

THE MAZDEHEE TEA COMPANY, LIMITED

REPORT AND FINANCIAL STATEMENTS

31st December 2016

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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

Peter Field
Susan Walker
Abdur Bhuiya
Imran Ahmed

Company Secretary

Julia Morton

Independent Auditors

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND
STATUTORY AUDITORS
1 EMBANKMENT PLACE
LONDON WC2N 6RH

Registered Office

LINTON PARK
LINTON
MAIDSTONE
KENT ME17 4AB

Registered Number

00031287

THE MAZDEHEE TEA COMPANY, LIMITED

Strategic report for the year ended 31 December 2016

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

Business review and future developments

The company continues to operate as a grower and manufacturer of tea in Bangladesh and is expected to do so in the future. The results for the year and the financial position of the company are as shown in the annexed financial statements.

Principal risks and uncertainties and key performance indicators

The company is a Bangladeshi tea operating company within the Camellia Plc group and as such the principal risks and uncertainties, key performance indicators, strategy and business model are in line with those of the group as a whole. A review of the principal risks and uncertainties, strategy and business model of the Camellia Plc group can be found in Camellia Plc's annual report on pages 18 to 20.

This report was approved by order of the board on 20 July 2017.

A handwritten signature in black ink, appearing to be 'Julia Morton', written in a cursive style.

Julia Morton
Secretary

THE MAZDEHEE TEA COMPANY, LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Principal Activities

The principal activity of the company is the growing and manufacturing of tea in Bangladesh.

Results and dividends

The profit for the year amounted to £176,983 (2015 £22,192 loss). A dividend of £nil (2015: £468,000) was paid during the year. The directors have not proposed a final dividend for the year (2015: £nil).

The 2015 profit was restated to a loss of £22,191, the additional loss of £245,699 follows the company adopting the amendments to IAS 16 and IAS 41, whereby bearer plants are now accounted for under IAS 16 rather than IAS 41 in the same way as property, plant and equipment, fair value adjustments are no longer required and instead the assets are now depreciated.

Directors

The directors of the company, are as listed on page one.

Review of business

The company is part of the Camellia Plc group and undertakes its principal activities through a branch in Bangladesh.

Future developments

A statement on future developments is included in the strategic report.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are not aware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information and to establish that the company's auditors are aware of that information.

Independent Auditors

Following a change of group auditors, PricewaterhouseCoopers LLP will be retiring as auditors of the company shortly following the date of signing these financial statements. A resolution proposing the appointment of Deloitte LLP will be put to the forthcoming annual general meeting.

Employees

The company's policy is to consult and discuss with employees on any matters likely to affect their interests. It is also company policy that due consideration be given to employment applications received from disabled persons and to give employees who become disabled every opportunity to continue their employment. Information on matters of concern to employees is given through regular bulletins, notices and briefings, in order to achieve a common awareness of the financial and economic factors affecting the performance of the company.

This report was approved by order of the board on 20 July 2017.



Julia Morton
Company Secretary

THE MAZDEHEE TEA COMPANY, LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MAZDEHEE TEA COMPANY, LIMITED

Report on financial statements

Our opinion

In our opinion, The Mazdehee Tea Company, Limited financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements included within the Report and financial statements comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

THE MAZDEHEE TEA COMPANY, LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MAZDEHEE TEA COMPANY, LIMITED

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 20 July 2017

THE MAZDEHEE TEA COMPANY, LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31st December 2016

	Note	2016 £	2015 £ Restated
Revenue	2	1,847,566	1,467,237
Cost of sales		(1,264,796)	(1,041,342)
Gross profit		582,770	425,895
Net operating expenses	4	(196,971)	(164,614)
Operating profit - before one off items	3	385,799	261,281
Prior year post employment benefit	17	-	(404,221)
Operating profit/(loss)		385,799	(142,940)
Investment income	5	12,430	88,526
Finance income		3,139	2,004
Finance costs		(47,532)	(10,985)
Net finance costs		(44,393)	(8,981)
Profit/(loss) on ordinary activities before taxation		353,836	(63,395)
Taxation	8	(176,853)	41,204
Profit/(loss) for the year		176,983	(22,191)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial movement on defined benefit pension scheme	17	(68,232)	-
Movement on deferred tax relating to pension scheme	16	16,612	-
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		896,821	202,241
Total other comprehensive income		845,201	202,241
Total comprehensive income for the year		1,022,184	180,050

