

31287

THE MAZDEHEE TEA COMPANY, LIMITED

REPORT AND ACCOUNTS

2007

THURSDAY



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03/07/2008

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COMPANIES HOUSE

THE MAZDEHEE TEA COMPANY, LIMITED

Incorporated 1890

SHARE CAPITAL

Authorised
£150,000

In shares of £1 each

Issued
£150,000

Directors P A LEGGATT, M B E (Chairman)
 A K MATHUR, F C A
 A R BHUIYA
 M D CONWAY, F C I S
 I AHMED

Secretary M.D CONWAY, F C I S

Auditors MOORE STEPHENS LLP
 ST PAUL'S HOUSE,
 WARWICK LANE,
 LONDON EC4M 7BP

Bankers DUNCAN LAWRIE LIMITED

Registered Office LINTON PARK,
 LINTON,
 MAIDSTONE,
 KENT ME17 4AB

Registered Number C31287

THE MAZDEHEE TEA COMPANY, LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the one hundred and eighteenth annual general meeting of The Mazdehee Tea Company, Limited will be held at Linton Park, Linton, Maidstone, Kent ME17 4AB on Thursday, 26th June 2008 at 3 30 p m for the following purposes -

- 1 To receive and adopt the directors' report and statement of accounts for the year ended 31st December 2007,
2. To re-elect directors,
3. To re-appoint the auditors and authorise the directors to fix their remuneration

By Order of the Board

M D CONWAY

Secretary

Linton Park,
Linton,
Maidstone,
Kent, ME17 4AB

26th June 2008

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him and such proxy need not be a member of the company

THE MAZDEHEE TEA COMPANY, LIMITED

REPORT OF THE DIRECTORS

The directors submit to the members their report together with the accounts for the year ended 31st December 2007

ACCOUNTS	2007	2006
Profit on ordinary activities before taxation	<u>£255,661</u>	<u>£534,444</u>
Profit on ordinary activities after taxation	<u>£130,641</u>	<u>£348,756</u>
Retained profit for year	<u>£130,641</u>	<u>£348,756</u>

REVIEW OF ACTIVITIES

The principal activity of the company is the growing and manufacturing of tea and rubber in Bangladesh and it is the directors' intention to continue this policy

DIRECTORS

Board

The present board is shown on page one Mr I Ahmed was appointed a director on 14 November 2007

Mr P A Leggatt and Mr M D Conway retire by rotation and, being eligible, offer themselves for re-election

Shareholdings

Neither at the end of the year, nor at any time during the year, has any director held a beneficial interest in any shares of the company

AUDITORS

Moore Stephens LLP have expressed their willingness to continue as auditors of the company and a resolution proposing their re-appointment and empowering the directors to fix their remuneration will be put before the annual general meeting

Each of the persons who are directors at the time when this report is approved confirms that:

(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and of the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

By Order of the Board



M D CONWAY
Secretary

26th June 2008

THE MAZDEHEE TEA COMPANY, LIMITED

INCOME STATEMENT
for the year ended 31st December 2007


	Notes	2007 £	2006 £
Revenue - continuing operations	3	741,002	812,819
Cost of sales		<u>(397,606)</u>	<u>(386,518)</u>
Gross profit		343,396	426,301
Net operating expenses	5	<u>(53,266)</u>	<u>(98,054)</u>
Operating profit - continuing operations	4	290,130	328,247
(Losses)/gains arising from changes in fair value of biological assets	10	(23,522)	83,941
Investment income	6	264	6,785
Profit on disposal of non-current asset		-	127,997
Bank interest receivable		4,959	4,694
Interest on bank loans and overdrafts		<u>(16,170)</u>	<u>(17,220)</u>
Profit on ordinary activities before taxation		255,661	534,444
Taxation on ordinary activities	8	<u>(125,020)</u>	<u>(185,688)</u>
Retained profit for the year	19	<u>130,641</u>	<u>348,756</u>

