

EAST AFRICA COFFEE CO. LLP
(Incorporated in the United Kingdom. Company Number: OC397061)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial year ended 31 December 2018



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EAST AFRICA COFFEE CO. LLP. AND ITS SUBSIDIARIES

MEMBERS' STATEMENT

For the financial year ended 31 December 2018

The members present their statement together with the audited consolidated financial statements of East Africa Coffee Co. LLP ('the LLP') and its subsidiary undertakings (together 'the Group') for the financial year ended 31 December 2018.

In the opinion of the members,

- (a) the statement of comprehensive income, balance sheet and statement of changes in equity of the LLP and the consolidated financial statements of the Group as set out on pages 7 to 45 are drawn up so as to give a true and fair view of the financial position of the LLP and of the Group as at 31 December 2018 and the financial performance, changes in equity of the LLP and of the Group, and cash flows of the Group for the financial year covered by the financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the LLP will be able to pay its debts as and when they fall due.

Members

The members of the LLP at the date of this report are as follows:

- Verb Foundation
- ECOM Agroindustrial Corp. Ltd

Executive Committee

The members have appointed an Executive Committee to oversee the management of the LLP.

The Executive Committee has the power and authority to act on behalf of the LLP and the power to bind it. This Executive Committee consists of the following individuals:

- Oliver Schenkenberg
- Renaud de Kerchove
- Jeremy Block

Auditors

Nexia Smith & Williamson have indicated their willingness to be reappointed and the members will make appropriate arrangements for them to be reappointed.

Disclosure of information to auditor

Each of the persons who are members at the time when the Members' Report is approved has confirmed that:

- so far as the member is aware, there is no relevant audit information of which the LLP's auditor is unaware, and
- the member has taken all the steps that ought to have been taken as a member in order to be aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

EAST AFRICA COFFEE CO. LLP. AND ITS SUBSIDIARIES

MEMBERS' STATEMENT

For the financial year ended 31 December 2018

Members' report for the year ended 31 December 2018

Principal activities

The LLP is primarily involved in the trading of green coffee sourced from its subsidiaries in East Africa. As part of this trading the LLP does engage in hedging and financing activities for the Group. In addition to the trading of green coffee, the Group is also engaged in coffee procurement, processing, storage and export activities as well as the provision of marketing services for farmers in the coffee industry in East Africa.

Financial performance during the year

The financial performance of the LLP and its Group is shown in the accompanying financial statements. Revenue was up 7% on prior year, primarily as a result of increased volumes in Kenya. This was offset by an 11% increase in cost of sales, thereby reducing gross profit. The main driver for the loss in the year was poor performance in our Tanzania operations due to changes in regulations.

Going concern

Taking into consideration the support of the parent company, the members have a reasonable expectation that the LLP and its Group have adequate financial resources to meet its operational needs for the foreseeable future and therefore the going concern basis has been adopted in preparing the financial statements.

Financial risk management policies

The LLP and its subsidiaries are part of the ECOM Group of companies and as such there is adherence to Group policies with respect to financial risk management. These risks include, but are not limited to, commodity price risk, market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group actively manages these risks, including hedging, with derivative financial instruments. Further details on the above risk management policies are shown in the notes to the financial statements.

Members' capital, profit shares and drawings

Each member of the LLP shall have a Capital Account and a Current Account. Capital contributions from each member shall be credited to the member's Capital Account. The net profit or net loss of the Group shall be credited or debited to or from the Current Accounts pro rata to the then capital proportions of each member. After allowing for sufficient working capital to be left within the Group, and assuming distributable reserves are sufficient, a proportion of net profit credited to current accounts shall be distributed to members in proportion to their then respective capital proportions. Capital contributions may be returned to members at the discretion of the Executive Committee. The capital requirements of the LLP and its Group shall be determined and assessed by the Executive Committee and members shall be obliged to meet any capital deficiencies identified by the Executive Committee pro rata to their capital proportion.

Tanzania operations

The Government of Tanzania introduced in January 2018 some regulatory changes to the way in which coffee is purchased in Tanzania. This has negatively impacted on the Group's buying activities in Southern Tanzania and has resulted in some fixed assets becoming redundant. As a result of this it was decided to impair these assets during 2018 and the resulting loss of US\$1,339K has been reflected in the Consolidated Statement of Comprehensive Income. The operations in Tanzania are continuing on a going concern basis.

**EAST AFRICA COFFEE CO. LLP.
AND ITS SUBSIDIARIES**

MEMBERS' STATEMENT

For the financial year ended 31 December 2018

Future prospects and objectives

The members are of the opinion that the LLP and its subsidiaries are capable of operating in a profitable and sustainable manner.

Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

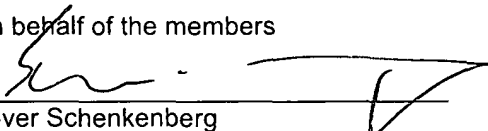
Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year. Under that law the members have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the limited liability partnership financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, as applied to limited liability partnerships, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and limited liability partnership and of the profit or loss of the group and limited liability partnership for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the limited liability partnership financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and limited liability partnership will continue in business.

The members are also responsible for safeguarding the assets of the group and limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the group and limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation as applied to limited liability partnerships by the Regulations.

On behalf of the members



Oliver Schenkenberg
For and on behalf of ECOM
Agroindustrial Corp. Ltd, a Designated
Member

Date: 12/06/2019



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST AFRICA COFFEE CO. LLP

Opinion

We have audited the financial statements of East Africa Coffee Co. LLP (the 'parent limited liability partnership') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group and parent limited liability partnership statements of financial positions, the consolidated statement of comprehensive income, the group and parent limited liability partnership statements of cash flows, the group and parent limited liability partnership statements of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent limited liability partnership financial statements, as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent limited liability partnership financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 as applied to limited liability partnerships; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the group and parent limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Financial Statements other than the financial statements and our auditor's report thereon. The members are responsible for the other information. 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 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the members' responsibilities statement set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members 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 members are responsible for assessing the group's and the parent limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the group or the parent limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the parent limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent limited liability partnership and the parent limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Guy Swarbreck
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: *12 June 2019*

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

		<u>Group</u>	
	Note	2018 US\$'000	2017 US\$'000
Revenue	4	109,125	102,220
Cost of goods sold		(99,883)	(89,789)
Gain on Commodity futures, forwards and foreign exchange contracts		4,670	2,907
Commodity financing expenses	8	(3,894)	(3,082)
Gross profit		<u>10,018</u>	<u>12,256</u>
Other (expense)/income - net	5	(1,572)	701
Expenses			
- Distribution		(855)	(1,280)
- Administrative		(9,706)	(11,045)
(Loss)/profit before income tax		<u>(2,115)</u>	<u>632</u>
Income tax expense	9	(1,269)	(1,563)
Loss for the financial year		<u>(3,384)</u>	<u>(931)</u>
Loss for the financial year after members' remuneration		-	-
Total comprehensive loss attributable to owners of the parent		<u>(3,384)</u>	<u>(931)</u>

The accompanying notes form an integral part of these financial statements.

