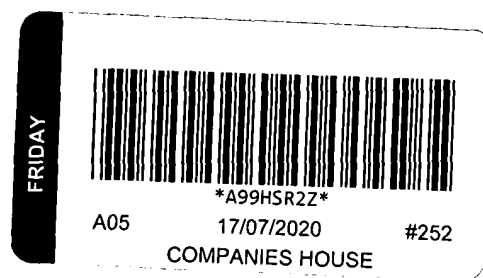


Approved.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**

Registered number: 00044242

Report and Financial Statements  
for the year ended 31 December 2019



**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**REPORT AND FINANCIAL STATEMENTS**  
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**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**COMPANY INFORMATION**

**Directors**

Peter Field  
Susan Walker  
Abdur Rouf Bhuiya  
Imran Ahmed

**Company Secretary**

Amarpal Takk

**Independent Auditor**

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

**Registered Office**

Linton Park  
Linton  
Maidstone  
Kent  
ME17 4AB  
United Kingdom

**Registered Number**

00044242

## **LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**

### **STRATEGIC REPORT**

**for the year ended 31 December 2019**

The Directors present their strategic report for the year ended 31 December 2019.

#### **Business review, future developments and key performance indicators**

The Company continues to operate as a grower and manufacturer of tea in Bangladesh and is expected to do so in the future. The results for the year and the financial position of the Company are as shown in the attached financial statements.

Tea production for the year ended 31 December 2019 was 4.3 mkg (2018: 3.8 mkg). Though sales volumes increased, deteriorating average selling prices led to a 20.4% decrease in turnover, which combined with a provision for Workers Participation in Profits, led to an operating loss for the year. £880,405 has been charged to the Income Statement in 2019 in respect of possible workers profit participation obligations for prior years in Bangladesh which has been recognised as a consequence of regulatory changes during the year. Legislation has been enacted in Bangladesh requiring certain companies to make workers profit participation payments. The applicability of this legislation to our tea operations in Bangladesh is not wholly clear, and the government fund to which payments are to be made has not yet been established. We consider sufficient provision to have been made for these costs.

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

The Company grows and manufactures tea in Bangladesh, and is a wholly owned subsidiary of Camellia Plc 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 2019 annual report on pages 22 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.

#### **COVID-19**

COVID-19 to date in 2020 has had a limited impact on the operations of the Company as in Bangladesh the government has allowed tea production to continue. However, there has been some temporary disruption to tea transportation and to the operation of the auctions due to movement restrictions. Auctions resumed in May. Going forward, there may be a significant impact on the operations of the Company due to disruption of production, transportation and/or sales. As part of the Camellia Plc group, the Company's response is in line with that set out in the Chairman's Statement on page 5 of Camellia Plc's 2019 annual report.

This report was approved by order of the board on 10 June 2020.



Susan Walker  
**Director**

## **LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE**

### **DIRECTORS' REPORT**

The Directors present their report together with the audited financial statements for the year ended 31 December 2019.

#### **Principal Activities**

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

#### **Results and dividends**

The loss for the year amounted to £959,727 (2018: profit £3,412,180). A dividend of £nil (2018: £nil) was paid during the year. The Directors have not proposed a final dividend for the year (2018: £nil).

#### **Directors**

The Directors of the Company that served during the year and up to the date of signing, are listed on page 2.

#### **Review of business**

The Company is part of the Camellia Plc group and undertakes its principal activities through a branch in Bangladesh.

#### **Statement of directors' responsibilities**

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

#### **Responsibility statement**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company as a whole, together with a description of the principal risks and uncertainties that they face; and
- the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

#### **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.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**DIRECTORS' REPORT (continued)**

**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**

A statement of future developments is included in the Strategic Report.

**Subsequent events**

Other than for the consideration of the impact of COVID-19, as set out in the Strategic Report and at note 28 to the financial statements, there have been no subsequent events requiring disclosure.

**Going concern**

As set out in the Strategic Report, our businesses are currently operating broadly as normal.

The Directors, at the time of approving the financial statements and, after assessing the principal risks have considered the impact of a severe but plausible downside scenario for COVID-19, with the major variables being the depth and duration of COVID-19 and the extent of action taken by government in the jurisdiction in which the Company operates. The Directors considered the impact of the current COVID-19 environment on the business for the next 15 months.