THE MAZDEHEE TEA COMPANY, LIMITED

BALANCE SHEET as at 31st December 2007

	Notes	2007	2006
		£	£
NON-CURRENT ASSETS			
Property, plant and equipment	9	179,077	181,835
Biological assets	10	1,538,045	1,580,551
Investments	11	<u>238,946</u>	<u>244,682</u>
		1,956,068	2,007,068
CURRENT ASSETS			
Inventories	12	221,298	206,383
Trade and other receivables	13	327,385	193,517
Cash at bank and in hand		<u>175,534</u>	<u>118,421</u>
		<u>724,217</u>	<u>518,321</u>
CURRENT LIABILITIES			
Borrowings	15	(139,510)	(91,033)
Trade and other payables	14	(128,735)	(101,864)
Current income tax liabilities		<u>(103,020)</u>	<u>(96,608)</u>
		<u>(371,265)</u>	<u>(289,505)</u>
NET CURRENT ASSETS		<u>352,952</u>	<u>228,816</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,309,020	2,235,884
NON-CURRENT LIABILITIES			
Borrowings	15	(14,789)	(17,885)
Deferred tax liabilities	16	<u>(449,631)</u>	<u>(462,658)</u>
		(464,420)	(480,543)
NET ASSETS		<u>£1,844,600</u>	<u>£1,755,341</u>
EQUITY			
Called up share capital	17	150,000	150,000
Reserves	19	<u>1,694,600</u>	<u>1,605,341</u>
		<u>£1,844,600</u>	<u>£1,755,341</u>

Approved on 26th June 2008 by the board of directors and signed on their behalf by


A K MATHUR
Director

THE MAZDEHEE TEA COMPANY, LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2007

	2007	2006
	£	£
Profit for the year	130,641	348,756
Exchange losses	<u>(41,382)</u>	<u>(299,979)</u>
Net movement in shareholders' funds	89,259	48,777
Opening shareholders' funds	<u>1,755,341</u>	<u>1,706,564</u>
Closing shareholders' funds	<u>£1,844,600</u>	<u>£1,755,341</u>

THE MAZDEHEE TEA COMPANY, LIMITED

CASH FLOW STATEMENT
for the year ended 31st December 2007

	Notes	2007 £	2006 £
CASH GENERATED FROM OPERATIONS			
Cash flows from operating activities	18	175,939	324,941
Interest paid		(8,993)	(19,077)
Interest received		4,859	4,407
Income taxes paid		(120,711)	(146,654)
Dividends received from group companies		264	6,785
Net cash flow from continuing operating activities		51,358	170,402
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(21,352)	(132,026)
Purchases of biological assets		(18,052)	(26,067)
Proceeds from sale of non-current asset		-	258,883
Purchase of investments		-	(162,528)
Net cash flow from investing activities		(39,404)	(61,738)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayments		(6,180)	(7,324)
Net cash flow from financing activities		(6,180)	(7,324)
Net increase in cash and cash equivalents		5,774	101,340
Cash and cash equivalents at beginning of period		33,717	(80,422)
Exchange (losses)/gains on cash		(790)	12,799
Cash and cash equivalents at end of period		£ 38,701	£ 33,717

THE MAZDEHEE TEA COMPANY LIMITED

NOTES TO THE ACCOUNTS

1 GENERAL INFORMATION

The Mazdehee Tea Company, Limited is a company incorporated in the United Kingdom under the Companies Act 1985

2 ACCOUNTING POLICIES

The company's accounting policies are disclosed below -

a) Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and therefore comply with Article 4 of the EU IAS Regulation

b) Foreign currency translation

The presentation currency of the company is pounds sterling, the currency of the country in which the company is incorporated. The operations of the company are based in Bangladesh and the functional currency is Bangladesh takas. The income statement and cash flows are translated into pounds sterling at average exchange rates for the year and balance sheet items are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from translation of the net investment in the foreign operation are taken to shareholders' equity.

c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes. Invoices are raised when goods are despatched or when the risks and rewards of ownership otherwise irrevocably pass to the customer.

d) Property, plant and equipment

Property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of these assets. On transition to IFRS, the group has followed the transitional provisions and elected that previous UK GAAP revaluations be treated as deemed cost. Subsequent costs are included in the asset's carrying amount, 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. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation of assets is calculated to write off their cost less residual value on a straight-line basis over their expected useful lives.

Rates of depreciation are

Buildings	10% to 20%
Plant, machinery and vehicles	20%
Fixtures and Fittings	10% to 18%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in the income statement.

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS

2 ACCOUNTING POLICIES (continued)

e) Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value. Any changes in fair value are recognised in the income statement in the year in which they arise. All costs of planting, upkeep and maintenance of biological assets are set against the fair value movement.

f) Investments

Investments in group and associated companies are included at cost.

g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

h) Inventories

Agricultural produce at the point of harvest is measured at fair value less estimated point-of-sale costs. Any changes arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs are recognised in the income statement in the year in which they arise.

