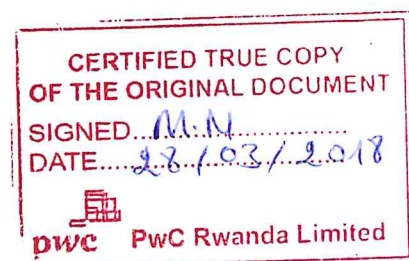


**GISOVU TEA COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Company secretary**

Trust Law Chambers  
TLC House  
KG 569 Street, Kacyiru,  
Kigali, Rwanda

**Auditor**

PricewaterhouseCoopers Rwanda Limited  
Blue Star House  
Boulevard de L'Umuganda  
Kigali, Rwanda

**Registered office**

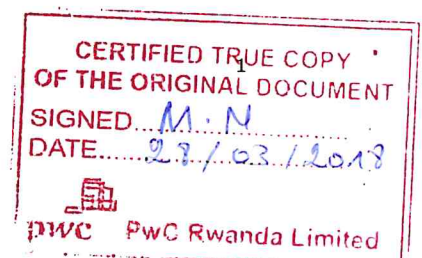
P.O. Box 60  
District of Karongi  
Western Province, Rwanda

**Bankers**

I & M Bank (Rwanda) Limited  
Guaranty Trust Bank (Rwanda) Limited

**Legal advisors**

Trust Law Chambers  
TLC House,  
KG 569 Street, Kacyiru,  
Kigali, Rwanda



The directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of Gisovu Tea Company Limited (the "Company").

### PRINCIPAL ACTIVITIES

The principal activities of the Company are growing, processing and marketing of tea.

### RESULTS AND DIVIDEND

The net profit for the year of Rwf 3,068 million (2016: Rwf 1,564 million) has been added to retained earnings. During the year, the company paid an interim dividend of Rwf 900 million (2016: Nil). The directors recommend a final dividend of Rwf 700 million for the year (2016: Rwf 900 million).

### DIRECTORS

The directors who held office during the year and to the date of this report were:

Dilsher Sen **	-	Chairman
Rajiv Takru *		
Azam Monem *		
Pradip Bhar *		Appointed 4 August 2017
N R Srinivasan*		Resigned 4 August 2017
Daniel Ufitikirezi ***		
Samuel Barabwiriza ***		
Clementine Uwineza ***		

(Nationality: \* Indian, \*\* British, \*\*\* Rwandan)

### AUDITOR

The Company's auditor, PricewaterhouseCoopers Rwanda Limited, continues in office in accordance with Law No. 27/2017 of 31 May 2017 Governing Companies.

By order of the Board,



Director / Secretary

15 March 2018



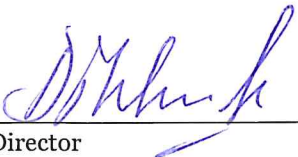
Law No. 27/2017 of 31 May 2017 Governing Companies requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.


The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Rwanda Law. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

#### Approval of financial statements

The financial statements on pages 7 to 34 were approved for issue by the board of directors on 15 March 2018 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director





**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GISOVU TEA COMPANY LIMITED**

*Report on the audit of the financial statements*

*Our opinion*

In our opinion, Gisovu Tea Company Limited's financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 27/2017 of 31 May 2017 Governing Companies.

**What we have audited**

The financial statements of Gisovu Tea Company Limited as set out on pages 7 to 34 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

**Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

*Other information*

The directors are responsible for the other information. The other information comprises Company Information, the Directors' Report and the Statement of Directors' Responsibility but does not include the financial statements and our auditor's report thereon.

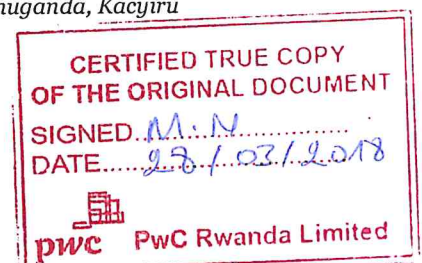
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers Rwanda Limited, 5th Floor, Blue Star House, Blvd de l'Umuganda, Kacyiru  
PO Box 1495 Kigali, Rwanda  
Tel: +250 (252) 588203/4/5/6, [www.pwc.com/rw](http://www.pwc.com/rw)

Directors: B Kimacia A Eriksson F Gatome M Nyabanda





**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GISOVU TEA COMPANY LIMITED (continued)**

*Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of Law No. 27/2017 of 31 May 2017 Governing Companies, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.





**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GISOVU TEA COMPANY LIMITED (continued)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

---

*Report on other legal and regulatory requirements*

Law No. 27/2017 of 31 May 2017 Governing Companies requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

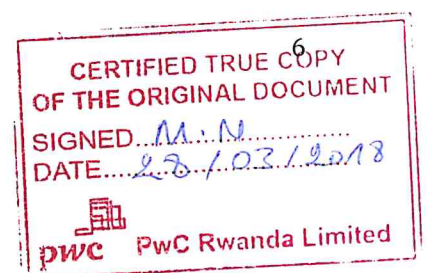
- i. There are no circumstances that may create threat to our independence as auditor of the Company;
- ii. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- iii. In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- iv. We have communicated to the Company's Board of Directors, through a separate management letter, internal control matters identified in the course of our audit including our recommendations in relation to those matters.

---

For PricewaterhouseCoopers Rwanda Limited, Kigali.

