

THE NCHIMA TEA AND TUNG ESTATES, LIMITED

REGISTERED NO: 111600

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

THURSDAY



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COMPANIES HOUSE

THE NCHIMA TEA AND TUNG ESTATES, LIMITED

Directors

S S Hobhouse

M A Gage

Secretary

M A Gage

Independent Auditor

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)

25 Farringdon Street

London

EC4A 4AB

Registered office

3<sup>rd</sup> 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. The directors have elected under company law to prepare Company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 its profit or loss for that period.

In preparing the Company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRS as adopted by the EU;
- d. 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 requirements of 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.

### DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2015.

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £169,491 (2014: £(57,013)). The directors do not recommend the payment of a dividend (2014: £nil).

### PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the Company is a holding company, the provision of management services and the marketing of tea.

## THE NCHIMA TEA AND TUNG ESTATES, LIMITED

### DIRECTORS' REPORT (Continued)

#### FINANCIAL RISK MANAGEMENT

Details of the Company's financial risk management objectives and policies including capital management and capital structure are contained in Note 13 to the Accounts on page 19 and 20.

#### CREDITOR PAYMENT POLICIES

The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. It is Company policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

#### LIABILITY INSURANCE FOR COMPANY OFFICERS

As permitted by section 233 of the Companies Act 2006, the Company has maintained insurance cover for the directors against liabilities in relation to the Company.

#### 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.

There are no UK bank overdraft facilities. Accordingly, the ultimate holding company offsets the Company's overdraft against other UK positive bank balances for cash management purposes. As a consequence and 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

M A Gage

#### REGISTERED NUMBER

The Company's registered number is 00111600.

#### AUDITOR

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of RSM UK Audit LLP (formerly 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 (Continued)

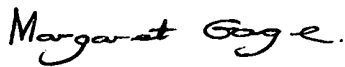
DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO  
AUDITOR

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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

BY ORDER OF THE BOARD



Margaret Gage  
Secretary  
3<sup>rd</sup> Floor  
45 Ludgate Hill  
London  
EC4M 7JU

14 April 2016

## 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 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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 of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

### **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.

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

**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 and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

*RSM UK Audit LLP*

Mark Harwood (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

25 Farringdon Street

London, EC4A 4AB

14 April 2016

THE NCHIMA TEA AND TUNG ESTATES, LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>Note</u>	<u>CONTINUING OPERATIONS</u>	
		<u>2015</u>	<u>2014</u>
		£	£
Revenue	2	44,757	77,711
Gross profit		-----	-----
		44,757	77,711
Administrative expenses	2	(2,502)	(1,601)
Fair value adjustment to:			
Biological assets		1,146,000	(13,000)
Profit from operations		-----	-----
		1,188,255	63,110
Finance costs	3	(953,746)	(86,091)
Profit/(loss) on ordinary activities before taxation		-----	-----
		234,509	(22,981)
Income tax expense	4	(404,000)	(34,032)
Total comprehensive income for the year attributable to owners of the parent	12	-----	-----
		=====	=====
		(169,491)	(57,013)

The notes on pages 11 to 22 form part of these financial statements.



**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	<u>Note</u>	<u>2015</u> £	<u>2014</u> £
<b>Fixed assets</b>			
Biological assets	5	5,054,056	5,165,283
Property, plant & equipment	6	91,074	84,645
Investments	7	28,030	28,030
		-----	-----
		5,173,160	5,277,958
		-----	-----
<b>Current assets</b>			
Other receivables	8	1,580	16,915
		-----	-----
<b>Current liabilities</b>			
Other payables	9	(156,106)	(87,556)
		-----	-----
<b>Non-current liabilities</b>			
Other payables	9	(808,849)	(808,849)
Deferred tax liabilities	9	(1,603,590)	(1,622,782)
		-----	-----
		(2,412,439)	(2,431,631)
		-----	-----
<b>Total liabilities</b>		(2,568,545)	(2,519,187)
		-----	-----
<b>Net assets</b>		2,606,195	2,775,686
		=====	=====
<b>Equity attributable to owners of the parent</b>			
Share capital	11	688,500	688,500
Retained earnings	12	1,917,695	2,087,186
		-----	-----
<b>Total equity</b>		2,606,195	2,775,686
		=====	=====

