EAST AFRICAN TEA INVESTMENTS
(Charity Number: SC043093)
(Company Number: SC415526)

DIRECTORS' ANNUAL REPORT AND FINANCIAL STATEMENTS
(a company limited by guarantee and not having share capital)

31 MARCH 2016

EAST AFRICAN TEA INVESTMENTS
DIRECTORS' ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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EAST AFRICAN TEA INVESTMENTS
LEGAL AND ADMINISTRATIVE INFORMATION

DIRECTORS

Sir Ian C Wood
Graham Good
Peter Hesketh
Justin Highstead

COMPANY SECRETARY

Alistair Buchan

ORGANISATION

The day to day management of the charity is delegated to Sir Ian Wood, Chairman

REGISTERED OFFICE

Blenheim House
Fountainhall Road
ABERDEEN
AB15 4DT

AUDITORS

Anderson Anderson & Brown LLP
Kingshill View
Prime Four Business Park
Kingswells
ABERDEEN
AB15 8PU

BANKERS

Clydesdale Bank
Riverside Branch
Unit 19 North Esplanade West
ABERDEEN
AB11 5RJ

SOLICITORS

Turcan Connell
Princes Exchange
1 Earl Grey Street
EDINBURGH
EH3 9EE

Legal and administrative information set out on the previous page forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Nature of Governing Document

East African Tea Investments is a company limited by guarantee (company number SC415526) and a recognised charity in Scotland (charity number SC043093). The charitable company is governed by its Memorandum and Articles of Association.

Organisational Structure

The board of Directors administer the charitable company. Sir Ian Wood, Chairman, manages the day to day operations of the charitable company.

The Company's governing document is its Memorandum and Articles of Association.

Recruitment and Appointment of Directors

The powers for appointment and removal of Directors are set out in the Articles of Association.

It is the charitable company's policy to seek to appoint Directors who have a specific interest in its objects or whose skills can complement those already in place.

Induction and Training of Directors

The Directors have been given appropriate information and training regarding their legal roles and responsibilities upon appointment to the Board.

Risk Management

The Directors have assessed the major risks to which the charitable company is exposed, in particular those related to the operations and finance of the Charity and are satisfied that systems are in place to manage the exposure to major risk.

OBJECTIVES AND ACTIVITIES

East African Tea Investments chosen objectives are:

(i) To promote and advance for the public benefit the prevention or relief of poverty and the advancement of citizenship or community development through, in particular, without prejudice to the foregoing generality, the encouragement and promotion of sustainable development; and

(ii) The regeneration of communities, the maintenance or improvement of infrastructure of disadvantaged communities, and assisting disadvantaged communities in East Africa.

These aims are achieved by providing seed corn finance, professional support and other assistance to such communities or to disadvantaged individuals in such communities in setting up and running their own businesses for the benefit of the community or by establishing and running such businesses itself in order to provide employment, training and other opportunities for the benefit of those in need by reason of disadvantage and in furtherance of community development and regeneration in disadvantaged communities in East Africa.

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 March 2016.

ASSESSMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by EATI relate to climatic conditions, global tea prices and political stability. These risks are mitigated by choosing areas with a good history of tea growing conditions and ensuring adequate levels of reserves are maintained to enable EATI to withstand any downturn, and by recruiting suitably qualified and experienced staff.

EXECUTIVE SUMMARY

East African Tea Investments ("EATI) is a jointly controlled charitable company, set up during January 2012. It is a joint venture by The Wood Foundation ("TWF"), established by Sir Ian Wood and family in 2007, and the Gatsby Charitable Foundation ("Gatsby"), set up by Lord David Sainsbury in 1967.

EATI supports two tea development projects of TWF and Gatsby, namely, Chai in Tanzania and Imbarutso in Rwanda.

In Tanzania, EATI has majority ownership and control of a services company in the Southern Highlands providing tea development services supporting the start-up of 3,000 new smallholder tea farmers in the Njombe region.

The Imbarutso project in Rwanda continues to expand the development of two tea factories, which are majority owned and controlled by EATI, working directly with 12,000 smallholder tea farmers. Since the year end EATI set up a new services company in Southern Rwanda to support the start-up of up to 6,000 new tea farmers in a significant greenfield project.

EATI, with the support of its members, continue to appraise additional smallholder tea development opportunities that are aligned to its charitable objectives.