We have modelled various scenarios using assumptions including significantly reduced sales volumes of up to 19% for tea during 2020. The revenue and operational impact of such volume reduction would have a substantially negative impact on profitability.

Historically in the tea sector, restrictions on, or reductions in the supply of tea either regionally or globally have led to higher selling prices. It is too soon, and the COVID-19 situation too novel, to determine the extent to which this may occur in 2020. For the purposes of our downside scenario planning we have not reflected increased selling prices.

Amo Tea Company Limited confirmed that it will continue to support the Company as necessary up to a maximum funding limit of £197,000 to enable it to continue trading in a reasonable worst case scenario for a period lasting at least 12 months from the date of approving the financial statements. The Directors believe that the Company is well placed to manage its financing and other business risks satisfactorily and, has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore 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 23 to the financial statements.

This report was approved by order of the board on 10 June 2020.



Susan Walker  
Director

## **LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE) REPORT OF THE INDEPENDENT AUDITORS**

### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss 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 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 28.

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.

## **LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**

### **REPORT OF THE INDEPENDENT AUDITORS**

#### **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.



**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**REPORT OF THE INDEPENDENT AUDITORS**

**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

10 June 2020

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**

**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31st December 2019

	Note	2019 £	2018 £
<b>Continuing operations</b>			
Revenue	2	7,533,144	9,465,316
Cost of sales	27	(8,266,102)	(3,889,782)
Gross (loss)/profit		(732,958)	5,575,534
Net operating expenses	4	(398,353)	(445,189)
Operating (loss)/profit	3	(1,131,311)	5,130,345
Investment income	5	23,727	30,004
Finance income		259,243	173,513
Finance costs		(169,594)	(10,689)
Employee benefit expense	19	(7,447)	(176,705)
Net finance income/(expense)		82,202	(13,881)
(Loss)/profit before tax from continuing operations		(1,025,382)	5,146,468
Taxation	8	65,655	(1,734,288)
(Loss)/profit after tax from continuing operations		(959,727)	3,412,180
Other comprehensive (expense)/income:			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurements of post employment benefit obligations	19	454,327	55,844
Deferred tax movement in relation to post employment benefit obligations	18	(159,079)	(12,086)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign exchange translation differences		(762,504)	699,604
Other comprehensive (expense)/income for the year, net of tax		(467,256)	743,362
Total comprehensive (expense)/income for the year		(1,426,983)	4,155,542

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**

**BALANCE SHEET**

as at 31st December 2019

	Note	2019	2018
		£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	12,841,627	13,706,846
Right-of-use assets	10	422,509	
Investments	11	130,634	137,492
Employee benefit surplus	19	277,046	
Trade and other receivables	13	144,342	170,860
<b>Total non-current assets</b>		<b>13,816,158</b>	<b>14,015,198</b>
<b>Current assets</b>			
Inventories	12	2,121,278	1,971,099
Trade and other receivables	13	765,737	1,234,310
Cash and cash equivalents		4,003,666	4,855,345
<b>Total current assets</b>		<b>6,890,681</b>	<b>8,060,755</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities - borrowings	14	1,021	5,449
Lease liabilities	15	53,967	-
Trade and other payables	16	1,604,447	1,404,982
Current income tax liabilities		558,241	910,374
Provisions	17	423,639	-
<b>Total current liabilities</b>		<b>2,641,315</b>	<b>2,320,805</b>
<b>Net current assets</b>		<b>4,249,366</b>	<b>5,739,949</b>
<b>Total assets less current liabilities</b>		<b>18,065,524</b>	<b>19,755,147</b>
<b>Non-current liabilities</b>			
Financial liabilities - borrowings	14	42,147	43,600
Lease liabilities	15	373,292	-
Employee benefit obligations	19	-	201,799
Deferred tax liabilities	18	3,304,957	3,737,637
<b>Total non-current liabilities</b>		<b>3,720,396</b>	<b>3,983,036</b>
<b>Net assets</b>		<b>14,345,128</b>	<b>15,772,111</b>
<b>EQUITY</b>			
Called up share capital	20	900,000	900,000
Reserves		13,445,128	14,872,111
<b>Total equity</b>		<b>14,345,128</b>	<b>15,772,111</b>

Registered number: 00044242

The notes on pages 13 to 34 form part of the financial statements.