BALANCE SHEET
as at 31st December 2016

	Note	2016	2015
		£	£
NON-CURRENT ASSETS			Restated
Property, plant and equipment	9	4,794,904	4,193,500
Biological assets	10	-	-
Deferred tax assets	16	224,428	167,241
Investments	11	2,379,332	1,995,847
Trade and other receivables	13	14,475	12,064
		<u>7,413,139</u>	<u>6,368,652</u>
CURRENT ASSETS			
Inventories	12	769,369	454,626
Trade and other receivables	13	165,949	110,117
Cash and cash equivalents		<u>400,894</u>	<u>670,926</u>
		<u>1,336,212</u>	<u>1,235,669</u>
CURRENT LIABILITIES			
Borrowings	14	306	435,204
Trade and other payables	15	970,739	905,904
Current income tax liabilities		<u>192,018</u>	<u>148,113</u>
		<u>1,163,063</u>	<u>1,489,221</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>173,149</u>	<u>(253,552)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,586,288</u>	<u>6,115,100</u>
NON-CURRENT LIABILITIES			
Borrowings	14	1,698	1,644
Retirement benefit liability	17	664,009	438,838
Deferred tax liabilities	16	<u>1,416,132</u>	<u>1,192,353</u>
		<u>2,081,839</u>	<u>1,632,835</u>
NET ASSETS		<u>5,504,449</u>	<u>4,482,265</u>
EQUITY			
Share capital	18	150,000	150,000
Retained earnings		<u>5,354,449</u>	<u>4,332,265</u>
TOTAL EQUITY		<u>5,504,449</u>	<u>4,482,265</u>

The notes on pages 10 to 23 form part of the financial statements.

The Financial statements on pages 6 to 23 were approved on 20 July 2017
by the board of directors and signed on their behalf by:



Susan Walker
Director

THE MAZDEHEE TEA COMPANY, LIMITED**STATEMENT OF CHANGES IN EQUITY**
for the year ended 31st December 2016

	Share Capital £	Retained Earnings £ Restated	Total Equity £ Restated
At 1 January 2015	150,000	4,620,215	4,770,215
Total comprehensive income for the year	-	180,050	180,050
Dividend paid	-	(468,000)	(468,000)
At 1 January 2016	150,000	4,332,265	4,482,265
Total comprehensive income for the year	-	1,022,184	1,022,184
Dividend paid	-	-	-
At 31 December 2016	150,000	5,354,449	5,504,449

The distribution of retained profits is subject to exchange control permission for remittances from Bangladesh. Withholding tax at the rate of 15% (2015: 15%) is charged when profits are remitted. Cumulative exchange gains amount to £799,041 (2015 : £97,780 losses).

THE MAZDEHEE TEA COMPANY, LIMITED

CASH FLOW STATEMENT for the year ended 31st December 2016

	Note	2016 £	2015 £ Restated
CASH GENERATED FROM OPERATIONS			
Cash flows from operating activities	19	368,466	667,735
Interest paid		(53,193)	(11,449)
Interest received		5,378	-
Income taxes paid		(173,867)	(158,764)
Net cash flow from continuing operating activities		146,784	497,522
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(29,078)	(23,088)
Purchases of biological assets		(20,754)	(32,717)
Dividends received from group companies		12,430	88,526
Net cash flow from investing activities		(37,402)	32,721
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayments		(238)	(438)
Dividend paid		-	(468,000)
Net cash flow from financing activities		(238)	(468,438)
Net increase in cash and cash equivalents		109,144	61,805
Cash and cash equivalents at beginning of year		235,979	164,388
Exchange gains on cash and cash equivalents		55,771	9,787
Cash and cash equivalents at end of year		400,894	235,979
Cash and cash equivalents included in the cash flow statement comprise the following:-			
Cash at bank and in hand		400,894	670,926
Bank overdraft		-	(434,947)
		400,894	235,979

