

THE NCHIMA TEA & TUNG ESTATES LIMITED

REGISTERED NO 111600

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

FRIDAY



A12 *A28LBJCX* 17/05/2013 #177
COMPANIES HOUSE

THE NCHIMA TEA AND TUNG ESTATES LIMITED

Directors

S S Hobhouse

M A Gage

Secretary

M A Gage

Independent Auditor

Baker Tilly UK Audit LLP

25 Farringdon Street

London

EC4A 4AB

Registered office

3rd Floor

45 Ludgate Hill

London

EC4M 7JU

THE NCHIMA TEA AND TUNG ESTATES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2012

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £213,300 (2011 £147,676) The directors recommend the payment of a dividend of £143,199 (2011: £nil)

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the Company is the operation of plantations in Malawi, primarily producing tea and macadamia nuts

Both the level of the business and the year-end financial position were satisfactory and the directors expect this to continue for the foreseeable future.

GOING CONCERN BASIS

The Company is a wholly owned subsidiary of its ultimate holding company, PGI Group Limited. Details of the group's principal risks, uncertainties and key performance indicators can be found in the Business Review and notes to the accounts of its ultimate holding company

The Company does not have banking facilities. Transactions are processed through the use of inter-company accounts

After reviewing the current situation, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements

DIRECTORS

The directors who served during the year were as follows

S S Hobhouse
G Moores (resigned on 20th August 2012)
M A Gage (appointed on 20th August 2012)

REGISTERED NUMBER

The Company's registered number is 111600.

AUDITOR

In accordance with section 485 of the companies act 2006, a resolution for the re-appointment of Baker Tilly UK Audit LLP, as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

THE NCHIMA TEA AND TUNG ESTATES LIMITED

DIRECTORS' REPORT (CONT)

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

BY ORDER OF THE BOARD

Margaret Gage

M A Gage
Secretary

3rd Floor
45 Ludgate Hill
London
EC4M 7JU

THE NCHIMA TEA AND TUNG ESTATES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NCHIMA TEA AND TUNG ESTATES LIMITED

We have audited the financial statements on pages 7 to 16 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and the auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4 , 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) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Qualified opinion arising from the lack of professional valuations

Included in the fixed assets shown on the balance sheet is an amount of £2,619,489 representing the Company's overseas plantation, factories and ancillary property In the directors' opinion these values reflect the assets' current value at the balance sheet date but a full valuation by a professionally qualified external valuer has not been obtained Full valuations, involving professionally qualified external valuers are required to be obtained at least once every five years, with interim valuations at least once every three years, by FRS 15, but for the reasons set out in note 1, these have not been obtained.

Opinion on the financial statements

In our opinion, except for any adjustments that might have been found to be necessary had there been a full valuation of overseas assets within the last five years, the financial statements.

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE NCHIMA TEA AND TUNG ESTATES LIMITED

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime

Baker Tilly UK Audit LLP

MARK HARWOOD (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

19 April 2013

THE NCHIMA TEA AND TUNG ESTATES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

		<u>Continuing operations</u>	
		<u>2012</u>	<u>2011</u>
		<u>£</u>	<u>£</u>
	<u>Note</u>		
Turnover	2	285,474	271,948
Gross profit		285,474	271,948
Net operating expenses	3	(6,860)	(65,945)
Profit on ordinary activities before taxation	5	278,614	206,003
Taxation	6	(65,314)	(58,327)
Profit for the financial year	11	213,300	147,676

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>2012</u>	<u>2011</u>
	<u>£</u>	<u>£</u>
For the year ended 31 December		
Reported profit on ordinary activities before taxation	278,614	206,003
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	4,000	3,000
Historical cost profit on ordinary activities before taxation	282,614	209,003
Historical cost profit for the year retained after taxation	217,300	150,676

The notes on pages 10 to 16 form part of these financial statements

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

The statement of movement in shareholders' funds is set out on page 8

THE NCHIMA TEA AND TUNG ESTATES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>2012</u> £	<u>2011</u> £
Profit for the financial year	213,300	147,676
Revaluation surplus	390,000	90,000
Exchange differences	(552,971)	(67,367)
	-----	-----
Total recognised gains for the year	50,329	170,309
	=====	=====

STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>2012</u> £	<u>2011</u> £
Total recognised gains for the year	50,329	170,309
Dividend	(143,199)	-
Opening shareholders' funds	1,881,150	1,710,841
	-----	-----
Closing shareholders' funds	1,788,280	1,881,150
	=====	=====

