

# CAMELLIA PLC

## FINAL RESULTS

Camellia Plc (AIM:CAM) Final results for the year ended 31 December 2018.

### Malcolm Perkins, Chairman, stated:

"2018 was a very good year for the Group. We made significant financial and strategic progress as our agricultural crops benefited from generally good weather conditions and selling prices. We also continued to develop our business portfolio, with substantial investment continuing in agriculture whilst disposing of a number of peripheral businesses.

After the year end we acquired two tea estates in Assam which we believe now makes us the largest private tea producer in the world.

Looking at 2019, it is too early to predict outcomes as most of our trading takes place in the second half of the year. However, early tea auction prices have been weak, with those in Kenya below the cost of production and there is a risk that other tea markets could be impacted as their seasons begin. We continue to monitor and prepare for Brexit and whilst we expect there to be some impact on our UK businesses, we are confident that the majority of our operations will be largely unaffected."

### FINANCIAL HIGHLIGHTS

	Year ended 31 December 2018 £'m	Year ended 31 December 2017 £'m Restated
Revenue – continuing operations	309.8	298.3
Underlying profit before tax*	38.1	27.6
Significant provision releases	14.4	-
(Loss)/profit from discontinued operation	(0.2)	14.8
Profit after tax for the year	32.3	30.2
Earnings per share	912.4 p	861.7 p
Earnings per share – continuing operations	919.6 p	325.9 p
Total dividend for the year	142 p	135 p

\* Underlying profit before tax is profit before tax from continuing operations excluding separately disclosed significant provision releases

### Financial highlights

- Underlying profit before tax from continuing operations up 38% reflecting the implementation of our strategy, benign weather and good tea prices
- Significant provision releases contribute an additional £14.4m of profit before tax
- Dividend increased by 5.2%, maintaining over 40 years of dividend growth
- Net cash resources of £109.6m

### Strategic highlights

- Continuing investment in agricultural assets including two new trials for avocados and blueberries

- Significant steps to continue our geographic diversification
- Now the world's largest private tea grower
- Successful disposals of five small non-agricultural businesses

This announcement contains inside information for the purpose of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

The Annual Report will be available on the investor relations section of the Company's website [www.camellia.plc.uk](http://www.camellia.plc.uk)

## ENQUIRIES

### Camellia Plc

01622 746655

Tom Franks, Chief Executive  
Susan Walker, Chief Financial Officer

### Panmure Gordon (UK) Limited

020 7886 2500

Nominated Adviser and Broker  
Erik Anderson  
Emma Earl

## CAMELLIA AT A GLANCE

Camellia Plc is an international Group – a global family of diverse companies with a 131-year history employing approximately 78,000 people worldwide. Our operations are in Agriculture, Engineering, Food Service and Investments. From the start, Camellia's ethos has been based on the highest moral and professional integrity, and a commitment to doing the right thing – ethically and commercially, globally and locally. Profits are our lifeblood but not our soul.

### *Our business is built on two fundamental principles:*

- **Long-termism.** We see ourselves as custodians, holding our business in trust for future generations. We believe we have a responsibility to ensure the stability, security and continuity of all our businesses, so they can be passed on to the next generation as enduring operations. We recognise that people and businesses take time to establish and grow to their full potential and we are happy to wait for that to happen. We are deeply committed to improving the long-term stability and well-being of our businesses, the communities and the environments in which we operate.
- **Sustainability.** We are committed not only to the ultimate welfare of our employees but also to the communities in which they live. We believe our businesses can and should grow with respect and care for the environment rather than at the cost of it. We proactively invest in ensuring that the environments where we do business are continually protected and improved, and seek to minimise the impact of our business on the environment.

The profit after tax from continuing operations in the year to 31 December 2018 was £32.5 million (2017: profit £15.4 million) and the Segment trading profit and loss information set out below is extracted from note 1 on page 57 of the Accounts.

### *Our business is made up as follows:*

## AGRICULTURE

**2018: Revenue – £245.3 million, Segment trading profit – £51.0 million**

		Mature Area	Immature Area
<b>Core crops</b>	<i>Locations</i>	<i>Ha</i>	<i>Ha</i>
Tea	India, Bangladesh, Kenya, Malawi	32,145	2,598

Macadamia	Kenya, South Africa, Malawi	2,744	960
Avocados	Kenya	415	303
<b>Speciality crops</b>			
Arable	Brazil	3,477	-
Forestry	Kenya, Malawi, Brazil	2,293	3,689
Rubber	Bangladesh	1,610	365
Citrus	USA	169	8
Pistachios	USA	131	-
Wine grapes	South Africa	50	23
Almonds	USA	56	-
Blueberries	Kenya	-	10*
<b>Other</b>			
Joint Projects	Kenya	1,580	
Livestock	Kenya	4,436 head	

\* planted in 2019

## ENGINEERING

**2018: Revenue - £22.2 million, Segment trading loss - £0.6 million<sup>1</sup>**

<i>Subsidiary</i>	<i>Locations</i>
Abbey Metal Finishing and Atfin	UK, Germany
AJT Engineering	UK

<sup>1</sup> Includes the results for GU Cutting & Grinding, BMT (Great Yarmouth) and XiMo which were sold during 2018

## FOOD SERVICE

**2018: Revenue - £41.5 million, Segment trading profit - £1.6 million<sup>1</sup>**

<i>Subsidiary</i>	<i>Locations</i>
ACS&T	UK
Jing Tea	UK

<sup>1</sup> Includes the results of Affish and Wylax which were sold during 2018

## INVESTMENTS

<i>Investment type</i>	<i>Locations</i>	<i>Market value at 31/12/18 £'m</i>
Investment Portfolio	Global	39.6
Investment Property Collections	UK, Malawi, Isle of Man, Brazil UK, India	23.7 9.5*

\* Collections are stated at cost

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## ASSOCIATES

2018: Share of results after taxation – £7.6 million

	<i>Location</i>	<i>Activity</i>	<i>Holding %</i>
BF&M	Bermuda	Life and Non-life insurance	37.2
United Finance	Bangladesh	Banking	38.4
United Insurance	Bangladesh	Non-life insurance	37.0

## DIRECTORS AND ADVISERS

<b>Directors</b>	Malcolm Perkins, FCA Chris Relleen, FCA  Tom Franks, FCA Graham Mclean, MSc Susan Walker, FCCA William Gibson Frédéric Vuilleumier Gautam Dalal, FCA (i) Audit committee (ii) Remuneration committee (iii) Nomination committee	<i>Chairman (iii)</i> <i>Deputy Chairman, independent non-executive Director and senior independent Director (i) (ii) (iii)</i> <i>Chief Executive</i> <i>Director of Agriculture</i> <i>Chief Financial Officer</i> <i>Independent non-executive Director (i) (ii) (iii)</i> <i>Independent non-executive Director</i> <i>Independent non-executive Director (i)</i>
<b>Group General Counsel &amp; Company Secretary</b>	Amarpal Takk, LLB	
<b>Registered office</b>	Linton Park Linton Maidstone Kent ME17 4AB	
<b>Registered Number</b>	00029559	
<b>Nominated adviser and broker</b>	Panmure Gordon (UK) Limited One New Change London EC4M 9AF	
<b>Registrars</b>	Link Asset Services The Registry 34 Beckenham Road Kent BR3 4ZF	
<b>Independent auditors</b>	Deloitte LLP Statutory Auditors 1 New Street Square	

London EC4A 3HQ

**Website** [www.camellia.plc.uk](http://www.camellia.plc.uk)

## CHAIRMAN'S STATEMENT

I am pleased to report the results for 2018, which reflects a profit before tax from continuing operations of £52.5 million and which includes two significant provision releases amounting to £14.4 million (2017: profit before tax from continuing operations £27.6 million).

Trading during 2018 was generally strong and reflected not only good weather and some firm markets but also the progressive investment that we have been making in our businesses. Our tea operations saw exceptional outputs, with record production of 103mkg. Our two other core crops also performed well, and with more benign weather, the macadamia crop improved in volume and we achieved a record avocado harvest. Our UK businesses also returned to a collective profit.

As set out in more detail in the Chief Executive's report, we made a number of acquisitions and disposals in the year as we continue to refine and adapt our business portfolio in line with our strategy. A majority shareholding in Jing Tea was acquired and we also entered into agreements to purchase two farms in Tanzania. In an important development after the year-end, we acquired two tea estates in Assam, which, together with our existing estates, we believe makes us the largest private tea producer in the world. These are long-term projects in line with our strategy to diversify our production footprint and add value to our products.

Whilst the results for the year were encouraging, we remain alert to global economic uncertainties and the potential challenges that we may face. Climate change and political instability continue to be major concerns and the steps that we are undertaking to help mitigate the effects of these are set out in the Chief Executive's report.

Overall, 2018 was a very good year for the Group in terms of both strategic execution and financial performance. With our strong market positions in our core crops and significant net cash resources, we are well placed to take advantage of any opportunities which uncertain markets may present.

### **Dividend**

Your Board is recommending a final dividend of 102p per share which, together with the interim dividend already paid of 40p per share, brings the total distribution for the year to 142p per share compared with 135p per share for 2017.

### **Outlook**

During 2019 we will consolidate the progress made in 2018 as we continue to invest in our business and integrate the new acquisitions. Whilst it remains too early to make meaningful comments about individual crops, tea auction volumes in Kenya have been very high for some months with average sale prices below the cost of production since November which is of some concern. Furthermore, these volumes are impacting the prices in Malawi and there is a risk that our other tea markets could be adversely affected as their seasons begin. We continue to monitor and prepare for Brexit and, whilst we expect there to be some impact on our UK businesses, we are confident that the majority of our operations will be largely unaffected.

### **Staff**

As always, my thanks go out to all our staff for their efforts in 2018.

### **Malcolm Perkins**

Chairman

10 April 2019

## CHIEF EXECUTIVE'S REPORT

### **OVERVIEW**

2018 saw the continuing development of Camellia whilst staying true to our roots of building a long-term sustainable business. We were fortunate in that we experienced broadly benign weather conditions

across most of our agricultural operations, and it is pleasing to be able to demonstrate that our continued investment in agriculture is delivering financial returns. One-off weather events resulting from climate change remain a risk and therefore it continues to be a priority to invest in climate mitigators such as dams and irrigation and to increase the diversification of our production geographies.

Overall, I believe that whilst international trade may become more difficult in the short-term, demand for our agricultural produce from an increasingly affluent, urbanising, health conscious consumer will continue to rise. The potential addition of blueberries to our speciality crop portfolio (as described below) reflects our strategy to benefit from these trends.

Whilst the weather has played a key role in the exceptional tea crop, the investments that we have been making in our estates and our factories have enabled us to capitalise on that crop. Likewise, after consecutive drought years, macadamia volumes were up by 45%, but we have the infrastructure in place to handle these volumes. 2018 also saw a change in the market for tea, whereby almost all the UK major tea brands are now disclosing the names of the estates from which they buy. This is a welcome development and I am pleased to confirm that our estates are on those lists.

During the year we continued to build on our strengths by investing and diversifying our agricultural base both by geography and crop. In the other divisions we are investing in areas where we can add value to our products and divesting where we do not believe that the business is core to our future.

### **Acquisitions and Investments**

- During the year we signed contracts to purchase two farms in Tanzania for development into avocado and macadamia orchards. This will be the Group's first investment into Tanzania and reflects our desire to expand our core crop production volumes and diversify our geographic footprint. Development of these farms, which are currently green field sites with approximately 1,200Ha of development potential, will take some years.
- After the year-end, we purchased two tea estates in Assam; Bargang and Harchurah. These are both well-known and respected marks and will help to balance our portfolio of teas from India.
- We are investing in two important trials. We planted 23Ha of avocado near Kitale in Kenya which, if successful, could lead to a development of 600Ha. We have also planted a trial of 10Ha of blueberries at Kakuzi in Kenya. This is the first time we have trialled blueberries and, if successful, we have the opportunity to expand the trial substantially.
- Outside of the Agriculture division we made two acquisitions. We purchased a majority stake in Jing Tea and the whole of Black Gold Oil Tools. Jing Tea is a UK based branded speciality tea business which will help us to distribute our high-end teas more profitably and bring us closer to our consumers. Black Gold Oil Tools is an oilfield services company based in Aberdeen which brings an additional line of business to AJT Engineering.

The projects highlighted above, particularly in the Agriculture division where we already have significant development commitments, will require substantial further investment. I am therefore pleased that our balance sheet remains strong and that we have the resources available to complete these projects.

### **Divestments**

During the year we completed the sales of GU Cutting and Grinding, BMT (Great Yarmouth) and XiMo, all of which were referenced in the annual report and accounts for 2017.

We also disposed of our interests in Affish and Wylax, the Dutch fish trading businesses which no longer fitted with our strategy.

### **Financial Performance**

The underlying profit before tax from continuing operations (i.e. before taking account of the two provision releases described below) amounts to £38.1 million, up 38% on the comparable result for 2017. Whilst we will not always be fortunate enough to experience the benign weather that we had in 2018, it clearly demonstrates that as we grow and diversify our agricultural operations and focus our non-agricultural businesses, we are able to enhance our profitability and therefore our dividend.

We also recorded the following significant provision releases:

- A one-off gain of £9.0 million arising from the release of post-employment benefit provisions which are no longer required. This reflects a change to the labour laws in Bangladesh. We continue to provide for and pay pensions and gratuities in Bangladesh in accordance with local requirements.
- Progress on wage negotiations for prior years across our agricultural operations has resulted in a £5.4 million gain arising from the release of provisions no longer required.

## **BUSINESS STRATEGY**

The overall Group strategy, which is set out on page 19, remains unchanged with each division expected to perform against an agreed divisional strategy with goals and targets for the short, medium and long-term. These are summarised below.

### ***Agriculture***

*Core crops.* To focus on our core crops of tea, macadamia and avocado where we have scale and geographic diversity. Where appropriate opportunities arise, to add to our production capability in these three crops, as well as to make aligned acquisitions and investments to enable us to capture more of the value chain.

*Speciality crops.* To maintain our portfolio of speciality crops in order to retain the diversity of location and crop which has historically proven so valuable in diversifying the Group's political and commodity price risk.

### ***Engineering***

*AJT Engineering.* To take advantage of the recovering oil sector whilst diversifying into adjacent sectors in order to create a sustainably profitable engineering business focused on the energy sector.

*Abbey Metal Finishing and Atfin.* To continue to grow both businesses as quality suppliers to the aerospace industry.

### ***Food Service***

*ACS&T.* To continue to operate as a niche high quality business in the storage and distribution of frozen foods, aiming to achieve critical mass by profitable growth and if appropriate, acquisition.

*Jing Tea.* To grow the existing respected small brand into a larger, more profitable distributor and retailer of speciality teas internationally.

### ***Investments***

*Investment Portfolio.* The Group has a portfolio, principally of listed investments, the strategy for which remains to invest in high quality companies where we believe that there is long-term value. This portfolio also enables us to balance our geographic risk exposure.

*Investment Property.* The strategy is to continue to invest in quality assets where an appropriate yield may be realised. The process of developing some of our existing properties to enhance yield will continue.

*Collections.* The Group has collections of art, philately and manuscripts which are regularly reviewed and are added to or sold as appropriate.

### ***Associates***

The Group has three associate companies in the financial services sector of which BF&M, the listed Bermudian insurance business is the most significant. With all our associates, we continually monitor our investment and may increase or decrease our holding in the future.

## **PERFORMANCE**

### ***Agriculture***

#### ***Tea Production***

2018 saw the Group's highest ever production levels through our own and managed factories. Total made tea produced was 103mkg (2017: 95mkg) which was a record for the Group.