CHARITABLE ACTIVITIES DURING THE 2015/16 YEAR:

Our Chai project (Chai means 'tea' in Kiswahili) in Tanzania continues, bringing tangible benefits to a large number of smallholder tea farmers in the country. We continue to develop our project in the Southern Highlands, working alongside Unilever, supporting the start-up of 3,000 new smallholder tea farmers with a view to enhancing the overall prosperity of the region.

In Rwanda, our Imbarutso project (Imbarutso means 'to catalyse' in Kinyarwanda) continues to work with 12,000 smallholder farmers in the development of two tea factories acquired in late 2012, with the intention of eventually transferring full ownership to them.

Charitable activity spend by EATI in the year was £7.95 million, largely comprising trading costs in the subsidiary tea factories. No grants were committed by the charity during the year.

PLANS FOR FUTURE YEAR

The business plan for the coming year is to continue with the ongoing projects in the tea sector in Tanzania and Rwanda. These include supporting a number of industry-wide initiatives, as well as our direct work with 45,000 smallholder tea farmers.

Since the year end, EATI set up a new services company in Nyaruguru, Southern Rwanda to support the start-up of up to 6,000 new smallholder tea farmers in what is one of the poorest regions of the country. This is another long-term project and the plan for the coming year is to establish the services company in preparation for first planting in 2017. We are also at the early stage of another significant potential greenfield project in Rwanda.

FINANCIAL REVIEW

The net incoming resources for the year, amounting to £4.538m (2015 - £0.596m) have been dealt with as shown in the Statement of Financial Activities.

The Directors have prepared financial statements which are in accordance with current statutory requirements, the Memorandum and Articles of Association and the 2015 Statement of Recommended Practice - Accounting and Reporting by Charities.

The income of the Charity for the year ending 31 March 2016 was £12.5m (2015 - £7.25m) which includes £3.2m (2015 - £nil) of donations received from The Wood Foundation Africa and £9.28m (2015 - £7.25m) of incoming resources from charitable activities. Charitable expenditure for the year was £7.95m (2015 - £6.65m), as detailed in Note 6.

At the year end EATI held £3.2m (2015 - £1.4m) in cash at bank, largely comprising bank balances in the subsidiary tea factories. In addition, the debtors balance of £3.6m due within one year includes £1.9m due from The Wood Foundation Africa.

RESERVES

It is the Reserves Policy of EATI to only retain minimal reserves. Projects are funded through a combination of funding from EATI members, The Wood Foundation and The Gatsby Charitable Foundation, and from other donors including the UK's Department for International Development ('DFID').

Total reserves held at 31 March 2016 were £16.5m (2015 - £12.4m), of which £16.2m (2015 - £13m) were held in restricted reserves which relate to funds received for the investment in two tea factories in Rwanda together with reserves which have arisen as a result of the investments.

The Directors are satisfied that the level of reserves held at 31 March 2016 is in line with the Reserves Policy and will maintain a level of free reserves to enable the charity to sustain its ongoing charitable activities.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

AUDITORS

Anderson, Anderson & Brown LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

The directors' report and strategic report was approved by the board of directors and signed on its behalf.

.....
Director - Sir Ian Wood

20 DECEMBER 2016
Date

EAST AFRICAN TEA INVESTMENTS
DIRECTORS' RESPONSIBILITIES STATEMENT

The directors (who are also trustees of East African Tea Investments for the purposes of charity law) are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the directors to prepare the financial statements for each year.

Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and the group and of the incoming resources and application of resources of the company and the group for that year. In preparing these financial statements, the directors are required to:

- Observe the methods and principles in the charities SORP;
- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS AND MEMBERS OF EAST AFRICAN TEA INVESTMENTS

We have audited the financial statements of East African Tea Investments for the year ended 31 March 2016, set out on pages 8 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors (who are also the trustees of the charitable company for the purpose of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2016 and of the group's and the parent charitable company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS AND MEMBERS OF EAST AFRICAN TEA INVESTMENTS (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Black (Senior Statutory Auditor)

For and on behalf of Anderson Anderson & Brown LLP
Statutory Auditor
Kingshill View
Prime Four Business Park
Kingswells
ABERDEEN
AB15 8PU

20 DECEMBER 2016

Anderson Anderson & Brown LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

EAST AFRICAN TEA INVESTMENTS
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2016