The Financial statements on pages 9 to 34 were approved on 10 June 2020 by the Board of Directors and signed on their behalf by:



Susan Walker  
Director

# LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)

## CASH FLOW STATEMENT

for the year ended 31st December 2019

	Note	2019 £	2018 £
<b>Cash generated from operations</b>			
Cash flows from operating activities	21	566,141	3,510,845
Interest paid		(71,478)	(181,083)
Interest received		342,676	116,070
Income taxes paid		(778,897)	(510,708)
Net cash flow from operating activities		<u>58,442</u>	<u>2,935,124</u>
<b>Cashflows from investing activities</b>			
Purchases of property, plant and equipment		(705,812)	(720,365)
Proceeds from sale of property, plant and equipment		1,202	697
Dividends received		23,727	30,004
Net cash flow from investing activities		<u>(680,883)</u>	<u>(689,664)</u>
<b>Cashflows from financing activities</b>			
Loan repayments		(1,107)	(9,923)
Payments of lease liabilities		(10,254)	-
Net cash flow from financing activities		<u>(11,361)</u>	<u>(9,923)</u>
Net (decrease)/increase in cash and cash equivalents from continuing operations		(633,802)	2,235,537
Cash and cash equivalents at beginning of year		4,855,345	2,396,955
Exchange (loss)/gain on cash		(217,877)	222,853
Cash and cash equivalents at end of year		<u>4,003,666</u>	<u>4,855,345</u>

For the purposes of the cash flow statement, cash and cash equivalents are included net of overdrafts repayable on demand.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)****STATEMENT OF CHANGES IN EQUITY**

for the year ended 31st December 2019

	Share Capital £	Retained Earnings £	Total Equity £
At 1 January 2018	900,000	10,716,569	11,616,569
Total comprehensive income for the year	-	4,155,542	4,155,542
At 31 December 2018	900,000	14,872,111	15,772,111
Total comprehensive (expense) for the year	-	(1,426,983)	(1,426,983)
At 31 December 2019	900,000	13,445,128	14,345,128

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS**

**GENERAL INFORMATION**

The Company Limited is a private company limited by shares, registered in England and Wales and incorporated under the Companies Act. The Company's registered number and registered office are 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.

**Going concern**

The Directors Report on page 5 sets out details of the potential substantial risks to the Company's operations and sales arising from COVID-19 and the potential impact on our profitability and cashflows based on our scenario planning.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

**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, and
- 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.

**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.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. ACCOUNTING POLICIES (continued)**

**d) Property, plant and equipment (continued)**

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. No depreciation is provided on assets under the course of construction until they are brought into use.

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).

**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.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. ACCOUNTING POLICIES (continued)**

**Impairment of financial assets (continued)**

The Company 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.

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 more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

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 credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (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 following criteria are generally not recoverable:

- 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.

**(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 credit-impaired includes observable data about the following events:

- (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);



**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. ACCOUNTING POLICIES (continued)**

**Impairment of financial assets (continued)**

(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 otherwise consider;

(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.

**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.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**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) 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.

**l) 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.

## LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. ACCOUNTING POLICIES (continued)

##### l) Employee benefits (continued)

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.

##### m) 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.

##### n) Share capital

Ordinary shares are classified as equity.

##### o) Critical accounting 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting will, by definition, seldom equal the actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

##### (i) Impairment of assets

The Company has significant investments in property, plant and equipment (including bearer crops), as set out in note 9. These assets are tested for impairment when circumstances indicate there may be a potential impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually.

Factors considered which could trigger an impairment review include a significant fall in market values, significant underperformance relative to historical or projected future operating results, a major change in market conditions or negative cash flows.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase. The Company has conducted an analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amounts of CGUs. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGUs.

##### (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 19.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. ACCOUNTING POLICIES (continued)**

**(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.

**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 2019:

**IFRS 16 LEASES**

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These right-of-use assets and lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17.

**Practical expedients applied**

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17.

