

Registered number: 00031287

**THE MAZDEHEE TEA COMPANY, LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31st December 2018**



**THE MAZDEHEE TEA COMPANY, LIMITED**

Incorporated 20 October 1913

**SHARE CAPITAL**

Authorised  
£ 150,000

In shares of £1 each

Issued  
£ 150,000

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Directors

Peter Field  
Susan Walker  
Abdur Bhuiya  
Imran Ahmed

Company Secretary

Amarpal Takk

Independent Auditor

Deloitte LLP  
Statutory Auditor  
1 New Street Square  
London  
EC4A 3PA  
United Kingdom

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Registered Office

Linton Park  
Linton  
Maidstone  
Kent  
ME17 4AB  
United Kingdom

Registered Number

00031287

## **THE MAZDEHEE TEA COMPANY, LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 2018**

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The Directors present their strategic report for the year ended 31 December 2018.

#### **Business review and key performance indicators**

The Company continues to operate as a grower and manufacturer of tea and rubber 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.

Tea production for the year ended 31 December 2018 was 1.0 mkg (2017: 1.0 mkg). Though production was similar to last year, improved average selling prices led to a 6.5% increase in turnover. Operating profit for the year was significantly higher despite increases in labour rates, clerical staff and ration costs as a result of a curtailment gain of £531,876 arising from the release of workman compensation benefits due to changes in the Bangladesh Labour Act.

#### **Principal risks and uncertainties**

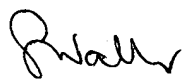
The Company grows and manufactures tea in Bangladesh, is a wholly owned subsidiary of Camellia Plc group and as such the principal risks and uncertainties, key performance indicators, strategy and business model are in line with those of the group as a whole as disclosed in respect of Agriculture. A review of the principal risks and uncertainties, strategy and business model of the Camellia Plc group can be found in Camellia Plc's 2018 annual report on pages 19 to 24.

The nature of the Company's principal activity is such that the Board takes a long-term view on its operations. The Board receives monthly data on sales prices and volumes, cost of production and crop yields against budget. Rainfall and other climate data are also reviewed.

#### **Brexit**

Brexit and the potential impact on the Company is something for which the Directors have been preparing over the last two years. The Company's turnover is derived entirely from sales in Bangladesh, and its operations are not reliant on supplies of materials or equipment from the UK and hence the impact is not expected to be material.

This report was approved by order of the board on 7 June 2019.



Susan Walker  
**Director**

# **THE MAZDEHEE TEA COMPANY, LIMITED**

## **REPORT OF THE DIRECTORS**

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The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

### **Principal Activities**

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

### **Results and dividends**

The profit for the year amounted to £887,215 (2017: £243,637). A dividend of £126,000 (2017: £46,000) was paid during the year. The Directors have not proposed a final dividend for the year (2017: £nil).

### **Directors**

The Directors of the Company that served during the year and up to the date of signing, are 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.

### **Directors' responsibilities statement**

The Directors are responsible for preparing the Annual 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 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

## **THE MAZDEHEE TEA COMPANY, LIMITED**

### **REPORT OF THE DIRECTORS (continued)**

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#### **Auditors**

A resolution proposing the re-appointment of Deloitte LLP will be put to the forthcoming annual general meeting.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are not aware. Each Director has taken all the steps that he ought to have taken as a director, including making enquiries of fellow directors and of the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

#### **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.

#### **Future developments**

There have been no post balance sheet events requiring disclosure in these financial statements.


#### **Going concern**

Taking account of the Company's cash and cash equivalents balances, after reviewing the Company's budget for 2019 and cash forecasts for the next 15 months, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

#### **Principal risks and uncertainties**

The Group regularly monitors the risks at a local and central level. Information on the Company's identified risks are disclosed in note 20 to the financial statements.

This report was approved by order of the board on 7 June 2019.