	Note	Unrestricted funds £'000	Restricted funds £'000	2016 Total Funds £'000	2015 Total funds £'000
INCOME AND ENDOWMENTS FROM:					
Donations and legacies	3	-	3,206	3,206	-
Charitable activities	5	9,280	-	9,280	7,248
TOTAL		9,280	3,206	12,486	7,248
EXPENDITURE ON:					
Charitable activities	6	8,429	(481)	7,948	6,652
TOTAL		8,429	(481)	7,948	6,652
NET INCOME BEFORE MINORITY INTERESTS		851	3,687	4,538	596
Minority interests	13	(396)	-	(396)	120
NET INCOME AFTER MINORITY INTERESTS		455	3,687	4,142	716
CONSOLIDATED OTHER RECOGNISED GAINS AND LOSSES					
Minority interest movement	22	396	(238)	158	54
Movement on foreign exchange of net investment in overseas operations	22	-	(256)	(256)	566
NET MOVEMENT IN FUNDS	9	851	3,193	4,044	1,336
RECONCILIATION OF FUNDS					
Total funds brought forward		(609)	13,039	12,430	11,094
Total funds carried forward	22	242	16,232	16,474	12,430

The notes on pages 13 to 32 form part of these financial statements.

EAST AFRICAN TEA INVESTMENTS
STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2016

	Note	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
INCOME AND ENDOWMENTS FROM:					
Donations and legacies	3	-	3,206	3,206	-
Investments	4	285	-	285	58
TOTAL		285	3,206	3,491	58
EXPENDITURE ON:					
Charitable activities	6	-	(213)	(213)	(364)
TOTAL		-	(213)	(213)	(364)
NET MOVEMENT IN FUNDS	9	285	3,419	3,704	422
RECONCILIATION OF FUNDS					
Total funds brought forward	22	299	8,204	8,503	8,081
Total funds carried forward	22	584	11,623	12,207	8,503

The company has made no gains or losses other than as reported above.

The notes on pages 13 to 32 form part of these financial statements.

EAST AFRICAN TEA INVESTMENTS
COMPANY NUMBER: SC415526
CONSOLIDATED BALANCE SHEET - 31 MARCH 2016

	Note	2016 £'000	2015 £'000
FIXED ASSETS			
Intangible fixed assets			
Negative goodwill	14	(443)	(711)
Tangible fixed assets	15	10,342	10,942
		9,899	10,231
CURRENT ASSETS			
Stocks	16	2,030	1,301
Debtors	17	3,576	1,490
Cash at bank and in hand		3,187	1,388
		8,793	4,179
CREDITORS: *amounts falling due within one year*	18	(2,051)	(1,860)
NET CURRENT ASSETS		6,742	2,319
TOTAL ASSETS LESS CURRENT LIABILITIES		16,641	12,550
CREDITORS: *amounts falling due after more than one year*	18	(35)	(94)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	20	(132)	(26)
NET ASSETS		16,474	12,430
FUNDS			
Unrestricted			
General	22	255	(200)
Minority interests	22	(13)	(409)
		242	(609)
Restricted			
Tea Charitable Investment Fund	22	12,513	8,826
Minority interests	22	4,576	4,814
Exchange reserve	22	(857)	(601)
		16,232	13,039
TOTAL FUNDS		16,474	12,430

Signed on behalf of the Board of Directors

Director - Sir Ian Wood

20 DECEMBER 2016
Date

The notes on pages 13 to 32 form part of the financial statements.

EAST AFRICAN TEA INVESTMENTS
COMPANY NUMBER: SC415526
BALANCE SHEET - 31 MARCH 2016

	Note	2016 £'000	2015 £'000
FIXED ASSETS			
Investments	12	5,158	5,158
CURRENT ASSETS			
Debtors	17	6,254	2,909
Cash at bank and in hand		802	604
		7,056	3,513
CREDITORS: *amounts falling due within one year*	18	(7)	(168)
NET CURRENT ASSETS		7,049	3,345
NET ASSETS		12,207	8,503
FUNDS			
Unrestricted funds	22	584	299
Restricted funds	22	11,623	8,204
		12,207	8,503

Signed on behalf of the Board of Directors

Director - Sir Ian Wood

20 DECEMBER 2016
Date

The notes on pages 13 to 32 form part of the financial statements.