The notes on pages 11 to 22 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 14 April 2016 and signed on its behalf by:

*Margaret Gage*

Margaret Gage  
 Director

**THE NCHIMA TEA AND TUNG ESTATES, LIMITED**

**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<u>2015</u>	<u>2014</u>
	£	£
<b>Operating activities</b>		
Profit/(loss) before tax	234,509	(22,981)
Adjustments to reconcile profit before tax to net cash flows		
Non-cash:		
Depreciation of property, plant and equipment	1,466	1,514
Net finance costs	953,746	86,091
Fair value adjustments	(1,146,000)	13,000
Working capital adjustments		
Exchange difference on working capital	1,045,681	219,383
Overseas tax paid	(2,405)	(84,868)
	-----	-----
Net cashflow from operating activities	852,488	235,120
	-----	-----
<b>Cashflow from investing activities</b>		
Purchases of biological assets	(103,646)	(102,283)
Purchases of property, plant and equipment	(29,605)	(23,765)
	-----	-----
	(133,251)	(126,048)
	-----	-----
<b>Cashflows from financing activities</b>		
Foreign exchange difference	(953,746)	(86,091)
	-----	-----
Total	(234,509)	22,981
	-----	-----
<b>Net decrease in cash and cash equivalents</b>	-	-
Cash and cash equivalents at the beginning of the period	-	-
	-----	-----
Cash and cash equivalents at the end of the period	-	-
	-----	-----

The notes on pages 11 to 22 form part of these financial statements.

THE NCHIMA TEA AND TUNG ESTATES, LIMITED

STATEMENT OF CHANGES IN EQUITY

	<u>Share</u> <u>Capital</u> £	<u>Retained</u> <u>Earnings</u> £	<u>Total</u> £
Balance at 1 January 2014	688,500	2,144,199	2,832,699
Loss for the year and total comprehensive income	-	(57,013)	(57,013)
	-----	-----	-----
Balance at 31 December 2014	688,500	2,087,186	2,775,686
	=====	=====	=====
Balance at 1 January 2015	688,500	2,087,186	2,775,686
Loss for the year and total comprehensive income	-	(169,491)	(169,491)
	-----	-----	-----
Balance at 31 December 2015	688,500	1,917,695	2,606,195
	=====	=====	=====

The notes on pages 11 to 22 form part of these financial statements.

# THE NCHIMA TEA AND TUNG ESTATES, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### **Basis of preparation and significant accounting policies**

The company has adopted International Financial Reporting Standards ("IFRS") and the International Financial Report Interpretations Committee ("IFRIC") interpretations as adopted by the European Union ("EU") in the preparation of its financial statements and those parts of the Companies Act 2006 applicable to companies reporting under IFRS for the first time. The financial statements of The Nchima Tea And Tung Estates Limited were previously prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) the financial statements have been prepared under the historical cost convention.

These changes in accounting policies have been accounted for retrospectively and comparative financial statements for the year ended 31<sup>st</sup> December 2014 have been restated. The adjustment has been fully identified in supplementary information attached to the accounts on page 23 and 24.

The financial statements are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, the directors have taken into account relevant available information about the future including profit and cash forecasts for the next two financial years and the assumptions on which they are based. After reviewing this information, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issue by the International Accounting Standards Board ("IASB") and the IFRIC of the IASB that are relevant to it operations and effective for annual reporting periods beginning on 1 January 2015, all of which were endorsed by the EU.

#### **Interpretations early adopted by the company**

There were no standards or interpretations early adopted by the company in 2015.

#### **The following standards and interpretations became applicable for 2015 but had no effect on the financial statements:**

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement
- IAS 27 (as revised in 2011) Separate Financial Statements
- IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures
- Amendment to IAS 27 -Investment Entities
- Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets
- Amendment to IAS 39- Novation of Derivatives and Continuation of Hedge Accounting
- Amendment to IFRS 10 -Investment Entities
- Amendment to IFRS 12 -Investment Entities
- IFRIC Interpretation 21 "Levies"

#### **The company has elected not to adopt in 2015 any standards or interpretations in advance of their effective application dates:**

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2016)

THE NCHIMA TEA AND TUNG ESTATES, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONT)

**Basis of preparation and significant accounting policies (continued)**

- IFRS 10 and IFRS 12 Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2017)
- IFRS 15 Revenue from contracts with customers (effective 1 January 2017)
- IAS 1 Disclosure Initiative (effective 1 January 2016)
- IAS 16 and IAS 41 Agriculture: Bearer Plants (effective 1 January 2016)
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- IAS 27 Equity Method in Separate Financial Statements (effective 1 January 2016)

**Changes in accounting policy and disclosures**

*New and amended standards adopted 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 2015, none of which have a significant effect on the financial statements.