THE MAZDEHEE TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The company has a registered branch in Bangladesh, the trading results of which are consolidated and presented in these financial statements. The financial statements have been prepared on the historical cost and going concern basis.

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 statement of comprehensive income 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 now includes biological assets (bearer plants) which are now accounted for under IAS 16.

Property, plant and equipment 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 company 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 company 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:-

Biological assets (Bearer plants)	28 to 50 years
Buildings	3% to 20%
Plant and machinery	7% to 13%
Vehicles	7% to 13%
Fixtures, fittings, tools and equipment	5% to 10%

No depreciation is provided on bearer plants until maturity when commercial levels of production have been reached.

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 statement of comprehensive income.

Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

e) Investments

Investments in subsidiary, fellow subsidiaries and associated companies of the ultimate parent are included at cost or fair value. Other listed investments are carried at fair values based on current bid values.

f) 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).

THE MAZDEHEE TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

g) Inventories

Agricultural produce included within inventory largely comprises stock of 'black' tea. In accordance with IAS 41, on initial recognition, agricultural produce is required to be measured at fair value less estimated point of sale costs. Following a reassessment, the fair value for green leaf at the point of harvest can now be more reliably calculated. Made tea inventories now include the fair value of green leaf and the impact of this change is a £nil uplift in opening reserves.

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.

h) 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 statement of comprehensive income.

i) 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.

j) 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 statement of comprehensive income 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.

k) 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 statement of comprehensive income 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 company 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 substantially 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 is probable that future taxable profit will be available against which the temporary differences can be utilised.

THE MAZDEHEE TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

l) 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 finance 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.

m) Employee benefits

The company has an unfunded obligation to pay terminal gratuities to employees. Provisions are made for the estimated liability for gratuities as a result of services rendered by employees up to the balance sheet date and any movement in the provision is recognised in the income statement.

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

n) Critical accounting estimates and judgements

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

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

(i) Impairment of assets

The company has significant investments in property, plant and equipment, biological assets, associated companies and other investments. These assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors considered which could trigger an impairment review include the significant fall in market values, significant underperformance relative to historical or projected future operating results, a major change in market conditions or negative cash flows.

(ii) Depreciation and amortisation

Depreciation and amortisation is based on management estimates of the future useful life of property, plant and equipment. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.

(iii) Biological assets

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, costs and discount rates.

(iv) Retirement benefit obligations

Pension accounting requires certain assumptions to be made in order to value obligations and to determine the impact on the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality, inflation rates and expected long-term rates of return on assets. Details of assumptions made are given in note 17.

THE MAZDEHEE TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES (continued)

o) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the company

The company has adopted the following new and amended IFRSs as of 1 January 2016:

IAS 16 and IAS 41 (amendments)	Reporting for bearer plants- effective from 1 January 2016 IAS 16 and IAS 41 (amendments) amends the reporting for bearer plants. The company has applied the amendments retrospectively in accordance with the transition provisions of the standard and the comparative figures have been restated. The impact on the company has been in the following areas: As bearer plants are now accounted for under IAS 16 rather than IAS 41 in the same way as property, plant and equipment, fair value adjustments are no longer required and instead the assets will now be depreciated. The produce on bearer plants will remain in the scope of IAS 41 and require a fair value adjustment. The effect has been that the previous profit for the year to 31 December 2015 of £223,508 has become a loss of £22,191 a change of £245,699.
IAS 27 (amendment)	Equity method in separate financial statements - effective from 1 January 2016 The IASB has made amendments to IAS 27 Separate Financial Statements which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.
Annual improvements 2012-2014 cycle	The latest annual improvements clarify - effective from 1 January 2016 IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