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

CONSOLIDATED AND LLP BALANCE SHEETS

As at 31 December 2018

LLP Registration Number : OC397061

	Note	Group		LLP	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	1,457	1,624	-	-
Trade and other receivables	12	24,964	23,290	71,550	70,236
Inventories	13	39,068	38,213	8,812	9,753
Other assets	14	1,650	1,092	-	-
Held for sale assets		-	2,163	-	-
Current income tax assets		85	85	-	-
Derivative financial instruments	16	3,431	1,588	3,425	1,576
		<u>70,655</u>	<u>68,055</u>	<u>83,787</u>	<u>81,565</u>
Non-current assets					
Investments in subsidiaries	17	-	-	4,165	4,165
Property, plant and equipment	19	21,292	20,634	-	-
Intangible assets	18	2,429	2,479	-	-
Biological assets	28	841	1,193	-	-
Deferred tax assets	15	413	288	-	-
		<u>24,975</u>	<u>24,594</u>	<u>4,165</u>	<u>4,165</u>
Total assets		<u>95,630</u>	<u>92,649</u>	<u>87,952</u>	<u>85,730</u>
LIABILITIES					
Current liabilities					
Trade and other payables	20	81,083	75,845	76,193	72,664
Current income tax liabilities	9	76	27	-	-
Borrowings	21	39	1	-	-
Derivative financial instruments	16	422	114	422	114
		<u>81,620</u>	<u>75,987</u>	<u>76,615</u>	<u>72,778</u>
Non-current liabilities					
Deferred tax liabilities	15	339	326	-	-
		<u>339</u>	<u>326</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>81,959</u>	<u>76,313</u>	<u>76,615</u>	<u>72,778</u>
NET ASSETS		<u>13,671</u>	<u>16,336</u>	<u>11,337</u>	<u>12,952</u>
EQUITY					
Capital and reserves attributable to equity holder of the Company					
Members' capital	22	18,778	18,059	18,778	18,059
Accumulated losses		(5,107)	(1,723)	(7,441)	(5,107)
Total equity		<u>13,671</u>	<u>16,336</u>	<u>11,337</u>	<u>12,952</u>

The LLP has elected to take exemption under section 408 of the Companies Act 2006 to not present the LLP statement of comprehensive income. The LLP's loss for the year ended 31 December 2018 was US\$ 2,334 K (2017: US\$1,550 K).

These Financial Statements were approved by the Members, authorised for issue on 23 May 2019 and are signed on their behalf by:


 Oliver Schenkenberg - For and on behalf of ECOM Agroindustrial Corp. Ltd, a designated Member

The accompanying notes form an integral part of these financial statements.

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

CONSOLIDATED AND LLP STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Group	Note	Members' capital US\$'000	Accumulated Losses US\$'000	Total Equity US\$'000
2018				
Beginning of financial year		18,059	(1,723)	16,336
Capital introduced by members	22	719	-	719
Total comprehensive income		-	(3,384)	(3,384)
End of financial year		18,778	(5,107)	13,671
2017				
Beginning of financial year		22,579	(792)	21,787
Capital distributed to members	22	(4,520)	-	(4,520)
Total comprehensive income		-	(931)	(931)
End of financial year		18,059	(1,723)	16,336
LLP				
	Note	Members' capital US\$'000	Accumulated Losses US\$'000	Total Equity US\$'000
2018				
Beginning of financial year		18,059	(5,107)	12,952
Capital introduced by members	22	719	-	719
Total comprehensive loss		-	(2,334)	(2,334)
End of financial year		18,778	(7,441)	11,337
2017				
Beginning of financial year		22,579	(3,557)	19,022
Capital distributed to members	22	(4,520)	-	(4,520)
Total comprehensive loss		-	(1,550)	(1,550)
End of financial year		18,059	(5,107)	12,952

The accompanying notes form an integral part of these financial statements.

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

CONSOLIDATED AND LLP STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	<u>Group</u>		<u>LLP</u>	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Group					
Cash flows from operating activities					
Loss after tax		(3,384)	(931)	(2,334)	(1,550)
Adjustments for:					
- Income tax expense		1,269	1,564	-	-
- Depreciation		1,152	1,494	-	-
- Loss/(Gain) on disposal of property, plant and equipment		149	(273)	-	-
- Amortisation of intangible assets		50	50	-	-
- Impairment of property, plant and equipment		1,339	-	-	-
- Allowance for doubtful account		268	-	5	-
- Derivative financial instruments		(1,535)	927	(1,541)	782
- Finance expense		3,894	3,082	3,713	2,916
		<u>3,202</u>	<u>5,913</u>	<u>(157)</u>	<u>2,148</u>
Change in working capital					
- Inventories		(855)	(5,579)	941	1,068
- Trade and other receivables		(1,674)	111	(1,314)	(8,571)
- Trade and other payables		1,581	(3,101)	135	(3,570)
- Other assets		1,629	(426)	-	-
Cash generated from/(used in) operations		<u>3,883</u>	<u>(3,082)</u>	<u>(395)</u>	<u>(8,925)</u>
- Income tax paid		<u>(1,256)</u>	<u>(1,297)</u>	<u>-</u>	<u>-</u>
Net cash generated from/(used in) operating activities		<u>2,627</u>	<u>(4,379)</u>	<u>(395)</u>	<u>(8,925)</u>
Cash flows from investing activities					
Addition to property, plant and equipment		(3,706)	(5,909)	-	-
Disposal of property, plant and equipment		700	167	-	-
Net cash used in investing activities		<u>(3,006)</u>	<u>(5,742)</u>	<u>-</u>	<u>-</u>

The accompanying notes form an integral part of these financial statements.

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

CONSOLIDATED AND LLP STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

Cash flows from financing activities

Capital contribution from/distribution to members	719	(4,520)	719	(4,520)
Loan from holding corporation	3,389	16,266	3,389	16,266
Finance expense paid	(3,894)	(3,082)	(3,713)	(2,916)
Net cash provided by financing activities	214	8,664	395	8,830
Net decrease in cash and cash equivalents	(166)	(1,456)	-	(95)
Cash and cash equivalents at beginning of financial year	1,623	3,079	-	95
Cash and cash equivalents at end of financial year	11	1,457	1,623	-

The accompanying notes form an integral part of these financial statements.

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

East Africa Coffee Co. LLP (the "LLP") is incorporated and domiciled in the United Kingdom, and has its registered address at Office 7 35-37 Ludgate Hill, London, England, EC4M 7JN. The principal activities of the LLP consist of commodities trading, commodities trading arrangements, and supportive freight activities.

2. Significant accounting policies

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

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 as applied to limited liability partnerships reporting under IFRS. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2018

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle

Transfers to Investment Property – Amendments to IAS 40

- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2015-2017 Cycle.

The amendments listed above did not have any impact on the amounts recognised in current or prior periods and are not expected to significantly affect periods.

2.1.1 Changes in accounting policy and disclosures

New standards, amendments, and interpretations issued but not effective for the financial year beginning January 1, 2018, and not early adopted.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out hereafter:

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

- IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

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

The group has set up a project team which is reviewing all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases.

