

COMPANY REGISTRATION NUMBER 08176881

AVT TEA SERVICES LIMITED
FINANCIAL STATEMENTS
31ST MARCH 2016

AVT TEA SERVICES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2016

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AVT TEA SERVICES LIMITED

THE DIRECTOR'S REPORT

YEAR ENDED 31ST MARCH 2016

The directors present their report and the financial statements of the company for year ended 31st March 2016.

PRINCIPAL ACTIVITIES

The principal activity of the company is the manufacture and supply of decaffeinated tea and tea extracts to the tea industry and beverage market.

DIRECTORS

The Directors who served the company during the period were as follows:

Mr. Richard Darlington

Mr. Ajit Thomas

DIRECTOR'S RESPONSIBILITIES

The directors are responsible for preparing the Director's Report and the Financial Statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare the 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 of the state of affairs of the company and the profit or loss of the company for that period.

In preparing those 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;
- 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 safe guarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Registered Office

C/o Haggards Crowther

Heathmans House

19 Heathmans House

London SW6 4TJ

Signed on behalf of the directors

A handwritten signature in dark ink, appearing to be 'Richard Darlington', written in a cursive style.

Richard Darlington

Director

Approved by the directors on 09th May 2016

AVT TEA SERVICES LIMITED

Independent auditors' report to the shareholders of AVT Tea Services Limited

We have audited the accounts of AVT Tea Services Limited for the year ended 31st March 2016 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and The Financial Reporting Standard for Smaller Entities (effective January 2015) (United Kingdom Generally Accepted Accounting Practice for smaller entities).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts 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 accounts

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.

Opinion on the accounts

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 31st March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a loss for the year of £172,385 and at the year-end had net assets of £20,930 following an increase of £381,460 in share capital in the year. The company's ability to continue as a going concern is largely dependent on the parent company support. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

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

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 accounts 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 accounts and the directors' report in accordance with the small companies regime.

A handwritten signature in black ink, appearing to read 'Melvyn Davies', with a long horizontal stroke extending from the end of the signature.

Melvyn Davies
(Senior Statutory Auditor)
for and on behalf of
Melvyn Davies & Co
Accountants and Statutory Auditors
9 Limes Road
Beckenham
Kent
BR 3 6NS

09th May 2016

AVT TEA SERVICES LIMITED

**PROFIT & LOSS ACCOUNT
YEAR ENDED 31ST MARCH 2016**

| | | Year Ended 31st March 2016 | Year Ended 31st March 2015 |
|--|------|-------------------------------|-------------------------------|
| | Note | £ | £ |
| TURNOVER | 2 | 5,220,890 | 4,566,111 |
| Cost of Sales | | 4,752,897 | 4,126,529 |
| GROSS PROFIT | | 467,993 | 439,582 |
| Distribution Costs | | 4,588 | 2,604 |
| Administrative Expenses | | 593,565 | 640,710 |
| OPERATING LOSS | 3 | (130,160) | (203,732) |
| Interest payable and similar charges | | 42,225 | 33,661 |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (172,385) | (237,393) |
| Tax on Loss on ordinary activities | 4 | - | - |
| LOSS FOR THE FINANCIAL PERIOD | | (172,385) | (237,393) |

All turnover and results before taxation is derived from continuing operations. All recognized gains and losses are included in the Profit & Loss Account.

AVT TEA SERVICES LIMITED
BALANCE SHEET
31ST MARCH 2016

| | Note | 31 March 2016 £ | 31 March 2016 £ | 31 March 2015 £ |
|--|------|--------------------|--------------------|--------------------|
| FIXED ASSETS | | | | |
| Tangible Assets | 5 | | <u>5,555</u> | <u>5,179</u> |
| CURRENT ASSETS | | | | |
| Stock | | 130,459 | | 333,351 |
| Investment | 6 | 602 | | 602 |
| Debtors | 7 | 1,203,159 | | 1,406,036 |
| Cash at Bank | | <u>399,388</u> | | <u>212,351</u> |
| | | 1,733,608 | | 1,952,340 |
| CREDITORS: Amount falling due within one year | 8 | <u>1,718,233</u> | | <u>2,145,664</u> |
| NET CURRENT LIABILITIES | | | <u>15,375</u> | <u>(193,324)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>20,930</u> | <u>(188,145)</u> |
| CAPITAL AND RESERVES | | | | |
| Called up equity share capital | 10 | | 1,000,000 | 618,540 |
| Profit & Loss Account | 11 | | <u>(979,070)</u> | <u>(806,685)</u> |
| (DEFICIT)/SHARE HOLDER'S FUNDS | | | <u>20,930</u> | <u>(188,145)</u> |

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with The Financial Reporting Standard applicable in the UK and Republic of Ireland (effective April 2015).