**Adjustments recognised on adoption of IFRS 16**

The effect of adopting IFRS 16 on 1 January 2019 was to recognise additional right-of-use assets and lease liabilities in the sum of £439,319.

In doing so, the Company used an incremental borrowing rate of between 10.5% on lease terms with an average of 22 years. This had no impact on retained earnings.

The difference between lease liabilities of £439,319 and operating lease commitments previously disclosed of £1,071,854, is the effect of discounting of £632,535.

**Impact of IFRS 16**

For the year ended 31 December 2019:

- Depreciation expense increased by £16,810 relating to the depreciation of additional right-of-use assets recognised
- Rent expense decreased by £46,426 relating to previous operating leases
- Finance costs increased by £46,128 relating to the interest expense on additional lease liabilities recognised
- Income tax expense changed by £nil relating to the tax effect of those changes
- Retained profits decreased by £16,512 relating to the excess of interest and depreciation over rent expense and tax

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. ACCOUNTING POLICIES (continued)**

**Summary of new accounting policies**

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

**Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below £0.01 million). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**IFRIC 23 - Uncertainty over Income Tax Treatments**

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Company; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

Adoption of this standard did not have a material impact on the financial statements.

**Annual Improvements to IFRS Standards 2015–2017 Cycle**

**Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs**

The Annual Improvements includes amendments to:

**(i) IAS 12 Income Taxes**

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

**Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting**

The Company elected to early adopt these amendments clarifying the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The amendments ensure that the definition of material is consistent across all IFRS Standards.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**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**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations concluded that they will not have a material impact on the Company.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2019 £	2018 £
<b>2. REVENUE</b>		
Tea and Rubber Sales - Bangladesh	7,533,144	9,465,316
Recognised at a point in time	7,533,144	9,465,316
	2019 £	2018 £
<b>3. OPERATING (LOSS)/PROFIT</b>		
Is stated after charging:		
Depreciation of tangible assets	834,242	679,230
Right-of-use assets	16,810	-
Cost of inventories recognised as an expense (included in cost of sales)	1,034,914	655,895
Operating leases - lease payments: property		47,070
Employee costs	3,546,108	3,042,818
Fees payable to Deloitte LLP for the audit of the Company's annual accounts of £8,300 (2018: £5,000) were borne by Camellia Plc, the ultimate parent undertaking, without recharge.		
	2019 £	2018 £
<b>4. NET OPERATING EXPENSES</b>		
Administrative expenses	471,797	561,038
Other income - rent received and intra-group recharges	(73,444)	(115,849)
	398,353	445,189
	2019 £	2018 £
<b>5. INVESTMENT INCOME</b>		
Income from listed investments - dividends received	23,727	30,004
	2019 £	2018 £
<b>6. EMPLOYEES AND DIRECTORS</b>		
Staff costs:		
Wages and salaries	3,186,334	2,657,865
Employment benefit obligation costs	359,774	384,953
	3,546,108	3,042,818
	2019 Number	2018 Number
The monthly average number of persons employed by the company was:		
Management and administration	125	125
Sales and distribution	6	5
Production	6,671	6,499
	6,802	6,629
	2019 £	2018 £
Directors - aggregate emoluments	234,369	171,246
Emoluments of the highest paid director excluding pension contributions were £185,996 (2018: £151,182)		
The emoluments of Peter Field and Susan Walker are included in the financial statements of other group companies.		

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. DIVIDENDS**

2019	2018
£	£

Amounts recognised as distributions to equity holders in the year;  
Interim dividend for the year ended 31 December 2019 of £nil  
(2018: £nil) per share

**8. TAXATION**

2019	2018
£	£

The Company is resident for taxation purposes in Bangladesh.

**(a) Current tax**

UK Corporation tax:

UK Corporation tax at 19% (2018: 19%)

Double tax relief

-	977,829
-	(977,829)

Foreign tax:

Current tax on profits for the year

Deferred tax - origination and reversal of timing differences

349,515	747,372
(415,170)	986,916

Tax on (loss)/profit on ordinary activities

(65,655)	1,734,288
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Included within the tax charge is a provision amounting to £220,049 relating to withholding tax on prior year branch profit remittances from Bangladesh where the applicable rate of withholding tax is being contested.