**Foreign currency translation**

*Functional and presentation currency*

The financial statements are presented in sterling, which is the functional and presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within Finance income or costs. All other foreign exchange gains and losses are presented in the income statement within the category to which they relate.

**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 NCHIMA TEA AND TUNG ESTATES, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONT)

**Biological assets**

IAS 41 requires that biological assets are valued at their fair value less estimated costs to sell. The Group's main biological assets comprise tea, rose bushes and macadamia trees. There are no market-determined prices or values for these assets and in such case the Standard requires that the enterprise uses the present value of long term expected net cash flows from the asset, discounted at a current market-determined pre-tax rate to determine fair value. Fair value calculations have been made on this basis. Any changes in fair value are recognised in the income statement in the year in which they arise. Livestock comprises cattle and game animals and is stated at fair value. Fair value is based on selling prices less estimated costs to sell.

**Property, plant and equipment**

Long leasehold property, plant and equipment are stated at historical cost, less accumulated depreciation.

Freehold land and buildings comprises property in Africa. Factories and ancillary property of the Group, located in Africa are revalued and stated at their depreciated replacement cost as at the balance sheet date. The directors consider that the balance sheet better portrays the state of affairs of the Group if the African property is included at current valuations prepared by the directors instead of including these assets at cost. Reliable full market valuations are difficult to obtain and accordingly the depreciated replacement cost approach has been adopted and applied consistently to the Group's African property assets since the adoption of IFRS in 2005.

Movements in the carrying amount arising on the valuation of land and buildings are credited to other comprehensive income and included in retained earnings in shareholders' equity.

Freehold land is not depreciated. Depreciation on other assets is calculated on a straight line basis over the useful life of the assets, as follows:

	Years
Freehold and long leasehold buildings	25-50

The residual values, useful lives and methods of depreciation for the assets are reviewed and adjusted, if appropriate, at each financial year end.

**Fair value measurement**

Fair value measurements are classified in the accounts using the following levels:

Level 1 uses quoted prices in active markets for identical assets

Level 2 uses inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 uses inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

THE NCHIMA TEA AND TUNG ESTATES, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONT)

**Trade and other 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 Company will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the income statement.

**Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash and deposits held at call with banks.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**Taxation**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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 generally not recognised unless it is certain that future taxable profit will be available against which the temporary differences can be utilised.

**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 and after eliminating intra-group sales. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

**THE NCHIMA TEA AND TUNG ESTATES, LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT)**

**Going concern basis**

The Company meets its day-to-day working capital and other funding requirements through short term overdraft lending by means of an offset arrangement with its fellow UK subsidiaries and the ultimate parent company. Positive bank balances are maintained in the UK as there are no bank or borrowing facilities in place. As a consequence, and after reviewing the current situation, the directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Company's annual report and accounts for 2015.

**Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. The resultant estimates will differ from actual results and may require adjustment in subsequent accounting periods. Where key estimates and assumptions that may cause a material adjustment to the carrying amount of assets and liabilities in the next financial year have been applied.

2. **REVENUE AND PROFIT FOR THE YEAR**

Revenue represents both the net amount receivable excluding VAT for goods sold and commission earned.

The analysis of revenue is:

	<u>2015</u>	<u>2014</u>
	£	£
Sale of agribusiness produce	44,757	77,711
	=====	=====

**OPERATING PROFIT**

No director received any emoluments during the year (2014: £nil). Directors' emoluments are met by the parent company. The Company has no employees.