<i>Mature area</i>	<i>Immature area</i>	<i>2018 Volume</i>	<i>2017 Volume</i>
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	<i>Ha</i>	<i>Ha</i>	<i>mkg*</i>	<i>mkg*</i>
India	14,361	1,435	28.1	27.6
Bangladesh	8,578	543	12.8	13.6
Kenya	4,074	80	14.4	13.5
Malawi	5,132	540	19.1	17.0
Total	<u>32,145</u>	<u>2,598</u>	<u>74.4</u>	<u>71.7</u>

\* Estate volumes only, in addition 24.2mkg of Bought Leaf tea was produced (2017: 19.3mkg) and a further 4.5mkg was produced for managed clients (2017: 4.0mkg)

### ***Tea pricing and operations***

#### *India*

Overall, India produced record volumes of tea in 2018 as a result of higher Bought Leaf volumes purchased by Jogopur factory which was expanded last year. Our own estate production was up 3% on 5 year average volumes and Bought Leaf volumes were at record levels, up 48% on 2017 at 8.4mkg.

Average tea prices were generally up on last year across all regions and our average selling price was 7% up on the prior year. However, this increase was not sufficient to offset multiple mid-year interim wage increases totalling 33% in West Bengal and 22% in Assam.

It is encouraging that the Darjeeling region has recovered well from the extended strike in 2017 with good quality teas and strong prices being achieved throughout the year. As part of our investment in Darjeeling and our commitment to reducing our carbon footprint, two factories have been converted from coal to Liquid Natural Gas as a heat source for drying and a hydro-electric generation system has been commissioned at Castleton.

The packet tea operation saw consolidation of the Tea City acquisition made in 2017, a brand development strategy being rolled out and our sales footprint expanded. Sales volumes grew 14% during 2018 to 10.4mkg.

The replanting programme continued with 227Ha completed and a further 205Ha uprooted for replanting at a later date.

#### *Bangladesh*

The Bangladesh tea crop was down on 2017 by 6% at 12.8mkg, as a result of a generally drier year.

The market however was very strong with exceptional prices being attained from August through to November. Our average prices were up 38% on the prior year.

Operationally, good progress has been made on the replanting and infilling programme with two 'super-nurseries' being established, one of which is the largest in Bangladesh. The replanting and extension programme continued with 161Ha being completed in the year and an additional two million plants were used for infilling.

In order to process the anticipated increase in crop, Luskerpore factory was upgraded in the year.

#### *Kenya*

Tea production (including smallholders and managed clients) was up on 2017 by 10% and was our second highest production year ever. This trend however was reflected across Kenya resulting in record national production and as a result prices have been under pressure. Auction volumes at Mombasa in the year were at a record high of 458mkg, easily surpassing 2016's record of 408mkg. Our auction prices peaked in February but have declined since then and from November have been below our cost of production. Our average selling price for the year was 6% below that of 2017.

Disappointingly, whilst there has been some progress, the 2014/15, 2016/17 and 2018/19 Collective Bargaining Agreements have still not been agreed although discussions with the union are ongoing. As ever, these delays cause uncertainty for us and frustration for the workforce.

As reported last year, we continue to invest in field and factory technology and our new mechanical harvester is now being field trialled. Successful trials have also been conducted on a continuous withering



system leading to plans for further investment in this technology. We also installed a new fluid bed drier in Kepchomo factory which has proved successful in reducing energy requirements whilst improving tea quality.

We replanted a total of 41Ha in 2018 (2017:16Ha) and uprooted a further 49Ha for replanting in 2019. The replanting program has been mechanised significantly to improve productivity.

#### *Malawi*

As a result of ideal weather conditions with excellent rainfall and the return of the winter 'chiperoni', Malawi produced a consecutive record crop (including smallholders) for the year of 22mkg, up 13% on 2017. Encouragingly, our average prices were up 3% on 2017 and the market showed strong demand for Malawi teas in 2018 despite the oversupply of tea at the Mombasa auction.

Developments included expanding the withering at Ruo factory and replanting a total of 106Ha in 2018 (2017: 99Ha).

Eastern Produce Malawi now produces about 42% of Malawi's total tea production and is therefore a key stakeholder in the MOU 2020 process (a coalition of producers, buyers and NGOs seeking to revitalise the industry and working towards a sustainable wage rate for employees). Wage negotiations and a collective bargaining agreement were successfully concluded during 2018, awarding 22% wage increases during the year. During 2018 we saw continued progress on women's empowerment programs, farmer field schools, and the introduction of improved nutrition provision in the daily meal. These developments are positive for us, the industry in Malawi and the workforce and their communities. The tea industry in Malawi is however critically dependent on the continued support of the international tea buyers at the Malawi auction if it is to continue these developments.

#### **Macadamia Production**

Macadamia production in 2018 increased substantially as weather conditions improved. With the trees still recovering from two dry years, yields remain below optimal levels but we are optimistic as to their eventual recovery with favorable weather conditions.

	<i>Mature area Ha</i>	<i>Immature area Ha</i>	<i>Volume 2018 Tonnes</i>	<i>Volume 2017 Tonnes</i>
Malawi	1,296	212	472	329
South Africa	863	301	429	273
Kenya	585	447	229	178
Total	<u>2,744</u>	<u>960</u>	<u>1,130</u>	<u>780</u>

#### **Macadamia Pricing**

Despite the increased volumes from Africa, Macadamia prices in the year remained firm and for certain grades increased by as much as 23%. Our average selling price for the year was 18% ahead of 2017.

#### **Macadamia Operations**

##### *Malawi*

Volumes were 43% up on 2017, a significant improvement although still 19% below our best year in 2014. Early indications for 2019 volumes are that they will be broadly in line with those of 2018.

##### *South Africa*

Production volumes were 57% up on 2017. Developments included completion of the third phase of the Zetmac cracking facility renovation and upgrade, and continuing work on the Mambedi dam. In 2018, 80Ha were planted on Mambedi estate.

Regrettably with regard to the Wales estate, which amounts to 191Ha of mature macadamia, we have made no progress towards renewing the lease for the property. Dialogue continues with the claimant community, however it is now likely that the 2019 harvest will be the last from this estate.

##### *Kenya*

Production volumes were 29% up on 2017 as a result of improved weather and maturing orchards. Developments included 6Ha of new planting.

### **Avocado Production**

	<i>Mature area Ha</i>	<i>Immature area Ha</i>	<i>Volume 2018 mkg*</i>	<i>Volume 2017 mkg*</i>
Kenya	415	303	11.0	7.3

\* Estate volumes only. In addition, 5mkg of smallholder fruit was received (2017: 0.9mkg)

### **Avocado Pricing and Operations**

2018 was a very good year for avocado production with a record 2.8 million exported cartons. Our own estate Hass avocado production was 2.1 million cartons and there was also a record volume of smallholder Hass exported at over 0.5 million cartons, with other varieties making up the remainder.

However, Kenya was not the only country to see very large volumes of fruit. From May, unprecedented volumes of avocados arrived in Europe from Peru and South Africa, and as a result the prices in the European market came under severe pressure. Over the year our average estate Hass prices were down about 40% on 2017 with a consequential impact on profitability.

During the year we planted an additional 25Ha of Hass avocados and 73Ha of Pinkerton avocados which brings the total planted area to 718Ha. In addition, the planting of a 23Ha trial of avocados near Kitale in Kenya was completed and, so far, the trees are doing well. If this trial proves successful there is a total of 600Ha which may be planted.

### **Speciality Crops Production**

	<i>Mature area Ha</i>	<i>Immature area Ha</i>	<i>Volume 2018 Tonnes</i>	<i>Volume 2017 Tonnes</i>
Arable (Brazil)	3,477	-	31,445	24,472
Rubber (Bangladesh)	1,610	365	649	640
Citrus (USA)	169	8	3,773	8,851
Pistachio (USA)	131	-	712	30*
Wine grapes (South Africa)	50	23	317	444
Almonds (USA)	56	-	111	100
	*	*		
Pineapples (Kenya)	*	*	404	1,414
			<i>m<sup>3</sup></i>	<i>m<sup>3</sup></i>
			**	**
Forestry	2,293	3,689	47,767*	93,758*
			<i>Nº of births</i>	<i>Nº of births</i>
Livestock		4,436	948	912

\* 2017 was an 'off' year for Pistachios

\*\* Pineapple production was phased out during 2018

\*\*\* Volumes quoted are for conversion to value addition products rather than fuel wood for our own use

### **Speciality Crops, Pricing and Operations**

#### **Arable**

Soya volumes were down about 3% on the record levels of 2017 but Maruque farm in Brazil managed to produce the highest yields in the district. Soya prices were slightly down on last year. Maize was planted on a larger area this year and as a result, volumes were up by 25%. Average prices were up by 26%.

#### **Rubber**

Rubber is grown on areas of the tea estates unsuited for growing tea. Production in 2018 was slightly ahead of 2017 but prices remain below the cost of production.

#### *Citrus*

Following last year's exceptional crop, volumes of Murcotts were significantly down this year but this was offset in part by an excellent Navel orange crop which also fetched good prices.

#### *Pistachio*

2018 was an 'on' year for Pistachios and volumes and prices were in line with expectations.

#### *Wine*

2018 started disappointingly as the severe drought in the Cape region of South Africa reduced bulk wine production by 39%. However, a new marketing strategy and the appointment of a new international agent saw sales rise by 25%. During the year 8Ha of vines were replanted bringing the total planted area to 73Ha.

#### *Almonds*

The almond crop was a little behind expectations following a heavy frost in the middle of flowering in 2018.

#### *Forestry*

Production of eucalyptus in Brazil reduced substantially, as did prices, reflecting muted demand during the year and a one-off large contract delivered during 2017.

#### *Livestock*

Livestock sales remained in line with that of the prior year with prices increasing marginally.

#### *Blueberries*

In a new crop for us, we have established a 10Ha blueberry trial at Kakuzi in Kenya. These plants are grown in pots in polytunnels and therefore require extensive infrastructure, however this means that they can be grown on otherwise unproductive areas of the farm. Following completion of the infrastructure, planting commenced in January 2019. If successful, there are substantial additional areas of Kakuzi which could be developed.

In total, the Agriculture division made a segment trading profit of £51.0 million (2017: £35.6 million) on revenue of £245.3 million (2017: £239.4 million), as set out in note 1 to the Accounts.

### ***Engineering***

AJT Engineering had a slower than anticipated start to 2018 but improved as the year progressed. Revenue for the year rose by 82% to £13.3 million. During the year AJT Engineering acquired a small company, Black Gold Oil Tools, which provides an additional aligned revenue stream as well as an adjacent site which will allow the separation of machining and fabrication activities.

Abbey Metal Finishing had slightly increased revenue in the year but with a reduced margin. Atfin's revenues increased 6% in the year and margins improved reflecting economies of scale.

BMT (Great Yarmouth), GU Cutting and Grinding and XiMo were sold during the year.

In total, the Engineering division made a segment trading loss of £0.6 million (2017: trading loss £2.6 million) on revenue of £22.2 million (2017: £20.5 million), as set out in note 1 to the Accounts.

### ***Food Service***

With its estate of cold stores effectively at maximum capacity, additional transport contracts saw ACS&T revenues increase 7% on 2017. However, there was a minor reduction in profitability as a result of changes to the business mix and provisions for dilapidations.

Jing Tea traded in line with expectations and made a small loss for the year as it invested in line with its expansion strategy.

The remaining food service businesses were disposed of during the year.

In total the Food Service division made a segment trading profit of £1.6 million (2017: £1.8 million) on revenue of £41.5 million (2017: £37.8 million), as set out in note 1 to the Accounts.

### **Investments**

*Investment Portfolio.* The gains on sale for the year were £0.4 million (2017: £0.7 million). Due to the implementation of IFRS 9, £0.3 million of this gain was reflected in the Income Statement and £0.1 million in the Statement of Comprehensive Income. The total value of the portfolio at 31 December 2018 was £39.6 million (2017: £47.0 million). The reduction reflects a number of disposals in the year and the weakening in the equity markets in the second half of 2018.

*Investment Property.* We continue to work on our estate of investment property in order to maximise the value and the yield. Two properties on the Linton Park Estate were converted to residential, whilst another property was acquired and is now being refurbished ready for rental.

*Collections.* The collections are held at cost. A number of minor additions and disposals were made during the year.

### **Associates**

BF&M experienced an improvement in its trading performance mainly as a result of a fall in claims payable in the year, 2017 having been impacted by two category 5 hurricanes in the Caribbean. As a result, BF&M's profit before tax was Bermudian Dollar 18.7 million (2017: Bermudian Dollar 1.9 million).

Our two associate companies in Bangladesh, United Insurance and United Finance, produced satisfactory results, broadly in line with expectations.

In total, our share of the results of associates amounted to £7.6 million (2017: £2.0 million).

### **POLITICAL, LEGISLATIVE AND LEGAL ISSUES**

The Group is present in many jurisdictions and is subject to local legislation. We previously disclosed that at the start of 2016 the Government of Malawi put forward new legislation which proposed, inter alia, the conversion of all freehold property into 50 year leaseholds. The final legislation has now been published and I am pleased to say carries no such provisions.

In 2018, the Kenyan National Land Commission was asked by a small number of claimant groups to investigate historical land injustice claims concerning lands registered in the name of Kakuzi and Eastern Produce Kenya. The land claims have been refuted through the Kenyan legal system. A constitutional petition has been filed and also a request to stay the proceedings of the National Land Commission until the legal position has been determined. We continue to keep the situation under review.

### **Brexit**

Brexit and the potential impact across the Group is something for which we have been preparing over the last two years. The significant uncertainty as to the precise structure and timing of any eventual Brexit continues to pose challenges for these preparations.

Whilst we expect there to be some impact on our UK operations, we are confident that the majority of our operations will be largely unaffected. The direct impact of a no-deal Brexit on our Group primarily arises from potential import and export tariffs, changes to the way trade flows between the UK and rest of the world and, from a financial perspective, the volatility of exchange rates.

Apart from our operations in Malawi and Kenya, none of our Agriculture businesses sell directly into the UK. In Malawi and Kenya, we sell a relatively small proportion of our produce into the UK. Current UK Government guidance suggests that no tariffs will be imposed on UK black tea imports, while imports of macadamia are expected to incur tariffs at 2% and avocados at 4%. Undoubtedly these additional costs will be shared by the participants in the supply chain, if they arise. Our Agriculture operations are not reliant on the UK for supplies of materials or equipment.

Our UK based operations are likely to see higher costs from import duties. However, in the short term the issue is likely to be disruption to the supply of raw materials, chemicals and parts. As a contingency, all the UK operations have increased their stock holding to provide a buffer. Export activity is limited, except at Abbey Metal Finishing where a material proportion of sales are to the EU. A no-deal Brexit could result in delays to sales and an increase in working capital requirements if there is disruption at the ports, and margin pressure as a result of import duties incurred by customers. Jing imports tea from Asia and its green tea imports to the UK may be subject to tariffs at 3%, however this is not currently a material element of that business.

Our investment portfolio has minimal direct exposure to UK markets. However its value may be impacted by the effect of volatility in exchange rates and in financial markets more widely.

In addition, there is a potential risk that we could incur additional tax costs e.g. if we are unable to recover VAT on purchases from the EU or if there are changes to withholding tax rates on dividends received from any of our overseas subsidiaries.

### **CAPITAL INVESTMENT AND DEVELOPMENT**

We continued to invest in our assets during the year and £17.4 million was spent on property, plant, equipment and investment property (2017: £15.0 million). Key projects are referred to in the operational reports above. A further £4.3 million (2017: £6.0 million) was invested in bearer crop and forestry plantings.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

Sustainability, whether it is environmental or social is fundamental to the ethos of Camellia. Many of our operations have histories going back over 100 years and we continue to invest in them for the long-term. Ensuring, therefore, that the environments and communities on which we depend are maintained and enhanced is key to our future.

This year, for the first time we will also be publishing on our website a separate Environmental, Social and Governance report. This report will allow us to add more detail as to the breadth and scale of activities that we undertake in this area and highlight our commitment to it. Further guidance on our approach to Governance, Sustainability and CSR is also set out in the Strategic Report on pages 19 to 24 of this document.

#### ***Performance***

As part of our environmental impact assessment we measure total energy consumption, carbon emissions, and water usage as set out below.

	2018	2017	2016
<b>Energy and Carbon</b>			
Total Energy consumed (TWh)	1.13	1.25	1.22
Total Carbon emissions (tonnes CO <sub>2</sub> e)	217,320	222,775	224,277
<b>Water</b>			
Total water withdrawal (million m <sup>3</sup> )	40.7	40.9	40.1

These numbers set out actual usage, prior years have not been adjusted to reflect acquisitions, disposals or other corporate activity.