The notes on pages 10 to 16 form part of these financial statements

BALANCE SHEET**AS AT 31 DECEMBER 2012**

	<u>Note</u>	<u>2012</u> <u>£</u>	<u>2011</u> <u>£</u>
Fixed assets			
Tangible assets	7	2,619,489	2,724,870
Investments	8	28,030	28,030
		-----	-----
		2,647,519	2,752,900
		-----	-----
Creditors: amounts falling due within one year			
Other creditors	9	(61,687)	(50,912)
		-----	-----
Total assets less current liabilities		2,585,832	2,701,988
		-----	-----
Creditors: amounts falling due after more than one year			
Other creditors	9	(797,552)	(820,838)
		-----	-----
		1,788,280	1,881,150
		=====	=====
Capital and reserves			
Called up share capital	10	688,500	688,500
Profit and loss account	11	1,099,780	1,192,650
		-----	-----
Shareholders' funds and equity		1,788,280	1,881,150
		=====	=====

The notes on pages 10 to 16 form part of these financial statements.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

The financial statements were approved and authorised for issue by the Board of Directors on 18/4/2013 and signed on its behalf by

Margaret Gage

M A Gage
Director

THE NCHIMA TEA AND TUNG ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards. These financial statements present information about the Nchima Tea and Tung Estates Limited as an individual undertaking and not as a group.

(b) Foreign currency translation

Overseas trading results are translated into sterling at the average rates of exchange ruling during the year. Overseas net assets are translated at period-end rates of exchange. Any exchange adjustment is dealt with as a movement on reserves.

(c) Tangible assets

Plantations, factories and ancillary property located overseas are revalued to, and stated at, their depreciated replacement costs as at the balance sheet date.

Financial Reporting Standard 15, Tangible Fixed Assets (FRS 15), requires, where assets are carried in the balance sheet at current value, a full valuation conducted either by a qualified external valuer or by a qualified internal valuer whose work is reviewed by a qualified external valuer, at least every five years. FRS 15 further requires that all assets in the same class are carried in the balance sheet on a common basis, but does permit, where it is impossible to obtain a reliable valuation of an asset held outside the UK or the Republic of Ireland, that that asset may be excluded from the class of assets of which it would otherwise form part of, and therefore be carried in the balance sheet at cost.

In the opinion of the directors, reliable full valuations, as defined in FRS 15, cannot be obtained. The directors are nevertheless of the opinion that the balance sheet will better portray the state of affairs of the company if the plantations and ancillary property assets are included at valuations prepared by the directors, albeit that these valuations cannot be supported by full professional valuations, rather than if the directors had taken advantage of the exemption provisions of FRS 15 set out above and instead included these assets at cost. The directors have based their assessment on the book values prior to the introduction of FRS 15 in 1999 plus net additions less depreciation since that date, and have concluded that these are broadly compatible with current values.

THE NCHIMA TEA AND TUNG ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont)

1 PRINCIPAL ACCOUNTING POLICIES (Cont)

(d) Depreciation

Depreciation, which is not charged on freehold land, estate development expenditure and capital work in progress, is calculated on the straight line basis to write off the cost of the fixed assets over their anticipated useful lives as follows

Buildings	2-5% per annum
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(e) Investments

Fixed asset investments are stated at cost unless there are any indications of impairment, in which case the impairment is quantified and recognised.

(f) Turnover

Turnover represents the value of macadamia nuts sold in the year

(g) Taxation and deferred Taxation

The Company is resident in Malawi for tax purposes

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less tax, with following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where a replacement assets are sold

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(h) Cash flow statement

The Company has taken advantage of the exemption permitted by FRS 1 whereby a cash flow statement need not be prepared by a wholly owned subsidiary of a parent company which itself publishes consolidated financial statements.

THE NCHIMA TEA AND TUNG ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont)

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report

The geographical analysis of turnover is

	<u>2012</u> £	<u>2011</u> £
Africa	<u>285,474</u>	<u>271,948</u>

3 NET OPERATING EXPENSES

	<u>2012</u> £	<u>2011</u> £
Administrative expenses	<u>6,860</u>	<u>65,945</u>

The auditor's remuneration is met by the parent company.

