

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 2015

EAST AFRICAN TEA INVESTMENTS
DIRECTORS' ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

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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
9 Queens Road
ABERDEEN
AB15 4YL

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

EAST AFRICAN TEA INVESTMENTS DIRECTORS' ANNUAL REPORT

The Directors submit their report and the audited financial statements of East African Tea Investments ("EATI") for the year to 31 March 2015.

Legal and administrative information set out on the previous page forms part of this report. The financial statements comply with current statutory requirements and the Statement of Recommended Practice - Accounting and Reporting by Charities (revised March 2005).

STRUCTURE, GOVERNANCE AND MANAGEMENT

Nature of Governing Document

East African Tea Investments is a recognised charity in Scotland (charity number SC043093) 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, all by providing seedcorn 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.

**EAST AFRICAN TEA INVESTMENTS
DIRECTORS' ANNUAL REPORT**

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 March 2015.

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.

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 newly established services company to provide tea development services supporting the start-up of 3,000 new smallholder tea farmers in the Njombe region.

The main activity under Imbarutso in Rwanda is the continued development of two tea factories, which are majority owned and controlled by EATI.

CHARITABLE ACTIVITIES DURING THE 2014/15 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. Our ground-breaking project in the Southern Highlands, working alongside a major tea producer continues, supporting the start-up of 3,000 new smallholder tea farmers and 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 £6.6 million.

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. We are also at the early stage of a significant potential greenfield project in Rwanda.

**EAST AFRICAN TEA INVESTMENTS
DIRECTORS' ANNUAL REPORT**

FINANCIAL REVIEW

The net incoming resources for the year, amounting to £0.655m (2014 - £0.738m) 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 2005 Statement of Recommended Practice - Accounting and Reporting by Charities.

The income of the Charity for the year ending 31 March 2015 was £7.248m (2014 - £7.964m) which includes £Nil (2014 - £1.177m) of donations received from The Wood Foundation and Gatsby Charitable Foundation and £7.248m (2014 - £6.787m) of incoming resources from charitable activities. Charitable expenditure for the year was £6.593m (2014 - £7.226m) which comprises £7.348m (2014 - £7.077m) of resources expended from charitable activities less a gain on foreign exchange of £380,000 (2014 - loss of £284,000) and negative goodwill of £388,000 (2014 - £160,000) with governance costs for the year amounting to £12,000 (2014 - £16,000).

RESERVES

The Directors will maintain a level of free reserves to enable the charity to sustain its 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 trustees report and strategic report was approved by the board of director and signed on its behalf.



Director - Sir Ian Wood

22 DECEMBER 2015
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:

- 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 2015, set out on pages 8 to 27. 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 2015 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)**

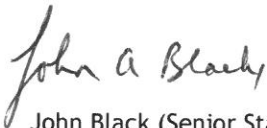
Opinion on other matters prescribed by the Companies Act 2006

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
Aberdeen

22 DECEMBER 2015

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
FOR THE YEAR ENDED 31 MARCH 2015

| | Note | Unrestricted funds £'000 | Restricted funds £'000 | 2015 Total Funds £'000 | 2014 Total funds £'000 |
|---|------|--------------------------------|------------------------------|---------------------------------|---------------------------------|
| INCOMING RESOURCES | | | | | |
| Incoming resources from generated funds: | | | | | |
| Voluntary income - UK | 2 | - | - | - | 1,177 |
| Investment income - UK | 3 | - | - | - | - |
| Incoming resources from charitable activities - Africa | 4 | 7,248 | - | 7,248 | 6,787 |
| TOTAL INCOMING RESOURCES | | 7,248 | - | 7,248 | 7,964 |
| RESOURCES EXPENDED | | | | | |
| Charitable activities | 5 | 7,348 | (767) | 6,581 | 7,210 |
| Governance costs | 6 | - | 12 | 12 | 16 |
| TOTAL RESOURCES EXPENDED | | 7,348 | (755) | 6,593 | 7,226 |
| NET MOVEMENT IN FUNDS BEFORE MINORITY INTERESTS | 8 | (100) | 755 | 655 | 738 |
| Minority interests | | 89 | - | 89 | 209 |
| NET MOVEMENT IN FUNDS FOR THE FINANCIAL YEAR | | (11) | 755 | 744 | 947 |
| CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2015 | | | | | |
| Net movement in funds for the financial year | | (11) | 755 | 744 | 947 |
| Minority interest movement | 19 | (89) | 179 | 90 | (481) |
| Movement on foreign exchange of net investment in overseas operations | 19 | - | 559 | 559 | (1,351) |
| Revaluation reserve movement | | - | 47 | 47 | 75 |
| Total recognised gains and losses relating to the year | | (100) | 1,540 | 1,440 | (810) |
| RECONCILIATION OF FUNDS | | | | | |
| Total funds brought forward | | (430) | 11,585 | 11,155 | 11,965 |
| Total funds carried forward | 19 | (530) | 13,125 | 12,595 | 11,155 |