Moses Nyabanda  
Director

15 March 2018





**Statement of comprehensive income**

	Notes	2017 Rwf' 000	2016 Rwf' 000
Revenue	1	8,568,855	5,791,574
Cost of sales	2	(3,333,263)	(2,778,067)
<b>Gross profit</b>		<b>5,235,592</b>	<b>3,013,506</b>
Other income	3	55,036	41,286
Selling and distribution expenses	4	(470,925)	(445,247)
Administrative expenses	5	(1,415,043)	(1,062,862)
Fair value gains of biological assets		14,964	10,466
<b>Operating profit</b>		<b>3,419,624</b>	<b>1,557,150</b>
Finance income	7	221,810	296,442
<b>Profit before income tax</b>		<b>3,641,434</b>	<b>1,853,592</b>
Income tax expense	8	(573,256)	(290,036)
Profit for the year		<b>3,068,178</b>	<b>1,563,556</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>3,068,178</b>	<b>1,563,556</b>

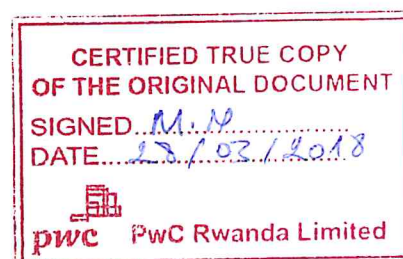
Notes on pages 7 to 34 are an integral part of these financial statements.



**Statement of financial position**

	Notes	2017 Rwf' 000	2016 Rwf' 000
<b>Equity</b>			
Share capital	9	2,123,300	2,123,300
Proposed dividends	10	700,000	900,000
Retained earnings		4,210,777	2,742,599
<b>Total equity</b>		<b>7,034,077</b>	<b>5,765,899</b>
<b>Non-current liabilities</b>			
Deferred income tax	14	-	12,137
		-	<b>12,137</b>
<b>Total equity and non-current liabilities</b>		<b>7,034,077</b>	<b>5,778,036</b>
<b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,215,363	1,240,094
Prepaid operating lease	12	29,018	22,261
Loans and advances	17	8,277	-
Deferred income tax	14	9,794	-
		<b>1,262,451</b>	<b>1,262,355</b>
<b>Current assets</b>			
Inventory	13	989,149	765,054
Biological assets	15	25,429	10,466
Current income tax	8	51,360	423,762
Trade and other receivables	16	906,408	905,982
Loans and advances	17	16,875	-
Cash and cash equivalents	18	4,314,045	2,886,860
		<b>6,303,266</b>	<b>4,992,124</b>
<b>Current liabilities</b>			
Trade and other payables	19	531,640	476,443
Current income tax	8	-	-
		<b>531,640</b>	<b>476,443</b>
<b>Net current assets</b>		<b>5,771,626</b>	<b>4,515,681</b>
		<b>7,034,077</b>	<b>5,778,036</b>

Notes on pages 7 to 34 are an integral part of these financial statements.



Gisovu Tea Company Limited  
 Financial Statements  
 For the year ended 31 December 2017

**Statement of changes in equity**

	Notes	Share capital Rwf'000	Retained earnings Rwf'000	Proposed dividends Rwf'000	Total equity Rwf'000
<b>Year ended 31 December 2016</b>					
At start of the year		2,123,300	2,079,043	300,000	4,502,343
<b>Comprehensive income:</b>					
Profit for the year		-	1,563,556	-	1,563,556
Other comprehensive income		-	-	-	-
Total comprehensive income		-	1,563,556	-	1,563,556
<b>Transactions with owners</b>					
-Dividend for 2015 paid:		-	-	(300,000)	(300,000)
-Proposed final dividend for 2016 :		-	(900,000)	900,000	-
<b>At end of year</b>		<b>2,123,300</b>	<b>2,742,599</b>	<b>900,000</b>	<b>5,765,899</b>

Notes on pages 7 to 34 are an integral part of these financial statements.



Gisovu Tea Company Limited  
 Financial Statements  
 For the year ended 31 December 2017

**Statement of changes in equity (continued)**

	Notes	Share capital Rwf000	Retained earnings Rwf000	Proposed dividends Rwf000	Total equity Rwf000
<b>Year ended 31 December 2017</b>					
At start of the year		2,123,300	2,742,599	900,000	5,765,899
<b>Comprehensive income:</b>					
Profit for the year		-	3,068,178	-	3,068,178
Other comprehensive income		-	-	-	-
Total comprehensive income		-	<b>3,068,178</b>	-	<b>3,068,178</b>
<b>Transactions with owners</b>					
-Dividend for 2016 paid:		-	-	(900,000)	(900,000)
-Interim dividend for 2017 paid		-	(900,000)	-	(900,000)
-Proposed final dividend for 2017:		-	(700,000)	700,000	-
<b>At end of the year</b>		<b>2,123,300</b>	<b>4,210,777</b>	<b>700,000</b>	<b>7,034,077</b>

The notes on pages 7 to 34 are an integral part of these financial statements.