4 DIRECTORS' REMUNERATION

None of the directors received any emoluments during the year (2011: £Nil) The Company has no employees Directors' emoluments are met by the parent company

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>2012</u> £	<u>2011</u> £
Depreciation on owned assets	<u>5,969</u>	<u>6,297</u>

6 TAX

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	<u>2012</u> £	<u>2011</u> £
Foreign tax		
Current year	65,314	58,327
Prior year adjustment	-	-
	<u>-----</u>	<u>-----</u>
Tax on profit on ordinary activities	<u>65,314</u>	<u>58,327</u>

THE NCHIMA TEA AND TUNG ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont)

6. TAX (Cont)

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are reconciled below

	<u>2012</u>	<u>2011</u>
	<u>£</u>	<u>£</u>
Profit on ordinary activities before tax	278,614	206,003
	<u>=====</u>	<u>=====</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	68,260	54,591
(Lower)/higher rates on overseas earnings	(2,946)	3,736
	<u>-----</u>	<u>-----</u>
Total current tax charge	65,314	58,327
	<u>=====</u>	<u>=====</u>

THE NCHIMA TEA AND TUNG ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont)

7 TANGIBLE FIXED ASSETS

	<u>Estate development</u>	<u>Freehold land & buildings</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
COST/VALUATION:			
At 1 January 2012	2,379,808	421,923	2,801,731
Exchange adjustment	(412,431)	(113,325)	(525,756)
Additions	18,605	1,845	20,450
Revaluation adjustment	307,000	83,000	390,000
	-----	-----	-----
At 31 December 2012	2,292,982	393,443	2,686,425
	-----	-----	-----
DEPRECIATION			
At 1 January 2012	-	76,861	76,861
Exchange adjustment	-	(15,894)	(15,894)
Charge for year	-	5,969	5,969
	-----	-----	-----
At 31 December 2012	-	66,936	66,936
	-----	-----	-----

NET BOOK VALUE:

At 31 December 2012	<u>2,292,982</u>	<u>326,507</u>	<u>2,619,489</u>
At 1 January 2012	<u>2,379,808</u>	<u>345,062</u>	<u>2,724,870</u>

Comparable amounts determined according to historical cost convention

Cost	750,565	240,931	991,496
Accumulated depreciation	-	(38,129)	(38,129)
	-----	-----	-----
Net book values at 31 December 2012	<u>750,565</u>	<u>202,802</u>	<u>953,367</u>
Net book values at 1 January 2012	<u>731,960</u>	<u>202,926</u>	<u>934,886</u>

Net book value at 31 December 2012 represents

	<u>£</u>
Assets at historical cost less accumulated depreciation	953,367
Revaluation uplift	1,666,122

	<u>2,619,489</u>

THE NCHIMA TEA AND TUNG ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont)

8	<u>INVESTMENTS</u>	Subsidiary undertaking £
	Cost	
	At 1 January and 31 December 2012	28,030
		=====

In the directors' opinion, the value of the shares in the subsidiary undertaking is not less than the value at which it is stated in the balance sheet

The company owns 97.1% of the issued share capital of The Michiru Company Limited, a holding company incorporated in Malawi

In accordance with Section 400 of the Companies Act 2006, no group financial statements have been prepared as The Nchima Tea and Tung Estates Limited is a wholly owned subsidiary undertaking of PGI Group Limited

9	<u>OTHER CREDITORS</u>	2012 £	2011 £
	Amounts falling due within one year		
	Oversea tax	57,866	42,739
	Accruals	3,821	8,173
		-----	-----
		61,687	50,912
		=====	=====
	Amounts falling due after more than one year		
	Amount owed to fellow subsidiary undertaking	797,552	820,838
		=====	=====

THE NCHIMA TEA AND TUNG ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont)

10 CALLED UP SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£	£	£	£
Ordinary shares of £1 each	700,000	700,000	688,500	688,500

11 RESERVES

	<u>Profit and loss account</u>	
	<u>2012</u>	<u>2011</u>
	£	£
At the beginning of the year	1,192,650	1,022,341
Exchange differences	(552,971)	(67,367)
Unrealised surplus on revaluation of properties	390,000	90,000
Profit for the year	213,300	147,676
Dividend for the year £0.208 per share (2011 - £nil per share)	(143,199)	-
At the end of the year	1,099,780	1,192,650

12. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred by FRS 8 whereby a wholly owned subsidiary need not disclose details of transactions with fellow group companies

13 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The ultimate parent company and the only group company for which group financial statements are prepared is PGI Group Limited, a company registered in England and Wales. Copies of this Company's financial statements can be obtained from The Secretary, 45 Ludgate Hill, London, EC4M 7JU. The ultimate controlling party is Mr S N Roditi.