These financial statements were approved by the directors and authorized for issue on 09th May 2016 and are signed on their behalf by:

MR RICHARD DARLINGTON


Director

Company Registration Number: 08176881

AVT TEA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2016

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with The Financial Reporting Standard for Smaller Entities (effective January 2015).

Consolidation

The company is exempt from the requirement to produce consolidated accounts on the basis that the company is a wholly owned subsidiary of AVT Natural Products Limited and its accounts are included in the consolidated accounts of the parent company.

Going Concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. AVT Natural Products Limited, the sole shareholder, has undertaken to provide financial support for the foreseeable future.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognized when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of services provided to date based on a proportion of the total contract value. Where payments are received in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|------------------------|---------------------|
| Leasehold improvements | - 33% straight line |
| Fixtures & Fittings | - 20% straight line |
| Office Equipment | - 33% straight line |

AVT TEA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2016

Accounting Policies (continued...)

Stocks

Stocks are valued at lower the cost and net realizable value, after making due allowance for obsolete and slow moving items.

Goods in transit to the company are not recognized in stock unless title for goods has passed to the company. Contracted liabilities associated with the purchase of goods in transit are recognized in trade creditors where it is deemed that the title has passed to the company.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit on a straight line basis over the period of the lease.

Pension Costs

The company operates a defined contribution pension scheme for the employees. The assets for the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognized 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 will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions.

Deferred tax assets are recognized only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 substantially enacted at the balance sheet date.

AVT TEA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2016

Accounting Policies (continued...)

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving the operating profit.

Financial Instruments

Financial liabilities and equity instruments are classified according to the substance of contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

2. TURNOVER

Overseas turnover amounted to 76.30% (2015- 64.59%) of the total turnover for the period.

3. OPERATING LOSS

Operating Loss is stated after charging/ (crediting):

| | Year Ended 31st March 2016 | Year Ended 31st March 2015 |
|------------------------------------|-------------------------------|-------------------------------|
| | £ | £ |
| Director's Remuneration | 187,988 | 187,556 |
| Staff Pension Contributions | 24,264 | 27,324 |
| Depreciation of owned fixed assets | 4,981 | 4,133 |
| Auditor's fees | 4,000 | 4,000 |

AVT TEA SERVICES LIMITED

| | | |
|---|--------|--------|
| Net Loss/(profit on foreign currency translation) | 14,284 | 46,997 |
|---|--------|--------|

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2016

4. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax applicable to smaller companies in the UK of 20%.

| | Year ended 31 st March 2016 | Year ended 31 st March 2015 |
|---|---|---|
| | £ | £ |
| Loss on ordinary activities before taxation | (172,385) | (237,393) |
| Tax on Loss on ordinary activities at standard rate | (34,477) | (47,479) |
| Expenses not deductible for tax purposes | - | - |
| Capital allowances for the year in excess of depreciation | - | - |
| Adjustment in respect of previous years | - | - |
| Unrelieved tax losses | (34,477) | 47,743 |
| Charge for the year | - | - |

Factors affecting future tax charge

At 31st March 2016 the company had tax losses of approximately £980,000 to carry forward and offset against future profits.

AVT TEA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2016

5. TANGIBLE FIXED ASSETS

| | Leasehold Improvements | Fixtures And Fittings | Office Equipment | Total |
|-------------------------|-----------------------------------|----------------------------------|-----------------------------|---------------|
| | £ | £ | £ | £ |
| COST | | | | |
| At 1 April 2015 | 3,308 | 4,863 | 6403 | 14,574 |
| Additions | | | 5357 | 5,357 |
| At 31 March 2016 | 3,308 | 4,863 | 11,760 | 19,931 |
| DEPRECIATION | | | | |
| At 1 April 2015 | 2,609 | 2,389 | 4,397 | 9,395 |
| Charge for the period | 699 | 973 | 3,309 | 4,981 |
| At 31 March 2016 | 3,308 | 3,362 | 7,706 | 14,376 |
| NET BOOK VALUE | | | | |
| At 31 March 2015 | 699 | 2,474 | 2,006 | 5,179 |
| At 31 March 2016 | - | 1,501 | 4,054 | 5,555 |

6. Investments

| | 31 March 2016 | 31 March 2015 |
|--------------------------|----------------------|----------------------|
| | £ | £ |
| Investment in Subsidiary | 602 | 602 |

During the year 2014-15, the company set up a subsidiary in the United States of America. The investment represents 100% of the share capital and is stated at cost. The subsidiary has since then remained dormant.