One of the largest uses of energy in the Group is the requirement to process and dry our tea crop. The investments that we have been making to increase energy efficiency in our tea factories has enabled us to reduce our energy usage from 1.33kg to 1.25kg of CO<sub>2</sub> per kg of made tea, a reduction of 6.4%. Furthermore, we increased our use of renewable energy by 57% over the year resulting in a further drop in total carbon emissions.

Total water usage was similar to 2017 reflecting the better weather conditions offset by the increased crop.

We continue to pursue initiatives to reduce our environmental impact including:

- Increasing efficiency by modernising and introducing energy efficient technology.
- Changing our types of fuel to those which are more sustainable or renewable.
- Adapting our agricultural practices to maximise the efficiency with which we use water, fertilisers and other resources.

As part of our investment in social sustainability, we continue our long-term plan of upgrading our housing to ensure that it complies with the latest SAN standards and work with the local communities, unions, NGOs and governments to improve the local infrastructure.

One area that I would like to highlight is the increasing number of partner projects with which we are involved. These are projects which we jointly undertake, primarily with our customers but frequently with the involvement of local government and NGOs. This co-operation allows us both to accelerate certain

social initiatives on the estates and also to make sure that we have access to the best solutions available globally.

Some of the key initiatives that took place during 2018 included:

- *Partnership for Community Health Advancement, Darjeeling, India.* This project, which has been carried out at Margaret's Hope Tea Estate in Darjeeling in conjunction with Twinings and DLR Prerna (a Darjeeling Development organisation), is aimed at improving sanitation and hygiene practices. Running over four years, it involves both educational elements and significant upgrades to the sanitation infrastructure.
- *ETP – UNICEF Programme, Assam, India.* This programme, of which we are only a part, is being implemented by UNICEF, co-ordinated by the Ethical Tea Partnership and supported by their members. The programme goals are to realise the rights of children, adolescents and women across the tea estates of Assam. By participating in this programme, we believe that we can demonstrate the ability of properly managed tea estates to be a force for good in a region which has a long history of deprivation.
- *Baby Nursing Unit, Nandi Hills, Kenya.* This project which was built with support from Taylors of Harrogate provides facilities for breast-feeding mothers at the Chemomi Estate. The unit is used by over 300 women, thereby allowing them to remain a part of the economic process.
- *Farmer Field Schools, Malawi.* In order to promote biodiversity, maintain the local landscape and prevent soil erosion, we have been working with the Ethical Tea Partnership and the local community to establish tree nurseries and plant indigenous species on Mulanje mountain.

## SUMMARY

2018 was an important year for the Group in which we made tangible progress on our long-term strategy. In particular, we have now divested those businesses which we felt to be unsuitable for further investment and have invested in a number of strategically aligned projects which will help us to meet our goals and secure the future for all our stakeholders.

### Tom Franks

Chief Executive

10 April 2019

## CHIEF FINANCIAL OFFICER'S REPORT

### Overview of Results

The profit after tax for the year ended 31 December 2018 was £32.3 million which includes two large provision releases (2017: £30.2 million, including £14.8 million of profit from discontinued operations).

Profit before tax from our continuing operations in 2018 was £52.5 million (2017: £27.6 million). This improvement reflects, inter alia, a significant increase in profits as a result of continued strong average selling prices for tea, improved volumes and strong prices for our macadamia crop, improved trading at BF&M, and two significant items:

- A £5.4 million gain from the release of provisions for wage increases relating to prior years in our Agriculture operations following progress on wage negotiations.
- The release of a £9.0 million provision in Bangladesh for post-employment benefit obligations from which the tea industry has been exempted.

Excluding these items, the underlying profit before tax from continuing operations was £38.1 million (2017: £27.6 million).

Equity attributable to the owners of Camellia was £395.5 million (2017: £368.4 million) with net cash and cash equivalents of £109.6 million (2017: £106.8 million).

### Effect of Disposals

As a consequence of the decision to sell GU Cutting and Grinding and BMT (Great Yarmouth), these

businesses were reclassified as held for sale at the end of 2017 and an impairment charge of £1.8 million was recognised in 2017.

During 2018, GU Cutting and Grinding, BMT (Great Yarmouth) and XiMo were sold. The 2018 trading loss for these businesses was £0.2 million (2017: loss £0.8 million) and is reported within Engineering.

Affish and Wylax were sold in December 2018 and the 2018 trading loss for these businesses £0.2 million (2017: loss £0.4 million) is reported within Food Service.

### **Discontinued Operation**

As previously disclosed, during 2017, the Group completed the sale of Duncan Lawrie's UK asset management business as well as the disposals of various businesses operated by Duncan Lawrie's Isle of Man subsidiaries. Duncan Lawrie's banking licences were surrendered in 2017 and the business is now closed.

The loss from the discontinued operation in 2018 was £0.2 million (2017: profit £14.8 million).

### **Currencies**

Over the course of the year, Sterling weakened against all our key operating currencies, except against the Bangladesh Taka and South African Rand where there was a marginal strengthening. This has resulted in a gain on foreign exchange translation of £11.6 million (2017: loss £28.4 million) which is reflected in the Statement of Comprehensive Income. Had we translated our profit before tax for the year using the same average rates as last year, our results for 2018 would have been £0.7 million higher. Our profit before tax from continuing operations includes an exchange gain of £0.2 million on transactions during the year (2017: loss £0.1 million).

### **Cash**

The Group's net cash position increased to £109.6 million for the year (2017: £106.8 million) reflecting, *inter alia*, strong net cash inflows from continuing operating activities of £24.5 million (2017: inflow £30.9 million) and significant continued investment in our businesses. The Group has loans outstanding amounting to £3.9 million.

A number of the Group's key trading subsidiaries have minority shareholders such that when cash is repatriated to the UK by way of dividends, those minorities are entitled to their share of the relevant dividend. In a number of cases, withholding taxes are also payable from our share of those dividends.

Funds are reserved within our subsidiary companies for:

- Long-term development projects related to our core crop portfolio.
- Ongoing wage negotiations, the largest of which is the multi-year Kenyan Collective Bargaining Agreement (referred to below) which has been ongoing for 5 years, on which some limited progress has been made.
- Disputed taxation assessments (see below).

These will reduce the net cash available to the Group in future years as they are spent, resolved, or (in the case of the disputed taxation assessments) if they are not settled in the way we expect.

### **Dividends**

Camellia has a long track record of steady dividend growth. The Board is recommending an increase in the final dividend for 2018 to 102p per share, giving an aggregate increase for the year of 5.2% and a total dividend of 142p per share.

### **Taxation**

The Group's effective tax rate of 38.2% (2017: 28.8%) reflects the increase in the proportion of profits earned in higher rate overseas jurisdictions. 2017's effective tax rate reflects the fact that the gains on disposal of Duncan Lawrie Asset Management are expected to be exempt from tax.

### **Tax and Other Provisions**

Certain of the wage negotiations in Kenya remain unresolved for the Collective Bargaining Agreement years of 2014/15, 2016/17 and 2018/19 which creates significant uncertainty as to the cost base of our businesses in Kenya. We also have ongoing wage negotiations in Bangladesh and India. We consider we

have made adequate provision for the likely outcome of these negotiations.

In addition, as previously disclosed:

- We are carrying provisions for taxation arising from assessments raised by the Malawi Revenue Authority for unpaid taxes from prior years. The amount of this provision is £2.3 million at 31 December 2018.
- In India assessments have been received for £4.1 million of excise duties and £1.3 million of income taxes. These are being contested and no provisions have been made.
- In India, a long running dispute between our local subsidiaries and the Government of West Bengal over the payment of a land tax, locally called 'Salami', remains unresolved. Lawyers acting for the Group have advised that payment of Salami does not apply, accordingly no provisions have been made. The sums contested amount to £1.4 million excluding penalties.
- We have been advised that the gain on sale of Duncan Lawrie's asset management business should be exempt from tax because of the nature of the assets sold. Accordingly, no provision has been made for tax on this gain.

In some of our jurisdictions, the tax authorities have levied assessments in respect of prior years. In a number of situations, the liability position under statute and case law is clear and provision has been made in line with those. Unfortunately, in other situations the law is either unclear or underdeveloped and in these instances, we make provisions on a best estimate basis for the liabilities likely to arise, having taken appropriate advice.

#### **Pensions and Post-Employment Benefits**

The Group operates a number of defined benefit pension schemes, the largest of which is in the UK. Our 2017 triennial valuation for the UK scheme, which was closed to future accrual during 2016, showed a funding surplus of £7.1 million. We continue to keep the scheme under close review in light of the volatility in bond and equity markets.

The overseas defined benefit schemes are located in Bangladesh and India. Our businesses in Kenya, India and Bangladesh also have obligations to pay terminal gratuities based on years of service and, in some cases, based on salaries.

In aggregate, our employee benefit schemes currently show deficits on an IAS 19 basis of £24.7 million (2017: £30.9 million deficit).

Accounting for defined benefit schemes is prescribed by IAS 19 and the quantum of the deficit continues to be highly sensitive to small changes in assumptions as regards inflation and gilt yields in the relevant jurisdictions. This year a net actuarial loss of £0.7 million (2017: net actuarial gain of £34.3 million) is reflected in the Statement of Comprehensive Income. The net loss this year reflects:

- For the UK scheme higher discount rates and shorter life expectancies offset by higher expected inflation rates.
- For the overseas schemes higher discount rates offset in part by higher expected salary increases.

A £9.0 million non-recurring gain has arisen from the government of Bangladesh deeming the tea industry to be exempt from previously enacted legislation which required companies to make a payment on retirement to all employees, based upon compensation and length of service. The consequence is that this provision for post employment benefits is no longer required. The gain which has been reflected in the Income Statement reflects the accrued liability immediately prior to the date of change in legislation.

Our Income Statement also reflects current and past service costs of £3.1 million, which includes £0.9 million for the expected cost of equalising guaranteed minimum pension benefits for certain members of the UK scheme.

In addition, £1.5 million (2017: £2.7 million) has been charged to our Income Statement in respect of employee benefit expenses.

#### **Shareholders' Funds**



Equity attributable to Camellia's shareholders at the 2018 year end was £395.5 million (2017: £368.4 million). A reconciliation is set out in the Group statement of changes in equity on page 41.

**Susan Walker**

Chief Financial Officer

10 April 2019

## STRATEGIC REPORT

### **Business Review**

The Company is required to set out in this report a fair review of the business of the Group during the year ended 31 December 2018 and a description of the principal risks and uncertainties facing the Group. A fair review of the business of the Group is incorporated within the Chairman's Statement and the Chief Executive's report on pages 6 to 15. The Chairman's statement and the Chief Executive's report, together with information contained within the report of the Directors, highlight the key factors affecting the Group's development and performance. Further details of the financial performance and position of the Group are set out in the Chief Financial Officer's report on pages 16 to 18. Other matters are dealt with below.

### **Group Strategy**

The Board has adopted the following strategy for the Group:

- To develop a worldwide group of businesses requiring management to take a long-term view.
- The achievement of long-term shareholder returns through sustained and targeted investment.
- Investing in the environment and sustainability of the communities in which we do business.
- Ensuring that the quality and safety of our products and services meet the highest international standards.
- The continuous refinement and improvement of the Group's existing businesses using our internal expertise and financial strength.

The progress against this strategy during the year is set out in further detail in the Chief Executive's report shown on pages 6 to 15 and within the Report of the Directors.

### **Business Model**

The Group consists of operations engaged in Agriculture, Engineering and Food Service. The Group also holds a range of Investments. Operations are managed on a divisional basis with regular reports made to the Board on performance against the annual budget.

### **Principal Risks and Uncertainties**

There are a number of possible risks and uncertainties that could impact the Group's operations. The Group regularly monitors the risks at operational and Group level. Information on the Group's financial risks is disclosed in note 42 of the Accounts. The following material risks relating to the Group's principal operations have been identified:

**Agriculture**

<i>Risk</i>	<i>Potential Impact</i>	<i>Mitigation</i>
Climate change	Current agricultural patterns and practices become unsustainable. Land values and local communities are impacted.	Geographical spread of operations to lessen the impact of extreme weather on the Group as a whole.
Drought	Level of rainfall affecting crop yields.	Investment in irrigation, water storage and drought resistant crop varieties.
Price volatility	Fluctuations in commodity prices impact profitability each season. In the event of a prolonged depression in the world tea market the impact on the Group would be material.	Use of forward contracts, product and crop diversification and building long-term strategic relationships with key customers.
Currency fluctuation	Profit volatility arising from sales in US Dollars and Euros where there is no natural hedge against the cost of production in local currency.	Monitoring of foreign exchange rates and cash management.
Cost of labour	Increased cost of production and lower profitability.	Introduction of more efficient labour and field practices and the increased use of mechanisation and automation.
Long-term political issues over land ownership in Kenya, Malawi, South Africa and Tanzania	Paying more for existing property (for example if freeholds become leaseholds) or potentially losing access to farms and estates.	Monitoring local land issues with the assistance of lawyers and local trade associations. Maintaining collaborative relationships with governments at local and national levels.
Civil unrest and political instability	Periodic interruptions to the operation of the businesses at a local level.	Increasing security for our workers and operations during times of civil unrest.
Corruption	Inability to carry on business in a manner which is legal and ethical.	Strict adherence to anti-bribery legislation and the implementation of the Group Principal Policies.

**Engineering**

<i>Risk</i>	<i>Potential Impact</i>	<i>Mitigation</i>
Key customer dependence	Losing a major customer.	Diversification of the customer base and careful customer relationship management.
Dependence on the oil and gas and aerospace sectors	Changes in market conditions leading to lower demand for services.	Diversification into other sectors. Close monitoring of the current sectors.
Health and safety	Vulnerability of the employees to injury at work due to the use of machinery and chemicals. Payment	Strict compliance with legislation and training employees to adopt safe working practices. Regular external

	of fines and claims and reputational damage.	compliance reviews.
Environmental	Contamination of the local and wider environment due to the use of machinery and chemicals. Payment of fines and claims and reputational damage.	Strict compliance with legislation, training employees to adopt safe working practices and lessen the impact on the environment. Regular external compliance reviews.

### **Food Service**

<i>Risk</i>	<i>Potential Impact</i>	<i>Mitigation</i>
Key customer dependence	Losing a major customer.	Diversification of the customer base and careful customer relationship management.
Health and safety	Vulnerability of the employees to injury at work due to the use of machinery and chemicals. Payment of fines and claims, criminal prosecutions and reputational damage.	Strict compliance with legislation and training employees to adopt safe working practices. Regular external compliance reviews.
Environmental	Contamination of local and wider environment due to the use of machinery and chemicals. Payment of fines and claims, criminal prosecutions and reputational damage.	Strict compliance with legislation, training employees to adopt safe working practices and lessen the impact on the environment.
IT systems	Interruption to services for customers and the business.	Implementation of a disaster recovery plan.

### **Investments**

<i>Risk</i>	<i>Potential Impact</i>	<i>Mitigation</i>
Market	Decline in the value of investments and property.	Portfolio diversification, careful stock selection, the regular monitoring of individual company stock performance and a diversified property portfolio.

### **Group**

<i>Risk</i>	<i>Potential Impact</i>	<i>Mitigation</i>
UK and Overseas Pensions Increases in inflation and/or reductions in long-term government bond yields.  Changes in local laws restricting the investment choices for the schemes' assets.	Increase in the pension schemes' deficits with a resultant increase in the funding requirement.	Regular monitoring of the investment strategy, the funding position of the pension schemes and investment performance.
<i>Taxation</i> Uncertainties in relation to the interpretation of complex tax legislation	Future adjustments to taxable income and expenses already recorded or increases to the cash tax costs incurred by the Group in future.	Tax exposures are considered individually, and judgements made with support from experienced tax professionals and external advisors.

