (T) Limited	<u>1,136,658,</u>	<u>1,515,402</u>
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Purpose of bank overdraft is to finance working capital of the company. The facility is repayable on demand but in the absence of a demand, it is repaid within twelve (12) months from the disbursement day of the facility. The interest charged is 20% per annum.

NOTE 17.0 CASH AND CASH EQUIVALENTS

For the purpose of preparation of statement of cash flows, cash and cash equivalents include cash on hand, in banks and net of outstanding bank overdraft. Cash and cash equivalents at the end of reporting period as shown in the statement of cash flows is comprised of;

Cash and cash equivalents include;

	31.10.2018	31.10.2017
	<u>TZS'000</u>	<u>TZS'000</u>
Cash in hand	3,169	20,627
Bank balance	<u>159,028</u>	<u>77,193</u>
Total	<u>162,197</u>	<u>97,820</u>

TANGANYIKA FARMERS' ASSOCIATION PLC

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST OCTOBER 2018**

NOTE 18.0 TRADES AND OTHER PAYABLE

	31.10.2018	31.10.2017
	<u>TZS'000</u>	<u>TZS'000</u>
Trade payables	1,441,621	1,456,238
Other payables	<u>150,268</u>	<u>266,000</u>
Total	<u>1,591,889</u>	<u>1,722,238</u>

NOTE 19.0 BORROWINGS-INTEREST BEARING LOANS

CBA Restructured Term loan I and II	2,500,835	3,266,256
CBA Asset Finance - AF	94,582	-
CBA term loan III – TL III (New)	478,225	-
Letter of credit	-	780,963
Premium Finance loans	-	-
Post import finance loan	970,911	-
Total	<u>4,044,553</u>	<u>4,047,219</u>
Payable within twelve months	-	-
Payable more than twelve months	-	-
Total	<u>4,044,553</u>	<u>4,047,219</u>

CBA TERM LOAN TZS

The purpose of CBA term loan, maturity and interest charged

The purpose is to finance the restructured and consolidated two loans of the Company granted for construction and renovation of commercial complex at TFA shopping centre. This term loan is repayable in sixty (60) equal monthly principal and interest at interest rate of 20 %.

TANGANYIKA FARMERS' ASSOCIATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2018

Suppliers Financing Cum Letters of credit Post Import Loan USD

The purpose is to finance importation and local purchase of stocks. The tenor is Sixty (60) days and 90 days respectively. Commission on Letters of credit is 0.75 per quarter.

Collaterals held as security and other credit enhancements

(a) Collaterals No. I

Guarantee by The Tanganyika Farmers Association limited's properties; supported by Legal Mortgage over CT No.055042/6 and 055026/1 located along Uhuru Road Industrial Area and Abutting on Babati Road in Arusha City respectively registered at current market value of TZS 18,020,000,000.00(Tanzania Shilling Eighteen Billion and Twenty Million only).

(b) Collateral No.II

Guarantee by The Tanganyika Farmers Association limited's properties; supported by Legal Mortgage on Plot No.76 Block 2E2, at Fire Street in Arusha City Under C.T No.055020/22, registered at current market value of TZS 3,535,000,000.00(Tanzania Shilling Three Billion and Five Hundred Thirty Five Million only) to cover the credit facility and any other related costs to a minimum of 125%.

(c) Collateral No.III

Guarantee by The Tanganyika Farmers Association limited's properties; supported by Legal Mortgage on Plot No 100, Block 'A' Section 1 at Boma Road in Moshi Municipality Under C.T No.12454, registered at current market value of TZS 1,195,000,000.00 (Tanzania Shilling One Billion, One Ninety Five Million only) to cover the credit facility and any other related costs to a minimum of 125%.

(d) Collateral No.IV

Guarantee by The Tanganyika Farmers Association limited's properties; supported by entire fixed and floating assets of the company registered at current market value of TZS 10,350,765,000 (Tanzania Shilling Ten Billion and three fifty Million Seven sixty five Thousand only) to cover the credit facility and any other related costs to a minimum of 125%.

TANGANYIKA FARMERS' ASSOCIATION PLC

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST OCTOBER 2018**

	31.10.2018	31.10.2017
	<u>TZS'000</u>	<u>TZS'000</u>
NOTE 20.0 SHARE CAPITAL		
Authorized Share Capital		
300,000 Members' shares of TZS 10,000/= each	<u>3,000,000</u>	<u>3,000,000</u>
Issued and fully paid		
251,370 Members' shares of TZS 10,000/= each	<u>2,513,694</u>	<u>2,513,694</u>
Shares not issued		
48,630 Ordinary shares @TZS 10,000	<u>486,306</u>	<u>486,306</u>
	31.10.2018	31.10.2017
	<u>TZS' 000</u>	<u>TZS' 000</u>
NOTE 21.0 RETAINED EARNINGS		
Balance brought forward	18,039,636	17,881,301
Profit / (loss) for the year	412,248	241,973
Prior year's adjustment	<u>109,134</u>	<u>(83,638)</u>
Balance carried forward	<u>18,561,018</u>	<u>18,039,636</u>
NOTE 22.0 PRIOR YEAR ADJUSTMENT		
Difference in reserve opening balance	<u>109,134</u>	<u>(83,638)</u>
Total	<u>109,134</u>	<u>(83,638)</u>

Prior year adjustment amounting to TZS 109,134 million resulted from expenses which were not carried by accounting system during accounting close process.

NOTE 23.0 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES
As at 31 October 2018, the company had neither capital commitments nor contingent liabilities.

NOTE 24.0 FINANCIAL RISK MANAGEMENT

a) Interest rate risk

The company is not exposed into interest rate risk since its bank borrowings and bank overdraft have fixed interest rate.

TANGANYIKA FARMERS' ASSOCIATION PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2018

b) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. The company has only few Tenants and other debtors to whom credit facility is extended. The rest of clients pay in advance before the service is provided. Trade receivables are presented net of allowance for doubtful debts. Accordingly, the company has no any significant credit risk exposure to any single counterparty.

c) Foreign currency risk management

Most of company's Tenants are billed in United States Dollar, hence, exposure to exchange rate fluctuations arise. Exchange rate exposures are managed by acquiring products from local suppliers and Overseas suppliers in United States Dollar.

d) Liquidity risk management

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity of financial assets and liabilities.

NOTE 25.0 EMPLOYEES

The average number of employees for the company during the period was 56

NOTE 26.0 INCORPORATION

The company is incorporated in Tanzania as a private company limited by shares under the companies Act 2002 and issued with certificate of incorporation No 1826

NOTE 27.0 CURRENCY

These financial statements are presented in Tanzania Shillings (TZs.) because that is the currency of the primary economic environment which the company operates. Function currency is Tanzania Shillings (TZs.) and the united States Dollar (US\$).

NOTE 28.0 COMPARATIVE FIGURES

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