Neither the amendment to IAS 27 or the annual improvements have had a material impact on the financial statements of the company.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company, except the following set out below:

IFRS 15	Revenue from contracts with customers - effective from 1 January 2018 The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: - identify contracts with customers. - identify the separate performance obligation. - determine the transaction price of the contract. - allocate the transaction price to each of the separate performance obligations, and - recognise the revenue.
IFRS 16	Leases - effective from 1 January 2019 IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.
IAS 12 (amendment)	Recognition of deferred tax - effective from 1 January 2017 Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: - A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. - An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. - Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type. - Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

THE MAZDEHEE TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	2016	2015
2. REVENUE	£	£
Bangladesh		Restated
Tea Sales	1,644,126	1,405,278
Green leaf sales	58,695	6,164
Rubber Sales	144,745	55,795
	<u>1,847,566</u>	<u>1,467,237</u>
3. OPERATING PROFIT	2016	2015
Is stated after charging:	£	£
Depreciation of tangible assets	236,349	Restated 201,727
Remuneration of the auditors	1,325	1,384
Cost of inventories recognised as an expense (included in cost of sales)	274,961	205,589
Employee costs	<u>628,226</u>	<u>883,753</u>
4. NET OPERATING EXPENSES	2016	2015
Administrative expenses	£ 206,266	£ 171,678
Other income	(9,295)	(7,064)
	<u>196,971</u>	<u>164,614</u>
5. INVESTMENT INCOME	2016	2015
Income from listed investments	£ 12,430	£ 88,526
6. EMPLOYEES AND DIRECTORS	2016	2015
Staff costs:	£	£
Wages and salaries	593,170	Restated 456,402
Employment benefit obligation costs	35,056	427,351
	<u>628,226</u>	<u>883,753</u>
The monthly average number of persons employed by the company was:	2016 Number 1,166	2015 Number 1,160

The employee cost note has been updated from the 2015 financial statements, to include the line 'employee benefit obligations', as opposed to 'other pension costs'. This change has been made to make the disclosure clearer to the readers of the financial statements and to be consistent with the disclosure within the Camellia Plc group accounts

The directors received no emoluments during the year from the company (2015: £nil). As they are remunerated by other group companies the value of their service to this company was negligible.

The emoluments of Imran Ahmed and Abdur Bhuiya are disclosed in the financial statements of Lungla (Sylhet) Tea Company, Limited and the emoluments of the other directors are disclosed in the financial statements of the ultimate holding company, Camellia Plc.

THE MAZDEHEE TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. DIVIDENDS	2016 £	2015 £
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2016 of £nil (2015 : £3.12p) per share	-	468,000
8. TAXATION	2016 £	2015 £
(a) Current tax		Restated
UK Corporation tax:		
UK Corporation tax at 20% (2015 : 20.25%)	139,174	15,468
Double tax relief	(139,174)	(15,468)
Foreign tax:		
Corporation tax	187,967	65,190
Total current tax	187,967	65,190
Deferred tax:		
Origination and reversal of timing differences	(11,114)	(106,394)
Tax on profit on ordinary activities	176,853	(41,204)

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax applicable to profits of the company as follows:

(b) Factors affecting tax charge for year

The differences between tax calculated at the standard rate of taxation in the UK of 20% (2015: 20.25%) and that charged in the financial statements are explained below:

Profit /(loss) on ordinary activities before tax	353,836	(63,395)
Profit on ordinary activities at 20% (2015: 20.25%)	70,767	(12,837)
Effects of:		
Movement in other timing differences	84,803	105,731
Income not subject to taxation	(29,625)	(45,188)
Adjustments in respect of prior years	-	(103,026)
Higher tax rates on overseas earnings	50,908	14,116
Total tax charge/(credit) for the year	176,853	(41,204)