Risk that the Group's judgements are challenged by tax authorities

Uncertainties arising from changes in tax legislation, eg the OECD's Base Erosion and Profit Shifting project

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### **Group Principal Policies**

There are a range of issues that are important to the Group and to all of our operations, whatever sector they operate in. These are set out in the Group Principal Policies which are cascaded across the Group. Each operation is required to prescribe its own local policies based upon the Group Principal Policies. On an annual basis, each operation will confirm to Group compliance with the Group Principal Policies. Ultimately, our individual operations have experts who are best placed to identify how each policy can be implemented and applied which in turn enables them to operate responsibly and ethically over the long-term.

A summary of each principal policy is set out below and they are set out in full on our website.

#### ***Anti-Bribery and Corruption***

The Company has adopted an anti-bribery policy which complies primarily with the requirements of the UK Bribery Act 2010 although the Board also requires compliance with the laws of all countries in which the Group operates.

All Group employees, officers and executives, and all those acting for or on the Group's behalf are strictly prohibited from offering, paying, soliciting or accepting bribes or kickbacks, including facilitation payments.

Compliance with the anti-bribery policy is monitored by the individual operations and incidents are reported to the anti-bribery officer for such operation.

In addition, the Board has adopted an anti-facilitation of tax evasion policy which complies with the requirements of the UK Criminal Finances Act 2017. The policy has been introduced across the Group and its compliance will be monitored at both Group and by individual operations.

#### ***Certification and Traceability***

As part of our end to end supply chain, our operations are required to meet the requirements of our customers and suppliers in terms of certifications and traceability. The vast majority of our tea gardens are RFA certified and all our macadamia, avocado and winery processing facilities are FSC 22000 certified. Across the Group, operations have also obtained ISO14001, ISO9001 and ISO45001 and many other appropriate accreditations.

#### ***Employee Welfare***

Our employees are at the heart of what we do, and their welfare is paramount. Operations are required to have policies and procedures in place which cover equality, health, personal development, training, diversity, and (where appropriate) education, housing and sanitation.

We consciously and continuously work towards encouraging equality in management positions across our operations. The Group complies with local regulations to encourage employees with disabilities to work in our operations and where necessary, makes appropriate adjustments to working practices.

All our tea estates have a hospital, clinic or dispensary. In addition, in India and Bangladesh employees have access to central Group operated hospitals to which more serious cases can be referred. We provide medical services, including where appropriate antiretroviral drugs, in those communities where HIV/AIDS is prevalent. We also give medical support to schools that are either run locally or by our operations.

We are committed to providing development opportunities for all. We provide education opportunities in areas where we operate, either by building and running schools or by supporting state educational

projects in our communities. We also provide programmes for skills development and adult education.

### ***Environmental***

We are mindful of the environment in which we operate, recognising that our operations require natural resources and that our operations generate emissions and waste. We understand and comply with current applicable legislation in the jurisdictions in which we operate. Our operations are each required to commit to policies which reduce their environmental footprint and which include (where appropriate), carbon, recycling, waste and water.

As part of our wider drive towards greater sustainability, we have developed a range of mid to long-term targets to reduce, in some cases substantially, the environmental impact of our operations. As an example, strategic improvements in our usage and sourcing of energy supports our ambition to align with Science-Based Targets. Targets adopted by the operations to reduce greenhouse gas emissions are considered 'Science-Based' if they are in line with the level of de-carbonisation required to keep global temperature increase below 2°C compared to pre-industrial temperatures.

### ***Health and Safety***

We take responsibility for our people by promoting good health and providing a safe and healthy workplace to protect all employees, contractors, visitors and the public from foreseeable work hazards. All operations are required to comply with local health and safety legislation, regulations and to obtain certifications from external authorities.

### ***Modern Slavery***

The Group continues to comply with the requirements of the Modern Slavery Act 2015, to ensure that modern slavery and human trafficking are not taking place either within the Group or in the supply chains of our operations. A copy of the statement for the year ended 31 December 2018 is available on the Company's website. In some countries, it is both the cultural norm and permissible for parents to involve their children in the productive process, we do not subscribe to this approach and the use of child labour is prohibited across the Group. Group operations are required to confirm this statement and adopt local policies and procedures to ensure continued compliance. This includes setting out codes of conduct when working alongside customers and suppliers.

### ***Tax***

The Group's tax principles include: compliance with applicable tax laws; payment of the correct tax amounts; interpretation of tax law; undertaking tax planning based on commercial rationale; and transparency with tax authorities.

### ***Whistleblowing***

Our whistleblowing policy provides guidelines for people who feel they need to raise certain issues in confidence. It is designed to protect those raising a genuine concern, in line with the Public Interest Disclosure Act 1998 or other jurisdictional legislation. Each operation is required to have a designated local whistleblowing officer. Group employees have access to the whistleblowing officer for the individual operation, as well as the Group Whistleblowing Officer or the chairman of the Audit committee.

### **Key Financial Performance Indicators**

The nature of the Group's principal activities is such that the Board takes a long-term view of its operations, particularly in Agriculture.

The Board reviews monthly reports with a range of financial and other indicators to monitor the performance of each division depending on the nature of its operations.

For the Agriculture division, the Board receives monthly data on sales prices and volumes, cost of production and crop volumes against budget and on a per unit basis. Rainfall and other climate data are also considered.

For the Engineering division and Food Service division, the Board receives monthly profit and operating performance information.

For Investments, the value and performance of the share portfolio is reviewed quarterly.

Certain of the key financial performance indicators are included in the Chief Executives report on pages 6 to 15.

## Non-Financial Performance Indicators

Each operation has developed non-financial KPIs that are relevant to it, these include:

- Market trends
- Health & Safety
- Industrial disputes
- Land and politics
- Movements in key personnel
- Weather and climate

These are regularly monitored and used by local management. Where applicable, the Board considers such KPIs by exception.

## Employees

The Group keeps employees informed through internal publications, the website and social media on the performance of the Group and on matters affecting them as employees and arrangements to that end are made by the local management.

It is also the Group's 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.

The table below provides a breakdown of the gender of the Directors and employees at 31 December 2018.

	Men	Women
Company Directors <sup>1</sup>	7	1
All employees	38,636	32,970

1 'Company Directors' consists of the company's Board as detailed on page 4

By order of the Board

## Amarpal Takk

Company Secretary

10 April 2019

## REPORT OF THE DIRECTORS

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

### Principal Activities

The Company is a public limited company, which is quoted on the AIM Market of the London Stock Exchange and incorporated and domiciled in England and Wales. The principal activities of its subsidiary undertakings comprise:

Agriculture  
Engineering  
Food Service  
Investments

Further details of the Group's activities are included in the Chief Executive's report on pages 6 to 15.

### Results and Dividends

The profit after tax for the year amounted to £32.3 million (2017: £30.2 million). The Board has proposed a final dividend for the year of 102p per share payable on 12 July 2019 to holders of the ordinary shares registered at the close of business on 14 June 2019. The total dividend payable for 2018 is 142p per share

(2017: 135p per share). Details are shown in note 11 to the Accounts.

### **Directors**

The Directors are listed on page 4. The following Directors had beneficial interests in the shares of the Company.

Camellia Plc ordinary shares of 10p each:	31 December 2018	1 January 2018
Malcolm Perkins	1,673	1,673
Tom Franks	100	100
Susan Walker	100	100

Under the Company's articles of association all the Directors are required to retire annually. Accordingly, Malcolm Perkins, Tom Franks, Susan Walker, Graham Mclean, Chris Relleen, Frédéric Vuilleumier, William Gibson and Gautam Dalal will retire and, being eligible, will seek re-election at the AGM on 6 June 2019.

None of the Directors or their families had a material interest in any contract of significance with the Company or any subsidiary during, or at the end of, the financial year.

#### *Executive Directors*

Malcolm Perkins was appointed a Director in 1999 and Chairman in 2001 having joined Eastern Produce (Holdings) Limited now Linton Park Plc in 1972. He is a chartered accountant and Chairman of the Nomination committee.

Tom Franks was appointed as Chief Executive with effect from 1 September 2015. He joined Camellia as Deputy Chief Executive in October 2014. He is a chartered accountant and a Fellow of the Chartered Institute of Securities and Investment.

Graham Mclean, a qualified agriculturalist, was appointed as Director of Agriculture in October 2014. He was previously regional director of the Group's operations in Africa and has worked for the Group for more than 25 years. He is Chairman and a non-executive director of Kakuzi Plc.

Susan Walker was appointed Chief Financial Officer for the Group on 4 June 2015. She joined Camellia as Finance Director Designate on 1 July 2014. She is a chartered certified accountant and a non-executive director of Goodricke Group Limited and United Finance Limited.

#### *Non-Executive Directors*

Chris Relleen was formerly a partner at PricewaterhouseCoopers. He was appointed as an independent non-executive Director and Deputy Chairman in January 2006 having previously been a non-executive Director of Linton Park Plc. He is senior independent Director, chairman of the Audit committee and a member of the Nomination and Remuneration committees.

William Gibson was appointed as an independent non-executive Director in September 2014. He was previously chairman and managing director of Westminster Press and an executive director of the Financial Times Group. He is chairman of the Remuneration committee and a member of the Audit and Nomination committees.

Frédéric Vuilleumier was appointed as an independent non-executive Director in March 2013. He is a partner of Oberson Abels SA, a law office based in Geneva, Switzerland. He was a member of the Audit committee during 2018.

Gautam Dalal was appointed as an independent non-executive Director in March 2018. He was previously a partner at KPMG and a founder-director of the UK India Business Council, a member of the Asian Business Association and a director of AMREF Health Africa's International Board. He was appointed a member of the Audit committee in 2019.

Amarpal Takk was appointed as Group General Counsel and Company Secretary in April 2018. He is a qualified solicitor of England and Wales.

### **Substantial Shareholdings**

As at 10 April 2019 the Company has been advised of the following interests in its share capital:

Beneficial shareholder	Shareholder	No. of Shares	% of total voting rights
Camellia Private Trust Company Limited	Camellia Holding AG	1,427,000	51.67
Fide Holding NV*	Lynchwood Nominees Limited	360,500	13.05
Quaero Capital SA	HSBC Global Custody Nominee (UK) Limited	144,217	5.22

\* Controlled by Nokia Pensioenfonds VZW

### Share Capital and Purchase of Own Shares

The Company's share capital comprises one class of ordinary shares of 10p per share which carry no restrictions on the transfer of shares or on voting rights (other than as set out in the Company's articles of association). There are no agreements known to the Company between shareholders in the Company which may result in restrictions on the transfer of shares or on voting rights in relation to the Company. Details of the issued share capital are contained in note 36 to the Accounts.

At the AGM in 2018, shareholders gave authority for the Company to purchase up to 276,200 of its own shares. This authority expires at the conclusion of this year's AGM at which a resolution proposing renewal of the authority will be submitted to shareholders.

### Auditors

A resolution proposing the reappointment of Deloitte LLP will be put to the AGM on 6 June 2019.

Each of the persons who were Directors at the time when this Directors' report was approved has confirmed that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- Each Director has taken all the steps that ought to have been taken as a Director, including making appropriate 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

Details in relation to employees are set out on page 24.

### R&D

The Group undertakes some R&D projects within its operations in order to improve efficiency and grow revenues.

### Future Development

Details of future developments are set out in the Chief Executive's report.

### Going Concern

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

### Corporate Governance

The Company's statement on corporate governance can be found in the Corporate Governance report on pages 28 to 31.

### Political Donations

The Group has no political affiliations and we do not make political donations. We work with governments and other parties around the world on issues that are important to our customers, and stakeholders, communities and to the interests of the business.

By order of the Board

**Amarpal Takk**



Company Secretary

10 April 2019

## CORPORATE GOVERNANCE

### Statement of Compliance

The Company fully complies with the Quoted Companies Alliance's Corporate Governance Code for Small and Mid-size Quoted Companies ("QCA Code"). The Chairman considers the application of standards of corporate governance that are appropriate for the Group's nature, status, profile, size and circumstances to be important in ensuring the Group is managed for the long-term benefit of all stakeholders. There are ten principles of the QCA Code which the Company complies with in full. The table on our website sets out how we comply.

The Group consists of a portfolio of businesses which are grouped into independently managed divisions. These divisions report into the Board by function against a variety of metrics including budgets and business plans.

### The Board

The Board currently comprises eight Directors, four of whom are independent non-executive Directors. The remaining Directors are executive Directors, including the executive Chairman. Chris Relleen, the Deputy Chairman, has been designated as the senior independent Director. The names and brief biographical details of each Director appear on pages 25 and 26.

There is on-going dialogue between the Chairman and the Chief Executive with the majority shareholder whose views are reported to the Board. The Company is also in contact with other significant shareholders.

The Board has established Remuneration, Audit and Nomination committees. Terms of reference of each of the committees can be viewed on the Company's website.

The Board is responsible for managing the Group's business and has adopted a schedule of matters reserved for its approval. The schedule is reviewed periodically and covers, *inter alia*, the following areas:

- Strategy
- Acquisitions and disposals
- Financial reporting and control
- Internal controls
- Approval of expenditure above specified limits
- Approval of transactions and contracts above specified limits
- Responsibilities for corporate governance
- Board membership and committees
- Approval of changes to capital structure

A full copy of the schedule is available on the Company's website.

A report summarising the Group's financial and operational performance is provided to Directors each month. Each Director has sufficient information in advance of Board meetings to enable the Directors to make informed judgements on matters referred to the Board. The Board met nine times in 2018.

Attendance by Directors at Board and committee meetings held during the year was as follows:

Director	Board	Audit	Remuneration	Nomination
Malcolm Perkins	9/9	-	-	1/1
Chris Relleen	9/9	3/3	1/1	1/1
Tom Franks	9/9	-	-	-

Graham Mclean	9/9	-	-	-
Susan Walker	8/9	-	-	-
William Gibson	9/9	3/3	1/1	1/1
Frédéric Vuilleumier	9/9	3/3	-	-
Gautam Dalal	9/9	-	-	-

### **Board Evaluation**

An internal review, led by the Company Secretary, was undertaken this year. This was based upon a series of questions. The review confirmed that the Board is strong and collegiate with all members demonstrating behaviours that support our strategic direction, vision and culture. Each Director has the opportunity to contribute and challenge, which enables a constructive and quality debate during Board meetings.

### **Executive Committees**

The Board has established the Strategy Group, consisting of the Chairman and the executive Directors of the Board, and also two Executive Committees. The Agriculture Executive Committee is chaired by the Director of Agriculture and includes the Chief Executive, Chief Financial Officer, the Group General Counsel and heads of all the key agricultural operations. The Engineering and Food Service Executive Committee is chaired by the Chief Executive and includes the Chief Financial Officer, the divisional heads of Engineering North, Engineering South and Food Service, the Managing Director of Jing Tea, the Group General Counsel and the UK Head of HR.

Investments and Associates report directly to the Chief Executive.

### **Nomination Committee**

The committee is chaired by Malcolm Perkins. Its other members are William Gibson and Chris Relleen.

The principal responsibilities of the committee are set out below:

- Review the balance and composition (including gender and diversity) of the Board, ensuring that they remain appropriate.
- Be responsible for overseeing the Board's succession planning requirements including the identification and assessment of potential Board candidates and making recommendations to the Board for its approval.
- Keep under review the leadership needs of, and succession planning for, the Group in relation to both its executive and non-executive Directors and other senior executives.

The committee met once during the year to consider the composition of the Audit committee.

### **Audit Committee**

The committee is chaired by Chris Relleen. The other members of the committee during the year were Frédéric Vuilleumier and William Gibson. Gautam Dalal replaced Frédéric Vuilleumier as a member of the committee from April 2019. During 2018, the committee met on three occasions.

The principal responsibilities of the committee are set out below and were undertaken during the year:

- Monitor the effectiveness of the Group's risk management practices.
- Review the effectiveness of the Group's internal control system. The committee regularly reviews the effectiveness of internal audit activities carried out by the Group's accounting function and senior management.
- Review and monitor the financial statements of the Company and the audit of those statements and to monitor compliance with relevant financial reporting requirements and legislation.
- Monitor the effectiveness and independence of the external auditors.
- Review non-audit services provided by the external auditors.