Susan Walker  
**Director**

## **THE MAZDEHEE TEA COMPANY, LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MAZDEHEE TEA COMPANY, LIMITED**

#### **Report on the audit of the financial statements**

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#### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit 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.

We have audited the financial statements of The Mazdehee Tea Company, Limited (the 'Company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the cash flow statement;
- the statement of changes in equity; and
- the related notes 1 to 24.

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

#### **Basis for opinion**

~~We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.~~

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **THE MAZDEHEE TEA COMPANY, LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MAZDEHEE TEA COMPANY, LIMITED (continued)**

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#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **THE MAZDEHEE TEA COMPANY, LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MAZDEHEE TEA COMPANY, LIMITED (continued)**

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#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters 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 the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

##### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

##### **Use of our report**

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.



Richard Howe, FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

7 June 2019



**THE MAZDEHEE TEA COMPANY, LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31st December 2018

	Note	2018 £	2017 £
<b>Continuing operations</b>			
Revenue	2	2,402,815	2,255,762
Cost of sales	24	(1,036,581)	(1,608,411)
Gross profit		1,366,234	647,351
Net operating expenses	4	(92,587)	(209,938)
Operating profit	3	1,273,647	437,413
Investment income	5	90,635	24,083
Finance income		6,131	285
Finance costs		(2,937)	(19,490)
Employee benefit expense	16	(28,488)	(44,057)
Net finance (expense)		(25,294)	(63,262)
Profit before tax from continuing operations		1,338,988	398,234
Taxation	8	(451,773)	(154,597)
Profit after tax from continuing operations		887,215	243,637
Other comprehensive income:			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurements of post employment benefit obligations	16	21,986	136,831
Deferred tax movement in relation to post employment benefit obligations	15	(7,632)	(47,558)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign exchange translation differences		287,039	(772,705)
Actuarial movement in relation to plan assets	16	(269)	(949)
Total other comprehensive income/(expense)		301,124	(684,381)
Total comprehensive income/(expense) for the year		1,188,339	(440,744)

BALANCE SHEET  
as at 31st December 2018

	Note	2018		2017	
		£	£	£	£
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9		4,089,735		3,975,504
Investments in subsidiaries	10		2,066,871		1,962,877
Investments in associates			95,752		90,934
Trade and other receivables	12		13,156		12,494
<b>Total non-current assets</b>			<b>6,265,514</b>		<b>6,041,809</b>
<b>Current assets</b>					
Inventories	11	699,483		542,781	
Trade and other receivables	12	567,635		221,521	
Cash and cash equivalents (excluding bank overdrafts)		303,719		125,020	
<b>Total current assets</b>		<b>1,570,837</b>		<b>889,322</b>	
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Financial liabilities - borrowings	13	278		264	
Trade and other payables	14	215,399		213,195	
Current income tax liabilities		284,960		174,396	
<b>Total current liabilities</b>		<b>500,637</b>		<b>387,855</b>	
<b>Net current assets</b>			<b>1,070,200</b>		<b>501,467</b>
<b>Total assets less current liabilities</b>			<b>7,335,714</b>		<b>6,543,276</b>
<b>Non-current liabilities</b>					
Borrowings	13	987		1,202	
Employee benefit obligations	16	6,738		484,112	
Deferred tax liabilities	15	1,247,945		1,040,257	
<b>Total non-current liabilities</b>			<b>1,255,670</b>		<b>1,525,571</b>
<b>Net assets</b>			<b>6,080,044</b>		<b>5,017,705</b>
<b>EQUITY</b>					
Share capital	17		150,000		150,000
Reserves			5,930,044		4,867,705
<b>Total equity</b>			<b>6,080,044</b>		<b>5,017,705</b>

The notes on pages 12 to 34 form part of the financial statements.