**Statement of cash flows**

	Notes	2017 Rwf' 000	2016 Rwf' 000
<b>Cash flows from operating activities</b>			
Profit before income tax		3,641,434	1,853,592
Adjustments for:			
Net foreign exchange gains on cash and cash equivalents		(221,810)	(296,442)
Depreciation on property, plant and equipment	11	241,169	416,521
Property, plant and equipment expensed	11	-	14,273
Amortization of leased hold property	14	305	233
Interest and penalties on underaccrued income tax		8,222	-
Fair value gains of biological assets	12	(14,963)	(10,466)
Changes in working capital			
- trade and other receivables		(426)	(133,444)
- inventories		(224,095)	(178,189)
- trade and other payables		55,197	(91,961)
Tax paid		(231,007)	(831,956)
<b>Cash generated from operations</b>		<b>3,254,026</b>	<b>742,161</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(216,438)	(259,066)
Additions to prepaid operating lease	12	(7,062)	-
Loans and advances issued		(33,750)	-
Repayments on loans and advances		8,599	-
<b>Net cash used in investing activities</b>		<b>(248,651)</b>	<b>(259,066)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	10	(1,800,000)	(300,000)
<b>Net cash generated from financing activities</b>		<b>(1,800,000)</b>	<b>(300,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,205,375</b>	<b>183,095</b>
Cash and cash equivalents at start of the year		2,886,860	2,407,323
Net foreign exchange gains on cash and cash equivalents		221,810	296,442
<b>Cash and cash equivalents at end of the year</b>	18	<b>4,314,045</b>	<b>2,886,860</b>

Notes on pages 12 to 34 are an integral part of these financial statements.



**Notes**

**1 Revenue**

	<b>2017</b>	<b>2016</b>
	<b>Rwf 000</b>	<b>Rwf 000</b>
Export tea sales	8,559,426	5,785,716
Local tea sales	9,429	5,858
	<b>8,568,855</b>	<b>5,791,574</b>

**2 Cost of sales**

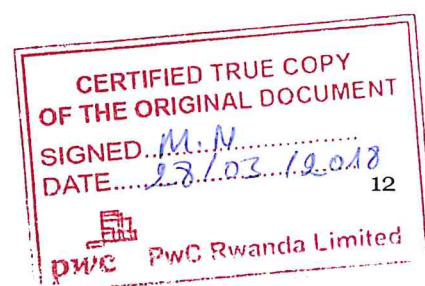
Green leaf cost	2,329,225	1,735,641
Employee benefits expense (Note 6)	495,223	413,421
Depreciation (Note 11)	206,746	379,511
Electricity	193,324	200,879
Packing materials	44,065	42,451
Consumables	63,773	73,358
Fertilisers	112,806	98,641
Firewood	31,826	31,217
Transport	10,907	4,408
Repair and maintenance	40,851	13,830
Insurance	12,665	13,688
Changes in inventory	(208,147)	(228,978)
	<b>3,333,263</b>	<b>2,778,067</b>

**3 Other income**

Net foreign exchange gains, other than on borrowings and cash and cash equivalents	14,082	35,383
Miscellaneous income	40,954	5,903
	<b>55,036</b>	<b>41,286</b>

**4 Selling and distribution expenses**

Transport	344,268	299,892
Shipping charges	76,397	75,874
Selling commission	-	25,618
Warehousing charges	13,795	14,525
Tea samples	7,910	10,782
Brokerage fees	20,616	9,236
Others	7,938	9,318
	<b>470,924</b>	<b>445,247</b>



**Notes (continued)**

**5 Administrative expenses**

	<b>2017</b>	<b>2016</b>
	<b>Rwf 000</b>	<b>Rwf 000</b>
Management fees (Note 20)	855,945	578,566
Employee benefits expense (Note 6)	162,031	153,638
Other taxes	176,540	109,045
Depreciation (Note 11)	34,423	37,010
Repairs and maintenance	16,738	35,569
Vehicle running expenses and maintenance	26,145	14,291
Auditor fees	28,182	37,839
Rent	24,935	23,844
Entertainment expenses	7,775	7,101
Advertisement and subscriptions	6,903	9,383
Director fees	12,105	8,400
Bank charges	5,103	6,689
Telephone and postage	2,881	3,042
Insurance	10,903	12,177
Consultancy fees	2,000	2,180
Electricity and water	1,571	2,785
Security	6,480	7,680
Other expenses	34,382	13,623
	<b>1,415,043</b>	<b>1,062,862</b>

**6 Employee benefits expense**

Salaries and wages	623,727	539,073
Retirement benefits expense:		
-Contributions to the Rwanda Social Security Board	33,526	27,986
	<b>657,253</b>	<b>567,059</b>

Included in:

- Cost of sales	495,223	413,421
- Administrative expenses	162,031	153,638
	<b>657,253</b>	<b>567,059</b>

**7 Finance income**

Net foreign exchange gains on cash and cash equivalents	<b>221,810</b>	<b>296,442</b>
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**Notes (continued)**

**8 Income tax expense**

	2017 Rwf' 000	2016 Rwf' 000
Current income tax	595,187	305,326
Deferred income tax (Note 14)	(21,931)	(15,290)
Income tax expense	<u>573,256</u>	<u>290,036</u>

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Profit before income tax	3,641,433	1,853,592
Tax calculated at the statutory income tax rate of 15%	<u>546,215</u>	<u>278,039</u>
Tax effects of:		
Income not subject to tax	-	(1,570)
Expenses not deductible for tax purposes	16,867	13,567
Prior year underprovision on current income tax	9,919	-
Prior year underprovision on deferred income tax	<u>255</u>	<u>-</u>
Income tax expense	<u>573,256</u>	<u>290,036</u>

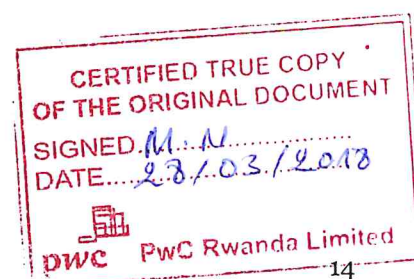
**9 Share capital**

	Number of shares	Ordinary shares Rwf'000
Balance at 1 January 2016, 1 January 2017 and 31 December 2017	<u>21,233</u>	<u>2,123,300</u>

The total authorised and issued number of ordinary shares is 21,233 with a par value of Rwf 100,000 per share. All issued shares are fully paid.

