

THE ALLYNUGGER TEA COMPANY, LIMITED

REPORT AND FINANCIAL STATEMENTS

31st December 2016

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THE ALLYNUGGER TEA COMPANY, LIMITED

Incorporated 1892

SHARE CAPITAL

| | | |
|-----------------|---|------------------|
| Authorised | | Issued |
| 50,000 | In 6% cumulative preference shares of £1 each | 50,000 |
| 400,000 | In ordinary shares of £1 each | 400,000 |
| <u>£450,000</u> | | <u>£ 450,000</u> |

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

37431

THE ALLYNUGGER 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 6 to 7.

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

A handwritten signature in black ink, appearing to read 'Julia Morton', with a long horizontal flourish extending to the right.

Julia Morton
Secretary

THE ALLYNUGGER TEA COMPANY, LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the 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 £112,167 (2015: £1,165,035 loss). No dividend was paid during the year (2015: £Nil) The directors have not proposed a final dividend for the year (2015: £nil)

The 2015 loss was restated to £1,165,035, the additional loss of £575,497 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.

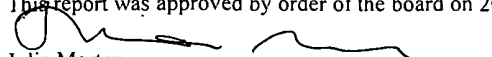
Independent Auditors

Following a change of group auditors, PricewaterhouseCoopersLLP 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 ALLYNUGGER TEA COMPANY, LIMITED

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

Report on the financial statements

Our opinion

In our opinion, The Allynugger Tea Company Limited's 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 ALLYNUGGER TEA COMPANY, LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ALLYNUGGER 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

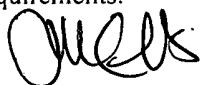
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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 reasonableness of significant accounting estimates made by the directors; and
- 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 ALLYNUGGER TEA COMPANY, LIMITED

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

| | Note | 2016 £ | 2015 £ Restated |
|--|------|--------------------|-----------------------|
| Revenue | 2 | 3,343,560 | 2,394,354 |
| Cost of sales | | <u>(2,846,529)</u> | <u>(2,622,577)</u> |
| Gross profit/(loss) | | 497,031 | (228,223) |
| Net operating expenses | 4 | <u>(216,377)</u> | <u>(172,119)</u> |
| Operating profit/(loss) - before one off items | 3 | 280,654 | (400,342) |
| Prior year post employment benefits | 17 | <u>-</u> | <u>(1,154,293)</u> |
| Operating profit/(loss) | | 280,654 | (1,554,635) |
| Investment income | 5 | 13,588 | 90,567 |
| Finance income | | <u>5,247</u> | <u>514</u> |
| Finance costs | | <u>(133,055)</u> | <u>(20,846)</u> |
| Net finance cost | | <u>(127,808)</u> | <u>(20,332)</u> |
| Profit/(loss) on ordinary activities before taxation | | 166,434 | (1,484,400) |
| Taxation | 8 | <u>(54,267)</u> | <u>319,365</u> |
| Profit/(loss) for the year | | 112,167 | (1,165,035) |
| Other comprehensive income / (loss) | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial movement in relation to retirement benefit obligations | 17 | <u>(250,089)</u> | <u>-</u> |
| Deferred tax movements in relation to:- Retirement benefit obligation: | 16 | <u>88,321</u> | <u>-</u> |
| Actuarial movement in relation to Plan assets | 17 | <u>(2,256)</u> | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign exchange translation differences | | 1,204,938 | 267,940 |
| Fair value adjustment | 11 | <u>12,356</u> | <u>(7,410)</u> |
| Total other comprehensive income | | 1,053,270 | 260,530 |
| Total comprehensive income/(expense) for the year | | <u>1,165,437</u> | <u>(904,505)</u> |