The group's activities as a lessee are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2.2. Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(a) *Sale of goods*

Revenue from sales of goods is recognised when the Group has delivered the products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Management fee and commission income*

Management fee and commission income are recognised in profit or loss in the period in which the services are rendered.

2.3. Group accounting - subsidiaries

i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the LLP. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

iii) Capital reorganisation

Where a business under the control of the ultimate parent entity group ('ECOM Group') is acquired by the Group, and the acquiring entity has been created for the purposes of the transaction, capital reorganisation accounting is applied. Under capital reorganisation accounting, the assets and liabilities of an acquired entity, including any existing goodwill, are recognised at their pre-combination carrying amounts with no fair value uplift. No new goodwill is recorded. Any difference between the cost of the transaction and the carrying value of the net assets is recorded in equity.

An entity acquired in a capital reorganisation is included in the consolidated financial statements of the Group, including comparatives, from the date on which the ECOM Group exercised control over the acquired entity.

iv) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

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Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries.

2.4. Property, plant and equipment

(a) *Measurement*

Land is initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses.

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of construction-in-progress represents all cost incurred in the construction of the assets. The accumulated cost will be reclassified to the appropriate property, plant and equipment account when the construction is completed.

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Building	30 years
Machinery and equipment	15 - 20 years
Computers and office equipment	3 - 5 years
Furniture, fittings and office renovation	3 - 5 years
Motor vehicles	3 - 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

No depreciation is provided on construction-in-progress.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in profit or loss when incurred.

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(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.5. Held for sale assets

Assets held for sale are property, plant and equipment and other non-monetary assets that are available for immediate sale. Assets held for sale are valued at lower of carrying value or fair value less disposal costs. Assets expected to be disposed within the next year are classified as current.

2.6. Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the parent LLP's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.7. Intangible assets

a) *Brand, trademarks and copyrights*

Brand, trademarks, copyrights and patented technology are shown at historical cost. They have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives (maximum useful life of 10 years).

b) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash-generating unit containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.8. Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units (CGU) to which the asset belongs.

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If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.9. Financial assets and liabilities

Classification:

The Group classifies its financial assets in the following categories: 'at fair value through profit or loss,' 'notes and advances receivable' and 'available-for-sale.' The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a. Financial assets (or liabilities) at fair value through profit or loss

The Group enters into contracts for the forward purchase and sale of commodities in the normal course of business. The Group's forward commodity contracts and commodity derivatives, comprising all open sales and purchases contracts, commodity futures and related commodity currency contracts, and puts and calls, are classified as 'financial assets - profits (or liabilities - losses) at fair value through profit or loss'.

'Financial assets (or liabilities) at fair value through profit or loss' are financial assets (or liabilities) held for trading. A financial asset (or liability) is classified in this category if acquired principally for the purpose of selling in the short term and are classified as current assets. Derivatives are also categorized as held for trading unless they are designated as hedges and qualify for hedge accounting (under IFRS).

b. Notes and advances receivable

Notes and advances receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Notes and advances receivable are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Notes and receivables are classified as 'trade and other receivables', 'advances' and 'other current assets' in the balance sheet.

c. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are classified as non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

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Recognition and measurement

Regular purchases and sales of financial assets or liabilities are initially recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

The fair values of publicly quoted financial assets or liabilities are based on current market settlement prices. If the market for a financial asset or liability is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

a. Financial assets or liabilities at fair value through profit or loss

'Financial assets or liabilities carried at fair value through profit or loss' are initially recognized at fair value, and transaction costs are expensed in the income statement. 'Financial assets or liabilities at fair value through profit or loss' are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets or liabilities at fair value through profit or loss' category are presented in the income statement within 'cost of sales' in the period in which they arise.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group's forward commodity contracts and commodity derivatives, comprising all open sales and purchases contracts, commodity futures and related commodity currency contracts, and puts and calls, ('financial assets or liabilities at fair value through profit or loss') are measured at fair value, based on quoted market prices for similar contracts less estimated future costs where relevant. Fair values incorporate appropriate differentiation of the fair value of long and the fair value of short financial assets of each individual company of the Group. The gains or losses relating to hedged commodity inventories and commodity derivatives are recorded in the income statement in the relative period within 'cost of sales' along with the movement in the fair value of the underlying commodity inventory or derivative.

b. Notes and advances receivable

'Notes and advances receivable' are initially recognized at fair value and are subsequently carried at amortized cost using the effective interest method.

c. Available-for-sale financial assets

Investments are initially recognized at fair value for all financial assets not carried at fair value through profit or loss. 'Available-for-sale financial assets' are subsequently carried at fair value.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are subsequently sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities in 'other (expense)/income - net'.

Dividends from available-for-sale equity instruments are recognized in the income statement

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as part of other income when the right to receive payments has been established.

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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

a. Assets carried at amortized cost

For loans and receivables, 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 recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

b. Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, 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 recognized in profit or loss – is removed from equity and recognized in profit or loss.

Impairment losses on equity instruments that were recognized in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

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2.10. Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

2.11. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They 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). Otherwise, they are presented as non-current liabilities.

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

2.12. Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

As the Group does not adopt hedge accounting, the open commodity futures, forward and option contracts and forward currency contracts at balance sheet date are revalued at fair value, whereby the resulting gains and losses from revaluing these contracts at market value are recognised in profit or loss for the current financial year.

2.13. Leases

When the Group is the lessee:

The Group leases certain property, plant and equipment from third parties.

Operating leases

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.14. Inventories

Commodity inventories are valued at fair value less costs to sell for the various qualities. Movements in the fair value of inventory between reporting dates are recognised directly in the Statement of comprehensive income. The market values at the year-end are determined

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by management taking into consideration quoted market prices for similar contracts at that date and market price ranges less estimated future carrying and delivery costs.

As described in the paragraph "Derivative financial instruments", the Group records the fair value of open commodity purchases and sales contracts and commodity futures and options. The Group manages its consolidated trading positions by taking into account forward purchases and inventories less forward sales net of futures and options.

Other inventories comprise of spares to be consumed in the rendering of the Group's trading activity. Spares are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price of the applicable traded commodity less the applicable costs of conversion to complete the trade and variable selling expenses.

2.15. Taxation

The taxation payable on Limited Liability Partnership profits is solely the liability of the individual members, consequently neither partnership taxation nor deferred taxation arising in respect of the Limited Liability Partnership are accounted for in these financial statements.

The Group consolidated financial statements include income tax and deferred taxation arising in respect of the subsidiary companies that are subject to taxation.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities on either:

- the same taxable entity or;
- different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise and settle them simultaneously in each future year when the significant deferred tax assets and liabilities are expected to be realised or settled.

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2.16. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money. The increase in the provision due to the passage of time is recognised in statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.17. Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.18. Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in US Dollars, which is also the functional currency of the LLP.

(GBP/USD : 2018 closing rate 0.7852 and average rate 0.749761)

(GBP/USD : 2017 closing rate 0.74115 and average rate 0.77675)

(b) *Transactions and balances*

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Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance date are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.19. Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.20. Members' capital

Members' capital is classified as equity capital, as there is no contractual obligation to repay and in the event of a winding up of the LLP, the capital will only be returned to the members once all other liabilities have been extinguished.