All activities relate to continuing operations.

The notes on pages 13 to 27 form part of these financial statements.

EAST AFRICAN TEA INVESTMENTS
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2015

| | Note | Unrestricted funds £'000 | Restricted funds £'000 | 2015 Total funds £'000 | 2014 Total funds £'000 |
|---|------|--------------------------------|------------------------------|---------------------------------|---------------------------------|
| INCOMING RESOURCES | | | | | |
| Incoming resources from generated funds | | | | | |
| Voluntary income - UK | 2 | - | - | - | 1,177 |
| Investment income - UK | 3 | 58 | - | 58 | 208 |
| TOTAL INCOMING RESOURCES | | 58 | - | 58 | 1,385 |
| RESOURCES EXPENDED | | | | | |
| Charitable activities | 5 | - | (376) | (376) | 285 |
| Governance costs | 6 | - | 12 | 12 | 16 |
| TOTAL RESOURCES EXPENDED | | - | (364) | (364) | 301 |
| NET MOVEMENT IN FUNDS | | | | | |
| CARRIED FORWARD | 8 | 58 | 364 | 422 | 1,084 |
| RECONCILIATION OF FUNDS | | | | | |
| Total funds brought forward | 19 | 241 | 7,840 | 8,081 | 6,997 |
| Total funds carried forward | 19 | 299 | 8,204 | 8,503 | 8,081 |

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

All activities relate to continuing operations.

The notes on pages 13 to 27 form part of these financial statements.

EAST AFRICAN TEA INVESTMENTS
COMPANY NUMBER: SC415526
CONSOLIDATED BALANCE SHEET - 31 MARCH 2015

| | Note | 2015 £'000 | 2014 £'000 |
|--|------|----------------|----------------|
| FIXED ASSETS | | | |
| Intangible fixed assets | | | |
| Positive goodwill | 13 | - | 31 |
| Negative goodwill | 13 | (686) | (609) |
| Tangible fixed assets | 14 | 11,150 | 10,394 |
| | | <u>10,464</u> | <u>9,816</u> |
| CURRENT ASSETS | | | |
| Stocks | 15 | 1,301 | 1,224 |
| Debtors | 16 | 1,488 | 797 |
| Cash at bank and in hand | | 1,388 | 1,084 |
| | | <u>4,177</u> | <u>3,105</u> |
| CREDITORS: amounts falling due within one year | 17 | <u>(1,930)</u> | <u>(1,607)</u> |
| NET CURRENT ASSETS | | <u>2,247</u> | <u>1,498</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>12,711</u> | <u>11,314</u> |
| CREDITORS: amounts falling due after more than one year | 17 | (94) | (128) |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | |
| Deferred taxation | 18 | (22) | (31) |
| NET ASSETS | | <u>12,595</u> | <u>11,155</u> |
| FUNDS | | | |
| Unrestricted | | | |
| General | 19 | (160) | (149) |
| Minority interests | 19 | (370) | (281) |
| | | <u>(530)</u> | <u>(430)</u> |
| Restricted | | | |
| Tea Charitable Investment Fund | 19 | 8,804 | 8,049 |
| Minority interests | 19 | 4,846 | 4,667 |
| Exchange reserve | 19 | (647) | (1,206) |
| Revaluation reserve | | 122 | 75 |
| | | <u>13,125</u> | <u>11,585</u> |
| TOTAL FUNDS | | <u>12,595</u> | <u>11,155</u> |

Signed on behalf of the Board of Directors


 Director - Sir Ian Wood

22 DECEMBER 2015
 Date

The notes on pages 13 to 27 form part of the financial statements.