Other inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and selling expenses.

i) Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the income statement.

j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

k) Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS

l) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. 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 liability method. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than in a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related tax asset is realised or the tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

m) Financial instruments

Financial risk management policies are set by the Board. Various financial instruments arise directly from the company's operations, for example cash, trade debtors, trade creditors and accruals, in addition to the company using financial instruments to finance its operations. The company finances its operations by a mixture of retained profits, bank borrowings and long term loans. The objective for the company is to maintain a balance between continuity of funding and flexibility through the use of borrowings, which are regularly reviewed.

n) New standards and interpretations not in force

The following standards and interpretations are in issue but not in force at 31 December 2007

New Standards and Interpretations

- IFRS 8 Operating segments
- IFRIC 11 Group and treasury share transactions
- IFRIC 12 Service concession arrangements
- IFRIC 13 Customer loyalty programmes
- IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction

Revisions to existing standards

- IAS 1 Changes relating to disclosure and presentation of performance
- IAS 23 Changes relating to capitalisation of borrowing costs on qualifying assets

The directors do not expect the new standards and interpretations, or the revisions to existing standards, to have any impact on the primary financial statements. However

- IAS 1 The revisions to this standard requires some presentational changes. The revisions to the standard are effective for accounting periods beginning on or after 1 January 2009.
- IFRS 8 The standard will require minor changes to segmental reporting, concentrating on information that is reported internally. The standard is effective for accounting periods beginning on or after 1 January 2009.

THE MAZDEHEE TEA COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

	2007	2006
	£	£
3 REVENUE		
Tea Sales		
Bangladesh	645,619	725,196
Rubber Sales		
Bangladesh	<u>95,383</u>	<u>87,623</u>
	<u>£ 741,002</u>	<u>£ 812,819</u>
4 OPERATING PROFIT		
Is stated after charging		
Depreciation of tangible assets	£19,842	£20,944
Hire of plant and machinery	£2,002	£5,257
Remuneration of the auditors	£362	£394
Land rent	£2,663	£2,601
Employee benefit expenditure	<u>£145,445</u>	<u>£145,188</u>
5 NET OPERATING EXPENSES		
Administrative expenses	78,858	103,838
Sundry receipts	<u>(25,592)</u>	<u>(5,784)</u>
	<u>£ 53,266</u>	<u>£ 98,054</u>
6 INVESTMENT INCOME		
Income from listed investments	264	6,627
Income from unlisted investments	<u>-</u>	<u>158</u>
	<u>£ 264</u>	<u>£ 6,785</u>

THE MAZDEHEE TEA COMPANY LIMITED
NOTES TO THE ACCOUNTS (continued)

7	EMPLOYEES	2007 £	2006 £
	Staff costs		
	Wages and salaries	138,698	135,677
	Pension costs	<u>6,747</u>	<u>9,511</u>
		<u>£ 145,445</u>	<u>£ 145,188</u>
	The average number of persons employed by the company was	<u>1,081</u>	<u>1,072</u>

No compensation was paid to directors or key management by the company. Costs in respect of the directors and key management are paid by other group companies.

The company makes contributions on behalf of its employees into the Lungla (Sylhet) Tea Company Limited Bangladesh Superannuation Fund. This fund provides pensions to the company's employees and employees of fellow subsidiaries operating in Bangladesh on a defined benefit basis. Disclosures relating to the defined benefit scheme can be found in the accounts of The Lungla (Sylhet) Tea Company Limited.

The charge to the profit and loss account for the year ended 31st December 2007 of £6,747 (2006 £9,511) is based upon contributions in the current year.

At 31st December 2007 the fund was valued as follows:

	2007 £	2006 £
Market value of assets	1,323,453	1,199,024
Present value of liabilities	<u>(892,125)</u>	<u>(883,884)</u>
Net pension scheme surplus	<u>£ 431,328</u>	<u>£ 315,140</u>

Valuations were completed by Watson Wyatt India Pvt. Ltd.