3. **Critical accounting estimates and assumptions**

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

3.1 Critical accounting estimates and assumptions

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

a) Fair value estimation

The Group holds commodities inventories and enters into forward commodity contracts that are not traded in an active market. Accordingly, the fair value of these inventories and financial instruments is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar inventories or instruments are used.

b) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent that there are sufficient estimated future taxable profits and/or temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test.

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Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

c) *Estimated impairment of goodwill*

The Group tests goodwill annually for impairment, in accordance with the accounting policy. Value-in-use calculations are used to determine the recoverable amounts of the allocations to cash-generating units. These calculations require the use of estimates in key assumptions. Where the final outcome of these matters is lower than amounts initially estimated, such differences will impact the key assumptions used, resulting in an impairment of goodwill.

4. Sales of goods by region

The Group's sales by origin of the goods were as follows:

Region	Group	
	2018 US\$,000	2017 US\$,000
Kenya	59,387	48,064
Tanzania	44,215	46,633
Rwanda	5,523	7,523
	<u>109,125</u>	<u>102,220</u>

5. Other income/(expense) – net

	Group	
	2018 US\$,000	2017 US\$,000
Interest income:		
- Fellow subsidiary	1	-
- Third parties	5	-
Impairment of property, plant and equipment	(1,339)	-
(Loss)/Gain on disposal of property, plant and equipment	(161)	273
Fair value(loss)/gain on biological assets	(352)	164
Miscellaneous income	274	264
	<u>(1,572)</u>	<u>701</u>

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6. Expenses by nature

	<u>Group</u>	
	2018	2017
	US\$,000	US\$,000
Cost of inventories recognised as an expense and included in "cost of sales"	80,725	75,968
Depreciation of property, plant and equipment (Note 19)	1,152	1,495
Amortisation of Intangible assets	50	50
Employee compensation (Note 7)	11,295	9,923
Freight charges	2,687	2,523
Provision loss on trade receivables	265	599
Write back of allowance for impairment of trade receivables	(3)	(10)
Bad debt written off	6	-
Rental expense on operating leases	822	538
Travelling and transportation	1,584	1,263
Storage and insurance	1,339	927
Other commodity expenses	3,357	4,299
Management fee paid	1,065	989
Audit fees for subsidiaries	161	265
Audit fees for the LLP	182	329
Foreign exchange difference	(77)	(70)
Office expenses	791	1,284
Professional fees	301	268
Other expenses	2,493	1,474
Total cost of sales, distribution, and administrative expenses	<u>108,195</u>	<u>102,114</u>

7. Employee compensation

At the end of 2018, the Group counted 1,964 (2017: 752) full time employees.

	<u>Group</u>	
	2018	2017
	US\$,000	US\$,000
Wages and Salaries	9,764	9,216
Employer's contribution to defined contribution plans including Central Provident Fund	401	400
Other staff benefits	1,130	307
	<u>11,295</u>	<u>9,923</u>

The total costs US \$11,295,000 (2017: US \$9,923,000) were included in "administrative expenses".

8. Commodity financing expenses

	<u>Group</u>	
	2018	2017
	US\$,000	US\$,000
Interest expense		
- Bank borrowings	359	256
- Fellow subsidiaries	3,503	2,779
- Third parties	32	47
	<u>3,894</u>	<u>3,082</u>

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9. Income tax expense

(a) Tax on loss on ordinary activities

	<u>Group</u>	
	2018	2017
	US\$,000	US\$,000
Current tax :		
Foreign corporation tax on profits for the year	(690)	(821)
Adjustments in respect of prior years	(686)	(728)
Total current tax (charge)/credit	<u>(1,376)</u>	<u>(1,549)</u>
Deferred tax :		
Origination and reversal of timing differences	36	(14)
Prior year adjustment	71	-
Total deferred tax credit/(charge)	<u>107</u>	<u>(14)</u>
Tax charge for the year	<u>(1,269)</u>	<u>(1,563)</u>

(b) Factors affecting tax charge for the year

	<u>Group</u>	
	2018	2017
	US\$,000	US\$,000
Current tax :		
(Loss)/profit before tax per SOCI	(2,114)	895
Tax on profit on ordinary activities at standard rate of 19% (2017: 19%)	402	(170)
Factor affecting charge for the year		
Income not subject to tax	347	29
Tax losses for which no deferred income tax asset was recognised	(1,001)	(603)
Adjustments in respect of prior years	(534)	(539)
Overseas tax rate difference	(483)	(280)
Tax charge	<u>(1,269)</u>	<u>(1,563)</u>

The LLP is not subject to UK corporation tax and thus the group tax charge relates to income tax and deferred tax arising in its subsidiaries.

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10. Members' profit shares

Members' remuneration charged as an expense, which is deducted from profit for the financial year before members' remuneration includes:

	<u>Group</u>	
	2018	2017
	US\$,000	US\$,000
Automatic division of losses	(3,384)	(931)
The average number of members during the year was	2	2
The average loss per Member during the year was	(1,692)	(466)
The share of loss to the Member with the largest entitlement was	(2,807)	(745)

11. Cash and cash equivalents

	<u>Group</u>		<u>LLP</u>	
	2018	2017	2018	2017
	US\$,000	US\$,000	US\$,000	US\$,000
Cash on hand	40	163	-	-
Cash at bank	1,418	1,457	-	-
	<u>1,457</u>	<u>1,624</u>	<u>-</u>	<u>-</u>

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

	<u>Group</u>		<u>LLP</u>	
	2018	2017	2018	2017
	US\$,000	US\$,000	US\$,000	US\$,000
Cash and bank balances (as above)	1,457	1,624	-	-
Overdrafts (note 21)	(39)	(1)	-	-
	<u>1,418</u>	<u>1,623</u>	<u>-</u>	<u>-</u>

12. Trade and other receivables

	<u>Group</u>		<u>LLP</u>	
	2018	2017	2018	2017
	US\$,000	US\$,000	US\$,000	US\$,000
Current				
Trade receivables				
- Holding corporation	-	-	-	-
- Fellow subsidiaries	795	280	66,905	63,266
- Third parties	20,394	17,109	4,174	6,863
Less: Allowance for impairment of receivables - third parties	(504)	(521)	(5)	-
	<u>20,685</u>	<u>16,868</u>	<u>71,074</u>	<u>70,129</u>
Advances to employees	159	217	-	-
VAT & Other taxes receivable	3,861	3,397	4	43
Other receivables third parties	259	2,808	472	64
	<u>24,964</u>	<u>23,290</u>	<u>71,550</u>	<u>70,236</u>

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13. Inventories

	<u>Group</u>		<u>LLP</u>	
	2018 US\$,000	2017 US\$,000	2018 US\$,000	2017 US\$,000
<i>Fair value</i>				
Coffee	30,000	33,425	8,812	9,753
Biological assets produce	5,672	2,146	-	-
	<u>35,672</u>	<u>35,571</u>	<u>8,812</u>	<u>9,753</u>
<i>At cost</i>				
Coffee	916	781	-	-
Spare parts	2,480	1,861	-	-
Total inventories	<u>39,068</u>	<u>38,213</u>	<u>8,812</u>	<u>9,753</u>

Biological assets produce is harvested coffee beans picked from coffee plants growing in leased coffee plantations in Kenya.