The Financial statements on pages 8 to 34 were approved on 7 June 2019 by the Board of Directors and signed on their behalf by:



Susan Walker  
Director

**THE MAZDEHEE TEA COMPANY, LIMITED****CASH FLOW STATEMENT**

for the year ended 31st December 2018

	Note	2018 £	2017 £
<b>Cash generated from operations</b>			
Cash flows from operating activities	18	582,526	95,006
Interest paid		(31,443)	(63,510)
Interest received		6,131	285
Income taxes paid		(215,947)	(180,546)
Net cash flow from/(used in) operating activities		341,267	(148,765)
<b>Cashflows from investing activities</b>			
Purchases of property, plant and equipment		(140,635)	(65,015)
Dividends received from associates		22,611	23,868
Dividends received from group companies		68,024	215
Net cash flow (used in) investing activities		(50,000)	(40,932)
<b>Cashflows from financing activities</b>			
Loan repayments		(267)	(282)
Dividends paid		(126,000)	(46,000)
Net cash flow (used in) financing activities		(126,267)	(46,282)
Net increase/(decrease) in cash and cash equivalents		165,000	(235,979)
Cash and cash equivalents at beginning of period		125,020	400,894
Exchange gain/(loss) on cash and cash equivalents		13,699	(39,895)
Cash and cash equivalents at end of period		303,719	125,020
Cash and cash equivalents included in the cash flow statement comprise the following:-			
Cash at bank and in hand		303,719	125,020

The above statement of cash flows should be read in conjunction with the accompanying notes.

**THE MAZDEHEE TEA COMPANY, LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31st December 2018

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	Share Capital £	Retained Earnings £	Total Equity £
At 1 January 2017	150,000	5,354,449	5,504,449
Total comprehensive (expense) for the year	-	(440,744)	(440,744)
Dividends	-	(46,000)	(46,000)
	<hr/>	<hr/>	<hr/>
At 1 January 2018	150,000	4,867,705	5,017,705
Total comprehensive income for the year	-	1,188,339	1,188,339
Dividends	-	(126,000)	(126,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	<u>150,000</u>	<u>5,930,044</u>	<u>6,080,044</u>

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# THE MAZDEHEE TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### GENERAL INFORMATION

The Mazdehee Tea Company Limited (the Company) is a private company limited by shares, registered in England and Wales and incorporated under the Companies Act. The address of the Company's registered office is set out at page 1.

### 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 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.

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- identify contracts with customers
- identify the separate performance obligations
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations

Revenue is recognised at the point in time that control of goods is transferred to the customer.

## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 1. ACCOUNTING POLICIES (continued)

##### d) Property, plant and equipment

Property, plant and equipment includes biological assets (bearer plants) which are accounted for under IAS 16.

Property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of these assets. On transition to IFRS, the Company has followed the transitional provisions and elected that previous UK GAAP revaluations be treated as deemed cost. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation of assets is calculated to write off their cost less residual value on a straight line basis over their expected useful lives.

Rates of depreciation are:

Biological assets (Bearer plants)	28 to 50 years
Buildings	5 to 40 years
Plant and machinery	15 years
Vehicles	8 years
Fixtures, fittings, tools and equipment	10 to 20 years

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) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 1. ACCOUNTING POLICIES (continued)

##### f) Financial assets

###### **Classification of financial assets**

Equity instruments designated as at fair value through other comprehensive income ('FVTOCI')

On initial recognition, the Company has made an irrevocable election (on an

instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments designated as FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

Dividends are included as investment income in the statement of comprehensive income.

The Company has designated all investments in equity instruments that are not held for trading purposes as FVTOCI on initial application of IFRS 9.

###### **Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses ('ECL') on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

###### **(i) Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 1. ACCOUNTING POLICIES (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are Due Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying any significant increase in credit risk before the amount becomes past due.

#### (ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that different default criterion is more appropriate.



## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 1. ACCOUNTING POLICIES (continued)

##### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) a disappearance of an active market for that financial asset because of financial difficulties.

##### (iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### (v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in reserves, and does not reduce the carrying amount of the financial asset in the balance sheet.

## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 1. ACCOUNTING POLICIES (continued)

##### **Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 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. Made tea inventories include the fair value of green leaf.

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) 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.

##### i) 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.

##### j) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### k) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. ACCOUNTING POLICIES (continued)

##### l) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than in a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related tax asset is realised or the tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### m) Employee benefits

The Company partakes in both defined benefit and defined contribution pension schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension cost for defined benefit schemes is assessed in accordance with the advice of qualified independent actuaries using the "projected unit" funding method.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Independent actuaries calculate the obligation annually using the "projected unit" funding method. Actuarial gains and losses arising from experience adjustments and changes in actuarial adjustments are recognised in full in the period in which they occur, they are not recognised in the Income Statement and are presented in the Statement of Comprehensive Income.

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

##### n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

##### o) Share capital

Ordinary shares are classified as equity.

## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 1. ACCOUNTING POLICIES (continued)

p) Critical judgements and key sources of estimation uncertainty

In the view of the Directors, apart from those involving estimations (which are presented separately below), no critical judgements have been made in the process of applying the Company's accounting policies which have a significant effect on the amounts recognised in the financial statements.

Estimates 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.

(i) Impairment of assets

The Company has significant investments in property, plant and equipment (including bearer crops). These assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors considered which could trigger an impairment review include climate change impact, expected productivity of the plant and expected replanting schedules, significant fall in market prices, significant underperformance relative to historical or projected future operating results, a major change in market conditions or negative cash flows.

(ii) 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 and sensitivity analysis are given in note 16.

(iii) Taxation

Income tax liabilities include a number of provisions based on management's interpretation of country specific tax law and the likelihood of settlement. This can involve a significant amount of judgement as tax legislation can be complex and open to different interpretation. Management uses professional firms and previous experience when assessing tax risks. Where actual tax liabilities differ from the provisions, adjustments are made which can have a material impact on the Company's profits for the year. It is not practicable to quantify the range of outcomes with the application of sensitivity analyses.

Other than for the above, the Company does not rely on any other critical judgements, nor sources of estimation uncertainty.

## **THE MAZDEHEE TEA COMPANY, LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

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#### **1. ACCOUNTING POLICIES (continued)**

##### **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 2018:

The adoption of IFRS 9 and IFRS 15 has not had a material impact on the financial statements of the Company. The impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers on the Company's financial statements are set out below.

IFRS 9 was adopted without restating comparative information and its adoption has not had an impact on the financial assets of the Company.

IFRS 15 was adopted without restating comparative information.

The IASB has issued a new standard for the recognition of revenue. This has replaced IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The adoption of IFRS 15 has not had a material impact on the financial statements of the Company.

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## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 1. ACCOUNTING POLICIES (continued)

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

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Company has reviewed all of the Company's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of £246,098, see note 19. Of these commitments, £nil relate to short-term leases and £nil to low value leases. The Company expects to recognise right-of-use assets of £86,568 on 1 January 2019 and lease liabilities of £86,568 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Company expects that profit before tax from continuing operations will decrease by £2,333 for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by £8,486 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