(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 FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	Bearer plant £	Land and Buildings £	Plant and Machinery £	Vehicles £	Fixtures Fittings Tools and Equipment £	Total £
Deemed costs						
At 1st January 2015	-	517,201	475,060	48,136	91,620	1,132,017
Transfer from biological assets	3,560,145	-	-	-	-	3,560,145
Currency retranslation	176,810	25,754	23,901	2,380	4,528	233,373
Additions	32,717	7,274	15,815	-	-	55,806
At 1st January 2016	3,769,672	550,229	514,776	50,516	96,148	4,981,341
Currency retranslation	726,290	106,048	99,292	11,704	18,546	961,880
Additions	20,754	3,414	3,995	20,911	758	49,832
At 31st December 2016	4,516,716	659,691	618,063	83,131	115,452	5,993,053
Accumulated Depreciation						
At 1st January 2015	-	229,235	260,460	23,295	40,356	553,346
Currency retranslation	4,297	11,584	13,428	1,267	2,192	32,768
Provision for the year	159,875	9,500	20,720	4,278	7,354	201,727
At 1st January 2016	164,172	250,319	294,608	28,840	49,902	787,841
Currency retranslation	49,032	49,103	58,864	6,412	10,548	173,959
Provision for the year	183,031	10,538	23,627	9,113	10,040	236,349
At 31st December 2016	396,235	309,960	377,099	44,365	70,490	1,198,149
Net book value						
At 31st December 2016	4,120,481	349,731	240,964	38,766	44,962	4,794,904
Net book value						
At 31st December 2015	3,605,500	299,910	220,168	21,676	46,246	4,193,500

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. BIOLOGICAL ASSETS	Tea £	Other horticulture £	Total £
At 1 January 2015	2,598,246	961,899	3,560,145
Transfer to property, plant and equipment	(2,598,246)	(961,899)	(3,560,145)
Exchange differences	-	-	-
Increases due to purchases	-	-	-
Gains arising from changes in fair value less estimated point-of-sale costs	-	-	-
At 1st January 2016	-	-	-
Exchange differences	-	-	-
Increases due to purchases	-	-	-
Gains arising from changes in fair value less estimated point-of-sale costs	-	-	-
At 31 December 2016	-	-	-

Other horticulture comprises rubber production.

Following the implementation of IAS 16 and IAS 41 (amendments) which require bearer plants to be treated in the same way as property, plant and equipment and the produce on the bearer plants to be treated as current assets, a transfer to those categories as at 1 January 2015 was undertaken.

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	2016 £	2015 £
11. INVESTMENTS		
Cost at 1st January	1,995,847	1,901,863
Gain on currency fluctuation	383,485	93,984
At 31st December	<u>2,379,332</u>	<u>1,995,847</u>
Investments at cost include:		
Listed on Dhaka Stock Exchange	<u>105,347</u>	<u>88,368</u>
Market value	<u>611,239</u>	<u>603,469</u>
Investments at cost consist of:		
Fellow subsidiaries of Camellia group	2,273,985	1,907,479
Investment in Associates of Camellia group	<u>105,347</u>	<u>88,368</u>
	<u>2,379,332</u>	<u>1,995,847</u>
	2016 £	2015 £
12. INVENTORIES		
Stock of tea	417,276	138,760
Stock of rubber	70,945	87,271
Estate stores	<u>281,148</u>	<u>228,595</u>
	<u>769,369</u>	<u>454,626</u>

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

	2016 £	2015 £
13. TRADE AND OTHER RECEIVABLES		
Due within one year		
Trade debtors	49,917	34,807
Other debtors	58,457	35,937
Amounts owed by group companies	48,070	31,520
Prepayments and accrued income	9,505	7,853
	<u>165,949</u>	<u>110,117</u>
Due in more than one year		
Other debtors	<u>14,475</u>	<u>12,064</u>

No provision for bad debts was made at 31 December 2016 (2015: £nil). No trade debtors were past their due date at 31 December 2016 (2015: £nil).