BALANCE SHEET
as at 31st December 2016

| | Note | 2016 | 2015 |
|---------------------------------------|------|------------------|------------------|
| | | £ | £ |
| NON-CURRENT ASSETS | | | Restated |
| Property, plant and equipment | 9 | 6,396,614 | 5,513,868 |
| Biological assets | 10 | - | - |
| Deferred tax assets | 16 | 806,585 | 462,202 |
| Investments | 11 | 2,603,171 | 2,173,245 |
| Trade and other receivables | 13 | 26,120 | 18,505 |
| | | <u>9,832,490</u> | <u>8,167,820</u> |
| CURRENT ASSETS | | | |
| Inventories | 12 | 1,034,668 | 375,117 |
| Trade and other receivables | 13 | 357,720 | 336,563 |
| Cash and cash equivalents | | 769,701 | 612,272 |
| | | <u>2,162,089</u> | <u>1,323,952</u> |
| CURRENT LIABILITIES | | | |
| Borrowings | 14 | 532 | 516,261 |
| Trade and other payables | 15 | 1,849,177 | 1,229,532 |
| Current income tax liabilities | | 144,583 | (20,379) |
| | | <u>1,994,292</u> | <u>1,725,414</u> |
| NET CURRENT LIABILITIES | | <u>167,797</u> | <u>(401,462)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 10,000,287 | 7,766,358 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 14 | 52,664 | 52,682 |
| Post employment benefit liability | 17 | 2,030,226 | 1,258,643 |
| Deferred tax liabilities | 16 | 1,724,067 | 1,427,140 |
| | | <u>3,806,957</u> | <u>2,738,465</u> |
| NET ASSETS | | <u>6,193,330</u> | <u>5,027,893</u> |
| EQUITY | | | |
| Called up share capital | 18 | 400,000 | 400,000 |
| Retained earnings | | 5,793,330 | 4,627,893 |
| TOTAL EQUITY | | <u>6,193,330</u> | <u>5,027,893</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 ALLYNUGGER TEA COMPANY, LIMITED**STATEMENT OF CHANGES IN EQUITY**
for the year ended 31st December 2016

| | Called Up Share Capital £ | Retained earnings £ | Total Equity £ |
|--|---------------------------------|---------------------------|----------------------|
| At 1 January 2015 | 400,000 | 5,532,398 | 5,932,398 |
| Total comprehensive expense for the year | - | (904,505) | (904,505) |
| At 1 January 2016 | 400,000 | 4,627,893 | 5,027,893 |
| Total comprehensive income for the year | - | 1,165,437 | 1,165,437 |
| At 31 December 2016 | 400,000 | 5,793,330 | 6,193,330 |

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 £1,105,184 (2015: £99,057 losses).

THE ALLYNUGGER 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 | 845,583 | 4,997 |
| Interest paid | | (143,942) | (11,493) |
| Interest received | | 5,806 | 14 |
| Income taxes paid | | (24,346) | (52,157) |
| Net cash flow from continuing operating activities | | 683,101 | (58,639) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (52,630) | (74,819) |
| Disposal of property plant & equipment | | - | - |
| Purchases of biological assets | | (45,962) | (91,223) |
| Dividends received from NTC shares | | - | 185 |
| Dividends received from associates | | 13,588 | 19,976 |
| Dividends received from group companies | | - | 70,406 |
| Net cash flow from investing activities | | (85,004) | (75,475) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Loan repayments | | (858) | (3,336) |
| Dividends paid | | - | - |
| Net cash flow from financing activities | | (858) | (3,336) |
| Net increase/(decrease) in cash and cash equivalents | | 597,239 | (137,450) |
| Cash and cash equivalents at beginning of year | | 96,799 | 226,738 |
| Exchange adjustment on cash and cash equivalents | | 75,663 | 7,511 |
| Cash and cash equivalents at end of year | | 769,701 | 96,799 |
| Cash and cash equivalents included in the cash flow statement comprise the following:- | | | |
| Cash at bank and in hand | | 769,701 | 612,272 |
| Bank overdraft | | - | (515,473) |
| | | 769,701 | 96,799 |

1. 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 passes 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 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:-

| | |
|---|----------------|
| 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 ALLYNUGGER 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 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.

THE ALLYNUGGER 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 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.