EAST AFRICAN TEA INVESTMENTS
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £'000	2015 £'000
Cash flow from operating activities			
Net income for the year		4,538	596
Depreciation of tangible fixed assets		1,081	974
Increase in stocks		(729)	(77)
Increase in debtors		(2,054)	(691)
Decrease in creditors		256	770
Amortisation of negative goodwill		(268)	(399)
Foreign exchange arising on consolidation		63	(66)
Net cash provided by operating activities		2,887	1,107
Cashflow from investing activities			
Purchase of tangible fixed assets		(1,038)	(776)
Cashflow from financing activities			
Bank loan advances		-	125
Repayment of amounts borrowed		(50)	(152)
Net cash used in financing activities		(50)	(27)
Increase in cash in the year	23	1,799	304

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £'000	2015 £'000
Increase in cash in the year		1,799	304
Cash outflow from decrease in debt financing		50	27
Movement in funds for the year		1,849	331
Net funds at 31 March 2015		1,244	913
Net funds at 31 March 2016	23	3,093	1,244

The notes on pages 13 to 32 form part of these financial statements.

1. ACCOUNTING POLICIES

(a) *Basis of financial statements preparation*

The financial statements are prepared under the historical cost convention, in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The company constitutes a public benefit entity as defined by FRS 102.

Information on the impact of the first time adoption of FRS 102 and charities SORP (FRS 102) is given in note 26.

(b) *Going concern*

The directors, having made due and careful enquiry and preparing forecasts, are of the opinion that the company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) *Consolidation*

These financial statements consolidate the accounts of East African Tea Investments, Njombe Outgrowers Services Company, Mulindi Factory Company and Shagasha Tea Company. The results of subsidiaries acquired during the year are included from the effective date of acquisition.

(d) *Acquisition accounting*

Business combinations are accounted for by acquisition accounting. The identifiable assets and liabilities of the companies acquired are included in the group's consolidated balance sheet and at their fair value at the date of acquisition. The results and cash flows of the acquired companies are brought into the group financial statements only from the date of acquisition. The difference between the fair value of the net identifiable assets acquired and the fair value of the purchase consideration is treated as either positive or negative goodwill and is amortised on a straight-line basis, over its useful economic life.

1. ACCOUNTING POLICIES (continued)

(e) *Income*

i) Donations and legacies

Donations and legacies are included in the Statement of Financial Activities in the year in which they are receivable.

ii) Investment income

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable. Investment income includes the computed tax credit and tax deducted at source.

iii) Charitable activities

Income from charitable activities is the sale of goods through the normal course of the subsidiaries activities.

Income from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of income can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(f) *Expenditure*

Liabilities are recognised when the charity has an obligation to make a payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis, inclusive of any irrecoverable VAT.

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical.

Costs of generating funds comprise those costs directly attributable to managing the investment portfolio and raising investment income.

Grants or instalments of grants offered in connection with projects with institutions are charged to the Statement of Financial Activities in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attached are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as contingent liabilities, but not accrued as expenditure.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

1. ACCOUNTING POLICIES (continued)

(g) *Taxation*

The Company is recognised by HM Revenue & Customs as a charity and, as a consequence of the tax reliefs available in relation to current year income, is not liable to taxation.

In the trading subsidiaries current tax is based on assessable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes or includes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that are enacted or substantively enacted by the balance sheet date.

(h) *Fixed asset investments*

Fixed asset investments are included at market value at the year end. Gains and losses on disposal or revaluation of investments are charged or credited to the Statement of Financial Activities and form part of the fund in which the asset is held.

(i) *Intangible fixed assets*

Goodwill arising on the acquisition of subsidiary undertakings is capitalised and amortised on a straight line basis over its useful economic life, which is 5 years, the year over which, in the opinion of the directors, the company will derive direct economic benefit from the goodwill acquired as part of that business. The group tests goodwill for impairment if there are indications that the goodwill might be impaired and provision would be made for any impairment identified in this review.

(j) *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at historical cost less accumulated depreciation.

The cost of fixed assets is their purchase cost together with any directly related costs of acquisition.

The cost of fixed assets is written off by equal monthly instalments over their expected useful lives as follows:

Freehold buildings	40 years
Plant & machinery	3 years and 10 years
Bearer plants	30 - 60 years

On transition to FRS 102, due to the fair value of the biological assets which are bearer plants not having a reliable measurement basis, the valuation basis was changed from fair value to depreciated historical cost with changes applied retrospectively. Refer to note 26 for detail of the impact of this change in policy.

The fair value of agricultural produce grown on the bearer plants is deemed to be insignificant and is therefore not recognised in these financial statements.

(k) *Stocks*

Stocks are valued at the lower of cost and net realisable value with due allowance for any obsolete or slow-moving items.