AVT TEA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2016

7. DEBTORS

| | 31 March 2016 | 31 March 2015 |
|------------------|------------------|------------------|
| | £ | £ |
| Trade Debtors | 946,097 | 1,136,685 |
| VAT Recoverable | 4,536 | 3,215 |
| Loans & Advances | 227,185 | 236,088 |
| Other Debtors | 25,341 | 30,048 |
| | <u>1,203,159</u> | <u>1,406,036</u> |

The debtors above include the following amounts falling due after more than one year:

| | 31 March 2016 | 31 March 2015 |
|---------------|---------------|---------------|
| | £ | £ |
| Other Debtors | 893 | 292 |
| | <u>893</u> | <u>292</u> |

8. CREDITORS : Amounts falling due within a year

| | 31 March 2016 | 31 March 2015 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Bank Loans | 1,033,042 | 743,106 |
| Trade Creditors | 408,624 | 1,118,509 |
| Loan to the company | 227,185 | 236,088 |
| Other Taxation and social security | 15,022 | 25,481 |
| Other Creditors | 34,360 | 22,480 |
| | <u>1,718,233</u> | <u>2,145,664</u> |

AVT TEA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2016

The company has a loan facility with HSBC Bank for US\$ 2,000,000 which is secured by a corporate guarantee by AVT Natural Products Limited, the Holding Company.

9. COMMITMENTS UNDER OPERATING LEASES

At 31st March 2016 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

| | 31 March 2016 | 31 March 2015 |
|-------------------------------|---------------|---------------|
| | £ | £ |
| Operating Lease which expire: | | |
| Within 10 years | <u>28,160</u> | <u>28,160</u> |

10. RELATED PARTY TRANSACTIONS

AVT Natural Products Limited

The company's immediate and ultimate parent throughout the current period was AVT Natural Products Limited, a company incorporated in India and listed on the Bombay Stock Exchange and the National Stock Exchange of India.

During the period the company entered into the following transactions with AVT Natural Products Limited. Sales of £ 505,283 (2015 £ 702,891); Other Income £ 15,870 (2015 £ 31,432), Purchases of £3,678,001 (2015 £3,511,912); Recharged costs of £ 69,271 (2015 £ 59,644).

As at the year end the company had the following outstanding balances with AVT Natural Products Limited and included in the following account codes was: Trade Debtors £ 95,699 (2015 £ 72,683), Other Debtors £ 1,997 (2015 NIL), Trade Creditors £ 315,359 (2015 £ 1,118,509); Accrued Income NIL, (2015 NIL).

The company is under the ultimate control of Mr. Ajit Thomas by virtue of his controlling interest in a number of companies that, taken together, exercise control over AVT Natural Products Limited.

Serica Tea Limited/ (The Darlington Tea Company Limited)

The company is related to Serica Tea Limited through its director Mr. Richard Darlington. During the year the company entered into the following transactions with Serica Tea Limited: Sales £ 4896 (2015 £ 5,304), Other Income £ 5,846 (2015 NIL), Purchases £ 34,650 (2015 £ 3,630), Recharge of expenses £ 32,949 (2015 £ 5,671) Loans received £ 227,974 (2015 £ 236,088), Interest £ 13,280 (2015 NIL).

As at the year end the company had the following outstanding balances with Serica Tea Limited and included in the following account codes was Other Debtors £ 7,287 and Loans received £ 227,185.

AVT TEA SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2016

11. SHARE CAPITAL

Allotted, called up and fully paid:

| | 31st March 2016 | | 31st March 2015 | |
|---|-----------------------------------|-----------|-----------------------------------|----------|
| | No | £ | No | £ |
| 1,000,000 Ordinary shares (2015- 618,540) of £ 1 each | 1,000,000 | 1,000,000 | 618,540 | 618,540 |

During the year, the company issued shares:

27 November 2015; 100,000 ordinary shares of £ 1 each for £ 100,000 consideration:

29 January 2016; 281,460 ordinary shares of £ 1 each for £ 281,460 consideration.

12. PROFIT AND LOSS ACCOUNT

| | Year Ended 31st March 2016 | Year Ended 31st March 2015 |
|----------------------------|---------------------------------------|---------------------------------------|
| | £ | £ |
| Profit & Loss Account | | |
| Balance Brought Forward | (806,685) | (569,292) |
| Profit/(Loss) for the year | (172,385) | (237,393) |
| Balance Carried Forward | <u>(979,070)</u> | <u>(806,685)</u> |