EAST AFRICAN TEA INVESTMENTS
COMPANY NUMBER: SC415526
BALANCE SHEET - 31 MARCH 2015

| | Note | 2015 £'000 | 2014 £'000 |
|---|------|----------------|----------------|
| FIXED ASSETS | | | |
| Investments | 11 | 5,158 | 5,654 |
| CURRENT ASSETS | | | |
| Debtors | 16 | 2,909 | 2,417 |
| Cash at bank and in hand | | 604 | 674 |
| CREDITORS: <i>amounts falling due within one year</i> | 17 | 3,513 (168) | 3,091 (664) |
| NET CURRENT ASSETS | | 3,345 | 2,427 |
| NET ASSETS | | 8,503 | 8,081 |
| FUNDS | | | |
| Unrestricted funds | 19 | 299 | 241 |
| Restricted funds | 19 | 8,204 | 7,840 |
| | | 8,503 | 8,081 |

Signed on behalf of the Board of Directors


Director - Sir Ian Wood

22 DECEMBER 2015
Date

The notes on pages 13 to 27 form part of the financial statements.

EAST AFRICAN TEA INVESTMENTS
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

| | Note | 2015 £'000 | 2014 £'000 |
|---|------|---------------|---------------|
| Net cash inflow from operating activities | | | |
| Net incoming resources for the year | | 655 | 738 |
| Depreciation of tangible fixed assets | | 785 | 783 |
| Decrease/(increase) in stocks | | (77) | 701 |
| Increase in debtors | | (691) | (385) |
| Decrease/(increase) in creditors | | 803 | (300) |
| Consumption of biological assets | | 102 | 141 |
| Amortisation of positive goodwill | | - | 6 |
| Amortisation of negative goodwill | | (388) | (160) |
| Foreign exchange (gain)/loss arising on consolidation | | (82) | 117 |
| | | <u>1,107</u> | <u>1,641</u> |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (776) | (1,662) |
| | | <u>331</u> | <u>(21)</u> |
| Financing | | | |
| Receipt of new bank loan | | 125 | 171 |
| Repayment of amounts borrowed | | (152) | - |
| | | <u>(27)</u> | <u>171</u> |
| Increase in cash in the year | 20 | <u>304</u> | <u>150</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 MARCH 2015

| | Note | 2015 £'000 | 2014 £'000 |
|---|------|---------------|---------------|
| Increase in cash in the year | | 304 | 150 |
| Cash outflow/(inflow) from decrease in debt financing | | 27 | (171) |
| Movement in funds for the year | | <u>331</u> | <u>(21)</u> |
| Net funds at 31 March 2014 | | 913 | 934 |
| Net funds at 31 March 2015 | 20 | <u>1,244</u> | <u>913</u> |

EAST AFRICAN TEA INVESTMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

1. ACCOUNTING POLICIES

(a) *Basis of financial statements preparation*

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards, the Charities Accounts (Scotland) Regulations 2006 and the Statement of Recommended Practice - Accounting and Reporting by Charities (revised 2005).

(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.

(e) *Incoming resources*

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.

EAST AFRICAN TEA INVESTMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

1. ACCOUNTING POLICIES (continued)

(f) *Resources expended*

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.

(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.

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

1. ACCOUNTING POLICIES (continued)

(j) *Tangible fixed assets and depreciation*

The cost of fixed assets is their purchase cost together with any directly related costs of acquisition. Tangible fixed assets are stated at cost less aggregate depreciation.