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	2016 £	2015 £
14. BORROWINGS		
Current:		
Bank overdraft (secured against hypothecation of crop)	-	434,947
Term loans secured	306	257
	<u>306</u>	<u>435,204</u>
Non-current:		
Bank loans (secured against property, plant and equipment and biological assets)	1,698	1,644
	<u>2,004</u>	<u>436,848</u>
Bank loans include the following amounts repayable over more than five years by instalments	-	-
Aggregate amount of loans	-	-
Amount due beyond five years	780	102
The repayments of bank loans and overdrafts fall due as follows:		
Within 12 months or on demand	306	435,204
Between 1 - 2 years	306	257
Between 2 - 5 years	612	1,285
After 5 years	780	102
	<u>2,004</u>	<u>436,848</u>
Interest rates vary from 9.5% per annum to 13% per annum.		
15. TRADE AND OTHER PAYABLES	2016 £	2015 £
Amounts falling due within one year		
Trade and other creditors	231,972	218,522
Amounts owed to group companies	738,698	682,121
Interest payable	69	5,261
	<u>970,739</u>	<u>905,904</u>
16. DEFERRED TAX :	2016 £	2015 £ Restated
<u>ASSETS</u>		
At 1 January	167,241	-
Exchange differences	34,318	4,072
Credited in statement of comprehensive income	6,257	163,169
Movement relating to retirement benefit obligations (incl in reserves)	16,612	-
At 31 December	<u>224,428</u>	<u>167,241</u>
<u>LIABILITIES</u>	£	£
At 1 January	1,192,353	1,080,949
Exchange differences	228,636	54,629
Charged/(credited) in statement of comprehensive income	(4,857)	56,775
At 31 December	<u>1,416,132</u>	<u>1,192,353</u>

The deferred tax liability at the start and end of the year relates to accelerated tax depreciation.

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. OTHER EMPLOYMENT BENEFIT OBLIGATIONS

The company has an obligation to make compensation payments on retirement or other events terminating employment, based on years of service. These obligations are estimated annually using the projected unit method by qualified independent actuaries.

Assumptions

The major assumptions used in this valuation to determine the present value of the post-employment benefit obligations were as follows:

	2016 per annum	2015 per annum
Rate of increase in salaries	7% to 9%	7% to 9%
Discount rate applied to scheme liabilities	7.50%	9.00%
Pension increase rate	7.00%	7.00%

Actuarial valuations

	2016 £	2015 £
Debt securities	108,837	-
Cash	41,180	-
Total fair value of plan assets	150,017	-
Present value of defined benefit obligations	(814,026)	(438,838)
Total deficit in the schemes	(664,009)	(438,838)
Amount recognised as liability in the balance sheet	(664,009)	(438,838)
Related deferred tax asset - see note 16	224,428	167,241
Net deficit	(439,581)	(271,597)

Movements in the fair value of scheme assets were as follows:

	2016 £	2015 £
At 1 January	-	-
Transfer between companies	96,905	-
Expected return on plan assets	9,210	-
Employer contributions	25,939	-
Benefit payments	(2,350)	-
Actuarial loss	(1,316)	-
Exchange movement	21,629	-
At 31 December	150,017	-

Movements in the present value of defined benefit obligations were as follows:

	2016 £	2015 £
At 1 January	(438,838)	-
Transfer between companies	(104,160)	-
Current service cost	(35,056)	(23,130)
Past service cost	-	(404,221)
Interest cost	(52,537)	-
Benefit payments	2,350	-
Actuarial loss	(66,916)	-
Exchange movement	(118,869)	(11,487)
At 31 December	(814,026)	(438,838)

Additional information came to light in the year in relation to the Duncan Brothers (Bangladesh) Limited Employees Gratuity Fund. This fund was previously held in The Lungla (Syhlet) Tea Company Limited and gratuity liabilities were held in this company. New information indicated that the liabilities were the responsibility of each of the individual Bangladesh entities to pay, hence £96,905 was transferred from the fair value of scheme assets and £104,160 from the present value of defined benefit obligations during 2016 from The Lungla (Syhlet) Tea Company Limited to The Mazdehee Tea Company Limited.