### ***Significant issues considered by the Audit Committee***

The Audit committee assesses whether suitable accounting policies have been adopted and whether

management has made appropriate estimates and judgements. In the year under review, the Audit committee considered the following matters in relation to the financial statements:

#### *Biological assets*

One of the key areas of judgement that the committee considered in reviewing the financial statements was the valuation of biological assets in accordance with IAS 41. Valuations are based on discounted cash flows or are carried out by external professional valuers. These were considered for consistency of approach and assumptions agreed as reasonable. For more details see note 18 to the Accounts.

#### *Pensions*

A key area of judgement is in relation to the valuation of the pension scheme obligations. Whilst this is conducted by independent actuaries, the size of the obligation means that a relatively minor difference in the assumptions could result in a material change in the obligation. The committee considered the competence of the actuaries and the key assumptions adopted and concluded that the work performed is sufficient to support the valuation.

#### *Carrying value of BF&M*

The Group's carrying value of BF&M is higher than the share price for BF&M. The committee considered the fair value of the Group's holding and whether any impairment in the carrying value had occurred and in view of the control premium associated with our holding concluded that no impairment is required.

#### *Tax and other uncertain provisions*

The basis of provisions for material uncertain tax situations were considered by the committee as were the provision in respect of the ongoing Collective Bargaining Agreement negotiations for 2014/15, 2016/17 and 2018/19 in Kenya, and for wage increases in India and in Bangladesh. The committee is satisfied that the provisions represent best estimates of the likely liabilities.

#### *Adoption of IFRS 9 and IFRS 15*

The committee reviewed the accounting policies of the Group in light of the requirement to adopt IFRS 9 and 15 from 1 January 2018. The adoption of IFRS 9 and IFRS 15 has not had a material impact on the financial statements of the Group. IFRS 9 was adopted without restating comparative information and its adoption has resulted in the reclassification of the Group's financial assets. In relation to IFRS 15, it was concluded that the Group's revenue recognition practices were in line with IFRS 15 in all material respects. For more details see pages 53 and 54 to the Accounts.

#### *Adoption of IFRS 16*

The committee reviewed and approved the accounting policy for leasing arrangements. The Group's leasing arrangements have been reviewed in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases and details of the impact on the 2019 financial statements are included on page 54 to the Accounts. The Group will apply the standard from its mandatory adoption date of 1 January 2019.

#### *External auditors*

To assess the effectiveness of the external audit process, the external auditor is required to report to the Audit committee and confirm their independence in accordance with ethical standards and that they had maintained appropriate internal safeguards to ensure their independence and objectivity. In addition to the steps taken by the Board to safeguard auditor objectivity, Deloitte operates a five-year rotation policy for audit partners for a listed entity.

The committee reviewed those non-audit services provided by the external auditor and satisfied itself that the scale and nature of those services were such that the external auditors objectivity and independence were safeguarded.

The committee confirms that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

#### **Remuneration Committee**

The committee is chaired by William Gibson and the other member is Chris Relleen.

The responsibilities of the committee include:

- The review of the Group's policy relating to remuneration of the Chairman, executive Directors and the Company Secretary.
- To determine the terms of employment and remuneration of the Chairman, executive Directors and Company Secretary with a view to ensuring that those individuals are fairly and responsibly rewarded.
- To approve compensation packages or arrangements following the severance of any executive Director's service contract.

The Remuneration report appears on pages 33 to 34.

### **Insurance**

The Company purchases insurance to cover its Directors in respect of legal actions against them in their capacity as Directors of the Company. All Directors have access to independent professional advice at the Company's expense.

### **Share Capital Structure**

The share capital of the Company is set out in note 36.

### **Internal Control and Risk Management Systems**

The Directors acknowledge that they are responsible for maintaining a sound system of internal control. During the year, the Audit committee, on behalf of the Board, reviewed the effectiveness of the framework of the Group's system of internal control, the principal features of which are described below.

De-centralisation is a key management philosophy with responsibility for efficient day to day operations delegated to local management. Accountability and delegation of authority are clearly defined with regular communication between Group head office and the management of the individual operations. Our key operations have internal audit functions reporting to local audit committees. The performance of each operation is continually monitored centrally including a critical review of annual budgets, forecasts and monthly sales, profits and cash reports. Financial results and key operational statistics and variances from approved plans are carefully monitored. Group senior management regularly visit and review Group operations. However, any system of internal control can provide only reasonable, and not absolute, assurance against material mis-statement or loss.

By order of the Board

### **Amarpal Takk**

Company Secretary

10 April 2019

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and Accounts 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under Company law the Directors must not approve the accounts 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.
- 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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **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 EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The Annual Report and 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.

On behalf of the Board

### **Malcolm Perkins**

Chairman

10 April 2019

## **REMUNERATION REPORT**

This report is drawn up in accordance with the Companies Act 2006 and the AIM Rules for Companies.

### **Remuneration Committee**

Details of the Remuneration committee are set out on page 31.

### **Policy on Directors' Remuneration**

The policy agreed by the committee is as follows;

- To seek to provide remuneration packages that will attract, retain and motivate the right people for the roles.
- So far as is practicable to align the interests of the executives with those of shareholders.
- To reflect the overriding remuneration philosophy and the principles of the wider Group.

In implementing the second point, the Company does not operate profit related bonus, share option or share incentive schemes for Directors as the Group's activities are based largely on agriculture, which is highly dependent on factors outside management control such as the weather and market prices.

The policy is designed to ensure that the Directors manage the Group's businesses for the long-term in line with the strategy of the Group.

In determining this remuneration policy and the remuneration of Directors, consideration has been given to the relevant provisions of the QCA Guidelines.

The remuneration policy was approved by shareholders at the 2017 AGM. The committee considers any views of the shareholders expressed on Directors' remuneration.

At the AGM on 7 June 2018, the Remuneration Report for the year to 31 December 2017 was approved by shareholders with 99.99% of the votes cast in favour, 0.01% of the votes cast against and 576 votes withheld.

### Service Contracts

Malcolm Perkins, Tom Franks, Graham Mclean and Susan Walker are each employed on rolling service contracts.

Director	Date of Service Contract
Malcolm Perkins	25 April 2002
Tom Franks	8 April 2015
Graham Mclean	10 April 2015
Susan Walker	14 April 2015

The service contracts are terminable at any time by a one year period of notice from the Company or the Director. Following their initial appointment non-executive Directors may seek re-election by shareholders at each subsequent Annual General Meeting. Non-executive Directors do not have service agreements. There are no specific contractual provisions for compensation upon early termination of a non-executive Director's employment.

The following sections on Directors' remuneration and pensions have been audited.

### Directors' Remuneration

	Remuneration		Benefits in Kind		Employer Pension Contribution		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£	£	£
<b>Executive</b>								
Malcolm Perkins	442,344	442,344	30,819	76,630	-	-	473,163	518,974
Tom Franks	550,000	522,500	65,993	55,887	-	-	615,993	578,387
Susan Walker	330,000	295,625	43,211	24,695	-	5,500	373,211	325,820
Graham Mclean	363,000	322,500	29,865	26,770	-	4,475	392,865	353,745
<b>Non-executive</b>								
William Gibson	45,991	44,651	-	-	-	-	45,991	44,651
Chris Relleen	48,696	68,077	-	-	-	-	48,696	68,077
Frédéric Vuilleumier	43,285	42,024	-	-	-	-	43,285	42,024
Gautam Dalal	36,071	-	-	-	-	-	36,071	-
<b>Total</b>	<b>1,859,387</b>	<b>1,737,721</b>	<b>169,888</b>	<b>183,982</b>	<b>-</b>	<b>9,975</b>	<b>2,029,275</b>	<b>1,931,678</b>

### Notes

- (i) The executive Directors' benefits in kind include the value attributed to medical insurance, permanent health insurance, spouse/partner travel and cash alternatives to company cars.
- (ii) Chris Relleen received an additional annual fee for his Chairmanship of the Audit committee.
- (iii) William Gibson received an additional annual fee for his Chairmanship of the Remuneration committee.

### Directors' Pensions

Malcolm Perkins received no payment for pensionable service during 2018. Tom Franks, Graham Mclean and Susan Walker receive an excess non-pensionable salary supplement equivalent to 10% of base salary. As a result of the change to the taxation rules on pension annual allowances, the Company ceased contributions to the Linton Park Group Personal Pension Scheme on 6 April 2017 for Graham Mclean and Susan Walker. These payments are included in 'Remuneration' in the table above.

In addition to the above, an unfunded pension of US\$200,000 per annum is paid to Gordon Fox, a former

Director of the Company.

By order of the Board

**Amarpal Takk**  
Company Secretary

10 April 2019

**CONSOLIDATED INCOME STATEMENT**  
*for the year ended 31 December 2018*

		2018			2017		
		Underlyin g profit (note 4) £'m	disclosed items (note 4) £'m	£'m	Underlying profit (note 4) £'m	disclosed items £'m	£'m
	Notes						<i>Restated</i>
<b>Continuing operations</b>							
<b>Revenue</b>	2	309.8	-	309.8	298.3	-	298.3
Cost of sales		(223.6)	14.4	(209.2)	(219.3)	-	(219.3)
<b>Gross profit</b>		86.2	14.4	100.6	79.0	-	79.0
Other operating income		4.0	-	4.0	2.4	-	2.4
Distribution costs		(17.2)	-	(17.2)	(13.9)	-	(13.9)
Administrative expenses	3	(45.1)	-	(45.1)	(41.1)	-	(41.1)
<b>Trading profit</b>	1,3	27.9	14.4	42.3	26.4	-	26.4
Share of associates' results	5	7.6	-	7.6	2.0	-	2.0
Provisions and impairment of property, plant and equipment		(0.2)	-	(0.2)	(1.8)	-	(1.8)
Loss on disposal of subsidiaries	6	(0.4)	-	(0.4)	-	-	-
Profit on disposal of financial assets		0.3	-	0.3	0.7	-	0.7
<b>Operating profit - continuing operations</b>		35.2	14.4	49.6	27.3	-	27.3
Investment income		0.8	-	0.8	0.6	-	0.6
Finance income	7	4.0	-	4.0	3.0	-	3.0
Finance costs	7	(0.6)	-	(0.6)	(0.5)	-	(0.5)
Net exchange gain/(loss)	7	0.2	-	0.2	(0.1)	-	(0.1)
Employee benefit expense	7	(1.5)	-	(1.5)	(2.7)	-	(2.7)
Net finance income/(cost)	7	2.1	-	2.1	(0.3)	-	(0.3)
<b>Profit before tax from continuing operations</b>		38.1	14.4	52.5	27.6	-	27.6
Taxation	8			(20.0)			(12.2)
<b>Profit after tax from continuing operations</b>				32.5			15.4
<b>(Loss)/profit from discontinued operation</b>	9			(0.2)			14.8
<b>Profit for the year</b>				32.3			30.2
<b>Profit attributable to:</b>							

Owners of Camellia Plc		25.2	23.8
Non-controlling interests		<u>7.1</u>	<u>6.4</u>
		<u>32.3</u>	<u>30.2</u>
<b>Earnings per share - basic and diluted</b>	12	912.4p	861.7p
<b>Earnings per share - continuing operations</b>	12	919.6p	325.9p
<b>Earnings/(loss) per share - discontinued operation</b>	12	(7.2)p	535.8p

**STATEMENT OF COMPREHENSIVE INCOME**  
*for the year ended 31 December 2018*

	Notes	2018 £'m	2017 £'m <i>Restated</i>
<i>Group</i>			
<b>Profit for the year</b>		<u>32.3</u>	<u>30.2</u>
Other comprehensive income/(expense):			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Financial assets at fair value through other comprehensive income:			
Fair value adjustment released on disposal	22	(3.8)	-
Profit on disposal		<u>3.9</u>	<u>-</u>
		<u>0.1</u>	<u>-</u>
Changes in the fair value of financial assets	22	(5.6)	-
Deferred tax movement in relation to fair value adjustments		1.5	-
Remeasurements of post employment benefit obligations	35	(0.7)	34.3
Deferred tax movement in relation to post employment benefit obligations	34	<u>(0.3)</u>	<u>(1.0)</u>
		<u>(5.0)</u>	<u>33.3</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign exchange translation differences		11.6	(28.4)
Available-for-sale investments:			
Valuation gains taken to equity	25	-	10.9
Transferred to income statement on sale	25	-	(0.3)
Deferred tax movement in relation to valuation gains		-	(1.6)
Share of other comprehensive income of associates		<u>0.8</u>	<u>-</u>
		<u>12.4</u>	<u>(19.4)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>7.4</u>	<u>13.9</u>
<b>Total comprehensive income for the year</b>		<u>39.7</u>	<u>44.1</u>
Total comprehensive income attributable to:			
Owners of Camellia Plc		30.7	41.1
Non-controlling interests		<u>9.0</u>	<u>3.0</u>
		<u>39.7</u>	<u>44.1</u>

*Company*



<b>Profit for the year</b>	3.9	3.9
<b>Total comprehensive income for the year</b>	<u>3.9</u>	<u>3.9</u>

**CONSOLIDATED BALANCE SHEET**  
*at 31 December 2018*

	Notes	2018 £'m	2017 £'m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	15	9.5	3.2
Property, plant and equipment	16	226.3	216.3
Investment properties	17	18.0	17.6
Biological assets	18	14.5	12.8
Prepaid operating leases	19	1.0	0.9
Investments in associates	21	65.7	55.4
Deferred tax assets	34	-	0.2
Financial assets at fair value through other comprehensive income	22	32.7	-
Financial asset at fair value through profit or loss	23	3.7	-
Financial assets at amortised cost	24	3.0	-
Available-for-sale financial assets	25	-	47.0
Other investments - heritage assets	26	9.5	9.4
Retirement benefit surplus	35	0.3	0.3
Trade and other receivables	28	<u>2.7</u>	<u>1.9</u>
<b>Total non-current assets</b>		<u>386.9</u>	<u>365.0</u>
<b>Current assets</b>			
Inventories	27	52.7	47.4
Biological assets	18	8.8	6.6
Trade and other receivables	28	48.5	43.7
Financial assets at amortised cost	24	0.2	-
Current income tax assets		0.7	0.9
Cash and cash equivalents (excluding bank overdrafts)	29	<u>112.4</u>	<u>108.0</u>
		223.3	206.6
Assets classified as held for sale	30	<u>0.2</u>	<u>4.9</u>
<b>Total current assets</b>		<u>223.5</u>	<u>211.5</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities - borrowings	32	(3.4)	(1.8)
Trade and other payables	31	(53.5)	(52.0)
Current income tax liabilities		(8.0)	(7.9)
Employee benefit obligations	35	(1.0)	(0.7)
Provisions	33	<u>(18.5)</u>	<u>(19.7)</u>
		(84.4)	(82.1)
Liabilities directly associated with assets classified as held for sale	30	-	(1.8)
<b>Total current liabilities</b>		<u>(84.4)</u>	<u>(83.9)</u>
<b>Net current assets</b>		<u>139.1</u>	<u>127.6</u>
<b>Total assets less current liabilities</b>		<u>526.0</u>	<u>492.6</u>
<b>Non-current liabilities</b>			

Financial liabilities – borrowings	32	(3.4)	(4.0)
Deferred tax liabilities	34	(46.3)	(40.2)
Employee benefit obligations	35	(24.0)	(30.5)
<b>Total non-current liabilities</b>		<u>(73.7)</u>	<u>(74.7)</u>
<b>Net assets</b>		<u>452.3</u>	<u>417.9</u>
<b>EQUITY</b>			
Share capital	36	0.3	0.3
Share premium		15.3	15.3
Reserves		<u>379.9</u>	<u>352.8</u>
<b>Equity attributable to owners of Camellia Plc</b>		<u>395.5</u>	<u>368.4</u>
<b>Non-controlling interests</b>		<u>56.8</u>	<u>49.5</u>
<b>Total equity</b>		<u>452.3</u>	<u>417.9</u>

COMPANY BALANCE SHEET  
at 31 December 2018

	Notes	2018 £'m	2017 £'m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	20	73.5	73.5
Other investments – heritage assets	26	<u>10.7</u>	<u>10.6</u>
<b>Total non-current assets</b>		<u>84.2</u>	<u>84.1</u>
<b>Current assets</b>			
Amounts due from group undertakings		–	3.5
Current income tax asset		0.1	0.1
Cash and cash equivalents	29	<u>0.1</u>	<u>0.1</u>
<b>Total current assets</b>		<u>0.2</u>	<u>3.7</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	31	(0.6)	(0.2)
Amounts due to group undertakings		<u>(16.9)</u>	<u>(20.7)</u>
<b>Total current liabilities</b>		<u>(17.5)</u>	<u>(20.9)</u>
<b>Net current liabilities</b>		<u>(17.3)</u>	<u>(17.2)</u>
<b>Total assets less current liabilities</b>		<u>66.9</u>	<u>66.9</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	34	<u>(0.2)</u>	<u>(0.2)</u>
<b>Total non-current liabilities</b>		<u>(0.2)</u>	<u>(0.2)</u>
<b>Net assets</b>		<u>66.7</u>	<u>66.7</u>
<b>EQUITY</b>			
Share capital	36	0.3	0.3
Share premium		15.3	15.3
Reserves		<u>51.1</u>	<u>51.1</u>
<b>Total equity</b>		<u>66.7</u>	<u>66.7</u>

The profit for the company is shown in note 10.