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 ALLYNUGGER TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 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) | <p>Reporting for bearer plants- effective from 1 January 2016</p> <p>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:</p> <p>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 loss for the year to 31 December 2015 has increased by £575,497.</p> |
| IAS 27 (amendment) | <p>Equity method in separate financial statements - effective from 1 January 2016</p> <p>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.</p> <p>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.</p> |
| Annual improvements 2012-2014 cycle | <p>The latest annual improvements clarify - effective from 1 January 2016</p> <p>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.</p> |

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 | <p>Revenue from contracts with customers - effective from 1 January 2018</p> <p>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.</p> <p>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.</p> <p>A new five-step process must be applied before revenue can be recognised:</p> <ul style="list-style-type: none">- 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 | <p>Leases - effective from 1 January 2019</p> <p>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.</p> <p>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.</p> <p>Additionally, operating expense will be replaced with interest and depreciation.</p> <p>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.</p> |
| IAS 12 (amendment) | <p>Recognition of deferred tax - effective from 1 January 2017</p> <p>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:</p> <ul style="list-style-type: none">- 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 ALLYNUGGER TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| | | | |
|----|---|------------------|------------------|
| | | 2016 | 2015 |
| 2. | REVENUE | £ | £ |
| | Bangladesh | | Restated |
| | Tea Sales | 3,223,625 | 2,265,860 |
| | Rubber Sales | 119,935 | 128,494 |
| | | <u>3,343,560</u> | <u>2,394,354</u> |
| 3. | OPERATING PROFIT | 2016 | 2015 |
| | Is stated after charging: | £ | £ |
| | | | Restated |
| | Depreciation of tangible assets | 259,876 | 244,465 |
| | Remuneration of the auditors | 2,054 | 1,447 |
| | Cost of inventories recognised as an expense (included in cost of sales) | 379,019 | 360,653 |
| | Employee costs | <u>1,474,295</u> | <u>2,308,007</u> |
| 4. | NET OPERATING EXPENSES | 2016 | 2015 |
| | | £ | £ |
| | Administrative expenses | 230,562 | 172,119 |
| | Other income | (14,185) | - |
| | | <u>216,377</u> | <u>172,119</u> |
| 5. | INVESTMENT INCOME | 2016 | 2015 |
| | | £ | £ |
| | Income from listed investments | 13,588 | 20,161 |
| | Income from unlisted investments | - | 70,406 |
| | | <u>13,588</u> | <u>90,567</u> |
| 6. | EMPLOYEES AND DIRECTORS | 2016 | 2015 |
| | | £ | £ |
| | Staff costs: | | Restated |
| | Wages and salaries | 1,376,364 | 1,082,307 |
| | Employment benefit obligation costs | 97,931 | 1,225,700 |
| | | <u>1,474,295</u> | <u>2,308,007</u> |
| | The monthly average number of persons employed by the company was: | 2016 Number | 2015 Number |
| | | <u>3,666</u> | <u>3,648</u> |

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 ALLYNUGGER TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:
Interim dividend for the year ended 31 December 2016 of
nil (2015: Nil)

| 2016 | 2015 |
|------|------|
| £ | £ |

| | |
|---|---|
| - | - |
|---|---|

8. TAXATION

(a) Current tax

| 2016 | 2015 |
|------|------|
| £ | £ |

UK Corporation tax:

Restated

UK Corporation tax at 20% (2015: 20.25%)

59,194

Double tax relief

(59,194)

| | |
|---|---|
| - | - |
|---|---|

Foreign tax:

Corporation tax

| | |
|---------|---|
| 178,569 | - |
|---------|---|

Adjustment in respect of previous years

| | |
|------|-----------|
| (71) | (154,312) |
|------|-----------|

Total current tax

| | |
|---------|-----------|
| 178,498 | (154,312) |
|---------|-----------|

Deferred tax:

Temporary timing differences

| | |
|-----------|-----------|
| (124,231) | (165,053) |
|-----------|-----------|

Tax on profit on ordinary activities

| | |
|--------|-----------|
| 54,267 | (319,365) |
|--------|-----------|

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:

| 2016 | 2015 |
|------|------|
| £ | £ |

Restated

Profit/(loss) on ordinary activities before tax

| | |
|---------|-------------|
| 166,434 | (1,484,400) |
|---------|-------------|

Profit/(loss) on ordinary activities at 20% (2015: 20.25%)

| | |
|--------|-----------|
| 33,287 | (300,591) |
|--------|-----------|

Effects of:

Expenditure/(income) not deductible for tax purposes

| | |
|--------|-----------|
| 61,533 | (131,789) |
|--------|-----------|

Movement in other timing differences

| | |
|----------|---|
| (63,480) | - |
|----------|---|

Higher tax rates on overseas earnings

| | |
|--------|---------|
| 22,927 | 113,015 |
|--------|---------|

Total tax charge/(credit) for the year

| | |
|--------|-----------|
| 54,267 | (319,365) |
|--------|-----------|

(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 ALLYNUGGER TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

| | Bearer Plants £ | Buildings £ | Plant and Machinery £ | Vehicles £ | Fixtures, Fittings Tools and Equipment £ | Assets in Course of Construction £ | Total £ |
|---------------------------------|--------------------|----------------|--------------------------------|---------------|--|---|------------|
| Cost | | | | | | | |
| At 1st January 2015 | - | 730,790 | 686,585 | 141,620 | 320,731 | - | 1,879,726 |
| Transfer from Biological Assets | 4,458,531 | - | - | - | - | - | 4,458,531 |
| Currency retranslation | 222,777 | 37,681 | 34,372 | 6,998 | 15,849 | - | 317,677 |
| Additions | 91,222 | 58,346 | 16,474 | - | - | - | 166,042 |
| Disposals | - | 9,948 | - | - | - | - | 9,948 |
| At 31st December 2015 | 4,772,530 | 836,765 | 737,431 | 148,618 | 336,580 | - | 6,831,924 |
| Currency retranslation | 921,392 | 161,910 | 141,949 | 28,762 | 64,810 | 3,292 | 1,322,115 |
| Additions | 45,962 | 11,860 | 2,705 | 2,152 | 1,458 | 34,455 | 98,592 |
| Disposals/transfer | - | - | - | - | - | - | - |
| At 31st December 2016 | 5,739,884 | 1,010,535 | 882,085 | 179,532 | 402,848 | 37,747 | 8,252,631 |
| Accumulated depreciation | | | | | | | |
| At 1st January 2015 | - | 385,715 | 299,427 | 103,820 | 227,814 | - | 1,016,776 |
| Currency retranslation | 4,428 | 19,775 | 15,661 | 5,348 | 11,603 | - | 56,815 |
| Provision for the year | 164,755 | 26,580 | 32,170 | 8,121 | 12,839 | - | 244,465 |
| Disposals | - | - | - | - | - | - | - |
| At 31st December 2015 | 169,183 | 432,070 | 347,258 | 117,289 | 252,256 | - | 1,318,056 |
| Currency retranslation | 50,314 | 86,387 | 71,619 | 23,315 | 46,450 | - | 278,085 |
| Provision for the year | 186,366 | 35,252 | 51,241 | 8,151 | (21,134) | - | 259,876 |
| Disposals | - | - | - | - | - | - | - |
| At 31st December 2016 | 405,863 | 553,709 | 470,118 | 148,755 | 277,572 | - | 1,856,017 |
| Net book value | | | | | | | |
| At 31st December 2016 | 5,334,021 | 456,826 | 411,967 | 30,777 | 125,276 | 37,747 | 6,396,614 |
| Net book value | | | | | | | |
| At 31st December 2015 | 4,603,347 | 404,695 | 390,173 | 31,329 | 84,324 | - | 5,513,868 |

THE ALLYNUGGER TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. BIOLOGICAL ASSETS

| | Tea | Other horticulture | Total |
|---|-------------|-----------------------|-------------|
| Fair value | £ | £ | £ |
| At 1 January 2015 | 3,323,922 | 1,134,609 | 4,458,531 |
| Transfer to Property, Plant & Equipment | (3,323,922) | (1,134,609) | (4,458,531) |
| Increases due to purchases | - | - | - |
| Losses arising from changes in fair value less Depreciation | - | - | - |
| At 1 January 2016 | - | - | - |
| Exchange differences | - | - | - |
| Increases due to purchases | - | - | - |
| Gain/(Losses) arising from changes in fair value less : Depreciation | - | - | - |
| At 31 December 2016 | - | - | - |