**10 Dividends**

During the year, the company paid an interim dividend of RWF 900 million (2016: Nil). The directors have proposed the payment of a final dividend of Rwf 700 million (2016: Rwf 900 million), which is Rwf 75354 per share (2016: Rwf 42,387 per share). Payment of dividends is subject to withholding tax rate at 15%.





Gisovu Tea Company Limited  
 Financial Statements  
 For the year ended 31 December 2017

Notes (continued)

11 Property, plant and equipment

	Buildings and leasehold improvements	Bearer assets	Plant & machinery	Furniture and fixtures	Capital works in progress	Motor vehicles	Total
	Rwf000	Rwf000	Rwf000	Rwf000	Rwf000	Rwf000	Rwf000
<b>Year ended 31 December 2017</b>							
At start of the year	608,390	165,206	396,890	-	53,423	16,185	1,240,094
Additions	-	-	4,741	2,721	136,067	72,910	216,439
Transfers from capital works in progress	2,457	-	-	-	(2,457)	-	-
Depreciation charge	(38,412)	(8,148)	(170,182)	(805)		(23,623)	(241,169)
<b>Closing net book amount</b>	<b>572,436</b>	<b>157,058</b>	<b>231,449</b>	<b>1,915</b>	<b>187,033</b>	<b>65,473</b>	<b>1,215,363</b>
<b>As at 31 December 2017</b>							
Cost	1,076,701	527,744	2,085,475	114,320	187,033	277,633	4,268,906
Accumulated depreciation	(504,265)	(370,687)	(1,854,026)	(112,404)	-	(212,160)	(3,053,543)
<b>Net book amount</b>	<b>572,436</b>	<b>157,057</b>	<b>231,449</b>	<b>1,916</b>	<b>187,033</b>	<b>65,473</b>	<b>1,215,363</b>

CERTIFIED TRUE COPY  
 OF THE ORIGINAL DOCUMENT  
 SIGNED: M.N.  
 DATE: 23.03.2018  
 PwC Rwanda Limited

Notes (continued)

11 Property, plant and equipment (continued)

	Buildings and leasehold improvements	Bearer assets	Plant & machinery	Furniture and fixtures	Capital works in progress	Motor vehicles	Total
	Rwf000	Rwf000	Rwf000	Rwf000	Rwf000	Rwf000	Rwf000
<b>Year ended 31 December 2016</b>							
At start of the year	606,913	144,070	389,587	14,371	236,067	20,814	1,411,823
Additions	-	160	10,012	-	227,314	21,580	259,066
Transfers from capital works in progress	39,950	29,125	326,610	-	(395,685)	-	-
Depreciation charge	(38,473)	(8,149)	(329,319)	(14,371)	-	(26,209)	(416,521)
Amount expense	-	-	-	-	(14,273)	-	(14,273)
<b>Closing net book amount</b>	<b>608,390</b>	<b>165,206</b>	<b>396,890</b>	<b>-</b>	<b>53,423</b>	<b>16,185</b>	<b>1,240,094</b>
<b>As at 31 December 2016</b>							
Cost	1,074,244	527,745	2,080,734	111,599	53,423	204,723	4,052,468
Accumulated depreciation	(465,854)	(362,539)	(1,683,844)	(111,599)	-	(188,538)	(2,812,374)
<b>Net book amount</b>	<b>608,390</b>	<b>165,206</b>	<b>396,890</b>	<b>-</b>	<b>53,423</b>	<b>16,185</b>	<b>1,240,094</b>

CERTIFIED TRUE COPY  
 OF THE ORIGINAL DOCUMENT  
 SIGNED... M. M.  
 DATE... 23/03/2018.  
 PwC Rwanda Limited

**Notes (continued)**

<b>12 Prepaid operating lease rentals</b>	<b>2017</b>	<b>2016</b>
	<b>Rwf 000</b>	<b>Rwf 000</b>
<b>Cost:</b>		
At start of year	22,840	22,840
Additions	7,062	-
	<b>29,902</b>	<b>22,840</b>
<b>Amortisation:</b>		
At start of the year	(579)	(346)
Charge for the year	(305)	(233)
	<b>(884)</b>	<b>(579)</b>
<b>Net carrying value</b>	<b>29,018</b>	<b>22,261</b>

<b>13 Inventory</b>	<b>2017</b>	<b>2016</b>
	<b>Rwf 000</b>	<b>Rwf 000</b>
Finished goods	805,822	597,675
Consumable stores	189,140	170,551
Tea nurseries	10,891	14,308
Provision for slow moving inventory	(16,704)	(17,479)
	<b>989,149</b>	<b>765,054</b>

The movement in inventory relates to slow moving inventory of Rwf 775,528 consumed during the year.