The notes on pages 42 to 105 form part of the financial statements.

The financial statements on pages 35 to 105 were approved on 10 April 2019 by the board of Directors and signed on their behalf by:

**M C Perkins**

Chairman

Registered Number 00029559

**CONSOLIDATED CASH FLOW STATEMENT**  
*for the year ended 31 December 2018*

	Notes	2018 £'m	2017 £'m
<b>Cash generated from operations</b>			
Cash flows from operating activities	37	35.3	40.7
Interest received		3.9	3.0
Interest paid		(0.5)	(0.5)
Income taxes paid		(14.2)	(12.3)
<b>Net cash flow from operating activities</b>		<u>24.5</u>	<u>30.9</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		-	(2.5)
Purchase of property, plant and equipment		(20.5)	(20.6)
Proceeds from sale of non-current assets		0.7	1.3
Additions to investment property		(0.9)	(0.2)
Biological assets: non-current – additions		(0.9)	(0.2)
Part disposal of subsidiaries		-	0.2
Payment for acquisition of a subsidiary net of cash acquired		(6.4)	-
Proceeds from sale of subsidiaries net of cash disposed		3.6	-
Proceeds from sale of assets held for sale – investment property		0.7	-
Cash balances transferred to assets held for sale		-	(0.3)
Investment in associates		(1.0)	(1.0)
Dividends received from associates		2.8	2.8
Purchase of investments		(7.2)	(4.0)
Proceeds from sale of investments		11.4	1.8
Income from investments		0.8	0.6
Purchase of other investments – heritage assets		(0.1)	(0.2)
<b>Net cash flow from investing activities</b>		<u>(17.2)</u>	<u>(22.3)</u>
<b>Cash flows from financing activities</b>			
Equity dividends paid		(3.8)	(3.6)
Dividends paid to non-controlling interests		(3.1)	(2.5)
New loans	38	-	0.1
Loans repaid	38	(0.6)	(0.6)
<b>Net cash flow from financing activities</b>		<u>(7.5)</u>	<u>(6.6)</u>
<b>Net (decrease)/increase in cash and cash equivalents from continuing operations</b>		(0.2)	2.0
<b>Net cash inflow/(outflow) from discontinued operation</b>		-	38.2
<b>Cash and cash equivalents at beginning of year</b>	29	106.8	71.8
Exchange gains/(losses) on cash		3.0	(5.2)
<b>Cash and cash equivalents at end of year</b>	29	<u>109.6</u>	<u>106.8</u>

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

COMPANY CASH FLOW STATEMENT  
for the year ended 31 December 2018

	Notes	2018 £'m	2017 £'m
<b>Cash generated from operations</b>			
Profit before tax		3.9	3.9
Adjustments for:			
Impairment of available-for-sale financial assets		-	0.2
Interest income		(0.2)	(0.2)
Dividends from group companies		(5.0)	(5.2)
Increase in trade and other payables		0.4	0.1
Net movement in intra-group balances		(0.3)	(0.2)
Cash used in operations		(1.2)	(1.4)
Interest received		0.2	0.2
<b>Net cash flow from operating activities</b>		<u>(1.0)</u>	<u>(1.2)</u>
<b>Cash flows from investing activities</b>			
Purchase of other investments – heritage assets		(0.1)	(0.2)
Dividends received		5.0	5.2
<b>Net cash flow from investing activities</b>		<u>4.9</u>	<u>5.0</u>
<b>Cash flows from financing activities</b>			
Equity dividends paid		(3.9)	(3.7)
<b>Net cash flow from financing activities</b>		<u>(3.9)</u>	<u>(3.7)</u>
<b>Net movement in cash and cash equivalents</b>		-	0.1
<b>Cash and cash equivalents at beginning of year</b>	29	<u>0.1</u>	-
<b>Cash and cash equivalents at end of year</b>	29	<u>0.1</u>	<u>0.1</u>

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

	Share capital £'m	Share premium £'m	Treasury shares £'m	Retained earnings £'m	Other reserves £'m	Total £'m	Non- controlling interests £'m	Total equity £'m
<i>Group</i>								
At 1 January 2017	0.3	15.3	(0.4)	272.1	43.5	330.8	48.8	379.6
Total comprehensive (expense)/income for the year	-	-	-	55.2	(14.1)	41.1	3.0	44.1
Dividends	-	-	-	(3.6)	-	(3.6)	(2.5)	(6.1)
Non-controlling interest subscription	-	-	-	-	-	-	0.2	0.2
Share of associate's other equity movements	-	-	-	0.1	-	0.1	-	0.1
At 31 December 2017	0.3	15.3	(0.4)	323.8	29.4	368.4	49.5	417.9
Total comprehensive income/(expense) for the year	-	-	-	30.5	0.2	30.7	9.0	39.7
Dividends	-	-	-	(3.8)	-	(3.8)	(3.1)	(6.9)
Companies joining the Group	-	-	-	-	-	-	1.4	1.4
Share of associate's other equity movements	-	-	-	0.2	-	0.2	-	0.2

At 31 December 2018	<u>0.3</u>	<u>15.3</u>	<u>(0.4)</u>	<u>350.7</u>	<u>29.6</u>	<u>395.5</u>	<u>56.8</u>	<u>452.3</u>
<i>Company</i>								
At 1 January 2017	0.3	15.3	-	38.8	12.1	66.5	-	66.5
Total comprehensive income for the year	-	-	-	3.9	-	3.9	-	3.9
Dividends	-	-	-	(3.7)	-	(3.7)	-	(3.7)
At 31 December 2017	<u>0.3</u>	<u>15.3</u>	<u>-</u>	<u>39.0</u>	<u>12.1</u>	<u>66.7</u>	<u>-</u>	<u>66.7</u>
Total comprehensive income for the year	-	-	-	3.9	-	3.9	-	3.9
Dividends	-	-	-	(3.9)	-	(3.9)	-	(3.9)
At 31 December 2018	<u>0.3</u>	<u>15.3</u>	<u>-</u>	<u>39.0</u>	<u>12.1</u>	<u>66.7</u>	<u>-</u>	<u>66.7</u>

Other reserves of the group include net exchange differences of £16.5 million deficit (2017: £26.1 million deficit).

Group retained earnings includes £180.7 million (2017: £157.4 million) which would require exchange control permission for remittance as dividends.

## ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on the historical cost basis as modified by the revaluation of biological assets, financial assets and financial liabilities and assets held for sale.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. During the year, £4.5 million of comparative amounts previously classified as trade and other payables have been reclassified into provisions.

### Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have 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.

### Basis of consolidation

#### *Subsidiaries*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the effective date of acquisition or disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All Intra-Group transactions, balances, income and expenses are eliminated on consolidation.

#### *Associates*

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of that entity.

Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the Income Statement and its share of post-acquisition movements in reserves is recognised in reserves.

#### **Foreign currency translation**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Translation differences on non-monetary items carried at fair value are reported as part of the fair value gain or loss. Gains and losses arising on retranslation are included in the income statement, except for exchange differences arising on non-monetary items where the changes in fair value are recognised directly in equity.

The consolidated financial statements are presented in sterling which is the Company's functional and presentation currency. On consolidation, income statements and cash flows of foreign entities are translated into pounds sterling at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings designated as hedges of such investments, are taken to equity. When a foreign entity is sold such exchange differences arising since 1 January 2004 are recognised in the Income Statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling on the date of acquisition.

The Group has elected to treat goodwill and fair value adjustments arising on acquisitions prior to 1 January 2004, the date of the Group's transition from UK GAAP to IFRS, as sterling denominated assets and liabilities.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes and after eliminating intra-group sales.

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

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

In respect of agricultural produce, revenue is recognised at the point in time that control of goods is transferred to the customer.

In respect of food storage and distribution services, revenue for handling is recognised at the point that the goods are actually handled.

In respect of engineering services, revenue is recognised based upon the stage of completion and includes costs incurred to date, plus accrued profits.

#### **Investment income**

Investment income is recognised when the right to receive payment of a dividend is established.

#### **Segmental reporting**

The adoption of IFRS 8 requires operating segments to be identified on the basis of internal reports used to assess performance and allocate resources by the chief operating decision maker. The chief operating decision maker has been identified as the Group Strategy Committee led by the CEO. Inter segment sales

are not significant.

### **Exceptional items**

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

### **Intangible assets**

#### **(i) Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **(ii) Identifiable intangible assets**

Indefinite life identifiable intangible assets include certain brands acquired. They are not amortised but tested for impairment annually or more frequently if an impairment indicator is triggered, any impairment is charged to the income statement as it arises. The assessment of the classification of intangible assets as indefinite is reviewed annually.

Finite life identifiable intangible assets include certain brands, customer relationships and other intangible assets acquired on the acquisition of subsidiaries. Acquired intangible assets with finite lives are initially recognised at cost and amortised on a straight-line basis over their estimated useful lives, not exceeding 20 years. Intangible assets' estimated lives are re-evaluated annually and an impairment test is carried out if certain indicators of impairment exist.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

#### **(iii) Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are held at cost and are amortised on a straight-line basis over 3 to 7 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which are expected to generate economic benefits exceeding costs beyond one year, are recognised as an intangible asset and amortised over their estimated useful lives.

### **Property, plant and equipment**

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

Land and buildings comprises mainly factories and offices. All property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of these assets.

On transition to IFRS, the Group followed the transitional provisions and elected that previous UK GAAP revaluations be treated as deemed cost.

Subsequent costs are included in the assets' carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group 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.

No depreciation is provided on freehold land. Depreciation of other property, plant and equipment is calculated to write off their cost less residual value over their expected useful lives.

The rates of depreciation used for the other assets are as follows:-

Biological assets (Bearer plants)	20 to 50 years
Freehold and long leasehold buildings	nil to 50 years
Other short leasehold land and buildings	unexpired term of the lease
Plant, machinery, fixtures, fittings and equipment	3 to 25 years

No depreciation is provided on bearer plants until maturity when commercial levels of production have been reached.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

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 Income Statement.

### **Investment properties**

Properties held to earn rental income rather than for the purpose of the Group's principal activities are classified as Investment properties. Investment properties are recorded at cost less accumulated depreciation and any recognised impairment loss. The depreciation policy is consistent with those described for other Group properties.

Income from Investment properties is disclosed in 'Revenue'. The related operating costs are immaterial and are included within administrative expenses.

### **Biological assets: non-current**

Biological assets are measured at each balance sheet date at fair value and are generally valued at each year end by independent professional valuers. Any changes in fair value are recognised in the Income Statement in the year in which they arise. Costs of new areas planted are included as "new planting additions" in the biological assets note. As timber is harvested the value accumulated to the date of harvest is treated as "decrease due to harvesting" and charged to cost of sales in the Income Statement.

### **Biological assets: current**

Produce is valued on the basis of net present values of expected future cash flows and include certain assumptions about yields, selling prices, costs and discount rates. As the crop is harvested it is transferred to inventory at fair value.

### **Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### **Classification of financial assets**

#### **(i) Equity instruments designated as fair value through other comprehensive income ('FVTOCI')**

On initial recognition, the Group 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 consolidated income statement.



The Group has designated all investments in equity instruments that are not held for trading purposes as FVTOCI on initial application of IFRS 9 (see notes 22 to 25).

**(ii) Financial assets at fair value through profit or loss ('FVTPL')**

Financial assets that do not meet the criteria for being measured FVTOCI or at amortised cost (see (i) above and (iii) below) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

**(iii) Amortised cost and effective interest method**

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost and of allocating interest income over the relevant period. Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (note 7).

**Impairment of financial assets**

The Group 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 Group 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 Group'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 Group 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 Group 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 Group 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 Group 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 Group'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 Group'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 Group 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 Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group 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 Group 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 Group 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 Group 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 Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a 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);
- (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 Group 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 Group'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 Group'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 Group in accordance with the contract and all the cash flows that the Group 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 Group 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 Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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 Group 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.

#### **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 assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets' 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).

### **Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the Income Statement over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

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 Income Statement on a straight-line basis over the period of the lease.

### **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.

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.

### **Cash and cash equivalents**

Cash and cash equivalents include 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.

### **Discontinued operations and non-current assets held for sale**

A discontinued operation is a separate major line of business or geographic area of operation that has either been disposed of, abandoned or is part of a plan to dispose of a major line of business or geographic area. An operation is classified as a discontinued operation in the year that the above criteria are met. In the consolidated Income Statement, profit/loss from discontinued operations is reported separately from the results from continuing operations. Prior periods Income Statement and cash flow are presented on a comparable basis.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **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.

### **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 Income Statement 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.

### **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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group 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 substantively enacted by the balance sheet date and are expected to apply when the related tax asset is realised or the tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### **Employee benefits**

#### **(i) Pension obligations**

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions to the fund. Contributions are recognised as an expense in the Income Statement when they are due.

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.

Past service costs are recognised directly in the Income Statement.

#### **(ii) Other post-employment benefit obligations**

Some Group companies have unfunded obligations to pay terminal gratuities to employees. Provisions

are made for the estimated liability for gratuities as a result of services rendered by employees up to the balance sheet date and any movement in the provision is recognised in the Income Statement.

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

### **Provisions**

Provisions are recognised when the Group 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.

### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

### **Critical judgement 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 Group's accounting policies which have a significant effect on the amounts recognised in 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 Group 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 Group has significant investments in intangible assets, property, plant and equipment, investment properties, biological assets, associated companies, financial assets and other investments. These assets are tested for impairment when circumstances indicate there may be a potential impairment. 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.

The sensitivity of carrying amounts of biological and financial assets is disclosed in notes 18 and 42 respectively.

#### **(ii) Depreciation and amortisation**

Depreciation and amortisation is based on management's estimates of the future useful life of bearer plants, property, plant and equipment and intangible assets. Estimates may change due to climate change, technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.

#### **(iii) Biological assets**

Biological assets are carried at fair value less estimated point-of-sale costs. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value has been determined based on the net present value of expected future cash flows from those assets,

discounted at appropriate pre-tax rates. In determining the fair value of biological assets where the discounting of expected future cash flows has been used, the Directors have made certain assumptions about expected life-span of the plantings, yields, selling prices, costs and discount rates. Details of assumptions made and sensitivity analysis are given in note 18.

#### **(iv) 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 35.

#### **(v) 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 Group's profits for the year. It is not practicable to quantify the range of outcomes with the application of sensitivity analyses. Unprovided contingent tax liabilities are disclosed in note 41.

### **Changes in accounting policy and disclosures**

#### **(i) New and amended standards adopted by the Group**

The Group 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 Group. The impact of the adoption of IFRS 9 Financial Instruments on the Group's financial statements is set out below. There was no impact on the Group's financial statements following the adoption of IFRS 15 Revenue from contracts with customers.