**THE MAZDEHEE TEA COMPANY, LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2018	2017
	£	£
2. REVENUE		
Bangladesh-		
Tea Sales	2,311,270	2,106,054
Greenleaf Sales	6,077	35,639
Rubber Sales	85,468	114,069
Recognised at a point in time	<u>2,402,815</u>	<u>2,255,762</u>
	2018	2017
	£	£
3. OPERATING PROFIT		
Is stated after charging:		
Depreciation of tangible assets	233,064	236,935
Cost of inventories recognised as an expense (included in cost of sales)	186,115	178,565
Operating leases - lease payments: property	8,604	8,137
Employee costs	<u>647,330</u>	<u>632,842</u>
Fees payable to Deloitte LLP for the audit of the Company's annual accounts of £5,000 (2017: £2,500) were borne by Camellia Plc, the ultimate parent undertaking, without recharge.		
	2018	2017
	£	£
4. NET OPERATING EXPENSES		
Administrative expenses	139,186	222,174
Other income	<u>(46,599)</u>	<u>(12,236)</u>
	<u>92,587</u>	<u>209,938</u>
	2018	2017
	£	£
5. INVESTMENT INCOME		
Income from listed investments - dividends received	22,611	23,868
Income from unlisted investments - dividends received	<u>68,024</u>	<u>215</u>
	<u>90,635</u>	<u>24,083</u>
	2018	2017
	£	£
6. EMPLOYEES AND DIRECTORS		
Staff costs:		
Wages and salaries	616,102	586,631
Employment benefit obligation costs	<u>31,228</u>	<u>46,211</u>
	<u>647,330</u>	<u>632,842</u>
	2018	2017
	Number	Number
The monthly average number of persons employed by the company was:		
Management and administration	49	21
Sales and distribution	-	1
Production	<u>1,129</u>	<u>1,204</u>
	<u>1,178</u>	<u>1,226</u>

The Directors received no emoluments during the year from the Company (2017: £nil), as they are remunerated by other group companies and the value of their service to this company was negligible.

The emoluments of Imran Ahmed and Abdur Bhuiya are included in the financial statements of Lungla (Sylhet) Tea Company Limited and emoluments of the other directors are included in the financial statements of other group companies.



# THE MAZDEHEE TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

7.	DIVIDENDS	2018 £	2017 £
	Amounts recognised as distributions to equity holders in the year:		
	Interim dividend for the year ended 31 December 2018 of £0.84 (2017: £0.31) per share	126,000	46,000
8.	TAXATION	2018 £	2017 £
	The Company is resident for taxation purposes in Bangladesh.		
	(a) Current tax		
	UK Corporation tax:		
	UK Corporation tax at 19% (2017: 19.25%)	254,408	130,019
	Double tax relief	(254,408)	(130,019)
		-	-
	Foreign tax:		
	Current tax on profits for the year	313,104	189,779
	Deferred tax - origination and reversal of timing differences	138,669	(35,182)
	Income tax expense	451,773	154,597

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 19% (2017: 19.25%) and that charged in the Financial Statements are explained below:

	2018 £	2017 £
Profit on ordinary activities before taxation	1,338,988	398,234
Tax on profit on ordinary activities at 19% (2017: 19.25%)	254,408	76,660
Effects of:		
Income not subject to tax	(21,356)	(33,869)
Expenses not deductible for tax purposes	4,483	63,475
Difference in tax rate and tax law in overseas territory	214,238	48,331
Total tax charge for the year	451,773	154,597

### (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.

The results of the Company are subject to taxation in the UK. Where profits arise UK tax arising can be offset through double tax relief against tax payable in Bangladesh and by losses surrendered by other UK companies. There are no UK losses carried forward.