8	TAXATION	2007 £	2006 £
	(a) Current tax		
	UK Corporation tax		
	UK Corporation tax at 30% (2006: 30%)	90,878	108,057
	Double tax relief	<u>(90,878)</u>	<u>(108,057)</u>
		-	-
	Foreign tax		
	Corporation tax	127,208	126,063
	Prior year adjustment	<u>-</u>	<u>15,622</u>
	Total current tax	127,208	141,685
	Deferred tax:		
	Overseas	(2,188)	44,003
	Tax on profit on ordinary activities	<u>125,020</u>	<u>185,688</u>

THE MAZDEHEE TEA COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

8 TAXATION (continued)

(b) Factors affecting tax charge for period

The differences between tax calculated at the standard rate of taxation in the UK of 30% and that charged in the accounts are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	<u>£255,661</u>	<u>£534,444</u>
Profit on ordinary activities multiplied by 30%	76,698	160,333
Effects of		
Expenditure not deductible for tax purposes	1,412	1,316
Income not subject to taxation	(1,848)	(84,775)
Fixed asset permanent differences	(815)	-
Higher tax rates on overseas earnings	49,573	93,192
Prior year adjustment	<u>-</u>	<u>15,622</u>
	<u>£ 125,020</u>	<u>£ 185,688</u>

- (c) The results of the company's branch in Bangladesh are subject to local taxation at rates in excess of those charged in the UK. Tax losses in Bangladesh can be carried forward and offset against future profits generated by the branch.

The results of the company are subject to taxation in the UK. Where profits arise UK tax arising can be offset through double tax relief against tax payable in Bangladesh and by losses surrendered by other UK companies. There are no UK losses carried forward.

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

9 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and Machinery	Vehicles	Fixtures Fittings Tools and Equipment	Total
Cost					
At 1st January 2006	355,816	139,185	15,668	88,272	598,941
Currency retranslation	(55,588)	(23,116)	(2,513)	(14,052)	(95,269)
Additions	115,801	15,779	358	88	132,026
Disposals	(132,684)	-	-	-	(132,684)
At 31st December 2006	283,345	131,848	13,513	74,308	503,014
Currency retranslation	(6,665)	(3,143)	(317)	(1,743)	(11,868)
Additions	6,353	14,782	-	217	21,352
At 31st December 2007	<u>£ 283,033</u>	<u>£ 143,487</u>	<u>£ 13,196</u>	<u>£ 72,782</u>	<u>£ 512,498</u>
Depreciation provision					
At 1st January 2006	160,244	116,614	13,974	69,761	360,593
Currency retranslation	(25,908)	(19,239)	(2,246)	(11,167)	(58,560)
Disposals	(1,798)	-	-	-	(1,798)
Provision for the year	8,415	11,091	372	1,066	20,944
At 31st December 2006	140,953	108,466	12,100	59,660	321,179
Currency retranslation	(3,331)	(2,582)	(285)	(1,402)	(7,600)
Provision for the year	7,521	11,185	274	862	19,842
At 31st December 2007	<u>£ 145,143</u>	<u>£ 117,069</u>	<u>£ 12,089</u>	<u>£ 59,120</u>	<u>£ 333,421</u>
Net book value					
At 31st December 2007	<u>£ 137,890</u>	<u>£ 26,418</u>	<u>£ 1,107</u>	<u>£ 13,662</u>	<u>£ 179,077</u>
Net book value					
At 31st December 2006	<u>£ 142,392</u>	<u>£ 23,382</u>	<u>£ 1,413</u>	<u>£ 14,648</u>	<u>£ 181,835</u>

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

10 BIOLOGICAL ASSETS

	Tea	Other horticulture	Total
Fair value			
At 1 January 2006	1,283,992	472,892	1,756,884
Exchange differences	(209,904)	(76,437)	(286,341)
Increases due to purchases	16,493	9,574	26,067
Gains arising from changes in fair value less estimated point-of-sale costs	74,280	9,661	83,941
At 1 January 2007	1,164,861	415,690	1,580,551
Exchange differences	(27,216)	(9,820)	(37,036)
Increases due to purchases	10,948	7,104	18,052
(Losses)/gains arising from changes in fair value less estimated point-of-sale costs	(37,480)	13,958	(23,522)
At 31 December 2007	1,111,113	426,932	1,538,045

Other horticulture comprises rubber production

Biological assets are carried at fair value less estimated point-of-sale costs. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value has been determined based on the net present value of expected future cash flows from those assets, discounted at appropriate pre-tax rates. In determining the fair value of biological assets where the discounting of expected future cash flows has been used, the directors have made certain assumptions about expected life-span of the plantings, yields, selling prices and costs.