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 ALLYNUGGER TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| | 2016 £ | 2015 £ |
|--|------------------|-----------------------|
| 11. INVESTMENTS | | |
| Cost at 1st January | 2,173,245 | 2,077,970 |
| Gain on currency fluctuation | 417,570 | 102,685 |
| Fair value adjustment | 12,356 | (7,410) |
| At 31st December | <u>2,603,171</u> | <u>2,173,245</u> |
| Investments at cost include: | | |
| Listed on Dhaka Stock Exchange | <u>166,876</u> | <u>151,948</u> |
| Market value | <u>762,176</u> | <u>579,140</u> |
| Investments consist of: | | |
| Fellow subsidiaries of Camellia group | 2,409,672 | 2,021,297 |
| Investment in Associates of Camellia group | 110,978 | 93,092 |
| Available for sale investments | <u>82,521</u> | <u>58,856</u> |
| | <u>2,603,171</u> | <u>2,173,245</u> |
| 12. INVENTORIES | 2016 £ | 2015 £ Restated |
| Stock of tea | 751,461 | 121,559 |
| Stock of rubber | 125,181 | 91,402 |
| Estate stores | <u>158,026</u> | <u>162,156</u> |
| | <u>1,034,668</u> | <u>375,117</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 | 183,224 | 117,372 |
| Other debtors | 16,339 | 17,561 |
| Amounts owed by group companies | 134,789 | 181,885 |
| Prepayments and accrued income | <u>23,368</u> | <u>19,745</u> |
| | <u>357,720</u> | <u>336,563</u> |
| Due in more than one year | | |
| Other debtors | <u>26,120</u> | <u>18,505</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 ALLYNUGGER TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| | 2016 £ | 2015 £ |
|---|------------------|------------------|
| 14. BORROWINGS | | |
| Current: | | |
| Bank overdraft (secured against hypothecation of crop) | - | 515,473 |
| Term loans secured | 532 | 788 |
| | <u>532</u> | <u>516,261</u> |
| Non-current: | | |
| Bank loans (secured against property, plant and equipment and biological assets) | 2,664 | 2,682 |
| 50,000 (2015: 50,000) 6% cumulative preference shares of £1 each | 50,000 | 50,000 |
| | <u>53,196</u> | <u>568,943</u> |
| Bank loans include the following amounts repayable over more than five years by instalments | | |
| Aggregate amount of loans | 2,664 | 2,682 |
| Amount due beyond five years | 533 | 894 |
| The repayments of bank loans and overdrafts fall due as follows: | | |
| Within 12 months or on demand | 532 | 788 |
| Between 1 - 2 years | 533 | 447 |
| Between 2 - 5 years | 1,598 | 1,341 |
| After 5 years | 533 | 894 |
| | <u>3,196</u> | <u>3,470</u> |
| Interest rates vary from 9% per annum to 13% per annum. | | |
| 15. TRADE AND OTHER PAYABLES | 2016 £ | 2015 £ |
| Amounts falling due within one year | | |
| Trade and other creditors | 466,228 | 480,694 |
| Amounts owed to group companies | 1,382,863 | 738,833 |
| Interest payable | 86 | 10,005 |
| | <u>1,849,177</u> | <u>1,229,532</u> |
| 16. DEFERRED TAX : | 2016 £ | 2015 £ |
| | | Restated |
| <u>ASSETS</u> | | |
| At 1 January | 462,202 | - |
| Exchange differences | 111,098 | 11,530 |
| Charged in statement of comprehensive income | 144,964 | 450,672 |
| Movement relating to retirement benefit obligations (incl in reserves) | 88,321 | - |
| At 31 December | <u>806,585</u> | <u>462,202</u> |
| <u>LIABILITIES</u> | £ | £ |
| At 1 January | 1,427,140 | 1,081,008 |
| Exchange differences | 276,194 | 60,513 |
| Charged in statement of comprehensive income | 20,733 | 285,619 |
| At 31 December | <u>1,724,067</u> | <u>1,427,140</u> |

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

THE ALLYNUGGER 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 the 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 | 7.0% to 9.0% | 7.0% to 9.0% |
| Discount rate applied to scheme liabilities | 7.50% | 9.00% |
| Inflation assumption | 7.00% | 7.00% |

| | 2016 £ | 2015 £ |
|--|-------------|-------------|
| Debt securities | 199,000 | - |
| Cash | 75,293 | - |
| Total fair value of plan assets | 274,293 | - |
| Present value of defined benefit obligations | (2,304,519) | (1,258,643) |
| Total deficit in the schemes | (2,030,226) | (1,258,643) |

| | | |
|---|-------------|-------------|
| Amount recognised as liability in the balance sheet | (2,030,226) | (1,258,643) |
| Related deferred tax asset - see note 16 | 806,585 | 462,202 |
| Net deficit | (1,223,641) | (796,441) |