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 |
| Biological assets | Not depreciated |

Biological assets held by the factories are subject to annual revaluation and are shown at that valuation. They have not been depreciated as, in the opinion of the directors, biological transformation is best reflected by fair value measurement and any other method of valuation would not give a true and fair view. Although this does not follow UK GAAP, it is the treatment required under International Financial Reporting Standards.

(k) *Stocks*

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

(l) *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.

(m) *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.

(n) *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.

(o) *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.

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

1. ACCOUNTING POLICIES (continued)

(p) 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.

2. VOLUNTARY INCOME

| | 2015 | | 2014 | |
|------------------------|------------------------|--------------------------|------------------------|--------------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Donations - restricted | - | - | 1,177 | 1,177 |

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

3. INVESTMENT INCOME

| | 2015 | | 2014 | |
|--------------------------|------------------------|--------------------------|------------------------|--------------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Loan interest receivable | - | 58 | - | 208 |

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

4. 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 | |
| Movement in biological assets | - | 26 | 22 | 48 | |
| Cost of sales | (94) | (3,950) | (2,342) | | (6,386) |
| | <u>88</u> | <u>663</u> | <u>143</u> | | |
| Other income | - | 13 | 3 | 16 | |
| Distribution costs | - | (171) | (85) | | |
| Administrative expenses | (25) | (83) | (69) | | (433) |
| Interest receivable and similar income | - | - | - | | |
| Interest payable and similar charges | - | (30) | (40) | | |
| Gain/loss on foreign exchange | 10 | 16 | (27) | | (71) |
| | <u>73</u> | <u>408</u> | <u>(75)</u> | | |
| Tax on profit on ordinary activities (note 7) | - | (115) | 19 | | (96) |
| Profit/(loss) after taxation | <u>73</u> | <u>293</u> | <u>(56)</u> | | |
| | | | | <u>7,296</u> | <u>(6,986)</u> |
| Consolidation adjustments | | | | | |
| Depreciation fair value adjustments | | | | - | (420) |
| Elimination of intercompany loan interest | | | | - | 58 |
| Movement in biological assets reclassified as revaluation reserve | | | | (48) | - |
| | | | | <u>7,248</u> | <u>(7,348)</u> |

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

4. 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 | 2014 Mulindi Factory Company £'000 | 2014 Shagasha Tea Company £'000 | 2014 Incoming resources £'000 | 2014 Resources expended £'000 |
|--|--|---|--|--|
| Turnover | 4,280 | 2,480 | 6,760 | |
| Movement in biological assets | 71 | 4 | 75 | |
| Cost of sales | (3,555) | (2,474) | | (6,029) |
| | <u>796</u> | <u>10</u> | | |
| Other income | 14 | 2 | 16 | |
| Distribution costs | (123) | (69) | | |
| Administrative expenses | (107) | (95) | | (394) |
| Interest receivable and similar income | 10 | 1 | 11 | |
| Interest payable and similar charges | (115) | (124) | | |
| Gain/loss on foreign exchange | (75) | (60) | | (374) |
| | <u>400</u> | <u>(335)</u> | | |
| Tax on profit on ordinary activities (note 7) | (136) | 99 | | (37) |
| Profit/(loss) after taxation | <u>264</u> | <u>(236)</u> | | |
| | | | <u>6,862</u> | <u>(6,834)</u> |
| Consolidation adjustments | | | | |
| Depreciation fair value adjustments | | | - | (451) |
| Elimination of intercompany loan interest | | | - | 208 |
| Movement in biological assets reclassified as revaluation reserve | | | (75) | - |
| | | | <u>6,787</u> | <u>(7,077)</u> |