3. **FINANCE COSTS**

	<u>2015</u>	<u>2014</u>
	£	£
Finance cost comprise:		
Foreign exchange loss on financing activities	953,746	86,091
	=====	=====



THE NCHIMA TEA AND TUNG ESTATES, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONT)

4. INCOME TAX

	<u>2015</u>	<u>2014</u>
	£	£
<u>Foreign tax:</u>		
Current tax on income for the period	-	2,032
<u>Deferred taxation:</u>		
Potential tax due on property revaluations and fair value adjustments (net)	404,000	32,000
	-----	-----
	404,000	34,032
	=====	=====

(b) Factors affecting the current tax:

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%). The differences are reconciled below:

	<u>2015</u>	<u>2014</u>
	£	£
Profit/(loss) on ordinary activities before tax	234,509	(22,981)
	=====	=====
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	47,488	(4,654)
Items not chargeable for tax purposes	193,133	18,223
Different tax rates on overseas earnings	171,936	10,463
Adjustments in respect of prior years	(8,557)	10,000
	-----	-----
Total current tax	404,000	34,032
	=====	=====

5. BIOLOGICAL ASSETS:

	<u>2015</u>	<u>2014</u>
	£	£
Carrying value at beginning of year	5,165,283	5,169,000
Exchange differences	(1,360,873)	(93,000)
Additions	103,646	102,283
Change in fair value of biological assets	1,146,000	(13,000)
	-----	-----
Carrying value at end of year	5,054,056	5,165,283
	=====	=====

The Company's main class of biological assets comprise tea bushes. Biological assets are carried at fair value less estimated costs to sell.

Tea bushes have been measured at fair value using valuation Level 3 on a recurring basis, whereby inputs for the asset are not based on observable market data. This requires the Company to make various estimates and judgements, which have been based on historical experience and other factors, including reasonable expectations of future events.

**THE NCHIMA TEA AND TUNG ESTATES, LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT)**

**5. BIOLOGICAL ASSETS (CONT):**

Fair values have been determined by discounting twenty year cash flow projections for the tea bushes. These timescales are considered to be within the expected life of the assets. Cash flow forecasts have been derived from the Company's most recent financial budgets supplemented by forecasts of performance for three years thereafter, revised where appropriate, to take account of current market conditions. As such, unobservable inputs used in the fair value calculation include estimates of the future selling prices of agricultural output and estimated yields. For the tea bushes cash flows after four years have been extrapolated based on an estimated growth rate of 1% for the tea bushes. These growth rates do not exceed the historical long term average growth rate of these assets. The discount rate applied is a significant unobservable input in the valuation of the Company's biological assets and reflect specific risks relating to the relevant assets. In assessing the discount rate to use, the directors consider a range of country specific rates and apply their judgement in selecting a suitable rate. The higher the discount rate the lower the fair value. The following discount rates have been applied as follows:

	Fair Value <u>2015</u>	Fair Value <u>2014</u>	Unobservable <u>inputs</u>	Discount rate <u>used (2014)</u>
<u>Biological asset</u>	£	£		
Tea bushes	599,375	655,175	Discount rate	22.9% (22.9%)
	=====	=====		

**6. PROPERTY, PLANT & EQUIPMENT:**

	<u>2015</u>	<u>2014</u>
<b>Freehold land and buildings:</b>	£	£
Opening cost or valuation	99,622	78,027
Exchange differences	(25,654)	(2,170)
Additions	29,605	23,765
	-----	-----
Closing cost or valuation	103,573	99,622
	=====	=====
At director's valuation	103,573	99,622
	=====	=====
Opening accumulated depreciation	14,977	13,706
Exchange differences	(3,944)	(243)
Charge for the year	1,466	1,514
	-----	-----
Closing accumulated depreciation	12,499	14,977
	=====	=====
Net book value	91,074	84,645
	=====	=====
Net book value of property, plant and equipment pledged as security for bank loans and overdrafts for other group companies:	91,074	84,645
	=====	=====

THE NCHIMA TEA AND TUNG ESTATES, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONT)

6. PROPERTY, PLANT & EQUIPMENT (CONT):

**Valuation method**

The freehold properties recognised at directors' valuation are located in southern Africa and have been valued on a depreciated replacement cost basis, which has required the Company to make various estimates about building replacement costs and the expected useful life of the assets. Accordingly, a degree of judgement has been applied to these valuations. This method of valuation has been applied consistently to the Company's property assets since the adoption of IFRS in 2005.