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

| | | |
|---|----------|---|
| At 1 January | - | - |
| Transfer between companies | 181,632 | - |
| Expected return on plan assets | 16,917 | - |
| Employer contributions | 62,969 | - |
| Contributions paid by plan participants | - | - |
| Benefit payments | (24,906) | - |
| Actuarial loss | (2,256) | - |
| Exchange movement | 39,937 | - |
| At 31 December | 274,293 | - |

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

| | 2016 £ | 2015 £ |
|----------------------------|-------------|-------------|
| At 1 January | (1,258,643) | - |
| Transfer between companies | (243,558) | - |
| Current service cost | (97,931) | (71,407) |
| Past service cost | - | (1,154,293) |
| Interest cost | (145,768) | - |
| Benefit payments | 24,906 | - |
| Actuarial loss | (250,089) | - |
| Exchange movement | (333,436) | (32,943) |
| At 31 December | (2,304,519) | (1,258,643) |

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 £181,632 was transferred from the fair value of scheme assets and £243,558 from the present value of defined benefit obligations during 2016 from The Lungla (Syhlet) Tea Company Limited to The Allynugger Tea Company Limited.

THE ALLYNUGGER TEA COMPANY, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. EMPLOYMENT BENEFIT OBLIGATIONS (continued)

Income statement

The amounts recognised in the income statement are as follows:

| | 2016 £ | 2015 £ |
|---|-----------|-------------|
| Amounts charged to operating profit: | | |
| Current service cost | (97,931) | (71,407) |
| Amounts charged to profit on ordinary activities: | | |
| Past service cost | - | (1,154,293) |
| Amounts charged to finance costs | | |
| Interest expense | (128,851) | - |
| Total charged to income statement | (226,782) | (1,225,700) |

The past service cost of £1,154,293 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 | (2,256) | - |
| (Loss)/gain from changes in financial assumptions | (328,096) | - |
| Experience gain | 78,007 | - |
| Actuarial loss | (252,345) | - |

18. CALLED UP SHARE CAPITAL

| | 2016 £ | 2015 £ |
|--|-----------|-----------|
| Authorised, allotted, and fully paid | | |
| 400,000 (2015: 400,000) ordinary shares of £1 each | 400,000 | 400,000 |
| | 400,000 | 400,000 |

19. RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH FLOW

| | 2016 £ | 2015 £ Restated |
|-------------------------------------|-----------|-----------------------|
| Profit/(loss) from operations | 280,654 | (400,342) |
| Depreciation | 259,876 | 244,465 |
| (Increase)/decrease in growing crop | (227) | 204 |
| (Increase)/decrease in inventories | (535,376) | 246,599 |
| (Increase)/decrease in debtors | (39,435) | 52,709 |
| Increase/(decrease) in creditors | 386,112 | 134,079 |
| Change in intra-group balances | 553,012 | (294,003) |
| Actuarial Loss | (252,345) | - |
| Exchange adjustments | 193,312 | 21,286 |
| Cash flow from operating activities | 845,583 | 4,997 |

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 | 259,318 | 172,418 |
| Between 1-5 years | 188,144 | 157,820 |
| After 5 years | 1,222,627 | 1,065,286 |
| | 1,670,089 | 1,395,524 |

THE ALLYNUGGER 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 | 769,701 | 612,272 |
| Trade and other receivables | 225,683 | 153,438 |
| Investments | 2,603,171 | 2,173,245 |
| | <u>3,598,555</u> | <u>2,938,955</u> |
| Financial liabilities | | |
| Trade and other payables | 1,849,177 | 1,229,532 |
| Borrowings | 3,196 | 3,470 |
| | <u>1,852,373</u> | <u>1,233,002</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 ALLYNUGGER 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

The net transactions with group companies during the year of £123,617 (2015: £6,705) in respect of inter group sales and recharges which are included within revenue and cost of sales.

| Company Name | Sales to £ | Recharges £ | Net £ |
|-----------------------------|---------------|------------------|------------------|
| Duncan Brothers Ltd | - | (1,352) | (1,352) |
| Mazdehee Tea Co. | 11,914 | - | 11,914 |
| The Lungla (Sylhet) Tea Co. | - | (134,179) | (134,179) |
| | <u>11,914</u> | <u>(135,531)</u> | <u>(123,617)</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.