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

5. CHARITABLE ACTIVITIES

| Group | Unrestricted £'000 | Restricted £'000 | 2015 Total £'000 | 2014 Total £'000 |
|--|-------------------------------|-----------------------------|---------------------------------|---------------------------------|
| Resources expended from Charitable Activities (note 4) | 7,348 | - | 7,348 | 7,077 |
| Support costs: | | | | |
| Miscellaneous expenses | - | 1 | 1 | 3 |
| Exchange differences | - | (380) | (380) | 284 |
| Amortisation of positive goodwill | - | - | - | 6 |
| Amortisation of negative goodwill | - | (388) | (388) | (160) |
| | <u>7,348</u> | <u>(767)</u> | <u>6,581</u> | <u>7,210</u> |

| Company | Unrestricted £'000 | Restricted £'000 | 2015 Total £'000 | 2014 Total £'000 |
|------------------------|-------------------------------|-----------------------------|---------------------------------|---------------------------------|
| Support costs: | | | | |
| Miscellaneous expenses | - | 4 | 4 | 1 |
| Exchange differences | - | (380) | (380) | 284 |
| | <u>-</u> | <u>(376)</u> | <u>(376)</u> | <u>285</u> |

6. GOVERNANCE COSTS

| | 2015 | | 2014 | |
|------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Auditors' remuneration | 11 | 11 | 13 | 13 |
| Legal | - | - | 2 | 2 |
| Overseas Compliance Services | 1 | 1 | 1 | 1 |
| | <u>12</u> | <u>12</u> | <u>16</u> | <u>16</u> |

7. TAXATION

| | 2015 | | 2014 | |
|--------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Overseas corporation tax (30%) | 105 | - | 6 | - |
| Deferred tax (credit)/charge | (9) | - | 31 | - |
| | <u>96</u> | <u>-</u> | <u>37</u> | <u>-</u> |

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

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

| | 2015 | | 2014 | |
|---|----------------|------------------|----------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Depreciation | | | | |
| - owned assets | 785 | - | 783 | - |
| Amortisation of positive goodwill | - | - | 6 | - |
| Amortisation of negative goodwill | (388) | - | (160) | - |
| Net exchange differences on foreign currency | (380) | (380) | 284 | 284 |
| Auditors' remuneration | | | | |
| - audit fees | 5 | 5 | 5 | 5 |

9. STAFF COSTS AND NUMBERS

| | 2015 | | 2014 | |
|--------------------|----------------|------------------|----------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Staff costs: | | | | |
| Wages and salaries | 772 | - | 727 | - |
| Social security | 38 | - | 35 | - |
| | 810 | - | 762 | - |

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

| | 2015 | | 2014 | |
|-----------------------------|-------------|---------------|-------------|---------------|
| | Group No | Company No | Group No | Company No |
| Management & administration | 18 | - | 22 | - |
| Operations | 758 | - | 650 | - |
| | 776 | - | 672 | - |

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

10. 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.

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

11. INVESTMENTS

Investments held in subsidiaries:

| | 2015 Shares in group undertakings £'000 | 2014 Shares in group undertakings £'000 |
|------------------|---|---|
| Company | | |
| Cost | | |
| At 1 April 2014 | 5,654 | 5,654 |
| Price adjustment | (496) | - |
| At 31 March 2015 | <u>5,158</u> | <u>5,654</u> |

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 during the 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 | 3,525 | 295 |
| Shagasha Tea Company Limited | Rwanda | 60% | Operation of tea factories | 3,008 | (57) |
| Njombe Outgrowers Services Company Limited | Tanzania | 95% | Operation of tea service company | 78 | 73 |

The investments are held as programme related investments.

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

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

12. MINORITY INTEREST

Minority interest in the consolidated statement of financial activities of £89,000 (2014 - £209,000) represents the share of subsidiary undertakings' results for the year which does not belong to the group.

The balance sheet figure at 31 March 2015 of £4,476,000 (2014 - £4,386,000) represents the percentage of the subsidiary undertakings' net assets at that date, which do not belong to the group.

13. INTANGIBLE ASSETS

| | Positive goodwill £'000 | Negative goodwill £'000 | Total goodwill £'000 |
|--------------------------|-------------------------------|-------------------------------|----------------------------|
| Cost | | | |
| At 1 April 2014 | 42 | (831) | (789) |
| Movement | (42) | (454) | (496) |
| At 31 March 2015 | - | (1,285) | (1,285) |
| Amortisation | | | |
| At 1 April 2014 | 11 | (222) | (211) |
| Charge/(credit) for year | (11) | (377) | (388) |
| At 31 March 2015 | - | (599) | (599) |
| Net book value | | | |
| At 31 March 2015 | - | (686) | (686) |
| At 31 March 2014 | 31 | (609) | (578) |

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.