Inventory is a level 2 non-financial fair value asset.

14. Other assets

	<u>Group</u>		<u>LLP</u>	
	2018 US\$,000	2017 US\$,000	2018 US\$,000	2017 US\$,000
Current				
Deposits	232	12	-	-
Prepayments	1,418	1,080	-	-
	<u>1,650</u>	<u>1,092</u>	<u>-</u>	<u>-</u>

15. Deferred Tax

The following is the analysis of deferred tax assets/(liabilities) included in the statement of financial position:

	<u>Group</u>	
	2018 US\$,000	2017 US\$,000
Deferred tax assets	413	288
Deferred tax liabilities	(339)	(326)
	<u>74</u>	<u>(38)</u>

The gross movement in the deferred income tax account is as follows:

As at 1 January	(38)	6
Current year credit/(charge) recognised in the profit and loss	36	(14)
Prior year adjustment	71	-
Foreign exchange movements	5	1
Charge to reserves	-	(31)
As at 31 December	<u>74</u>	<u>(38)</u>

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The analysis of deferred tax assets and liabilities is as follows:

Deferred tax assets:

Other timing difference – to be recovered within 12 months	284	156
Tax losses – to be recovered after more than 12 months	129	132
	<u>413</u>	<u>288</u>

Deferred tax liabilities:

Other timing difference – to be recovered within 12 months	(158)	(319)
Fixed asset timing differences – to be recovered after more than 12 months	(181)	(7)
	<u>(339)</u>	<u>(326)</u>

The deferred tax assets and liabilities relating to other timing differences arise on the derivative financial instruments discussed in note 25, as well as timing differences in relation to inventory valuations.

16. Derivative financial instruments

	<u>Group</u>			<u>LLP</u>		
	<u>Contract notional amount</u> US\$,000	<u>Fair value</u>		<u>Contract notional amount</u> US\$,000	<u>Fair value</u>	
		<u>Asset</u> US\$,000	<u>Liability</u> US\$,000		<u>Asset</u> US\$,000	<u>Liability</u> US\$,000
2018						
Current						
Commodity futures contracts	20,092	1,526	(209)	20,092	1,526	(209)
Forward commodity contracts						
- Sales	31,997	1,902	(152)	31,998	1,888	(152)
- Purchases	331	3	(61)	331	3	(61)
Forward foreign exchange contracts	-	-	-	-	-	-
	<u>52,420</u>	<u>3,431</u>	<u>(422)</u>	<u>52,421</u>	<u>3,417</u>	<u>(422)</u>

	<u>Group</u>			<u>LLP</u>		
	<u>Contract notional amount</u> US\$,000	<u>Fair value</u>		<u>Contract notional amount</u> US\$,000	<u>Fair value</u>	
		<u>Asset</u> US\$,000	<u>Liability</u> US\$,000		<u>Asset</u> US\$,000	<u>Liability</u> US\$,000
2017						
Current						
Commodity futures contracts	18,965	532	(24)	18,965	532	(24)
Forward commodity contracts						
- Sales	25,797	1,051	(73)	25,662	1,039	(73)
- Purchases	576	5	(16)	576	5	(16)
Forward foreign exchange contracts	166	-	(1)	166	-	(1)
	<u>45,504</u>	<u>1,588</u>	<u>(114)</u>	<u>45,369</u>	<u>1,576</u>	<u>(114)</u>

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17. Investment in subsidiaries

	<u>LLP</u>	
	2018	2017
	US\$,000	US\$,000
<i>Unquoted shares, at cost</i>		
Beginning of financial year	4,165	4,165
Addition	-	-
End of financial year	4,165	4,165

Subsidiaries held by the LLP (owned directly or indirectly)

The group's principal subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

<u>Name of companies</u>	<u>Country of business/ Incorporation</u>	<u>Equity holding</u>	
		2018 %	2017 %
East Africa Export Co. LLC	USA	100	100
East Africa MM Co. LLC	USA	100	100
Bombax Coffee Holdings Pte Ltd	Singapore	100	100
Coffee Domain Pte Ltd	Singapore	100	100
C. Dorman Ltd	Kenya	100	100
C Dorman Rwanda Ltd	Rwanda	100	100
Central Kenya Coffee Mill Ltd	Kenya	100	100
Coffee Management Services Ltd	Kenya	100	100
CMS Mills Ltd	Kenya	100	100
Coffee Management Services Ltd	Tanzania	100	100
Dorman Coffee Limited	Kenya	100	100
Dorman Tanzania Limited	Tanzania	100	100
Highlands Coffee Company Ltd	Kenya	100	100
Gourmet Coffee Ltd	Tanzania	100	100
Mawenzi Coffee Exporters Ltd	Tanzania	100	100
Sangana Commodities Kenya Ltd	Kenya	100	100
Sustainable Management Services	Kenya	100	100
Tutunze Kahawa Limited	Tanzania	100	100

The investment in the coffee operations in Kenya, Tanzania and Rwanda was a strategic investment to secure the supply of East African coffees for the Company's customers. Through the expanded network of companies in the East Africa Region, there is an expertise in coffee procurement, wet processing, dry processing, warehousing, roasting, packaging logistics and export along with other agri-business activities to support sustainable farming practices in the region.

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18. Intangible Assets

	<u>Group</u>		<u>LLP</u>	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<i>Composition:</i>				
Brand value (Note (a))	350	400	-	-
Goodwill arising on consolidation (Note (b))	2,079	2,079	-	-
	<u>2,429</u>	<u>2,479</u>	<u>-</u>	<u>-</u>

(a) Brand value

	<u>Group</u>		<u>LLP</u>	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<u>Cost</u>				
Beginning of financial year	500	500	-	-
Additions	-	-	-	-
End of financial year	<u>500</u>	<u>500</u>	<u>-</u>	<u>-</u>
<u>Accumulated amortisation</u>				
Beginning of financial year	100	50	-	-
Amortisation charge	50	50	-	-
End of financial year	<u>150</u>	<u>100</u>	<u>-</u>	<u>-</u>
<u>Net book value</u>				
Beginning of financial year	400	450	-	-
End of financial year	<u>350</u>	<u>400</u>	<u>-</u>	<u>-</u>

The brand intangible of US\$500,000 in relation to the Dorman brand is amortised over 10 year (starting in 2016). Amortisation charge is included in 'administrative expenses.'

(b) Goodwill arising on consolidation

	<u>Group</u>		<u>LLP</u>	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<u>Cost</u>				
Beginning of financial year	2,079	2,079	-	-
Acquisition of subsidiaries	-	-	-	-
End of financial year	<u>2,079</u>	<u>2,079</u>	<u>-</u>	<u>-</u>
<u>Net book value</u>				
End of financial year	<u>2,079</u>	<u>2,079</u>	<u>-</u>	<u>-</u>

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Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to business segments. The discounted free cash flow methodology has been selected for the goodwill impairment exercise with the following assumptions:

- Growth rate for the business has been estimated at 1% per annum.
- Weighted overall inflation rate of 4.23%.
- WACC has been calculated at 13.96% by benchmarking to publicly traded agricultural product companies in East Africa.
- 25% haircut to the calculated Enterprise Value.