#### **IFRS 9 Financial Instruments**

IFRS 9 was adopted without restating comparative information and its adoption has reclassified the Group's financial assets. At the date of initial application of IFRS 9, the Group has elected to apply the fair value through other comprehensive income option for all of its non-controlling equity interests that were previously classified as Available for sale financial assets ("AFS") under IAS 39. This election results in all gains and losses being presented in Other comprehensive income except dividend income which is recognised in profit or loss. This differs from the treatment of AFS instruments under IAS 39 where gains and losses recognised in Other comprehensive income are reclassified to profit and loss on derecognition or impairment. The Group's money market funds have been reclassified as financial assets at fair value through profit or loss and the Group's infrastructure bonds and debentures have been reclassified as financial assets at amortised cost. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

#### **Balance sheet (extract)**

	31 December 2017	IFRS 9	Reclassified 1 January 2018
	£'m	£'m	£'m
<b>Non-current assets</b>			
Available-for-sale financial assets	47.0	(47.0)	-
Financial assets at fair value through other comprehensive income	-	41.2	41.2
Financial asset at fair value through profit or loss	-	2.5	2.5
Financial assets at amortised cost	-	3.3	3.3
	<u>47.0</u>	<u>-</u>	<u>47.0</u>

#### **IFRS 15 Revenue from contracts with customers**

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

The 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.

A new five-step process is applied when recognising revenue:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue

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

#### **IAS 40 (amendments) Transfers of investment property**

The Group has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

#### **IFRS 16 Leases**

IFRS 16 was issued in January 2016 and will be effective from 1 January 2019. 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 Group has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. Of the Group's non-cancellable operating lease commitments, approximately £0.1 million relate to short-term leases and less than £0.1 million to low value leases which will both be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments the Group expects to recognise right-of-use assets and liabilities of approximately £10.0 million on 1 January 2019.

The Group expects that profit before tax from continuing operations will decrease by approximately £0.2 million for 2019 as a result of adopting the new rules. Trading Profit used to measure segment results is expected to increase by approximately £0.4 million, as the operating lease payments were included in Trading Profit, but the interest on the lease liability is excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately £1.2 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures may be required from next year.

The Group 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).

#### **Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement**

The amendments clarify that the past service cost (or the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered



and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19 by the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The Group does not expect that the application of these amendments in the future will have a material impact on the consolidated financial statements.

#### **Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures**

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019.

Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The Group does not expect that the application of these amendments in the future will have a material impact on the consolidated financial statements.

#### **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 group; 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.

The Group does not expect that the application of IFRIC 23 will have a material impact on the consolidated 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.

### (ii) IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

## NOTES TO THE ACCOUNTS

### 1 Business and geographical segments

The principal activities of the Group are as follows:

Agriculture  
Engineering  
Food Service

For management reporting purposes these activities form the basis on which the Group reports its primary divisions.

Segment information about these businesses is presented below:

	Agriculture		Engineering		Food Service		Other operations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
										<i>Restated</i>
<b>Revenue</b>										
External sales	245.3	239.4	22.2	20.5	41.5	37.8	0.8	0.6	309.8	298.3
Segment trading profit/(loss)	51.0	35.6	(0.6)	(2.6)	1.6	1.8	0.1	-	52.1	34.8
Unallocated corporate expenses									(9.8)	(8.4)
<b>Trading profit</b>									42.3	26.4
Share of associates' results									7.6	2.0
Provisions and impairment of property, plant and equipment									(0.2)	(1.8)
Loss on disposal of subsidiaries									(0.4)	-
Profit on disposal of financial assets									0.3	0.7
Investment income									0.8	0.6
Net finance income/(cost)									2.1	(0.3)
<b>Profit before tax from continuing operations</b>									52.5	27.6
Taxation									(20.0)	(12.2)
<b>Profit after tax from continuing operations</b>									32.5	15.4

### Other information

Segment assets	378.9	344.2	14.1	18.1	31.3	26.2	19.6	20.0	443.9	408.5
Investments in associates									65.7	55.4
Unallocated assets									100.8	112.6
Consolidated total assets									610.4	576.5
Segment liabilities	(61.5)	(56.6)	(6.0)	(7.9)	(6.2)	(6.5)	-	-	(73.7)	(71.0)
Unallocated liabilities									(84.4)	(87.6)
Consolidated total liabilities									(158.1)	(158.6)
Capital expenditure	16.4	17.2	0.4	0.3	3.2	2.3	1.4	1.0	21.4	20.8
Depreciation	(11.8)	(11.4)	(1.4)	(1.8)	(1.9)	(1.7)	(0.2)	(0.3)	(15.3)	(15.2)
Amortisation	-	-	-	-	(0.4)	(0.3)	-	-	(0.4)	(0.3)
Impairments	-	-	-	(0.9)	-	-	-	(0.2)	-	(1.1)

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, biological assets, prepaid operating leases, inventories, trade and other receivables and cash and cash equivalents. Receivables for tax have been excluded. Investments in associates, valued using the equity method, have been shown separately in the segment information. Segment liabilities are primarily those relating to the operating activities and generally exclude liabilities for taxes, short-term loans, finance leases and non-current liabilities.

### Geographical segments

The Group operations are based in nine main geographical areas. The United Kingdom is the home country of the parent. The principal geographical areas in which the Group operates are as follows:

United Kingdom  
Continental Europe  
Bangladesh  
India  
Kenya  
Malawi  
North America and Bermuda  
South Africa  
South America

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major geographical regions:

	At a point in time		Over time		Total	
	2018	2017	2018	2017	2018	2017
	£'m	£'m	£'m	£'m	£'m	£'m
United Kingdom	58.7	53.4	0.7	0.5	59.4	53.9
Continental Europe	36.0	34.1	-	-	36.0	34.1
Bangladesh	31.7	28.1	-	-	31.7	28.1
India	79.2	85.6	-	-	79.2	85.6
Kenya	40.7	42.3	-	-	40.7	42.3
Malawi	14.0	10.9	0.1	0.1	14.1	11.0
North America and Bermuda	11.8	9.9	-	-	11.8	9.9
South Africa	2.2	2.9	-	-	2.2	2.9
South America	6.1	6.5	-	-	6.1	6.5
Other	28.6	24.0	-	-	28.6	24.0
	<u>309.0</u>	<u>297.7</u>	<u>0.8</u>	<u>0.6</u>	<u>309.8</u>	<u>298.3</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment		Additions to investment properties	
	2018	2017	2018	2017	2018	2017
	£'m	£'m	£'m	£'m	£'m	£'m
United Kingdom	60.9	58.0	4.0	3.2	0.9	0.2
Continental Europe	1.4	6.3	0.1	0.1	-	-
Bangladesh	72.0	63.1	2.5	2.5	-	-
India	101.4	103.4	4.0	5.2	-	-
Kenya	107.0	89.8	5.3	4.0	-	-
Malawi	58.6	51.4	2.0	2.9	-	-
North America and Bermuda	13.3	12.2	-	0.2	-	-
South Africa	16.4	13.4	2.3	2.0	-	-
South America	11.6	10.9	0.3	0.5	-	-
	<u>442.6</u>	<u>408.5</u>	<u>20.5</u>	<u>20.6</u>	<u>0.9</u>	<u>0.2</u>

## 2 Revenue

An analysis of the Group's revenue is as follows:

	2018	2017
	£'m	£'m
Sale of goods	248.5	238.8
Distribution and warehousing revenue	38.2	37.8
Engineering services revenue	22.2	20.5
Agency commission revenue	0.1	0.6
Property rental revenue	<u>0.8</u>	<u>0.6</u>
Total Group revenue	309.8	298.3
Other operating income	4.0	2.4
Investment income	0.8	0.6
Interest income	<u>4.0</u>	<u>3.0</u>
Total Group income	<u>318.6</u>	<u>304.3</u>

Disaggregation of revenue from contracts with customers:

	At a point in time		Over time	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Sale of goods	248.5	238.8	-	-
Distribution and warehousing revenue	38.2	37.8	-	-
Engineering services revenue	22.2	20.5	-	-
Agency commission revenue	0.1	0.6	-	-
Property rental revenue	-	-	<u>0.8</u>	<u>0.6</u>
Total Group revenue	<u>309.0</u>	<u>297.7</u>	<u>0.8</u>	<u>0.6</u>

## 3 Trading profit

	2018	2017
	£'m	£'m
The following items have been included in arriving at trading profit:		
Employment costs (note 13)	98.5	101.5
Inventories:		

Cost of inventories recognised as an expense (included in cost of sales)	162.1	162.8
Cost of inventories provision recognised as an expense (included in cost of sales)	-	0.1
Fair value gain included in Made Tea	0.2	1.2
Depreciation of property, plant and equipment:		
Owned assets	15.1	15.0
Under finance leases	0.1	0.1
Amortisation of intangibles (included in administrative expenses)	0.4	0.3
Gain from change in fair value of non-current biological assets	1.5	1.1
Impairment of available-for-sale financial assets (included in administrative expenses)	-	0.2
Profit on disposal of property, plant and equipment	0.1	0.1
Operating leases - lease payments:		
Plant and machinery	0.1	0.3
Property	0.7	0.6
Repairs and maintenance expenditure on property, plant and equipment	<u>5.6</u>	<u>5.5</u>
Currency exchange (gains)/losses (credited)/charged to income include:		
Revenue	(0.1)	-
Cost of sales	(0.1)	-
Administrative expenses	(0.2)	(0.2)
Finance income	<u>(0.2)</u>	<u>0.1</u>
	<u>(0.6)</u>	<u>(0.1)</u>

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

Audit services:

Statutory audit:		
Parent company and consolidated financial statements	0.2	0.2
Subsidiary companies	<u>0.5</u>	<u>0.5</u>
	0.7	0.7
Audit - related regulatory reporting	0.1	0.1
Other services not covered above	<u>-</u>	<u>0.2</u>
	<u>0.8</u>	<u>1.0</u>

#### 4 Underlying profit

The Group seeks to present an indication of the underlying performance which is not impacted by exceptional items or items considered non-operational in nature. This measure of profit is described as 'underlying' and is used by management to measure and monitor performance.

The following items have been excluded from the underlying measure and have been separately disclosed:

- A £5.4 million gain from the release of provisions for wage increases relating to prior years in our Agriculture operations following progress on negotiations.
- The release of a £9.0 million provision in Bangladesh for post-employment benefit obligations from which the tea industry has been exempted.

#### 5 Share of associates' results

The Group's share of the results of associates is analysed below:

2018

2017

	£'m	£'m
Profit before tax	8.4	2.0
Taxation	<u>(0.8)</u>	<u>-</u>
Profit after tax	<u>7.6</u>	<u>2.0</u>

## 6 Loss on disposal of subsidiaries

During 2018, the Group disposed of its interests in GU Cutting and Grinding Limited, British Metal Treatments Limited, XiMo AG and Affish BV. No material loss was recognised in relation to any of these disposals and the total combined loss was £0.4 million. Proceeds received in relation to these disposals amounted to £3.8 million. Further details of the disposals are included in note 39.

## 7 Finance income and costs

	2018	2017
	£'m	£'m
Interest payable on loans and bank overdrafts	<u>(0.6)</u>	<u>(0.5)</u>
Finance costs	(0.6)	(0.5)
Finance income - interest income on short-term bank deposits	4.0	3.0
Net exchange gain/(loss) on foreign cash balances	0.2	(0.1)
Employee benefit expense (note 35)	<u>(1.5)</u>	<u>(2.7)</u>
Net finance income/(cost)	<u>2.1</u>	<u>(0.3)</u>

## 8 Taxation

### Analysis of charge in the year

	2018	2017
	£'m	£'m
		<i>Restated</i>
<b>Current tax</b>		
<b>UK corporation tax</b>		
UK corporation tax at 19.00 per cent. (2017: 19.25 per cent.)	2.8	1.8
Double tax relief	<u>(2.8)</u>	<u>(1.8)</u>
		-
<b>Foreign tax</b>		
Corporation tax	14.0	14.0
Adjustment in respect of prior years	<u>0.1</u>	<u>0.3</u>
		14.1
<b>Total current tax</b>		<u>14.1</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences		
United Kingdom	1.5	(1.6)
Overseas	<u>4.4</u>	<u>(0.5)</u>
		5.9
		<u>(2.1)</u>
<b>Tax on profit on ordinary activities</b>		<u>20.0</u>
<b>Factors affecting tax charge for the year</b>		
Profit on ordinary activities before tax	52.3	42.4
Share of associated undertakings profit	<u>(7.6)</u>	<u>(2.0)</u>
Group profit on ordinary activities before tax	<u>44.7</u>	<u>40.4</u>
Tax on ordinary activities at the standard rate of corporation tax		
in the UK of 19.00 per cent. (2017: 19.25 per cent.)	8.5	7.8
Effects of:		
Adjustment to tax in respect of prior years	0.1	0.3
Expenses not deductible for tax purposes	1.3	2.6
Adjustment in respect of foreign tax rates	7.2	4.6

Additional tax arising on dividends from overseas companies	0.7	1.1
Other income not charged to tax	(1.0)	(2.2)
Profit on disposal of discontinued operation not charged to tax	-	(3.9)
Increase in tax losses carried forward	2.8	0.3
Movement in other timing differences	0.4	1.6
	<u>20.0</u>	<u>12.2</u>
Total tax charge for the year		

The deferred tax charge for 2017 has been restated to reflect the movement in capital losses arising from the recognition of capital gains through other comprehensive income against which these losses can be offset, amounting to a credit of £1.6 million.

## 9 Discontinued operation

The loss of £0.2 million (2017: £14.8 million profit) relates to the banking and financial services businesses operated by Duncan Lawrie. For further information about the discontinued operation please refer to note 10 in the Group's annual financial statements for the year ended 31 December 2017.

## 10 Profit for the year

	2018 £'m	2017 £'m
The profit of the Company was:	<u>3.9</u>	<u>3.9</u>

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to disclose its income statement.

## 11 Equity dividends

	2018 £'m	2017 £'m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2017 of 98p (2016: 95p) per share	2.7	2.6
Interim dividend for the year ended 31 December 2018 of 40p (2017: 37p) per share	<u>1.1</u>	<u>1.0</u>
	<u>3.8</u>	<u>3.6</u>

Dividends amounting to £0.1 million (2017: £0.1 million) have not been included as group companies hold 62,500 issued shares in the Company. These are classified as treasury shares.

Proposed final dividend for the year ended 31 December 2018 of 102p (2017: 98p) per share	<u>2.9</u>	<u>2.8</u>
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The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in these financial statements.

## 12 Earnings/(loss) per share (EPS)

	2018 Weighted average number of shares	EPS Pence		2017 Weighted average number of shares	EPS Pence
Earnings/ (loss) £'m	Number		Earnings £'m	Number	

Attributable to ordinary shareholders	<u>25.2</u>	<u>2,762,000</u>	<u>912.4</u>	<u>23.8</u>	<u>2,762,000</u>	<u>861.7</u>
Attributable to ordinary shareholders – continuing operations	<u>25.4</u>	<u>2,762,000</u>	<u>919.6</u>	<u>9.0</u>	<u>2,762,000</u>	<u>325.9</u>
Attributable to ordinary shareholders – discontinued operation	<u>(0.2)</u>	<u>2,762,000</u>	<u>(7.2)</u>	<u>14.8</u>	<u>2,762,000</u>	<u>535.8</u>

Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held by the Group as treasury shares (note 36).

### 13 Employees

	2018	2017
	Number	Number
Average number of employees by activity:		
Agriculture	77,182	79,665
Engineering	225	250
Food Service	357	334
Central Management	<u>28</u>	<u>26</u>
	<u>77,792</u>	<u>80,275</u>
	2018	2017
	£'m	£'m
Employment costs:		
Wages and salaries	96.2	91.3
Social security costs	2.7	2.5
Employee benefit obligations (see note 35) – UK	2.3	1.4
– Overseas	6.3	6.3
– Overseas curtailment gain	<u>(9.0)</u>	<u>–</u>
	<u>98.5</u>	<u>101.5</u>

Total remuneration paid to key employees who are members of the Executive Committees, excluding Directors of Camellia Plc, amounted to £2.9 million (2017: £2.1 million).

### 14 Emoluments of the directors

	2018	2017
	£'m	£'m
Aggregate emoluments excluding pension contributions	<u>2.0</u>	<u>1.9</u>

Emoluments of the highest paid director excluding pension contributions were £0.6 million (2017: £0.6 million).