The discount rates used reflect the cost of capital, an assessment of country risk and the risks associated with individual crops. The discount rates used are:

	Tea	Rubber
2007	12.50%	12.00%
2006	12.50%	12.00%

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

10 BIOLOGICAL ASSETS (continued)

The areas planted to the various crop types at the end of the year were

	2007 Hectares	2006 Hectares
Tea	612	608
Rubber	238	226

Output of agricultural produce during the year was

	2007 Metric tonnes	2006 Metric tonnes
Tea	1,097	1,041
Rubber	114	90

	2007 £	2006 £
Fair value of agricultural output after deducting estimated point-of-sale costs	761,245	868,747

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

	2007 £	2006 £
11 INVESTMENTS		
Cost at 1st January	244,682	97,703
Currency fluctuation	(5,736)	(15,549)
Additions	-	162,528
At 31st December	<u>£ 238,946</u>	<u>£ 244,682</u>
Investments at cost include		
Listed on Dhaka Stock Exchange	<u>£ 73,897</u>	<u>£ 83,067</u>
Market value	<u>£ 255,052</u>	<u>£ 158,541</u>
Investments at cost consist of		
Subsidiaries of group	165,049	169,011
Associates of group	73,897	75,671
	<u>£ 238,946</u>	<u>£ 244,682</u>
12 INVENTORIES		
Stock of tea	77,918	84,314
Stock of rubber	9,999	5,026
Estate stores	133,381	117,043
	<u>£ 221,298</u>	<u>£ 206,383</u>

There was no material difference between the replacement cost and value shown in stocks

13 TRADE AND OTHER RECEIVABLES

Due within one year		
Trade debtors	36,367	24,771
Other debtors	27,274	34,503
Amounts owed by group companies	249,116	119,445
Prepayments and accrued income	4,939	5,041
Interest receivable	2,679	2,579
Due in more than one year		
Other debtors	7,010	7,178
	<u>£ 327,385</u>	<u>£ 193,517</u>

No provision for bad debts was made at 31 December 2007 (2006 £nil) No trade debtors were past their due date at 31 December 2007 (2006 £nil)

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

	2007 £	2006 £
14 TRADE AND OTHER PAYABLES		
Amounts falling due within one year		
Other creditors	118,858	99,755
Amounts owed to group companies	591	-
Interest payable	9,286	2,109
	<u>£ 128,735</u>	<u>£ 101,864</u>
15 BORROWINGS		
Current		
Bank overdraft (secured against hypothecation of crop)	136,833	84,704
Term loans secured	2,677	6,329
	<u>139,510</u>	<u>91,033</u>
Non-current		
Bank loans (secured against property, plant and equipment and biological assets)	14,789	17,885
	<u>£ 154,299</u>	<u>£ 108,918</u>
Bank loans include the following amounts repayable over more than five years by instalments		
Aggregate amount of loans	£17,466	£24,214
Amount due beyond five years	£4,786	£7,357
The repayments of bank loans and overdrafts fall due as follows		
Within 12 months or on demand	139,510	91,033
Between 1 - 2 years	2,683	2,741
Between 2 - 5 years	7,320	7,787
After 5 years	4,786	7,357
	<u>£ 154,299</u>	<u>£ 108,918</u>
Interest rates vary from 9.5% per annum to 12% per annum		
16 DEFERRED TAX		
At 1 January	462,658	501,100
Exchange differences	(10,839)	(82,445)
(Credited)/charged in income statement	(2,188)	44,003
At 31 December	<u>£ 449,631</u>	<u>£ 462,658</u>

The deferred tax liability at the start and end of the year relates to timing differences on the fair value of biological assets