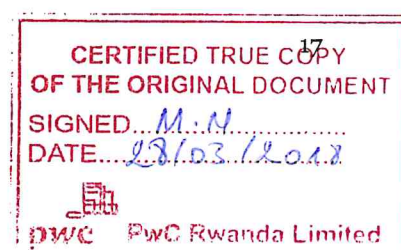
**14 Deferred income tax**

Deferred income tax is calculated using the enacted income tax rate of 15% (2016: 15%). The movement on the deferred income tax account is as follows:

	<b>2017</b>	<b>2016</b>
	<b>Rwf 000</b>	<b>Rwf 000</b>
At start of the year	(12,137)	(27,427)
Charge to profit and loss account (Note 8)	21,931	15,290
At end of the year	<b>9,794</b>	<b>(12,137)</b>

Deferred income tax assets and deferred income tax credit in the statement of comprehensive income (SOCI), are attributable to the following items:

	<b>1 January</b>	<b>Credit to</b>	<b>31 December</b>
	<b>Rwf 000</b>	<b>SOCI</b>	<b>Rwf 000</b>
	<b>Rwf 000</b>	<b>Rwf 000</b>	<b>Rwf 000</b>
<b>Year ended 31 December 2017:</b>			
<b>Deferred income tax assets / (liability)</b>			
Property, plant and equipment:	(15,014)	19,071	4,057
Other deductible temporary differences	2,877	2,860	5,737
	<b>12,137</b>	<b>21,931</b>	<b>9,794</b>



**Notes (continued)**

	1 January	Debit/ (Credit) to SOCI	31 December
	Rwf'000	Rwf'000	Rwf'000
<b>14 Deferred income tax (continued)</b>			
<b>Year ended 31 December 2016:</b>			
<b>Deferred income tax assets / (liability)</b>			
Property, plant and equipment:	(31,533)	16,519	(15,014)
Other deductible temporary differences	4,106	(1,229)	2,877
	<b>(27,428)</b>	<b>15,290</b>	<b>12,137</b>

**15 Biological assets**

**Green leaf shoots on tea bushes**

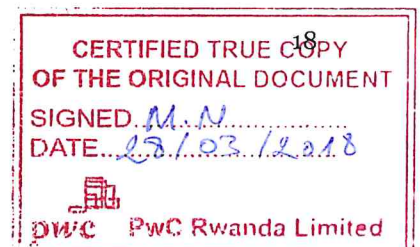
	2017	2016
	Rwf 000	Rwf 000
Biological asset - green leaf shoots	<b>25,429</b>	<b>10,466</b>

Green leaf shoots on the tea bushes are carried at fair value as per IAS 41. The fair value of the green leaf shoots is measured using the average tea price on the Mombasa stock exchange. As at 31 December 2017, if there price changed by 20%, there would be no material change in the carrying value of the bushes (2016: no material change).

**16 Trade and other receivables**

	2017	2016
	Rwf 000	Rwf 000
Trade receivables	837,347	846,141
Prepayments	38,861	2,164
Due from related companies (Note 21)	7,581	14,457
Other receivables	22,619	43,220
	<b>906,408</b>	<b>905,982</b>

The carrying amounts of the above trade and other receivables approximate their fair values.



**Notes (continued)**

**17 Loans and advances**

	2017 Rwf' 000	2016 Rwf' 000
Loans and advances - current	16,875	-
Loans and advances - non current	8,277	-
	<u>25,152</u>	<u>-</u>

During the year, the Company advanced funds to Coothegim, a minority shareholder, worth Rwf 37,500,000. The advance is payable over 24 months, with the last instalment due in 2019. The advance is interest free, and is not collateralised. Coothegim is current on its payment, and no impairment has been charged on the amount.

**18 Cash and cash equivalents**

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2017 Rwf' 000	2016 Rwf' 000
Cash at bank	4,309,697	2,886,422
Cash at hand	4,348	438
	<u>4,314,045</u>	<u>2,886,860</u>

**19 Trade and other payables**

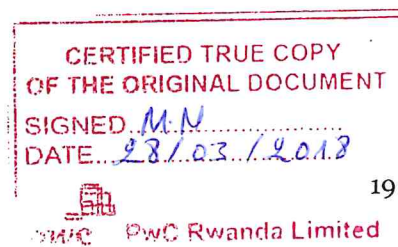
	2017 Rwf' 000	2016 Rwf' 000
Trade payables	318,317	209,201
Amounts due to related companies (Note 21)	148,910	104,864
Accrued expenses and other payables	64,413	162,378
	<u>531,640</u>	<u>476,443</u>

**20 Capital commitments**

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is given below.

	2017 Rwf'000	2016 Rwf'000
Property, plant and equipment	109,074	1,623

Advances given against such capital expenditure is Rwf 49 million (2016: Rwf 2 million).



**Notes (continued)**

**21 Related party transactions**

Gisovu Tea Company Limited is a subsidiary of Borelli Tea Holdings Limited. The ultimate parent of the Company is McLeod Russel India Limited, a company incorporated in India.

The following transactions were carried out with related parties:

<b>i) Sale of goods and services</b>	<b>2017</b>	<b>2016</b>
	<b>Rwf'000</b>	<b>Rwf'000</b>
Sale of tea to McLeod Russel Middle East	27,207	110,060
Supply of items to McLeod Russel Middle East	652	-
Sale of tea to Pfunda Tea company Limited	1,946	368
Supply of store items to Pfunda Tea company Limited	619	8,023
Sale of tea to McLeod Russel Africa Limited	116	2,550
Reimbursement of expenses from Borelli Tea Holdings Limited	1,772	-
Sale of tea to McLeod Russel Uganda Limited	92	128
	<b>32,404</b>	<b>121,129</b>

**ii) Key management compensation**

Key management includes directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

Salaries and other short-term employment benefits	<b>180,835</b>	<b>153,533</b>
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**iii) Purchase of goods and services**