**THE MAZDEHEE TEA COMPANY, LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. PROPERTY, PLANT AND EQUIPMENT**

	Bearer plants £	Buildings £	Plant and Machinery £	Vehicles £	Fixtures, Fittings Tools and Equipment £	Total £
<b>Deemed Cost</b>						
At 1st January 2017	4,516,716	659,691	618,063	83,131	115,452	5,993,053
Currency retranslation	(620,931)	(91,120)	(84,472)	(11,522)	(15,839)	(823,884)
Additions	47,391	13,678	2,941	2,347	669	67,026
Disposals	(237)	-	(4,308)	-	-	(4,545)
At 1st January 2018	3,942,939	582,249	532,224	73,956	100,282	5,231,650
Currency retranslation	209,860	32,635	31,409	3,807	5,491	283,202
Additions	36,372	41,724	74,906	1,068	499	154,569
Disposals	(13,932)	-	-	-	-	(13,932)
At 31st December 2018	<u>4,175,239</u>	<u>656,608</u>	<u>638,539</u>	<u>78,831</u>	<u>106,272</u>	<u>5,655,489</u>
<b>Accumulated Depreciation</b>						
At 1st January 2017	396,235	309,960	377,099	44,365	70,490	1,198,149
Currency retranslation	(66,189)	(43,106)	(52,955)	(6,528)	(10,160)	(178,938)
Charge for the year	189,020	11,029	21,522	7,239	8,125	236,935
At 1st January 2018	519,066	277,883	345,666	45,076	68,455	1,256,146
Currency retranslation	35,149	15,294	19,492	2,649	3,960	76,544
Charge for the year	178,404	13,306	27,527	6,094	7,733	233,064
At 31st December 2018	<u>732,619</u>	<u>306,483</u>	<u>392,685</u>	<u>53,819</u>	<u>80,148</u>	<u>1,565,754</u>
<b>Net book value</b>						
At 31st December 2018	<u>3,442,620</u>	<u>350,125</u>	<u>245,854</u>	<u>25,012</u>	<u>26,124</u>	<u>4,089,735</u>
<b>Net book value</b>						
At 31st December 2017	<u>3,423,873</u>	<u>304,366</u>	<u>186,558</u>	<u>28,880</u>	<u>31,827</u>	<u>3,975,504</u>

**THE MAZDEHEE TEA COMPANY, LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2018 £	2017 £
<b>10. FINANCIAL ASSETS</b>		
Investments in subsidiaries of Camellia Group - at cost		
At 1st January	1,962,877	2,273,985
Exchange differences	103,994	(311,108)
At 31st December	<u>2,066,871</u>	<u>1,962,877</u>
Investments in associates of Camellia Group - at cost		
At 1st January	90,934	105,347
Exchange differences	4,818	(14,413)
At 31st December	<u>95,752</u>	<u>90,934</u>
<b>11. INVENTORIES</b>	2018 £	2017 £
Stock of tea	369,276	208,316
Stock of rubber	43,313	93,478
Estate stores	286,894	240,987
	<u>699,483</u>	<u>542,781</u>

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

	2018 £	2017 £
<b>12. TRADE AND OTHER RECEIVABLES</b>		
Due within one year		
Trade debtors	92,953	87,577
Other debtors	5	3
Amounts owed by group companies	466,120	126,159
Prepayments and accrued income	8,557	7,782
	<u>567,635</u>	<u>221,521</u>
Due in more than one year		
Other debtors	<u>13,156</u>	<u>12,494</u>

No expected credit loss allowance was made at 31 December 2018 (2017: £nil) as no trade debtors were past their due date at 31 December 2018 (2017: £nil).

The credit quality of financial assets has been reviewed and is considered to be satisfactory.

**THE MAZDEHEE TEA COMPANY, LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2018	2017
	£	£
<b>13. BORROWINGS</b>		
Current:		
Term loans secured	278	264
Non-current:		
Bank loans (secured against property, plant and equipment and biological assets)	987	1,202
	<u>1,265</u>	<u>1,466</u>
The repayments of bank loans and overdrafts fall due as follows:		
Within one year	278	264
Between 1 - 2 years	557	529
Between 2 - 5 years	430	673
After 5 years	-	-
	<u>1,265</u>	<u>1,466</u>
Interest rates vary from 9.5% per annum to 13% per annum.		

	2018	2017
	£	£
<b>14. TRADE AND OTHER PAYABLES</b>		
Amounts falling due within one year		
Trade and other creditors	198,242	172,730
Amounts owed to group companies	17,077	40,372
Interest payable	80	93
	<u>215,399</u>	<u>213,195</u>

**THE MAZDEHEE TEA COMPANY, LIMITED**

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2018	2017
	£	£
15. DEFERRED TAX :		
<b><u>ASSETS</u></b>		
At 1 January	169,439	224,428
Exchange differences	1,737	(29,061)
(Charge)/credit in statement of comprehensive income	(161,186)	21,631
Movement relating to retirement benefit obligations - included in other comprehensive income	(7,632)	(47,559)
At 31 December	2,358	169,439
The deferred tax asset at the start and end of the year relates to retirement benefit obligations.		
<b><u>LIABILITIES</u></b>	£	£
At 1 January	1,209,696	1,416,132
Exchange differences	63,124	(192,885)
(Charge) in statement of comprehensive income	(22,517)	(13,551)
At 31 December	1,250,303	1,209,696
<b><u>NET</u></b>	(1,247,945)	(1,040,257)

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

# THE MAZDEHEE TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. 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.