Basis the above, an adjusted Enterprise Value of \$9,059k has been calculated. With the goodwill at US\$2,079k, there are no indicators of impairment.

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19. Property, plant and equipment

<u>Group</u> <u>2018</u>	<u>Land</u>	<u>Building</u>	<u>Machinery</u> <u>and</u> <u>equipment</u>	<u>Computers</u> <u>and office</u> <u>equipment</u>	<u>Furniture,</u> <u>fittings and</u> <u>office</u> <u>renovation</u>	<u>Motor</u> <u>vehicles</u>	<u>Construction</u> <u>work in</u> <u>progress</u>	<u>Total</u>
	US\$,000	US\$,000	US\$,000	US\$,000	US\$,000	US\$,000	US\$,000	US\$,000
<u>Cost</u>								
Beginning of financial year	3,410	4,307	6,868	1,505	302	1,726	9,778	27,896
Additions	3	-	852	123	33	199	2,637	3,847
Disposals	-	(362)	(360)	(43)	(17)	(164)	-	(945)
Impairment charge	-	(473)	(858)	-	-	(7)	-	(1,339)
Transfers to held for sale	142	-	-	-	-	-	-	142
Transfers in/(out)	-	11,470	1,057	306	55	171	(12,415)	644
End of financial year	3,555	14,942	7,559	1,891	373	1,925	-	30,245
<u>Accumulated depreciation</u>								
Beginning of financial year	-	819	3,570	1,195	242	1,436	-	7,262
Depreciation charge	-	344	470	169	22	147	-	1,152
Transfers to held for sale	-	-	522	54	38	171	-	785
Disposals	-	44	(90)	(41)	(14)	(144)	-	(245)
End of financial year	-	1,207	4,472	1,377	288	1,610	-	8,954
<u>Net book value</u>								
End of financial year	3,555	13,735	3,087	514	85	315	-	21,291

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<u>Group</u> <u>2017</u>	<u>Land</u>	<u>Building</u>	<u>Machinery</u> <u>and</u> <u>equipment</u>	<u>Computers</u>	<u>Furniture,</u> <u>fittings and</u> <u>office</u> <u>renovation</u>	<u>Motor</u> <u>vehicles</u>	<u>Construction</u> <u>work in</u> <u>progress</u>	<u>Total</u>
	US\$,000	US\$,000	US\$,000	US\$,000	US\$,000	US\$,000	US\$,000	US\$,000
<u>Cost</u>								
Beginning of financial year	4,545	4,400	7,215	1,399	314	1,711	5,862	25,446
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
Additions	185	66	478	157	-	140	4,884	5,910
Disposals	-	-	(825)	(51)	(12)	(125)	-	(1,013)
Transfers in/(out)	(1,320)	(1,127)	-	-	-	-	-	(2,447)
Local revaluation	-	968	-	-	-	-	(968)	-
End of financial year	3,410	4,307	6,868	1,505	302	1,726	9,778	27,896
<u>Accumulated depreciation</u>								
Beginning of financial year	-	743	3,464	1,099	216	1,375	-	6,897
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
Depreciation charge	-	360	789	124	36	186	-	1,495
Disposals	-	-	(683)	(28)	(10)	(125)	-	(846)
Transfers in/(out)	-	(284)	-	-	-	-	-	(284)
End of financial year	-	819	3,570	1,195	242	1,436	-	7,262
<u>Net book value</u>								
End of financial year	3,410	3,488	3,298	310	60	290	9,778	20,634

The impairment charge of US\$1,339K relates to certain fixed assets in Tanzania as referred to in the Members' Report on page 2.

There is no property, plant and equipment to report for the LLP.

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20. Trade and other payables

	<u>Group</u>		<u>LLP</u>	
	2018 US\$,000	2017 US\$,000	2018 US\$,000	2017 US\$,000
Current				
Trade payables				
- Fellow subsidiaries	46	32	8	7
- Subsidiaries	-	-	576	628
- Third parties	1,271	1,275	-	640
	<u>1,317</u>	<u>1,307</u>	<u>584</u>	<u>1,275</u>
Accrued operating expenses	2,660	1,961	762	800
Payables to employees	1	3	-	-
VAT & other taxes payable	535	700	-	-
Other payables - third parties	2,618	1,311	895	26
Loan from holding corporation	73,952	70,563	73,952	70,563
	<u>81,083</u>	<u>75,845</u>	<u>76,193</u>	<u>72,664</u>
Non-current				
Other liabilities	-	-	-	-
	<u>81,083</u>	<u>75,845</u>	<u>76,193</u>	<u>72,664</u>

The LLP has a USD 75 million facility provided by ECOM Agroindustrial Corp. Ltd at a variable percentage of 2.75% in 2018 (2.5% in 2017) with no fixed repayment date.

21. Borrowings

	<u>Group</u>		<u>LLP</u>	
	2018 US\$,000	2017 US\$,000	2018 US\$,000	2017 US\$,000
Overdrafts	39	1	-	-
	<u>39</u>	<u>1</u>	<u>-</u>	<u>-</u>

22. Total members' interests

Total members' interests are disclosed in the Consolidated and LLP Statement of Changes in Equity page 9.

23. Contingent liability

Neither the LLP nor the Group have any contingent liabilities.

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24. Commitments

The Group leases office from third parties under non-cancellable operating lease agreements. The lease expenditure charged to profit or loss during the financial year is disclosed in Note 6. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	<u>Group</u>		<u>LLP</u>	
	2018 US\$000	2017 US\$000	2018 US\$000	2017 US\$000
Not later than one year	75	1	-	-
Between one and five years	1,115	1,154	-	-
	1,190	1,155	-	-

25. Financial risk management

Financial risk factors

The Group's primary activity is supply chain management with respect to commodity raw materials and, related thereto, commodity price risk management. Exposure exists with respect to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Group actively manages these risks, including hedging, with derivative financial instruments.

Risk exposures are monitored on a continuous basis. The Board of Directors and management are responsible for financial risk management and establishing policies such as risk identification, measurement and exposure limits.

(a) *Market risk*

Price risk

The Group contracts in advance for the purchase and sale of commodities. The majority of contracts are for performance within a 9-12 month period, although occasional supply arrangements may extend up to two years. The following table summarises the quantities of open physical commitments for the purchase and sale of Coffee commodity at year end.

	<u>Open Purchases</u>		<u>Open Sales</u>	
	2018 Number of bags	2017 Number of bags	2018 Number of bags	2017 Number of bags
LLP				
Coffee Bags of 60kg	1,280	2,240	151,862	97,316
Group				
Coffee Bags of 60kg	1,280	2,240	152,208	97,566

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In the course of managing the Group's exposure positions and as a means to reduce the risks of the effects of unmatched market and commodity price fluctuations arising on these forward commitments, the Group enters into commodity futures and options contracts on internationally recognised exchanges.

Commodity market risk management has many elements. The two principal elements are market risk being the change in overall future market prices and basis risk being the differential between physical commodity prices and futures market prices.