Management fees payable to Borelli Tea Holdings Limited	855,945	595,150
Brokerage fees paid to McLeod Russel Africa Limited	-	24,225
Reimbursement to McLeod Russel Africa Limited	1,021	-
Reimbursement to Pfunda Tea Company Limited	2,315	-
Reimbursement to McLeod Russel India Limited	10,176	-
Rent payable to Borelli Tea Holdings Limited	-	23,844
Reimbursement to McLeod Russel Uganda Limited	5,858	-
Purchases from McLeod Russel Uganda Limited	138	-
	<b>875,453</b>	<b>643,210</b>

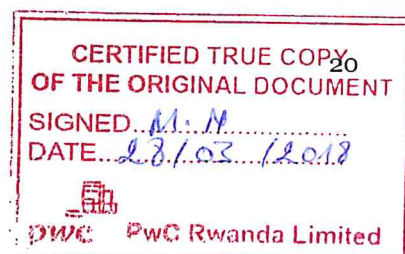
**iv) Directors' remuneration**

Fees for services as a director	<b>12,105</b>	<b>8,400</b>
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**v) Outstanding balances arising from sale and purchase of goods/services**

**Receivables from related parties**

McLeod Russel Middle East Limited	652	-
Borelli Tea Holdings Limited	5,070	6,691
Pfunda Tea Company Limited	1,858	7,766
	<b>7,581</b>	<b>14,457</b>



**Notes (continued)**

**21 Related party transactions (continued)**

<b>Payables to related parties</b>	<b>2017:</b>	<b>2016</b>
	<b>Rwf'000</b>	<b>Rwf'000</b>
Borelli Tea Holdings Limited	146,539	104,611
Pfunda Tea Company Limited	-	94
McLeod Russel India Limited	8	-
McLeod Russel Africa Limited	905	-
McLeod Russel Uganda Limited	1,458	159
	<b>148,910</b>	<b>104,864</b>

**22 Financial risk management objectives and policies**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market risk

(i) Foreign exchange risk

The Company receives its revenues from tea sales mostly in U.S. Dollars. The Company does not hedge its foreign exchange exposure by entering into forward contracts with its bankers for sale of US Dollars and converts Dollars at spot rate.

At 31 December 2017, if the currency had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been Rwf 189 million (2016: Rwf 162 million) higher/lower mainly as a result of US dollar denominated trade payables, bank balances and trade receivables.

The company had no significant exposures to the GBP or EUR (2016: no significant exposures).

(ii) Price risk

The Company does not hold any financial instruments subject to price risk.

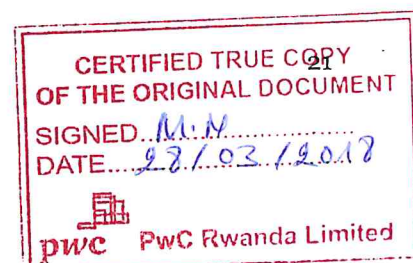
(iii) Cash flow and fair value interest rate risk

The company did not hold any financial instruments as at 31 December 2017 (2016: nil) that would expose it to either cash flow or fair value interest rate risk.

Credit risk

Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is managed by the finance department under policies set out by the Board of Directors. The Company does not have any significant concentrations of credit risk.



**Notes (continued)**

**22 Financial risk management objectives and policies (continued)**

The Company sells its tea through Mombasa auction and a few reputed multinational tea buyers. The Mombasa Auction, is regulated by East Africa Tea Trade Association (a joint regulatory body comprising producers, buyers, brokers and warehouse keepers) and under its rules, the payment for teas sold is received within two weeks from the date of sale. Therefore, the credit risk arising from tea sold in Mombasa auction is minimal.

The company sells on credit to a few other multinational customers, under a credit policy defined by the Board of Directors. Most of these customers have been in the trade over a long period of time and have never defaulted on payment.

The Company does not grade the credit quality of receivables. Individual risk limits are set based on internal ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The amounts that best represent the Company's maximum exposure to credit risk at 31 December 2017 and 2016 are as follows:

	2017 Rwf' 000	2016 Rwf' 000
Cash at bank	4,309,697	2,886,422
Trade receivables	837,347	846,141
Receivables from related companies	7,580	14,457
Loans and Advances	25,152	-
Other receivables	22,619	43,220
	<b>5,202,395</b>	<b>3,790,240</b>

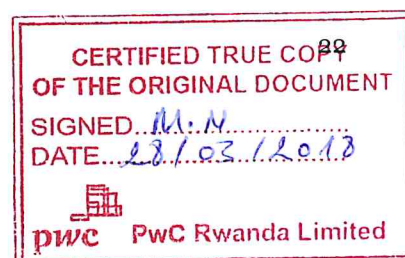
All the above assets are neither past due nor impaired and are within their approved credit limits. No receivables have had their terms renegotiated.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities.

Management perform cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs. The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

	Less than 1 year Rwf'000	More than 1 year Rwf'000	Total Rwf'000
<b>At 31 December 2017:</b>			
- Trade and other payables	531,640	-	531,640
- Commitments	48,740	-	48,740
	<b>580,380</b>	<b>-</b>	<b>580,380</b>





Notes (continued)

22 Financial risk management objectives and policies (continued)

*Liquidity risk (continued)*

	Less than 1 year	More than 1 year	Total
	Rwf'000	Rwf'000	Rwf'000
<b>At 31 December 2016:</b>			
- Trade and other payables	476,443	-	476,443
- Commitments	1,623	-	1,623
	<b>478,066</b>	<b>-</b>	<b>478,066</b>

*Capital risk management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. As at 31 December 2017, the company had no debt (2016: Nil).