The movement in goodwill in the year represents the group's share of the price adjustment for Mulindi Factory Company Limited (note 11).

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

14. TANGIBLE FIXED ASSETS

| | Assets under construction £'000 | Freehold land & buildings £'000 | Plant & machinery £'000 | Biological assets £'000 | Total £'000 |
|---------------------------|---------------------------------------|--|-------------------------------|-------------------------------|----------------|
| Group | | | | | |
| Cost or valuation | | | | | |
| At 1 April 2014 | - | 4,396 | 5,354 | 1,523 | 11,273 |
| Consumption | - | - | - | (102) | (102) |
| Revaluation | - | - | - | 47 | 47 |
| Additions | 335 | 34 | 407 | - | 776 |
| Foreign exchange movement | 20 | 350 | 449 | 117 | 936 |
| At 31 March 2015 | <u>355</u> | <u>4,780</u> | <u>6,210</u> | <u>1,585</u> | <u>12,930</u> |
| Depreciation | | | | | |
| At 1 April 2014 | - | 107 | 772 | - | 879 |
| Charge for year | - | 82 | 703 | - | 785 |
| Foreign exchange movement | - | 13 | 103 | - | 116 |
| At 31 March 2015 | <u>-</u> | <u>202</u> | <u>1,578</u> | <u>-</u> | <u>1,780</u> |
| Net book value | | | | | |
| At 31 March 2015 | <u>355</u> | <u>4,578</u> | <u>4,632</u> | <u>1,585</u> | <u>11,150</u> |
| At 31 March 2014 | <u>-</u> | <u>4,289</u> | <u>4,582</u> | <u>1,523</u> | <u>10,394</u> |

The biological assets were revalued in the year by the Directors using a net cashflow based model. If they were not revalued they would be included at historical cost of £1,463,000 (2014 - £1,448,000).

15. STOCKS

| | Group 2015 £'000 | Group 2014 £'000 |
|----------|---------------------------------|---------------------------------|
| Made tea | 843 | 1,048 |
| Other | 458 | 176 |
| | <u>1,301</u> | <u>1,224</u> |

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

16. DEBTORS

| | 2015 | | 2014 | |
|---------------------------------|----------------|------------------|----------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Trade debtors | 1,471 | - | 780 | - |
| Amounts due from subsidiaries | - | 332 | - | 240 |
| Loan to subsidiary undertakings | - | 2,577 | - | 2,177 |
| Corporation tax | 17 | - | 17 | - |
| | <u>1,488</u> | <u>2,909</u> | <u>797</u> | <u>2,417</u> |

East African Tea Investments has made loans to the tea factories for working capital and capital expenditure purposes. These loans bear interest at 2.57% and have no fixed terms of repayment.

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

| | 2015 | | 2014 | |
|-------------------------------------|----------------|------------------|----------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Trade creditors | 894 | - | 601 | - |
| Amounts due to related undertakings | 66 | - | - | - |
| Corporation tax | 105 | - | - | - |
| Other creditors | 738 | 162 | 957 | 658 |
| Accruals and deferred income | 77 | 6 | 6 | 6 |
| Bank loans | 50 | - | 43 | - |
| | <u>1,930</u> | <u>168</u> | <u>1,607</u> | <u>664</u> |

CREDITORS: *amounts falling due more than one year*

| | | | | |
|------------|-----------|----------|------------|----------|
| Bank loans | <u>94</u> | <u>-</u> | <u>128</u> | <u>-</u> |
|------------|-----------|----------|------------|----------|

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 of the group's assets.