The defined benefit plan is administered by a separate fund that is legally separated from the Company. The plan typically exposes the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The most recent actuarial valuations of the plan assets and the present value of the defined benefit liability were carried out as at 31 December 2018 by Mr Kulin Patel, Fellow of the Institute of Actuaries, UK, of Willis Towers Watson India Private Ltd.

The principal rules of the plan are:

Benefit formula	- last drawn monthly salary multiplied by years of service on exit at service years factor multiple
Form of payment	- lump sum

#### Assumptions

The major assumptions used in the valuation (actuary's report of 21 January 2019) to determine the present value of the post-employment benefit obligations were as follows:

	2018 per annum	2017 per annum
Rate of increase in salaries	7.00%	7.0% to 9.0%
Discount rate applied to scheme liabilities	7.50%	7.50%
	Change in assumption	Impact on benefit obligation
<b>Sensitivity analysis</b>		
Discount rate	+ 1%	-9.0%
Discount rate	-1%	10.4%
Salary escalation	+ 1%	10.3%
Salary escalation	-1%	-9.1%

The expected total contributions to the Gratuity Scheme for the period ending 31 December 2019, is £9,920.

The weighted average duration of defined benefit obligation of the plan is 10 years.

#### Asset allocations are as follows:

	Gratuity Scheme
Fixed deposits	96.94%
Cash including special deposits	3.06%

#### Actuarial valuations

	2018 £	2017 £
Debt securities	167,653	150,375
Cash	5,292	3,381
Total fair value of plan assets	172,945	153,756
Present value of defined benefit obligations	(179,683)	(637,868)
Total deficit in the schemes	(6,738)	(484,112)

# THE MAZDEHEE TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. EMPLOYMENT BENEFIT OBLIGATIONS (continued)

	2018 £	2017 £
Amount recognised in the balance sheet	(6,738)	(484,111)
Related deferred tax asset - see note 15	2,358	169,439
Net deficit	<u>(4,380)</u>	<u>(314,672)</u>

	2018 £	2017 £
Movements in the fair value of scheme assets were as follows:		
At 1 January	153,756	150,017
Interest on plan assets	11,397	10,124
Employer contributions	897	28,467
Benefit payments	(1,436)	(11,766)
Actuarial loss	(269)	(949)
Exchange movement	8,600	(22,137)
At 31 December	<u>172,945</u>	<u>153,756</u>

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

	2018 £	2017 £
At 1 January	(637,866)	(814,026)
Current service cost	(31,124)	(46,211)
Interest cost	(39,885)	(54,181)
Benefit payments	1,436	11,766
Actuarial gain	21,986	136,830
Curtailment gain	531,876	-
Exchange movement	(26,106)	127,956
At 31 December	<u>(179,683)</u>	<u>(637,866)</u>

# THE MAZDEHEE TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. EMPLOYMENT BENEFIT OBLIGATIONS (continued)

#### Income statement

The amounts recognised in the income statement are as follows:

	2018 £	2017 £
Amounts (charged)/credited to operating profit:		
Current service cost	(31,124)	(46,211)
Curtailment gain	531,876	-
Interest expense	(28,488)	(44,057)
Total credited to income statement	<u>472,264</u>	<u>(90,268)</u>

#### Statement of comprehensive income

The amounts recognised in other comprehensive income are as follows:

	2018 £	2017 £
Remeasurements:		
Return on plan assets, excluding amount included in interest	(269)	(949)
Gain from changes in financial assumptions	<u>21,986</u>	<u>136,831</u>
Actuarial gain	<u>21,717</u>	<u>135,882</u>

### 17. SHARE CAPITAL

	2018 £	2017 £
Allotted, called up and fully paid 150,000 (2017: 150,000) shares of £1 each	<u>150,000</u>	<u>150,000</u>

### 18. RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH FLOW

	2018 £	2017 £
Operating profit	1,273,647	437,413
Depreciation	233,065	239,471
Actuarial gain	21,716	135,882
(Increase)/decrease in inventories	(122,718)	129,537
(Increase)/decrease in debtors	(1,053)	6,821
Increase/(decrease) in creditors	65,261	(124,447)
Change in intra-group balances	(343,963)	(728,063)
Difference between employee benefit obligations funding contributions and costs charged	(531,876)	-
Exchange adjustments	(11,553)	(1,608)
Cash flow from operations	<u>582,526</u>	<u>95,006</u>



# THE MAZDEHEE TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. COMMITMENTS

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

	2018	2017
	£	£
Land		
Within 1 year	8,486	8,604
Between 1-5 years	33,944	34,417
After 5 years	203,668	215,111
	<u>246,098</u>	<u>258,132</u>

### 20. 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	
	2018	2017
	£	£
<b>Assets per balance sheet</b>		
Cash at bank and in hand	303,719	125,020
Trade and other receivables	572,234	226,233
	<u>875,953</u>	<u>351,253</u>
<b>Liabilities per balance sheet</b>		
Trade and other payables	215,399	213,195
Borrowings	1,265	1,466
	<u>216,664</u>	<u>214,661</u>

#### Financial risk management objectives

The Company finances its operations by a mixture of retained profits and long-term loans in order to maintain a balance between continuity of funding and flexibility. The borrowings and facilities are regularly reviewed and the Company also seeks to maintain sufficient undrawn committed borrowing facilities to provide flexibility in the management of the Company's liquidity.

## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### 20. FINANCIAL INSTRUMENTS (continued)

##### (A) Market risk

###### (i) Foreign exchange risk

The Company has no material exposure to foreign currency exchange risk on its 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.

#### 21. 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. Both companies have the registered office at Linton Park, Linton, Maidstone, Kent, ME17 4AB.

Copies of the Camellia Plc report and financial statements 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.

## THE MAZDEHEE TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 22. RELATED PARTY TRANSACTIONS

There were transactions with group companies during the year of £ (25,059) (2017: £31,811) in respect of intra-group sales and recharges which are included within revenue and cost of sales.

Company Name	Sales to £	Purchases £	Net £	Balance £
Chandpore Tea Co. Ltd		782	(782)	5,877
Surmah Valley Tea Co. Ltd	4,892	13,582	(8,690)	25,375
Eastland Camellia Tea		472	(472)	(3,124)
Amo Tea Co. Ltd		2,856	(2,856)	(6,711)
Allynugger Tea Co. Ltd		11,201	(11,201)	13,482
Lungla (Sylhet) Tea Co. Ltd	515	8,044	(7,529)	421,386
Duncan Brothers	6,471	-	6,471	(472)
Longbourne Holdings			-	(6,695)
Octavius Steel (Bangladesh)	-	-	-	(75)
	<u>11,878</u>	<u>36,937</u>	<u>(25,059)</u>	<u>449,043</u>

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

#### 23. 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.

#### 24. MATERIAL PROFIT OR LOSS ITEMS

The Company has identified an item which is material due to the significance of the amount. This is listed separately here to provide a better understanding of the financial performance of the Company.

	2018 £	2017 £
Curtailment gain credited to Cost of Sales	<u>(531,876)</u>	<u>-</u>

The curtailment gain reflects a change to the labour laws in Bangladesh which has exempted the tea industry from the requirement to pay certain post-employment benefits.