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. OTHER EMPLOYMENT BENEFIT OBLIGATIONS

continued

	2016 £	2015 £
Income statement		
The amounts recognised in the income statement are as follows:		
	2016 £	2015 £
Amounts charged to operating profit:		
Current service cost	35,056	23,130
Amounts charged to profit on ordinary activities:		
Past service cost	-	464,221
Amounts charged to finance costs		
Interest expense	43,327	-
Total charged to income statement	78,383	487,351

The past service cost of £464,221 in the prior year relates to legislation enacted in Bangladesh which requires companies to make a payment on retirement or other events terminating employment to all employees, based upon compensation and length of service.

Statement of comprehensive income

The amounts recognised in statement of comprehensive income are as follows:

	2016 £	2015 £
Remeasurements:		
Return on plan assets, excluding amount included in interest	(1,316)	-
Loss from changes in financial assumptions	(123,306)	-
Experience gain	56,390	-
Actuarial loss	(68,232)	-

18. SHARE CAPITAL

Authorised, allotted, and fully paid

150,000 (2015: 150,000) shares of £1 each

2016 £	2015 £
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150,000	150,000
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19. RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH FLOW

	2016 £	2015 £ Restated
Profit from operations	385,799	(142,940)
Depreciation	236,349	201,727
Actuarial loss	(47,462)	-
Increase in inventories	(207,561)	(38,042)
(Increase)/decrease in debtors	(24,397)	48,191
Increase in creditors	102,522	399,330
Change in intra-group balances	(77,568)	219,248
Exchange adjustments	784	(19,779)
Cash flow from operating activities	368,466	667,735

20. COMMITMENTS

The company leases land under non-cancellable operating lease arrangements, which have various terms and renewal rights.

	2016 £	2015 £
Land		
Within 1 year	104,503	69,755
Between 1-5 years	74,691	62,654
After 5 years	485,494	422,916
	664,688	555,325

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21. 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 13, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Categories of financial instruments

	Carrying value	
	2016	2015
	£	£
Financial assets		
Cash and cash equivalents	400,894	670,926
Trade and other receivables	156,444	114,328
Investments	2,379,332	1,995,847
	<u>2,936,670</u>	<u>2,781,101</u>
Financial liabilities		
Trade and other payables	970,739	905,904
Borrowings	2,004	436,848
	<u>972,743</u>	<u>1,342,752</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 on trading activities.

(ii) Price risk

The company's exposure to commodity 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 FINANCIAL STATEMENTS

22. PARENT COMPANY

The parent company is Lawrie Group Plc which is registered in England and Wales and the ultimate parent company is Camellia Plc which is also registered in England and Wales.

Copies of the Camellia Plc report and accounts prepared in accordance with International Financial Reporting Standards can be obtained from Linton Park, Linton, Maidstone, Kent ME17 4AB. Camellia Plc is the only company to consolidate the company's financial statements.

23. RELATED PARTY TRANSACTIONS

There were transactions with group companies during the year of (£17,071) (2015: 1,877) in respect of inter group sales and recharges which are included within revenue and cost of sales.

Company Name	Sales to £	Recharges £	Net £
The Allynugger Tea Co	14,725	(2,811)	11,914
Lungla Sylhet	23,140	(12,617)	10,523
Duncan Brothers	-	(5,366)	(5,366)
	<u>37,865</u>	<u>(20,794)</u>	<u>17,071</u>

Amounts due from / to group undertakings are unsecured, interest free and have no fixed term of repayment.

24. CONTROL OF CAMELLIA PLC

Camellia Holding AG holds 1,427,000 ordinary shares of Camellia Plc (representing 51.67% of 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 a 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.