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 the year**

The differences between tax calculated at the standard rate of taxation in the UK of 19% (2018: 19%) and that charged in the Financial Statements are explained below:

2019	2018
£	£

(Loss)/profit on ordinary activities before taxation

(1,025,382)	5,146,468
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Tax on (loss)/profit on ordinary activities at 19% (2018: 19%)

(194,823)	977,829
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Effects of:

Unrecognised deferred tax on losses

Income not subject to tax

Expenses not deductible for tax purposes

Adjustment in respect of foreign tax rates

Movement in other timing differences

194,823	-
-	(85,320)
129,466	18,344
-	823,435
(195,121)	-

Total tax (credit)/charge for the year

(65,655)	1,734,288
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**(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.



**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. PROPERTY, PLANT AND EQUIPMENT**

	Bearer plants £	Buildings £	Plant and Machinery £	Vehicles £	Fixtures, Fittings Tools and Equipment £	Assets in Course of Construction £	Total £
<b>Deemed Cost</b>							
At 1 January 2018	11,198,074	2,504,159	1,402,975	1,167,810	1,044,818	1,113,734	18,431,570
Transfers between categories	450,238	-	1,901	-	7,746	(459,885)	-
Currency retranslation	610,456	141,048	80,096	67,321	57,176	48,658	1,004,756
Additions	-	195,354	132,555	127,277	46,584	218,594	720,365
Disposals	(49,675)	-	-	(179)	(11,876)	-	(61,730)
At 31 December 2018	12,209,093	2,840,562	1,617,528	1,362,230	1,144,448	921,101	20,094,961
Currency retranslation	(618,170)	(147,127)	(82,247)	(70,631)	(58,322)	(45,021)	(1,021,518)
Transfers between categories	331,700	-	-	-	-	(331,700)	-
Additions	-	141,133	131,948	93,099	32,033	307,599	705,812
Disposals	(94,186)	-	(91,427)	(23,484)	-	-	(209,097)
At 31 December 2019	11,828,437	2,834,568	1,575,802	1,361,214	1,118,159	851,979	19,570,158
<b>Accumulated Depreciation</b>							
At 1 January 2018	1,432,714	1,285,448	996,768	970,242	739,411	-	5,424,583
Currency retranslation	92,376	71,892	55,466	54,716	40,748	-	315,198
Disposals	(22,957)	-	-	(129)	(7,811)	-	(30,897)
Charge for the year	407,035	88,347	61,965	77,367	44,516	-	679,230
At 31 December 2018	1,909,168	1,445,687	1,114,199	1,102,196	816,864	-	6,388,114
Currency retranslation	(111,950)	(78,600)	(54,332)	(58,162)	(41,997)	-	(345,041)
Disposals	(33,998)	-	(114,786)	-	-	-	(148,784)
Charge for the year	468,312	168,498	82,322	82,665	32,445	-	834,242
At 31 December 2019	2,231,532	1,535,585	1,027,403	1,126,699	807,312	-	6,728,531
<b>Net book value</b>							
At 31 December 2019	9,596,905	1,298,983	548,399	234,515	310,847	851,979	12,841,627
<b>Net book value</b>							
At 31st December 2018	10,299,925	1,394,875	503,329	260,034	327,584	921,101	13,706,847

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. RIGHT-OF-USE ASSETS**

	Land and Buildings £	Total £
Deemed cost		
Impact on adopting IFRS 16 at 1 January 2019	439,319	439,319
At 31 December 2019	<u>439,319</u>	<u>439,319</u>
Accumulated Depreciation		
Charge for the year	16,810	16,810
At 31 December 2019	<u>16,810</u>	<u>16,810</u>
Net book value		
At 31 December 2019	<u>422,509</u>	<u>422,509</u>

The Company leases many assets including land and buildings. The average lease term is 22 years. The maturity analysis of lease liabilities is presented in note 15.