1. ACCOUNTING POLICIES (continued)

(l) *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

(m) *Current and deferred taxation*

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

(n) *Leasing and hire purchase commitments*

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the Statement of Financial Activities over the period of the lease.

Rentals paid under operating leases are charged to income on straight-line basis over the lease term.

(o) *Foreign currencies*

Assets, liabilities, revenues and costs denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the year-end rate of exchange. The resulting profits or losses are dealt with in the Statement of Financial Activities.

1. ACCOUNTING POLICIES (continued)

(p) *Joint arrangements*

Where the charity enters into a joint arrangement, such that it carries out activities in partnership with other bodies, without forming a separate legal partnership, then the charity's gross share of the incoming resources and resources expended and the assets and liabilities are included in the financial statements.

(q) *Funds*

Unrestricted funds include incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the directors.

Restricted funds are to be used for specific purposes as laid down by the donor.

(r) *Pensions*

Eligible employees are members of defined contribution pension schemes. Pension costs charged to the Statement of Financial Activities represents the contributions payable by the Group in the year.

(s) *Financial Instruments*

The charitable company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to related and third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements, requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported during the year for income and expenditure. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates 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 following judgements and estimates have had the most significant impact on the amounts recognised in the financial statements:

Useful economic life of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the useful economic lives and residual values of the assets. Useful lives and residual values are reassessed annually. They are assessed where necessary to reflect current estimates based on economic utilisation and physical condition.

3. DONATIONS AND LEGACIES

	2016		2015	
	Group	**Company**	**Group**	**Company**
	£'000	£'000	£'000	£'000
Donations - restricted	3,206	3,206	-	-

In addition to the above the Company benefits from certain administrative and finance functions from JW Holdings Ltd which are provided without charge.

4. INCOME FROM INVESTMENTS

	2016		2015	
	Group	**Company**	**Group**	**Company**
	£'000	£'000	£'000	£'000
Loan interest receivable	-	285	-	58

In 2015 all interest receivable was to unrestricted funds.

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

Incoming resources and resources expended in respect of charitable activities relate to the operation of the tea factories in East Africa through the subsidiary companies as follows:

Group	**2016** Njombe Outgrowers Services Company £'000	**2016** Mulindi Factory Company £'000	**2016** Shagasha Tea Company £'000	**2016** Incoming resources £'000	**2016** Resources expended £'000
Turnover	248	5,715	3,292	9,255	
Cost of sales	(311)	(4,091)	(2,665)		(7,067)
	(63)	1,624	627		
Other income	8	14	3	25	
Distribution costs	(40)	(126)	(75)		
Administrative expenses	(174)	(91)	(91)		(597)
Interest payable and similar charges	-	(126)	(178)		
Gain/loss on foreign exchange	(36)	32	(70)		(378)
	(305)	1,327	216		
Tax on profit on ordinary activities (note 8)	-	(126)	(99)		(225)
(Loss)/profit after taxation	(305)	1,201	117		
				9,280	(8,267)
Consolidation adjustments					
Depreciation fair value adjustments					(447)
Elimination of intercompany loan interest					285
Total unrestricted income/(expenditure)				9,280	(8,429)

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

Incoming resources and resources expended in respect of charitable activities relate to the operation of the tea factories in East Africa through the subsidiary companies as follows:

Group	**2015** Njombe Outgrowers Services Company £'000	**2015** Mulindi Factory Company £'000	**2015** Shagasha Tea Company £'000	**2015** Incoming resources £'000	**2015** Resources expended £'000
Turnover	182	4,587	2,463	7,232	
Cost of sales	(94)	(4,037)	(2,339)		(6,470)
	88	550	124		
Other income	-	14	2	16	
Distribution costs	-	(171)	(85)		
Administrative expenses	(25)	(82)	(69)		(432)
Interest payable and similar charges	-	(30)	(40)		
Gain/loss on foreign exchange	10	16	(27)		(71)
	73	297	(95)		
Tax on profit on ordinary activities (note 8)	-	(93)	26		(67)
Profit/(loss) after taxation	73	204	(69)		
				7,248	(7,040)
Consolidation adjustments					
Depreciation fair value adjustments				-	(433)
Elimination of intercompany loan interest				-	58
Total unrestricted income/(expenditure)				7,248	(7,415)

6. EXPEDITURE ON CHARITABLE ACTIVITIES

Group

	Unrestricted £'000	Restricted £'000	2016 Total £'000	2015 Total £'000
Resources expended from Charitable Activities (note 5)	8,429	-	8,429	7,415
Support costs:				
Miscellaneous expenses	-	-	-	4
Exchange differences	-	(220)	(220)	(380)
Amortisation of negative goodwill	-	(268)	(268)	(399)
Governance costs (note 7)	-	7	7	12
	8,429	(481)	7,948	6,652

In 2015, £7,415,000 of expenditure on charitable activities was from unrestricted funds and £(763,000) was from restricted funds.