18. PROVISION FOR LIABILITIES AND CHARGES

| | Group 2015 £'000 | Group 2014 £'000 |
|-----------------------------|------------------------|------------------------|
| At 1 April 2014 | 31 | - |
| (Credit)/charge in the year | (9) | 31 |
| At 31 March 2015 | <u>22</u> | <u>31</u> |

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

18. PROVISION FOR LIABILITIES AND CHARGES (continued)

The provision for deferred taxation is made up as follows:

| | Group 2015 £'000 | Group 2014 £'000 |
|--------------------------------|------------------------|------------------------|
| Fixed asset timing differences | 224 | 202 |
| Tax losses carried forward | (231) | (191) |
| Other timing differences | 29 | 20 |
| | <u>22</u> | <u>31</u> |

19. MOVEMENT IN FUNDS

| Group | At 31 March 2014 £'000 | Incoming resources £'000 | Resources expended £'000 | Other movement £'000 | At 31 March 2015 £'000 |
|--------------------------------|---------------------------------|--------------------------------|--------------------------------|----------------------------|---------------------------------|
| Unrestricted | | | | | |
| General fund | (149) | 7,248 | (7,348) | 89 | (160) |
| Minority interests | (281) | - | - | (89) | (370) |
| | <u>(430)</u> | <u>7,248</u> | <u>(7,348)</u> | <u>-</u> | <u>(530)</u> |
| Restricted | | | | | |
| Tea charitable investment fund | 8,049 | - | 755 | - | 8,804 |
| Minority interests | 4,667 | - | - | 179 | 4,846 |
| Foreign exchange reserve | (1,206) | - | - | 559 | (647) |
| Revaluation reserve | 75 | - | - | 47 | 122 |
| | <u>11,585</u> | <u>-</u> | <u>755</u> | <u>785</u> | <u>13,125</u> |
| Total | <u>11,155</u> | <u>7,248</u> | <u>(6,593)</u> | <u>785</u> | <u>12,595</u> |
| Company | At 31 March 2014 £'000 | Incoming resources £'000 | Resources expended £'000 | Other movement £'000 | At 31 March 2015 £'000 |
| Unrestricted | | | | | |
| General fund | 241 | 58 | - | - | 299 |
| Restricted | | | | | |
| Tea charitable investment fund | 7,840 | - | 364 | - | 8,204 |
| Total | <u>8,081</u> | <u>58</u> | <u>364</u> | <u>-</u> | <u>8,503</u> |

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.

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

19. MOVEMENT IN FUNDS (continued)

Analysis of net assets between funds

| | Unrestricted funds £'000 | Restricted funds £'000 | 2015 Total funds £'000 | 2014 Total Funds £'000 |
|--|--------------------------------|------------------------------|---------------------------------|---------------------------------|
| Group | | | | |
| Intangible fixed assets | - | (686) | (686) | (578) |
| Tangible fixed assets | - | 11,150 | 11,150 | 10,394 |
| Net current assets | (530) | 2,777 | 2,247 | 1,498 |
| Creditors due in more than one year | - | (116) | (116) | (159) |
| At 31 March 2015 | (530) | 13,125 | 12,595 | 11,155 |
| Company | | | | |
| Investments | - | 5,158 | 5,158 | 5,654 |
| Net current assets | 299 | 3,046 | 3,345 | 2,427 |
| At 31 March 2015 | 299 | 8,204 | 8,503 | 8,081 |

20. ANALYSIS OF CHANGES IN NET FUNDS

| | At 31 March 2014 £'000 | Cash flow £'000 | Non-cash changes £'000 | At 31 March 2015 £'000 |
|--|---------------------------------|-----------------------|------------------------------|---------------------------------|
| Cash at bank and in hand | 1,084 | 304 | - | 1,388 |
| Debt: | | | | |
| Bank loans due in less than 1 year | (43) | (7) | - | (50) |
| Bank loans due in greater than 1 year | (128) | 34 | - | (94) |
| Net funds | 913 | 331 | - | 1,244 |

EAST AFRICAN TEA INVESTMENTS

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2015

21. RELATED PARTY TRANSACTIONS

Control

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

Transactions

During the year the Group was advanced working capital loans totalling £66,000 from The Wood Foundation, an entity jointly controlling East African Tea Investments. The balance outstanding as at 31 March 2015 in relation to this transaction was £66,000.

22. 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.