	2019 £
Amounts recognised in the Statement of Comprehensive Income:	
Interest expense on lease liabilities	46,128

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2019 £	2018 £
<b>11. INVESTMENTS</b>		
Investments in subsidiaries of Camellia Group - at cost		
At 1st January	18,592	17,657
Exchange differences	(927)	935
At 31st December	<u>17,665</u>	<u>18,592</u>
Investments in associates of Camellia Group - at cost		
At 1st January	118,900	112,918
Exchange differences	(5,931)	5,982
At 31st December	<u>112,969</u>	<u>118,900</u>
<b>12. INVENTORIES</b>	2019 £	2018 £
Stock of tea	1,296,366	1,197,353
Stock of rubber	241,041	275,264
Estate stores	583,871	498,482
	<u>2,121,278</u>	<u>1,971,099</u>
<b>13. TRADE AND OTHER RECEIVABLES</b>	2019 £	2018 £
Due within one year		
Trade debtors	321,296	447,975
Other debtors	156,994	216,542
Amounts owed by group companies	231,703	425,987
Prepayments and accrued income	30,254	32,544
Interest receivable	25,490	111,262
	<u>765,737</u>	<u>1,234,310</u>
Due after more than one year		
Other debtors	<u>144,342</u>	<u>170,860</u>

No expected credit loss allowance was made at 31 December 2019 (2018: £nil) as no trade debtors were past their due date at 31 December 2019.

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

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2019	2018
	£	£
<b>14. BORROWINGS</b>		
Current:		
Term loans secured	1,021	5,449
Non-current:		
Bank loans (secured against property, plant and equipment and biological assets)	42,147	43,600
	<u>43,168</u>	<u>49,049</u>
The repayments of bank loans and overdrafts fall due as follows:		
Within one year	1,021	11,497
Between 1 - 2 years	12,238	12,881
Between 2 - 5 years	20,353	21,422
After 5 years	9,555	3,249
	<u>43,168</u>	<u>49,049</u>

Interest rates vary from 9.5% per annum to 13% per annum.

<b>15. LEASES</b>		
	2019	2018
	£	£
Maturity analysis		
Within one year	53,967	-
Between 1 - 2 years	53,967	-
Between 2 - 5 years	140,939	-
After 5 years	178,386	-
	<u>427,259</u>	<u>-</u>
Analysed as:		
Current	53,967	-
Non-current	373,292	-
	<u>427,259</u>	<u>-</u>

The Company does not face a significant liquidity risk with regard to its lease liabilities.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2019	2018
	£	£
<b>16. TRADE AND OTHER PAYABLES</b>		
Amounts falling due within one year		
Trade and other creditors	716,728	957,035
Accruals	846,523	-
Amounts owed to group companies	41,196	447,509
Interest payable	-	438
	<u>1,604,447</u>	<u>1,404,982</u>

<b>17. PROVISIONS</b>		£
At 1 January 2019		-
Transferred from Other creditors		242,029
Exchange differences		(19,825)
Provided in period		201,435
At 31 December 2019		<u>423,639</u>

The provisions are in respect of ongoing wage and bonus negotiations.

	2019	2018
	£	£
<b>18. DEFERRED TAX :</b>		
<b><u>ASSETS</u></b>		
At 1 January	74,288	1,004,375
Exchange differences	(18,876)	77,476
Credit/(charge) in statement of comprehensive income	455,757	(995,477)
Movement relating to retirement benefit obligations - included in other comprehensive income	<u>(159,079)</u>	<u>(12,086)</u>
At 31 December	<u>352,090</u>	<u>74,288</u>

The deferred tax asset at the start of the year relates to retirement benefit obligations and at the end of the year relates to retirement benefit obligations and Workers Profit Participation costs.

	£	£
<b><u>LIABILITIES</u></b>		
At 1 January	3,811,925	3,556,859
Exchange differences	(195,465)	263,627
Charge/(credit) in statement of comprehensive income	<u>40,587</u>	<u>(8,561)</u>
At 31 December	<u>3,657,047</u>	<u>3,811,925</u>
<b><u>NET</u></b>	<u>(3,304,957)</u>	<u>(3,737,637)</u>

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

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19. 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 plans are administered by separate funds that are legally separated from the Company. The plans 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 plans assets and the present value of the defined benefit liability were carried out as at 31 December 2019 by Ritobrata Sarkar, Fellow of the Institute of Actuaries, UK, of Willis Towers Watson India Private Ltd.