Company

	Unrestricted £'000	Restricted £'000	2016 Total £'000	2015 Total £'000
Support costs:				
Miscellaneous expenses	-	-	-	4
Exchange differences	-	(220)	(220)	(380)
Governance costs (note 7)	-	7	7	12
	-	(213)	(213)	(364)

In 2015, all expenditure on charitable activities was from restricted funds.

7. GOVERNANCE COSTS

	2016		2015	
	Group £'000	**Company** £'000	**Group** £'000	**Company** £'000
Auditors' remuneration	7	7	11	11
Overseas Compliance Services	-	-	1	1
	7	7	12	12

8. TAXATION

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Overseas corporation tax (15% (2015 - 30%))	148	-	41	-
Deferred tax charge	77	-	26	-
	225	-	67	-

9. NET MOVEMENT IN TOTAL FUNDS FOR THE YEAR *is stated after charging*:

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Depreciation				
- owned assets	1,081	-	974	-
Amortisation of negative goodwill	(268)	-	(399)	-
Net exchange gains on foreign currency	(294)	(220)	(379)	(380)
Auditors' remuneration				
- audit fees	5	5	5	5

10. STAFF COSTS AND NUMBERS

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Staff costs:				
Wages and salaries	782	-	772	-
Social security	39	-	38	-
	821	-	810	-

The average number of persons employed by the Group and Company during the year was as follows:

	2016		2015	
	Group No	Company No	Group No	Company No
Management & administration	37	-	18	-
Operations	957	-	758	-
	994	-	776	-

There were no employees whose emoluments, excluding pension contributions, totalled over £60,000 during the year.

11. DIRECTORS' EMOLUMENTS AND EXPENSES

The Directors received no remuneration from the Company during the year.

No Directors received expenses from the Company during the year.

No employees other than the Directors are considered to be key management personnel.

12. INVESTMENTS

Investments held in subsidiaries:

	2016 Shares in group undertakings £'000	2015 Shares in group undertakings £'000
Company		
Cost		
At 1 April 2015	5,158	5,654
Price adjustment	-	(496)
At 31 March 2016	5,158	5,158

An element of the original purchase price was held back pending negotiations over the value of land at Mulindi Factory Company Limited which was retained by the Government of Rwanda. Agreement was reached on this in the prior year resulting in the price adjustment shown above.

The subsidiaries included in investments are as follows:

Name	Country	Percentage Shareholding	Description	Net Assets £'000	Loss/Profit for the year £000
Mulindi Factory Company Limited	Rwanda	55%	Operation of tea factories	4,450	1,201
Shagasha Tea Company Limited	Rwanda	60%	Operation of tea factories	2,987	117
Njombe Outgrowers Services Company Limited	Tanzania	95%	Operation of tea service company	(237)	(305)

The investments are held as programme related investments.

Details of the charitable objectives of these investments are included in the directors' report.

13. MINORITY INTEREST

Minority interest in the consolidated statement of financial activities of £396,000 (2015 - (£120,000)) represents the share of subsidiary undertakings' results for the year which does not belong to the group.

The balance sheet figure at 31 March 2016 of £4,563,000 (2015 - £4,405,000) represents the percentage of the subsidiary undertakings' net assets at that date, which do not belong to the group.

14. INTANGIBLE ASSETS

	Negative Goodwill £'000
Cost	
At 1 April 2015	(1,333)
Movement	-
At 31 March 2016	(1,333)
Amortisation	
At 1 April 2015	(622)
Charge/(credit) for year	(268)
At 31 March 2016	(890)
Net book value	
At 31 March 2016	(443)
At 31 March 2015	(711)

The goodwill recognised represents the difference in the group's share of the fair value of the assets acquired in Mulindi Factory Company Limited and Shagasha Tea Company Limited and the consideration paid to acquire the assets.