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

	2007 £	2006 £
17 SHARE CAPITAL		
Authorised 150,000 shares of £1 each	<u>£ 150,000</u>	<u>£ 150,000</u>
Allotted, called up and fully paid 150,000 shares of £1 each	<u>£ 150,000</u>	<u>£ 150,000</u>
18 RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH FLOW		
Profit from operations	290,130	328,247
Depreciation	19,842	20,944
(Increase) in inventories	(19,753)	(45,577)
(Increase)/decrease in debtors	(5,773)	62,014
Increase in creditors	21,442	18,770
Change in intra-group balances	(131,880)	(49,518)
Exchange adjustments on operating profits	<u>1,931</u>	<u>(9,939)</u>
Cash flow from operating activities	<u>£ 175,939</u>	<u>£ 324,941</u>
19 RESERVES		Reserves £
At 1st January 2006		1,556,564
Foreign currency translation (losses)		(299,979)
Retained profit for year		<u>348,756</u>
At 31st December 2006		1,605,341
Foreign currency translation (losses)		(41,382)
Retained profit for year		<u>130,641</u>
At 31st December 2007		<u>1,694,600</u>
The distribution of retained profits is subject to exchange control permission for remittances from Bangladesh. Withholding tax at the rate of 15% (2006 15%) is charged when profits are remitted. Cumulative exchange losses amount to £460,998 (2006 £419,616).		
20 CAPITAL COMMITMENTS		
Contracted for	<u>£ 17,569</u>	<u>£ 17,941</u>
21 LEASING COMMITMENTS		
Total commitment in respect of operating leases are		
Other assets - leases expire within one year	1,911	-
- leases expires between 2 to 5 years	<u>-</u>	<u>688</u>
	<u>£ 1,911</u>	<u>£ 688</u>

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

22 FINANCIAL INSTRUMENTS

Capital risk management

The company manages its capital to ensure it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of its debt and equity balance. The capital structure of the company consists of debt, which includes the borrowings disclosed in note 15, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Categories of financial instruments

	Carrying value	
	2007	2006
Financial assets	£	£
Cash at bank and in hand	175,534	118,421
Trade and other receivables	322,446	188,476
Investments	238,946	244,682
	<u>£ 736,926</u>	<u>£ 551,579</u>
Financial liabilities		
Trade and other payables	128,735	101,864
Borrowings	154,299	108,918
	<u>£ 283,034</u>	<u>£ 210,782</u>

Financial risk management objectives

The company finances its operations by a mixture of retained profits, bank borrowings and long-term loans. The objective is to maintain a balance between continuity of funding and flexibility, through the use of borrowings. To achieve this, the borrowings and facilities are regularly reviewed. The company also seeks to maintain sufficient undrawn committed borrowing facilities to provide flexibility in the management of the company's liquidity.

(A) Market risk

(i) Foreign exchange risk

The company has no material exposure to foreign currency exchange risk.

(ii) Price risk

The company's exposure to price risk is not significant.

(iii) Cash flow and interest rate risk

The company's interest rate risk arises from interest-bearing assets and short and long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. The company has no fixed rate exposure.

(B) Credit risk

The company has policies in place to limit its exposure to credit risk. Credit risk arises from cash at bank, as well as credit exposures to customers, including outstanding receivables and committed transactions. Management assesses the credit quality of the customer taking into account its financial position, past experience and other factors and monitors the utilisation of credit limits regularly.

(C) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. The company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

23 PARENT COMPANY

The ultimate parent company at 31st December 2007 was Camellia Plc which is registered in England and Wales. The consolidated financial statements of Camellia Plc can be obtained from the Company's registered office at Linton Park, Linton, Maidstone, Kent, ME17 4AB.

24 CONTROL OF CAMELLIA PLC

Camellia Holding AG holds 1,426,000 ordinary shares of Camellia Plc (representing 51.30 per cent of the total voting rights). Camellia Holding AG is owned by The Camellia Private Trust Company Ltd (a private trust company incorporated under the laws of Bermuda to act as trustee of the Camellia Foundation). The Camellia Foundation is a Bermudian Trust, the income of which is utilised for charitable, educational and humanitarian causes at the discretion of the Trustees.

25 RELATED PARTY TRANSACTIONS

The company was charged £33,382 (charged 2006 £3,222) by group companies during the year in respect of inter group sales and recharges which are included within cost of sales.

THE MAZDEHEE TEA COMPANY, LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the financial year. The directors consider that in preparing the accounts, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. In addition the directors confirm that the going concern basis is appropriate and all applicable accounting standards have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the company and for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT
to the Shareholders of The Mazdehee Tea Company, Limited

We have audited the financial statements of The Mazdehee Tea Company, Limited for the year ended 31st December 2007 set out on pages four to twenty-one. These financial statements have been prepared under the accounting policies set out on pages eight to ten.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view in accordance with IFRSs of the state of the company's affairs as at 31st December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Moira Stephen LLP
MOORE STEPHENS LLP

Chartered Accountants
and Registered Auditors

26th June 2008