The principal rules of the Gratuity and Superannuation plans are:

- Benefit formula - percentage of last drawn basic salary multiplied by years of service.
- Form of payment - lump sum/monthly payments

**Assumptions**

The major assumptions used in the valuation (actuary's reports of 26 December and 30 January 2020) to determine the present value of the post-employment benefit obligations were as follows:

	2019 per annum	2018 per annum
Rate of increase in salaries	7.00%	7.00%
Discount rate applied to scheme liabilities	9.00%	7.50%
Pension increases	3.00%	3.00%

	Change in assumption	Impact on benefit obligation Superannuation	Impact on benefit obligation Gratuity
<b>Sensitivity analysis</b>			
Discount rate	+ 1%	-10.30%	-5.6%
Discount rate	-1%	12.60%	6.3%
Salary escalation	+ 1%	2.70%	6.4%
Salary escalation	-1%	-2.40%	-5.8%
Pension increase	+ 1%	9.70%	
Pension increase	-1%	-8.30%	

The expected total contributions to the Gratuity Scheme for the period ending 31 December 2020, is £44,103.

The weighted average duration of defined benefit obligation of the Gratuity plan is 6 years.

**Asset allocations are as follows:**

	Superannuation fund	Gratuity Scheme
Government saving certificate	12.06%	0.00%
Fixed deposits	87.36%	93.59%
Cash including special deposits	0.58%	6.41%

**Actuarial valuations**

	2019 £	2018 £
Debt securities	5,052,346	5,013,984
Cash	90,250	70,408
Total fair value of plan assets	5,142,596	5,084,392
Present value of defined benefit obligations	(4,865,551)	(5,286,191)
Total asset/(deficit) in the schemes	277,045	(201,799)

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19. EMPLOYMENT BENEFIT OBLIGATIONS (continued)**

	2019 £	2018 £
Amount recognised in the balance sheet	277,045	(201,799)
Related deferred tax asset - see note 18	352,090	74,288
Net surplus/(deficit)	<u>629,135</u>	<u>(127,511)</u>

	2019 £	2018 £
Movements in the fair value of scheme assets were as follows:		
At 1 January	5,084,392	4,742,718
Expected return on plan assets	367,961	353,654
Employer contributions	133,535	119,260
Contributions paid by plan participants	22,009	-
Benefit payments	(186,246)	(251,803)
Actuarial (loss)	(12,947)	(134,427)
Exchange movement	(266,107)	254,990
At 31 December	<u>5,142,597</u>	<u>5,084,392</u>

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

	2019 £	2018 £
At 1 January	(5,286,191)	(7,760,667)
Current service cost	(112,580)	(266,342)
Interest cost	(375,408)	(530,359)
Contributions paid by plan participants	(22,009)	-
Benefit payments	205,964	270,938
Actuarial gain	467,274	190,271
Curtailment gain	-	3,177,657
Exchange movement	257,399	(367,689)
At 31 December	<u>(4,865,551)</u>	<u>(5,286,191)</u>

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19. EMPLOYMENT BENEFIT OBLIGATIONS (continued)**

**Income statement**

The amounts recognised in the income statement are as follows:

	2019 £	2018 £
Amounts (charged)/credited to operating profit:		
Current service cost	(112,580)	(266,342)
Curtailment gain	-	3,177,657
Interest expense	(7,447)	(176,705)
<b>Total (charged)/credited to income statement</b>	<b>(120,027)</b>	<b>2,734,610</b>

Liabilities for workers profit participation in Bangladesh are charged to profit when the obligation arises. The amount of £880,405 (2018: £nil) charged related to prior years and has been recognised as a consequence of events in the current year.