*Fair value*

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

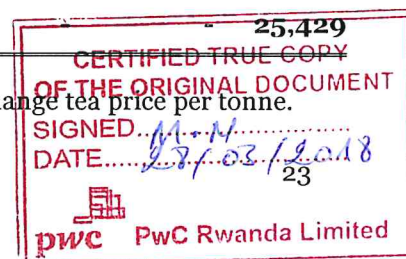
The following table presents the company's financial assets and liabilities that are measured at fair value at 31 December 2017.

Assets	Level 1 Rwf'000	Level 2 Rwf'000	Level 3 Rwf'000	Total Rwf'000
Financial assets at fair value through profit or loss				
- Biological assets – green leaf shoots	25,429	-	-	25,429
<b>Total assets</b>	<b>25,429</b>	<b>-</b>	<b>-</b>	<b>25,429</b>

The following table presents the company's financial assets and liabilities that are measured at fair value at 31 December 2016.

Assets	Level 1 Rwf'000	Level 2 Rwf'000	Level 3 Rwf'000	Total Rwf'000
Financial assets at fair value through profit or loss				
- Biological assets – green leaf shoots	10,466	-	-	25,429
<b>Total assets</b>	<b>10,466</b>	<b>-</b>	<b>-</b>	<b>25,429</b>

The fair value of the tea bushes is based on the Mombasa stock exchange tea price per tonne.



## Notes (continued)

### 23 Critical accounting estimates and judgements

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

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

#### *Useful life of bearer assets (trees and tea bushes) included in property, plant and equipment*

Based on their knowledge of the business throughout the Borelli group the directors estimate the useful lives of trees and tea bushes at 100 years and 50 years respectively.

If the directors had applied a useful life of 50 years for trees, there would be no significant change to the depreciation charge for the year since the carrying value of trees is not significant to the financial statements.

If the directors had applied a useful life of 40 years for tea bushes, there would be no significant change to the depreciation charge for the year since the carrying value of tea bushes is not significant to the financial statements.

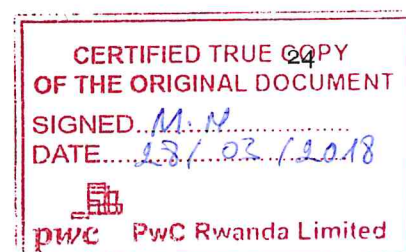
### 24 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### (a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Rwanda Francs (Rwf), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 23.



## 24 Summary of significant accounting policies

### (a) Basis of preparation

#### (i) *New and amended standards adopted by the Company*

The following standards and amendments have been applied by the company for the first time for the financial year beginning 1 January 2017:

#### a) **Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses**

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the company:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the company will have sufficient taxable profit in future periods. The company is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

The impact of the amendment is not material.

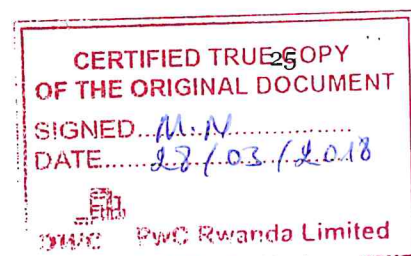
#### Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes

The effective date of the amendment is for years beginning on or after 1 January 1 2017.

The Company has adopted the amendment for the first time in these financial statements. The Company has no external debt, and therefore, the disclosure has no material impact on the financial statements.



**Notes (continued)**

**24 Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

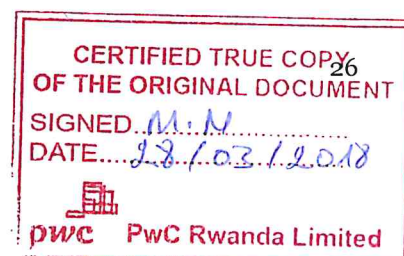
*(i) New and amended standards adopted by the Company (continued)*

Annual improvements 2014-2016: IFRS 12 – *Disclosure of interests in other entities* regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

*(ii) New standards and interpretations not yet effective*

IFRS 9 – *Financial instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one the directors actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. It is not expected to have a material impact on the Company's financial statements in the current year as it is not being early adopted. The directors are currently assessing the impact to the company with support from the parent Company. However the adoption of IFRS 9 is not expected to change the measurement of the Company's financial assets and liabilities significantly. The exact impact of an expected credit loss model on the financial statements has not yet been fully determined, however, it may result in an earlier recognition of credit losses. This requirement is not expected to have a significant impact on impairments as the company does not have long-term contracts.



**Notes (continued)**

**24 Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

*(ii) New standards and interpretations not yet effective (continued)*

IFRS 15 – *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The company has completed assessing the impact of IFRS 15 and based on the nature of the selling cycle and fulfilment of obligations, the directors are of the view that the impact will not be significant.

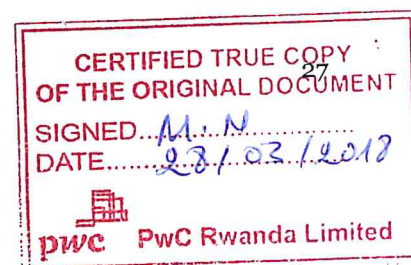
*Amendment to IFRS 15 – Revenue from contracts with customers*

The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

The amendments are effective for annual periods beginning on or after 1 January 2018.

IFRS 16 – *Leases* will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.



## Notes (continued)

### 24 Summary of significant accounting policies (continued)

#### (ii) New standards and interpretations not yet effective (continued)

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At this stage, the company does not intend to adopt the standard before its effective date.