The table below summarizes the sensitivity to changes in market prices of the Group's major commodities. The analysis considers the assumption that the market prices in absolute value at year end change by 5% and the basis in absolute value changes by one cent-per-pound. This analysis also assumes there is no correlation offset between markets and basis.

	<u>Market Position Risk</u>		<u>Basis Position Risk</u>	
	2018	2017	2018	2017
	US\$000	US\$000	US\$000	US\$000
LLP				
Coffee	1,263	929	160	86
Group				
Coffee	220	134	40	83

Interest rate risk

The LLP is exposed to the risk that the value of its financial instruments will fluctuate due to changes in market interest rates. The LLP at present has borrowing from its parent company that attracts interest.

At 31 December 2018, if the interest rate on the borrowings from ECOM Agroindustrial Corp. Ltd had increased/decreased by 5%, with all other variables held constant, the impact on pre-tax profit for the year would have been US\$3,698K (2018: US\$3,528K).

Foreign currency risk

The Group has exposure through financial assets and liabilities in currencies of KES and TZS for a total of US\$1,382K (2017: US\$1,209K) and US\$(321K) (2017: US\$17K) respectively. The Group hedges foreign currency exposures with respect to financial assets and liabilities through the use of foreign exchange contracts. The majority of the Group's businesses are denominated in United States Dollar. Where purchases and sales are made in foreign currency, exposures may be netted and hedged, or individual exposures are hedged, in each case, through spot and forward contracts with banks and currency futures.

If the KES and TZS change against the US\$ by 3.7% and 3.6% (2017: 3.6% and 7%) respectively (Average foreign currency change over the last 10 years) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

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	Increase/(decrease) in results	
	2018 US\$,000	2017 US\$,000
<u>Group</u>		
KES against US\$		
- strengthened	35	30
- weakened	(35)	(30)
TZS against US\$		
- strengthened	(15)	1
- weakened	15	(1)

(b) *Credit risk*

Financial assets which potentially subject the Group to concentrations of credit risk consist principally of cash and bank deposits, trade and other receivables, derivative instruments and other financial assets.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

	2018 US\$,000	2017 US\$,000
Group		
Cash and bank deposits	1,457	1,624
Trade and other receivables	21,103	19,893
Derivatives and other financial assets	3,431	1,588
Total	<u>25,991</u>	<u>23,105</u>
LLP		
Cash and bank deposits	-	-
Trade and other receivables	71,546	70,193
Derivatives and other financial assets	3,425	1,576
Total	<u>74,971</u>	<u>71,769</u>

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	<u>Group</u>	
	2018 US\$,000	2017 US\$,000
Financial guarantees provided to private placement	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

The Group's cash and bank deposits are placed with major financial institutions which are regulated and reputable and represent minor credit exposure.

Credit risk with respect to receivables is mitigated due to the number of customers comprising the Group's customer base; their dispersion across different industries and geographical areas; and through security or maintenance of title to the commodity.

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The three main third party trade debtors of the LLP represent 3% (2017: 5%) of the trade and other receivables.

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	<u>Group</u>		<u>LLP</u>	
	2018	2017	2018	2017
	US\$,000	US\$,000	US\$,000	US\$,000
Current	17,672	14,423	70,491	68,128
Past due 0 to 60 days	865	2,428	578	1,993
Past due over 60 days	896	473	11	8
	<u>19,433</u>	<u>17,324</u>	<u>71,080</u>	<u>70,129</u>
Provision	<u>(504)</u>	<u>(521)</u>	<u>(5)</u>	<u>-</u>
	<u>18,929</u>	<u>16,803</u>	<u>71,075</u>	<u>70,129</u>

Receivables are monitored by the Group's operational and senior management. Within the industry, late payment is common. Close follow up is maintained of all receivables and additional costs of late payment are negotiated with the customers. Provisions are made with respect to materially past due receivables. Typically during periods of decreased credit availability to customers, our past due accounts receivables increase as a percentage of the total portfolio. Based on already existing provisions, existing credit insurance, and payments received subsequent to the closing date, the past due receivables have liquidated in an orderly manner.

Expected credit losses are calculated with reference to historical bad debts which are used as the basis for calculating the expected future exposures.

In many cases advances are to producers with respect to crop production, and so, with the impacts of weather and yields, it is normal for a small portion of advances to be carried over into the following crop year.

Contingency risks with respect to commodity futures and option contracts are minimised by limiting dealings to well-capitalised brokers. Similarly, contingency risks with respect to foreign exchange contracts are minimised by limiting the counterparties to a group of major international banks.

Commodity credit exposures are with the same client base as receivables and advances and similarly benefit from diversification across industry segments and

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geographically. Exposures are managed through limitation of contract quantities and individual counterparty market share positioning, as well as limiting forward term of contracting or price fixation. Provision established for counterparty and contractual risks inherent in certain contracts based on historic default and loss experience and specified identified risks is incorporated within the year-end fair values.

Underlying principal represents gross contract value at reporting date, including on call and fixed price contracts. Year end positive and negative fair values arise substantially from market price movements and changes in market price will result in potentially large changes in financial and derivative asset and liability fair values.

(c) Liquidity risk

The Group's liquidity risk management includes maintaining sufficient cash, availability of funding from an adequate amount of credit facilities and through the ability to close out market positions or liquidate inventories. Hedged agricultural inventories represent a liquid asset and, therefore, could be sold to reduce short-term funding requirements.

Changes in market price levels will result in changes in financing requirements and an immediate liquidity requirement to cover margin calls on futures, options, and other financial derivatives. The following table summarises, for major commodities traded, the liquidity requirements of a 5% (2017: 5%) increase in market prices.

	<u>Group</u>		<u>LLP</u>	
	2018 US\$,000	2017 US\$,000	2018 US\$,000	2017 US\$,000
Decrease in Liquidity Requirements				
Coffee	<u>(915)</u>	<u>(897)</u>	<u>(915)</u>	<u>(897)</u>

The same but opposite effect will arise for a 5% decrease in market prices.

The table below analyses the maturity profile of the financial liabilities (including derivative financial liabilities) of the Group and the LLP based on contractual undiscounted cash flows:

	2018		2017	
	Less than <u>1 year</u> US\$,000	More than <u>1 year</u> US\$,000	Less than <u>1 year</u> US\$,000	More than <u>1 year</u> US\$,000
Group				
Trade and other payables	80,548	-	75,145	-
Derivative financial instruments	422	-	114	-
Borrowings	39	-	1	-
	<u>81,009</u>	-	<u>75,260</u>	-
LLP				
Trade and other payables	76,193	-	72,664	-
Derivative financial instruments	422	-	114	-
Borrowings	-	-	-	-
	<u>76,615</u>	-	<u>72,778</u>	-

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(d) *Capital risk management*

The LLP has insignificant exposure to capital risk as the holding corporation will ensure that the LLP is adequately capitalised. The LLP is not subject to any externally imposed capital requirements.

The immediate parent company ECOM Agroindustrial Corp. Ltd has issued a financial support letter for the LLP and its subsidiaries.