**Statement of comprehensive income**

The amounts recognised in other comprehensive income are as follows:

	2019 £	2018 £
Re measurements:		
Return on plan assets, excluding amount included in interest	(12,947)	(134,427)
Gain from changes in financial assumptions	467,274	190,271
<b>Actuarial gain</b>	<b>454,327</b>	<b>55,844</b>

**20. SHARE CAPITAL**

Allotted, called up and fully paid

900,000 (2018: 900,000) shares of £1 each

	2019 £	2018 £
	900,000	900,000

**21. RECONCILIATION OF PROFIT FROM OPERATIONS  
TO CASH FLOW**

	2019 £	2018 £
Operating (loss)/profit	(1,131,311)	5,130,345
Depreciation	851,725	679,231
(Increase)/decrease in inventories	(258,450)	14,697
Decrease in debtors	178,614	207,011
Increase in creditors	791,692	389,410
Change in intra-group balances	(219,329)	248,766
Difference between employee benefit obligations funding contributions and costs charged	-	(3,160,728)
Loss on disposal of property, plant and equipment	59,113	30,136
Exchange adjustments	294,087	(28,023)
<b>Cash flow from operations</b>	<b>566,141</b>	<b>3,510,845</b>



**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**22. COMMITMENTS**

The Company leases land under non-cancellable operating lease arrangements, which have various terms and renewal rights. These leases were reclassified to lease liabilities on 1 January 2019.

	2019 £	2018 £
Land		
Within 1 year	-	46,426
Between 1-5 years	-	159,335
After 5 years	-	866,093
	<u>-</u>	<u>1,071,854</u>

**23. 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 14, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

**Categories of financial instruments**

	Carrying value	
	2019 £	2018 £
<b>Assets as per Balance Sheet</b>		
Loans and receivables		
Cash at bank and in hand	4,003,666	4,855,345
Trade and other receivables excluding prepayments	879,825	1,372,626
	<u>4,883,491</u>	<u>6,227,972</u>
<b>Liabilities as per Balance Sheet</b>		
Other financial liabilities at amortised cost		
Borrowings	43,168	49,049
Lease liabilities	427,259	-
Trade and other payables excluding taxation	1,604,447	1,404,982
	<u>2,074,874</u>	<u>1,454,031</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.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**23. 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.

**24. 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 - web address: [www.camellia.plc.uk](http://www.camellia.plc.uk). Both companies have their 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.

**LUNGLA (SYLHET) TEA COMPANY, LIMITED (THE)**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**25. RELATED PARTY TRANSACTIONS**

Related party transactions in respect of intra-group sales and recharges which are included within revenue and cost of sales are as follows:

Company Name	Sales £	Purchases £	Recharges £	Balance £
Mazdehee Tea Company, Limited (The)	-	(575)	149,111	11,422
Chandpore Tea Company Limited (The)	-	-	93,539	28,380
Surmah Valley Tea Company Limited	-	(52,079)	253	10,165
Amo Tea Company Ltd	-	-	-	93,539
Allynugger Tea Company, Limited (The)	-	(35,787)	(65)	63,955
Duncan Brothers (Bangladesh) Ltd	-	-	(29,381)	(8,694)
Eastland Camellia Ltd	-	-	-	18,587
Duncan Products Ltd	-	-	-	4,878
Duncan Properties Ltd	-	-	-	777
Lawrie Group plc	-	-	-	(26,911)
Octavius Steel & Company Ltd	-	-	-	(5,591)
	-	(88,441)	213,457	190,507

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

**26. 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.

**27. MATERIAL PROFIT OR LOSS ITEMS**

The Company has identified items which are material due to the significance of the amounts. These are listed separately here to provide a better understanding of the financial performance of the Company.

	2019 £	2018 £
Curtailment gain credited to Cost of Sales	-	(3,177,657)
Workers Profit Participation	880,405	-
	<u>880,405</u>	<u>(3,177,657)</u>

The Workers Profit Participation charge relates to prior year obligations and has been recognised as a result of regulatory developments in the current year.

The curtailment gain in 2018 reflects a change to the labour laws in Bangladesh which has exempted the tea industry from the requirement to pay certain post-employment benefits.

**28. SUBSEQUENT EVENTS**

**COVID-19**

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March, the UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The first large falls in stock markets occurred in early March. The Company has therefore concluded that the impact of the virus and the necessity for large scale Government interventions (both in the UK and Bangladesh) in response to COVID-19 only became apparent after the balance sheet date and therefore that the consequences of such interventions represent nonadjusting post balance sheet events. The full financial impact of the crisis for 2020 is impossible to predict with any degree of certainty.

However, it is likely that in addition to the potential impacts on our revenues and profitability in 2020, the carrying values of a number of our balance sheet items may be affected.