The standard is not expected to have a significant impact on the Company since its current operating lease commitments are not significant.

#### Annual improvements 2014-2016

These amendments impact 3 standards:

- IFRS 1, 'First-time adoption of IFRS', regarding the deletion of shortterm exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
- IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
- IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.

IFRIC 22 – *Foreign currency transactions and advance consideration* addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

IFRIC 23 – *Uncertainty over income tax treatments* provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

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



**Notes (continued)**

**24 Summary of significant accounting policies (continued)**

**(b) Revenue recognition**

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

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

Revenue from the export of made tea on auction is recognised when a binding offer is made by a buyer. In the case of direct export sales, revenue is recorded when the customer has accepted delivery of the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

**(c) Foreign currency translation**

**(a) Functional and presentation currency**

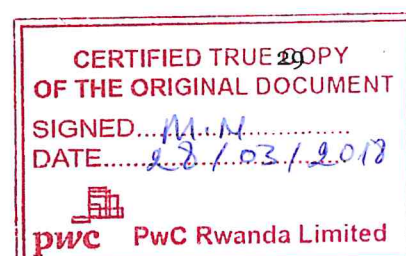
Items included in the financials are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rwanda Francs (Rwf), which is the Company's functional and presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated using daily average exchange rates as declared by the National Bank of Rwanda. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'.

All other foreign exchange gains and losses are presented in the statement of comprehensive income account within 'other income'.



**Notes (continued)**

**24 Summary of significant accounting policies (continued)**

**(d) Property, plant and equipment**

All categories of property, plant and equipment are recorded at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Freehold land is not depreciated. Leasehold land is amortised over the period of lease. Depreciation is calculated on a straight line basis to write down the cost of each asset, to its residual value over its estimated useful life is as follows:

Buildings	- 5%
Bearer Plant - Tea	- 2%
Bearer Plant - Forest	- 1%
Plant and machinery	- 25%
Fixtures, fittings and equipment	- 25%
Motor vehicles	- 25%
Computers and communication equipment	- 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

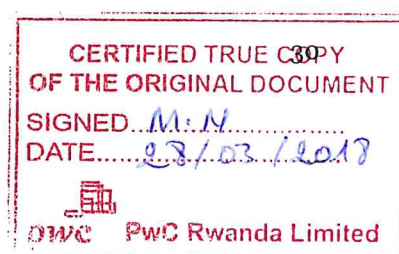
Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit and loss.

**(e) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted Average method less provision for impairment. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Tea nurseries are valued on an accumulated cost basis and include all applicable labour overheads, less recoveries for issues.





**Notes (continued)**

**24 Summary of significant accounting policies (continued)**

**(f) Trade receivables**

Trade receivables are amounts due from customers for merchandise sold. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

**(g) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(h) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings, using the effective interest method.

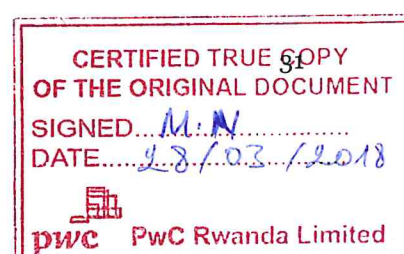
Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**(i) Provisions**

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



**Notes (continued)**

**24 Summary of significant accounting policies (continued)**

**(j) Share capital**

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

**(k) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are initially recognised at fair value and then subsequently carried at amortised cost.

**(l) Employee benefits**

**(i) Retirement benefit obligations**

The Company and all its employees contribute to the Rwandan National Social Security Fund, which is a defined contribution retirement benefits scheme. A defined contribution scheme is a retirement benefits scheme under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to the defined contribution retirement benefits scheme are charged to the profit and loss account in the year to which they relate.

**(ii) Other entitlements**

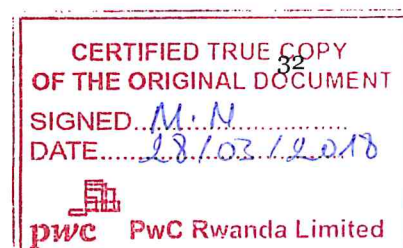
The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

**(m) Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Rwandan Income Tax Act. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.



**Notes (continued)**

**24 Summary of significant accounting policies (continued)**

**(m) Current and deferred income tax (continued)**

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

**(n) Dividends**

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

**(o) Financial assets**

*(i) Classification*

All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired. The directors determine the classification of the financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

*(ii) Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

*(iii) Offsetting financial instruments*

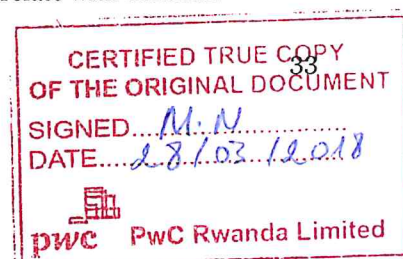
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

*(iv) Impairment*

*(A) Assets carried at amortised cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or company of financial assets is impaired. A financial asset or a company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



**Notes (continued)**

**24 Summary of significant accounting policies (continued)**

**(o) Financial assets (continued)**

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

**B) Assets classified as available for sale**

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a company of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

**(p) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

**(q) Biological assets**

Biological assets comprised of green leaf shoots on tea bushes. They are measured on initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less estimated point-of-sale costs are recognised in the profit and loss account in the year in which they arise.

The fair value of the green leaf shoots on tea bushes is estimated as the present value of expected future cash flows.