7. FIXED ASSET INVESTMENT:

Subsidiary  
undertaking  
£

Cost

At 1 January and 31 December 2015

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.

8. OTHER RECEIVABLES:

	<u>2015</u>	<u>2014</u>
	<u>£</u>	<u>£</u>
Other trade receivables	260	-
Current tax asset	1,320	16,915
	-----	-----
	1,580	16,915
	=====	=====

9. OTHER PAYABLES:

	<u>2015</u>	<u>2014</u>
<b>Amounts falling due within one year:</b>	<u>£</u>	<u>£</u>
Amount due to fellow subsidiary undertakings	156,106	87,556
	=====	=====
<b>Amounts falling due after more than one year:</b>	<u>£</u>	<u>£</u>
Amount due to ultimate parent company	808,849	808,849
	=====	=====

**THE NCHIMA TEA AND TUNG ESTATES, LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT)**

**10. PROVISIONS FOR DEFERRED TAX LIABILITIES:**

The Company's provision for deferred tax comprises:

	<u>2015</u>	<u>2014</u>
	£	£
Potential tax due on fair value adjustments (net)	1,603,590	1,622,782
	=====	=====

The movement in the provision for deferred tax was:

Opening balance	1,622,782	1,619,984
Current year from operations	21,000	37,000
Prior year from operations	(18,000)	-
Potential tax due on fair asset adjustments	401,000	(5,000)
Exchange differences	(423,192)	(29,202)
	-----	-----
Closing balance	1,603,590	1,622,782
	=====	=====

**11. SHARE CAPITAL**

	<u>Issued and fully paid</u>	
	<u>2015</u>	<u>2014</u>
	£	£
Ordinary shares of £1 each	688,500	688,500
	=====	=====

**12. EQUITY**

<u>Retained Earnings</u>	<u>2015</u>	<u>2014</u>
	£	£
At the beginning of the year	2,087,186	2,144,199
Loss for the financial year	(169,491)	(57,013)
	-----	-----
At the end of the year	1,917,695	2,087,186
	=====	=====

Retained earnings represents the cumulative profit and loss net of distributions to owners.

**13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Policy**

The Company's activities expose it to varying degrees of financial risk. Foreign currency risk is the most significant aspect for the Company in the area of financial instruments. It is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk. The Board reviews and agrees policies for managing risks in order to minimise potential adverse effects on the Company's financial performance.

THE NCHIMA TEA AND TUNG ESTATES, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONT)

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT)

**Foreign currency risk**

The Company operates internationally and is exposed to foreign exchange risk arising from commercial transactions, recognised assets and liabilities in foreign operations. Exposure to commercial transactions arises from sales or purchases in currencies other than the companies' functional currency.

The following table demonstrates the sensitivity to a possible change in the £ sterling exchange rate, with all other variables held constant, on the Group's profit before tax, due to foreign exchange movements on non-functional currency monetary assets and liabilities as at the year end.

<u>Net foreign currency monetary</u>		
<u>assets</u>	<u>2015</u>	<u>2014</u>
	US\$	US\$
	£000	£000
Increase/decrease in £ exchange		
Rate against non-functional currency:		
+10%	-	-
-10%	-	-
	=====	=====

**Interest rate risk**

The Company has a group offset facility within the UK so there is a low risk to changes in market interest rates.

**Credit risk**

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is minimised.

**Liquidity risk**

Liquidity risk reflects the risk that the Company will have insufficient resources to meet its financial liabilities as they fall due. The Company manages liquidity risk by means of an offset arrangement with its ultimate holding company, which holds significant cash deposits in the UK.

**Capital management**

The main objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern in order to maximise shareholder value in the long term, which is done by means of a Group offset arrangement with the Company's bankers.