15. TANGIBLE FIXED ASSETS

Group	Assets under construction £'000	Freehold land & buildings £'000	Plant & machinery £'000	Bearer plants £'000	Total £'000
Cost or valuation					
At 1 April 2015	355	4,780	6,213	1,775	13,123
Reclassification of assets	(355)	177	178	-	-
Additions	26	222	790	-	1,038
Foreign exchange movement	-	(252)	(327)	(90)	(669)
At 31 March 2016	26	4,927	6,854	1,685	13,492
Depreciation					
At 1 April 2015	-	203	1,583	395	2,181
Charge for year	-	93	800	188	1,081
Foreign exchange movement	-	(9)	(83)	(20)	(112)
At 31 March 2016	-	287	2,300	563	3,150
Net book value					
At 31 March 2016	26	4,640	4,554	1,122	10,342
At 31 March 2015	355	4,577	4,630	1,380	10,942

16. STOCKS

	Group 2016 £'000	Group 2015 £'000
Made tea	1,284	843
Nurseries	378	-
Other	368	458
	2,030	1,301

17. DEBTORS

	2016		2015	
	Group £'000	**Company** £'000	**Group** £'000	**Company** £'000
Trade debtors	1,630	-	1,471	-
Amounts due from subsidiaries	-	641	-	332
Amounts due from related undertakings	1,895	1,895	-	-
Loan to subsidiary undertakings	-	3,718	-	2,577
Corporation tax	21	-	19	-
Deferred tax (note 19)	30	-	-	-
	3,576	6,254	1,490	2,909

East African Tea Investments has made loans to the tea factories for working capital and capital expenditure purposes. These loans bear interest at 10.92% and have no fixed terms of repayment.

18. CREDITORS: *amounts falling due within one year*

	2016		2015	
	Group £'000	**Company** £'000	**Group** £'000	**Company** £'000
Trade creditors	1,358	-	894	-
Amounts due to related undertakings	430	-	66	-
Corporation tax	-	-	35	-
Other creditors	197	-	738	162
Accruals and deferred income	7	7	77	6
Bank loans	59	-	50	-
	2,051	7	1,860	168

CREDITORS: *amounts falling due more than one year*

Bank loans	35	-	94	-

The bank loans attract interest of 5.9% and are repayable in monthly instalments over 3 years. They are secured by a charge against certain group assets.

19. DEFERRED TAXATION

	Group 2016 £'000	Group 2015 £'000
At 1 April 2015	26	-
Charge in the year	77	26
Foreign exchange movements	(1)	-
At 31 March 2016	102	26

20. PROVISION FOR LIABILITIES AND CHARGES (continued)

The provision for deferred taxation is made up as follows:

	Group 2016 £'000	Group 2015 £'000
Fixed asset timing differences	(231)	(394)
Tax losses carried forward	129	368
	(102)	(26)

Comprising:	Group 2016 £'000	Group 2015 £'000
Asset	30	-
Liability	(132)	(26)
	(102)	(26)

21. FINANCIAL INSTRUMENTS

	2016		2015	
Financial assets	Group £ '000	Company £ '000	Group £ '000	Company £ '000
Financial assets measured at fair value through profit or loss	3,187	802	1,388	604
Financial assets measured at amortised cost	3,525	2,536	1,471	332
	6,712	3,338	2,859	936

	2016		2015	
Financial liabilities	Group £ '000	Company £ '000	Group £ '000	Company £ '000
Financial liabilities measured at amortised cost	2,086	7	1,954	168

22. MOVEMENT IN FUNDS

Group	At 31 March 2015 £'000	Incoming resources £'000	Resources expended £'000	Other movement £'000	At 31 March 2016 £'000
Unrestricted					
General fund	(200)	9,280	(8,429)	(396)	255
Minority interests	(409)	-	-	396	(13)
	(609)	9,280	(8,429)	-	242
Restricted					
Tea charitable investment fund	8,826	3,206	481	-	12,513
Minority interests	4,814	-	-	(238)	4,576
Foreign exchange reserve	(601)	-	-	(256)	(857)
	13,039	3,206	481	(494)	16,232
Total	12,430	12,486	(7,948)	(494)	16,474

Company	At 31 March 2015 £'000	Incoming resources £'000	Resources expended £'000	Other movement £'000	At 31 March 2016 £'000
Unrestricted					
General fund	299	285	-	-	584
Restricted					
Tea charitable investment fund	8,204	3,206	213	-	11,623
Total	8,503	3,491	213	-	12,207

Unrestricted funds are generated by trading activities along with interest receivable on investments.