(e) *Fair value measurements*

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy as at 31 December 2018:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Group	Level 1	Level 2	Level 3	Total
2018	US\$,000	US\$,000	US\$,000	US\$,000
Assets				
Derivative financial instruments				
Trading derivatives				
- Commodity futures	1,526	-	-	1,526
- Forward commodity contracts	-	1,905	-	1,905
- Forward foreign exchange	-	-	-	-
Total assets	1,526	1,905	-	3,431
Liabilities				
Derivative financial instruments				
Trading derivatives				
- Commodity futures	(209)	-	-	(209)
- Forward commodity contracts	-	(213)	-	(213)
- Forward foreign exchange	-	-	-	-
Total liabilities	(209)	(213)	-	(422)
Group				
2017	US\$,000	US\$,000	US\$,000	US\$,000
Assets				
Derivative financial instruments				
Trading derivatives				
- Commodity futures	532	-	-	532
- Forward commodity contracts	-	1,056	-	1,056
- Forward foreign exchange	-	-	-	-
Total assets	532	1,056	-	1,588
Liabilities				
Derivative financial instruments				
Trading derivatives				
- Commodity futures	(24)	-	-	(24)
- Forward commodity contracts	-	(89)	-	(89)
- Forward foreign exchange	-	(1)	-	(1)
Total liabilities	(24)	(89)	-	(114)

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

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LLP 2018	Level 1 US\$,000	Level 2 US\$,000	Level 3 US\$,000	Total US\$,000
Assets				
Derivative financial instruments				
Trading derivatives				
- Commodity futures	1,526	-	-	1,526
- Forward commodity contracts	-	1,891	-	1,891
- Forward foreign exchange	-	-	-	-
Total assets	1,526	1,891	-	3,417
Liabilities				
Derivative financial instruments				
Trading derivatives				
- Commodity futures	(209)	-	-	(209)
- Forward commodity contracts	-	(213)	-	(213)
- Forward foreign exchange	-	-	-	-
Total liabilities	(209)	(213)	-	(422)
LLP 2017				
LLP 2017	Level 1 US\$,000	Level 2 US\$,000	Level 3 US\$,000	Total US\$,000
Assets				
Derivative financial instruments				
Trading derivatives				
- Commodity futures	532	-	-	532
- Forward commodity contracts	-	1,044	-	1,044
- Forward foreign exchange	-	-	-	-
Total assets	532	1,044	-	1,576
Liabilities				
Derivative financial instruments				
Trading derivatives				
- Commodity futures	(24)	-	-	(24)
- Forward commodity contracts	-	(89)	-	(89)
- Forward foreign exchange	-	(1)	-	(1)
Total liabilities	(24)	(89)	-	(114)

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial assets and liabilities not traded in an active market are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. These instruments are included in Level 1.

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For the financial year ended 31 December 2018

The fair value of commodity and financial contractual exposures other than long term debt are determined by reference to publicly available market prices and specific contract conditions.

(f) *Financial instruments by category*

The Group and the LLP have the following financial instruments:

	<u>Group</u>		<u>LLP</u>	
	2018	2017	2018	2017
	US\$,000	US\$,000	US\$,000	US\$,000
Financial assets at fair value through profit and loss				
Derivative financial instruments	3,431	1,588	3,425	1,576
Financial assets measured at amortised cost				
Cash and cash equivalent	1,457	1,623	-	-
Trade and other receivables	21,103	19,893	71,546	70,193
Total financial assets	25,991	23,104	74,971	71,769
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	422	114	422	114
Financial assets measured at amortised cost				
Bank loans and overdrafts	39	1	-	-
Trade and other payables	80,548	75,145	76,193	72,664
Total financial liabilities	81,009	75,260	76,615	72,778

(g) *Financial instruments subject to enforceable master netting arrangements*

There is no material offsetting of financial instruments presented within the statements of financial position, and no potential for further offsetting based on enforceable master netting arrangements or similar arrangements in place at the period end.

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26. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and the LLP and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	<u>Group</u>		<u>LLP</u>	
	2018 US\$,000	2017 US\$,000	2018 US\$,000	2017 US\$,000
Sales to fellow subsidiaries	6,591	8,394	6,591	8,394
Sales to holding corporation	8,455	3,821	8,455	3,821
Sales to subsidiaries	-	-	524	453
Purchases from fellow subsidiaries	208	101	208	101
Purchases from subsidiaries	-	-	53,029	49,912
Purchases from holding corporation	-	-	-	-
Management fee income from subsidiaries	-	-	485	120
Management fee paid to holding corporation	1,065	989	1,065	989
Interest income from holding corporation	-	-	-	-
Interest income from a subsidiaries	-	-	661	310
Interest expense paid to holding corporation	3,503	2,779	3,503	2,779
Interest expense paid to fellow subsidiaries	-	-	-	-

Trade receivables and trade payables balances with the LLP's parent entity, subsidiaries, fellow subsidiaries and other associated companies are presented in notes 13 and 21 respectively, and there are no other related party balances at the period end date.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	<u>Group</u>	
	2018 US\$	2017 US\$
Salaries and other short-term benefits	1,032	1,004
Post-employment benefits - contribution to Central Provident Fund	49	49
	<u>1,081</u>	<u>1,053</u>

No emoluments were paid to the members or key management personnel in respect of their services to the LLP in the year ended 31 December 2018 (2017: nil).

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For the financial year ended 31 December 2018

27. Held for sale assets

	Group	
	2018	2017
	US\$,000	US\$,000
As at 1 January	2,163	-
Transfers from property, plant and equipment	(2,163)	2,163
As at 31 December	-	2,163

Assets held for sale are those non-monetary assets where economic recovery will come from sale and disposal rather than future use.

28. Biological assets

	Group	
	2018	2017
	US\$,000	US\$,000
As at 1 January	1,193	-
Movement in crop	(352)	1,193
As at 31 December	841	1,193
Trees at fair value, less cost of sell	841	1,193
As at 31 December	841	1,193

Biological assets are a level 3 fair value non-financial asset.

At December 31, 2018, the Group's investments in biological assets is coffee producing plants from leased coffee plantations in Kenya. The value of the plants is assessed periodically based upon transformation and market values.

The leased plantations in Kenya include 11 plantations and approximately 1,300 planted hectares. Under the lease agreement, the Group has right to all of the harvest of coffee cherries, considered biological asset produce and is held at fair value, less selling costs.

The fair value of the Group's biological assets is based upon observable and unobservable inputs. Observable inputs include market prices for the harvest which are based on current global market prices adjusted for current valuation differentials, along with crop estimates based on actual crop surveys. Unobservable inputs include information about the plantings, including density, maturity and quality of the plant, estimated yields based on crop surveys, historical data and current weather patterns, and estimates on all direct costs to bring the biological assets to their principal market including costs to sell. Fair value is assessed periodically, with bi-annual independent appraisal.

EAST AFRICA COFFEE CO. LLP AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2018

29. Controlling party

The Company's holding corporation is ECOM Agroindustrial Corporation Ltd, incorporated in Switzerland.

30. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Members of East Africa Coffee Co. LLP on 3 June 2019.

31. Post balance sheet events

No post balance sheet event occurs between the end of the reporting period and the date that the financial statements are authorised for issue.