THE NCHIMA TEA AND TUNG ESTATES, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONT)

14. RELATED PARTY TRANSACTIONS

Transactions between the Company and fellow group companies are as follows:

Revenue and administration expenses:

	<u>2015</u>	<u>2014</u>
	£	£
Lujeri Tea Estates Ltd	42,255	76,110
	=====	=====

Total amounts payable to fellow group companies are as follows:

Bandanga Ltd	85,058	102,652
Lujeri Tea Estates Ltd	88,060	(10,064)
Michuru Ltd	(4,002)	(5,032)
Thyolo Nut Company Ltd	(13,010)	-
PGI Holdings Ltd	808,849	808,849
	-----	-----
	964,955	896,405
	=====	=====

15. ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The ultimate parent company and the only group company for which group financial statements are prepared is PGI Group Ltd. Copies of this company's financial statements can be obtained from The Secretary, 3<sup>rd</sup> Floor, 45 Ludgate Hill, London, EC4M 7JU. The ultimate controlling party is Mr SN Roditi.

## THE NCHIMA TEA AND TUNG ESTATES, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONT)

#### 16. FIRST TIME ADOPTION OF IFRS

These financial statements are the first financial statements that The Nchima Tea And Tung Estates Limited has prepared in accordance with IFRS. The financial statements of The Nchima Tea And Tung Estates Limited for the year ended 31 December 2014 were prepared in accordance with UK GAAP.

Some of the IFRS recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from UK GAAP. No changes have been required as a result of the company's adoption of IFRS to the amounts at which assets, liabilities or equity are measured in the financial statements, however, some disclosures have been extended or modified.

Under IFRS, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately.

Under UK GAAP, the cash flow statements presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources and financing. The Statement of Financial Position as at 31 December 2013 was as follows:

Fixed assets	£
Biological assets	5,169,000
Property, plant & equipment	64,321
Investments	28,030
	-----
	5,261,351
	-----
Current assets	
Other receivables	64,879
	-----
Current liabilities	
Other payables	
Current tax liabilities	(64,698)
Non-current liabilities	
Other payables	(808,849)
Deferred tax liabilities	(1,619,984)
	-----
Total liabilities	(2,493,531)
	-----
Net assets	2,832,699
	=====
Equity attributable to owners of the parent	
Share capital	688,500
Retained earnings	2,144,199
	-----
Total equity	2,832,699
	=====

THE NCHIMA TEA AND TUNG ESTATES, LIMITED

SUPPLEMENTARY INFORMATION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	As previously reported £	Adjusted £	As restated £
Revenue	77,711		77,711
Gross profit	77,711		77,711
Administrative expenses	(1,601)		(1,601)
Fair value adjustment to biological assets	-	(13,000)	(13,000)
Profit from operations	76,110		63,110
Finance cost	-	(86,091)	(86,091)
Profit on ordinary activities before taxation	76,110		(22,981)
Income tax expense	(2,032)	(32,000)	(34,032)
Total comprehensive income for the year attributable to owners of the parent	74,078		(57,013)

To include fair value adjustment (£(13,000) + tax £5,000)

To include additional deferred tax provision on timing differences £37,000.

Reclassification of foreign exchange gain from movement on retained earnings to finance income on comprehensive income statement.



THE NCHIMA TEA AND TUNG ESTATES, LIMITED

SUPPLEMENTARY INFORMATION

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2014

	As previously reported £	Adjusted £	As restated £
<b>Fixed assets</b>			
Biological assets	255,283	4,910,000	5,165,283
Property, plant & equipment	73,645	11,000	84,645
Investments	28,030		28,030
	-----		-----
	356,958		5,277,958
	-----		-----
<b>Current assets</b>			
Other receivables	16,915		16,915
	-----		-----
<b>Current liabilities</b>			
Other payables	-	(87,556)	(87,556)
<b>Non-current liabilities</b>			
Other payables	(896,405)	87,556	(808,849)
Deferred tax liabilities	-	(1,622,782)	(1,622,782)
	-----		-----
<b>Total liabilities</b>	(896,405)		(2,519,187)
	-----		-----
<b>Net assets</b>	(522,532)		2,775,686
	=====		=====
<b>Equity attributable to owners of the parent</b>			
Share capital	688,500		688,500
Retained earnings		4,910,000	
		11,000	
	(1,211,032)	(1,622,782)	2,087,186
	-----		-----
	(522,532)		2,775,686
	=====		=====

To include biological assets at fair value as opposed to historical cost.

To include freehold properties at directors' values as opposed historical cost.

To include a deferred tax provision on biological assets at fair value.