Restricted funds relate to funds received for the investment in tea factories in East Africa together with reserves which have arisen as a result of this investment.

22. MOVEMENT IN FUNDS (continued)

Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total Funds £'000
Group				
Intangible fixed assets	-	(443)	(443)	(711)
Tangible fixed assets	-	10,342	10,342	10,942
Net current assets	242	6,500	6,742	2,319
Creditors due in more than one year	-	(167)	(167)	(120)
At 31 March 2016	242	16,232	16,474	12,430
Company				
Investments	-	5,158	5,158	5,158
Net current assets	584	6,465	7,049	3,345
At 31 March 2016	584	11,623	12,207	8,503

23. ANALYSIS OF CHANGES IN NET FUNDS

	At 31 March 2015 £'000	Cash flow £'000	Non-cash changes £'000	At 31 March 2016 £'000
Cash at bank and in hand	1,388	1,799	-	3,187
Debt:				
Bank loans due in less than 1 year	(50)	-	(9)	(59)
Bank loans due in greater than 1 year	(94)	50	9	(35)
Net funds	1,244	1,849	-	3,093

24. RELATED PARTY TRANSACTIONS

Control

Throughout the year the Group was controlled by the Board of Directors.

Transactions

During the year, the group was recharged certain costs and was charged management fees by The Wood Foundation Africa, a subsidiary of The Wood Foundation, an entity with joint control of East Africa Tea Investments. The total amounts outstanding in relation to these transactions at the year end were £430,000 and this represents the full value of the transactions in the year. In addition, grants of £3,336,000 were received from The Wood Foundation Africa in the year. The total amounts outstanding in relation to these transactions at the year end is £1,895,000.

25. LEGAL STATUS

East African Tea Investments is a company limited by guarantee and not having a share capital. The members' liability in the event of winding up is limited by guarantee not exceeding £1 per member.

26. FIRST TIME ADOPTION OF FRS 102

It is the first year that the charitable company has presented its financial statements under SORP (FRS102) and FRS 102. The last financial statements prepared under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 and SORP (FRS102) was therefore 1 April 2014.

On adoption of FRS 102, biological assets which are bearer plants which were previously accounted for at fair value less costs to sell were measured at historical cost less accumulated depreciation as permitted by transition rules within FRS 102, with the changes being applied retrospectively. The following tables summarise the impact of the change in the accounting policy on the charity's funds and net movement in funds:

	As previously stated 1 April 2014	Effect of transition 1 April 2014	FRS 102 (as restated) 1 April 2014	As previously stated 31 March 2015	Effect of transition 31 March 2015	FRS 102 (as restated) 31 March 2015
FIXED ASSETS						
Intangible fixed assets	(578)	(35)	(613)	(686)	(25)	(711)
Tangible fixed assets	10,394	(59)	10,335	11,150	(208)	10,942
	9,816	(94)	9,722	10,464	(233)	10,231
Current Assets	3,105	2	3,107	4,177	2	4,179
Creditors: *Amounts falling due within one year*	(1,607)	-	(1,607)	(1,930)	70	(1,860)
Net current assets	1,498	2	1,500	2,247	72	2,319
Creditors: *Amounts falling due after more than one year*	(128)	-	(128)	(94)	-	(94)
Deferred taxation	(31)	31	-	(22)	(4)	(26)
NET ASSETS	11,155	(61)	11,094	12,595	(165)	12,430
FUNDS						
Unrestricted funds	(430)	(13)	(443)	(530)	(79)	(609)
Restricted funds	11,585	(48)	11,537	13,125	(86)	13,039
	11,155	(61)	11,094	12,595	(165)	12,430

26. FIRST TIME ADOPTION OF FRS 102 (continued)

	As previously stated 31 March 2015	Effect of transition 31 March 2015	FRS 102 (as restated) 31 March 2015
INCOME AND ENDOWMENTS FROM:			
Donations and legacies	7,248	-	7,248
EXPENDITURE ON:			
Charitable activities	(6,593)	(59)	(6,652)
NET INCOME BEFORE MINORITY INTERESTS	655	(59)	596
Minority interests	89	31	120
NET INCOME AFTER MINORITY INTERESTS	744	(28)	716
OTHER RECOGNISED GAINS AND LOSSES:			
Minority interest movement	90	(36)	54
Movement on foreign exchange of net investment in overseas operations	559	7	566
Revaluation reverse movement	47	(47)	-
NET MOVEMENT IN FUNDS	1,440	(104)	1,336