Further details of directors' emoluments are set out on pages 33 to 34.

### 15 Intangible assets

	Brands	Computer software	Total
	£'m	£'m	£'m
Group			
Cost			



At 1 January 2017	-	2.4	2.4
Exchange differences	(0.1)	-	(0.1)
Additions	2.4	0.1	2.5
Disposals	-	(0.1)	(0.1)
At 1 January 2018	2.3	2.4	4.7
Additions	-	0.1	0.1
Disposals	-	(0.3)	(0.3)
Subsidiary joining the group	6.6	-	6.6
At 31 December 2018	8.9	2.2	11.1
Amortisation			
At 1 January 2017	-	1.3	1.3
Charge for the year	-	0.3	0.3
Disposals	-	(0.1)	(0.1)
At 1 January 2018	-	1.5	1.5
Charge for the year	-	0.4	0.4
Disposals	-	(0.3)	(0.3)
At 31 December 2018	-	1.6	1.6
Net book value at 31 December 2018	8.9	0.6	9.5
Net book value at 31 December 2017	2.3	0.9	3.2

### ***Impairment testing***

#### *Timing of impairment testing*

The Group's impairment test in respect of brands allocated to each component of the cash-generating unit ('CGU') is performed as at 31 December each year. In line with the accounting policy, impairment testing is also performed whenever there is an indication that the assets may be impaired. There was no indication of impairment in the year to 31 December 2018. For the purpose of this impairment testing, the Group's CGU components represent the brands owned by Jing Tea Limited and Goodricke Group Limited.

## **16 Property, plant and equipment**

	Bearer plants £'m	Land and buildings £'m	Plant and machinery £'m	Fixtures, fittings and equipment £'m	Total £'m
<i>Group</i>					
Deemed cost					
At 1 January 2017	141.8	95.7	119.7	17.1	374.3
Exchange differences	(12.7)	(4.0)	(4.9)	(0.7)	(22.3)
Additions	5.8	5.3	8.5	1.0	20.6
Disposals	(1.3)	(0.2)	(2.5)	(0.3)	(4.3)
Transfer between categories	-	10.7	(10.7)	-	-
Reclassification to investment properties	-	(2.3)	-	-	(2.3)
Reclassification to assets held for sale	-	(3.1)	(3.9)	-	(7.0)
At 1 January 2018	133.6	102.1	106.2	17.1	359.0
Exchange differences	4.9	1.0	0.4	0.3	6.6
Additions	4.0	6.3	8.5	1.7	20.5

Disposals	(0.4)	(0.4)	(1.8)	(0.8)	(3.4)
Subsidiaries joining the group	-	0.4	0.1	-	0.5
Subsidiaries leaving the group	-	(1.8)	(0.8)	(0.6)	(3.2)
Reclassification from investment properties	-	0.2	-	-	0.2
At 31 December 2018	<u>142.1</u>	<u>107.8</u>	<u>112.6</u>	<u>17.7</u>	<u>380.2</u>
Depreciation					
At 1 January 2017	12.4	43.6	77.8	8.3	142.1
Exchange differences	(1.3)	(1.4)	(2.7)	(0.6)	(6.0)
Charge for the year	6.0	1.5	6.6	1.0	15.1
Disposals	(0.3)	(0.1)	(2.4)	(0.3)	(3.1)
Transfer between categories	-	9.2	(9.2)	-	(0.0)
Impairment provision	-	0.1	0.2	-	0.3
Reclassification to investment properties	-	(1.1)	-	-	(1.1)
Reclassification to assets held for sale	-	(0.9)	(3.7)	-	(4.6)
At 1 January 2018	16.8	50.9	66.6	8.4	142.7
Exchange differences	0.8	0.3	0.2	0.2	1.5
Charge for the year	5.6	2.3	6.3	1.0	15.2
Disposals	(0.2)	(0.3)	(1.6)	(0.8)	(2.9)
Subsidiaries leaving the group	-	(1.5)	(0.6)	(0.5)	(2.6)
At 31 December 2018	<u>23.0</u>	<u>51.7</u>	<u>70.9</u>	<u>8.3</u>	<u>153.9</u>
Net book value at 31 December 2018	<u>119.1</u>	<u>56.1</u>	<u>41.7</u>	<u>9.4</u>	<u>226.3</u>
Net book value at 31 December 2017	<u>116.8</u>	<u>51.2</u>	<u>39.6</u>	<u>8.7</u>	<u>216.3</u>

Land and buildings at net book value comprise:

	2018	2017
	£'m	£'m
Freehold	28.3	26.6
Long leasehold	27.5	24.3
Short leasehold	0.3	0.3
	<u>56.1</u>	<u>51.2</u>

The amount of expenditure for property, plant and equipment in the course of construction (including immature bearer plants) amounted to £4.2 million (2017: £3.3 million).

## 17 Investment properties

	£'m
<i>Group</i>	
Cost	
At 1 January 2017	17.7
Additions	0.2
Transfers from property, plant and equipment	2.3
Reclassification to assets held for sale	(0.7)
At 1 January 2018	19.5
Additions	0.9
Reclassification to property, plant and equipment	(0.2)

Reclassification to assets held for sale	(0.4)
At 31 December 2018	<u>19.8</u>
Depreciation	
At 1 January 2017	0.7
Transfers from property, plant and equipment	1.1
Charge for the year	<u>0.1</u>
At 1 January 2018	1.9
Reclassification to assets held for sale	(0.2)
Charge for the year	<u>0.1</u>
At 31 December 2018	<u>1.8</u>
Net book value at 31 December 2018	<u>18.0</u>
Net book value at 31 December 2017	<u>17.6</u>

Included in revenue is £0.8 million (2017: £0.6 million) of rental income generated from investment properties. Direct operating expenses arising on the investment property, the majority of which generated rental income in the period, amounted to £0.1 million (2017: £0.2 million).

At the end of the year the fair value of Investment properties was £23.7 million (2017: £23.4 million). Investment properties were valued by the Directors (fair value hierarchy Level 2).

## 18 Biological assets

Non-current:	Forestry	Livestock	Total
	£'m	£'m	£'m
<i>Group</i>			
At 1 January 2017	12.9	1.0	13.9
Exchange differences	(1.2)	(0.1)	(1.3)
Additions	0.2	-	0.2
Gains arising from changes in fair value less estimated point-of-sale costs	0.8	0.3	1.1
Decreases due to harvesting	<u>(0.8)</u>	<u>(0.3)</u>	<u>(1.1)</u>
At 1 January 2018	11.9	0.9	12.8
Exchange differences	0.7	0.1	0.8
Additions	0.3	0.1	0.4
Gains arising from changes in fair value less estimated point-of-sale costs	1.2	0.3	1.5
Decreases due to harvesting	<u>(0.6)</u>	<u>(0.4)</u>	<u>(1.0)</u>
At 31 December 2018	<u>13.5</u>	<u>1.0</u>	<u>14.5</u>
Current:		2018	2017
		£'m	£'m
<i>Group</i>			
Tea		0.3	0.2
Edible nuts		2.8	1.9
Citrus		1.6	1.0
Soya		3.0	2.3
Avocado		1.0	1.1
Other		<u>0.1</u>	<u>0.1</u>
		<u>8.8</u>	<u>6.6</u>

Biological assets are carried at fair value. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value has been determined based on the net present

value of expected future cash flows from those assets, discounted at appropriate pre-tax rates. In determining the fair value of biological assets where the discounting of expected future cash flows has been used, the Directors have made certain assumptions about the expected life-span of the plantings, yields, selling prices and costs. There are no individually significant unobservable inputs. The fair value of livestock is based on market prices of livestock of similar age and sex.

New planting additions represent new areas planted to the particular crop at cost.

As at 31 December 2018 the area planted to Forestry amounted to 5,982 Hectares (2017: 5,866) from which 156,112 cubic metres (2017: 196,121) were harvested during the year.

Livestock numbers were 4,436 head (2017: 4,502) at 31 December 2018.

### **Fair value measurement**

All of the biological assets fall under level 3 of the hierarchy defined in IFRS 13.

The basis upon which the valuations are determined is set out in accounting policies on page 44.

Valuations by external professional valuers and those derived from discounted cash flows both make assumptions based on unobservable inputs of: yields, an increase in which will raise the value; costs, an increase in which will decrease the value; market prices, an increase in which will raise the value; life span of the plantings, an increase in which will raise the value; discount rates, an increase in which will decrease the value. These assumptions vary significantly across different countries, crops and varieties. In preparing these valuations a long term view is taken on the yields and prices achievable.

The fair value of biological assets is sensitive to these assumptions, the more significant of which are as follows:

Non-current:

- Forestry – a 10% movement in the market price for trees or volume of trees assumed would result in a £1.4 million (2017: £1.2 million) increase/decrease in the fair value of forestry.

Current:

- Macadamia – a 10% increase/decrease in the volumes assumed would result in a £0.6 million (2017: £0.2 million) increase/decrease in the fair value of macadamia growing crop. A 10% increase/decrease in selling price assumed for macadamia would result in a £0.8 million (2017: £1.0 million) increase/decrease in the fair value.
- Avocados – a 10% increase/decrease in the volume or the price assumed would result in a £0.1 million (2017: £0.1 million) increase/decrease in the fair value of Hass avocados growing crop.
- Soya – a 10% increase/decrease in the volume or the price assumed would result in a £0.3 million (2017: £0.2 million) increase/decrease in the fair value of soya growing crop.

### **Financial risk management strategies**

The Group is exposed to financial risks arising from changes in the prices of the agricultural products it produces. There are no futures markets available for the majority of crops grown by the Group. The Group's exposure to this risk is mitigated by the geographical spread of its operations, selective forward selling in certain instances when considered appropriate, and regular reviews of available market data on sales and production. The Group monitors closely the returns it achieves from its crops and considers replacing its biological assets when yields decline with age or markets change.

Further financial risk arises from changes in market prices of key cost components. Such costs are closely monitored.

## **19 Prepaid operating leases**

£'m

<i>Group</i>	
Cost	
At 1 January 2017	1.0
Exchange differences	<u>(0.1)</u>
At 1 January 2018	0.9
Exchange differences	<u>0.1</u>
At 31 December 2018	<u>1.0</u>
Net book value at 31 December 2018	<u>1.0</u>
Net book value at 31 December 2017	<u>0.9</u>

## 20 Investments in subsidiaries

	2018	2017
	£'m	£'m
<i>Company</i>		
Cost		
At 1 January and 31 December	<u>73.5</u>	<u>73.5</u>

## 21 Investments in associates

	2018	2017
	£'m	£'m
<i>Group</i>		
At 1 January	81.7	89.8
Exchange differences	5.1	(8.4)
Share of profit (note 5)	7.6	2.0
Dividends	(2.8)	(2.8)
Additions	1.0	1.0
Other equity movements	<u>1.0</u>	<u>0.1</u>
At 31 December	<u>93.6</u>	<u>81.7</u>
Provision for diminution in value		
At 1 January	26.3	28.8
Exchange differences	<u>1.6</u>	<u>(2.5)</u>
At 31 December	<u>27.9</u>	<u>26.3</u>
Net book value at 31 December	<u>65.7</u>	<u>55.4</u>

Details of the Group's associates are shown in note 43.

The Group's share of the results of its principal associates and its share of the assets (including goodwill) and liabilities are as follows:

	Country of incorporation	Assets £'m	Liabilities £'m	Revenues £'m	Profit £'m	Interest held %	Market value £'m
2018							
Listed							
BF&M	Bermuda	589.5	(508.8)	64.5	6.5	37.2	41.8
United Finance Limited	Bangladesh	85.7	(75.3)	3.5	0.9	38.4	12.0
United Insurance Company Limited	Bangladesh	3.4	(0.9)	0.3	0.2	37.0	3.6
		<u>678.6</u>	<u>(585.0)</u>	<u>68.3</u>	<u>7.6</u>		<u>57.4</u>

2017

Listed							
BF&M	Bermuda	702.4	(632.4)	69.9	0.9	36.3	40.9
United Finance Limited	Bangladesh	81.0	(71.5)	3.1	0.9	38.4	13.8
United Insurance Company Limited	Bangladesh	3.0	(0.8)	0.3	0.2	37.0	4.1
		<u>786.4</u>	<u>(704.7)</u>	<u>73.3</u>	<u>2.0</u>		<u>58.8</u>

## 22 Financial assets at fair value through other comprehensive income

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Cost or fair value				
At 31 December	-	-	-	-
Adjustment upon application of IFRS 9	<u>43.6</u>	-	<u>0.2</u>	-
At 1 January	43.6	-	0.2	-
Exchange differences	2.1	-	-	-
Fair value adjustment	(5.6)	-	-	-
Disposals	(1.1)	-	-	-
Fair value adjustment for disposal	<u>(3.8)</u>	-	-	-
At 31 December	<u>35.2</u>	-	<u>0.2</u>	-
Provision for diminution in value				
At 31 December	-	-	-	-
Adjustment upon application of IFRS 9	<u>2.4</u>	-	<u>0.2</u>	-
At 1 January	2.4	-	0.2	-
Exchange differences	<u>0.1</u>	-	-	-
At 31 December	<u>2.5</u>	-	<u>0.2</u>	-
Net book value at 31 December	<u>32.7</u>	-	-	-

Financial assets at fair value through other comprehensive income include the following:

	Group	
	2018 £'m	2017 £'m
Listed securities:		
Equity securities – Bermuda	2.6	-
Equity securities – Japan	17.1	-
Equity securities – Switzerland	8.1	-
Equity securities – US	3.6	-
Equity securities – India	0.6	-
Equity securities – Europe	0.4	-
Equity securities – Other	<u>0.3</u>	-
	<u>32.7</u>	-

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	Group	
	2018 £'m	2017 £'m

US Dollar	3.6	-
Euro	0.4	-
Swiss Franc	8.1	-
Indian Rupee	0.6	-
Bermudian Dollar	2.6	-
Japanese Yen	17.1	-
Other	0.3	-
	<u>32.7</u>	<u>-</u>

### 23 Financial assets at fair value through profit or loss

	Group	
	2018	2017
	£'m	£'m
At 31 December	-	-
Adjustment upon application of IFRS 9	<u>2.5</u>	<u>-</u>
At 1 January	2.5	-
Fair value adjustment	0.1	-
Additions	7.2	-
Disposals	<u>(6.1)</u>	<u>-</u>
At 31 December	<u>3.7</u>	<u>-</u>

Financial assets at fair value through profit or loss comprise money market funds held in India.

### 24 Financial assets at amortised cost

	Group	
	2018	2017
	£'m	£'m
At 31 December	-	-
Adjustment upon application of IFRS 9	<u>3.3</u>	<u>-</u>
At 1 January	3.3	-
Exchange differences	0.1	-
Disposals	<u>(0.2)</u>	<u>-</u>
At 31 December	<u>3.2</u>	<u>-</u>

Financial assets at amortised cost comprises:

	2018	2017
	£'m	£'m
Treasury infrastructure bonds – 12.0% to 12.2% interest payable twice yearly and redeemable in November 2022 – Kenya	1.5	-
Treasury infrastructure bonds – 12.0% to 12.2% interest payable twice yearly and redeemable in November 2024 – Kenya	1.5	-
Debentures with fixed interest of 12.5% and repayable twice yearly until 31 October 2019 – Kenya	<u>0.2</u>	<u>-</u>
	<u>3.2</u>	<u>-</u>
Current	0.2	-
Non-Current	<u>3.0</u>	<u>-</u>
	<u>3.2</u>	<u>-</u>

### 25 Available-for-sale financial assets

Group

Company

	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Cost or fair value				
At 31 December	49.4	39.6	0.2	0.2
Adjustment upon application of IFRS 9	<u>(49.4)</u>	<u>-</u>	<u>(0.2)</u>	<u>-</u>
At 1 January	-	39.6	-	0.2
Exchange differences	-	(3.7)	-	-
Fair value adjustment	-	10.9	-	-
Additions	-	4.0	-	-
Disposals	-	(1.1)	-	-
Fair value adjustment for disposal	<u>-</u>	<u>(0.3)</u>	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>49.4</u>	<u>-</u>	<u>0.2</u>

	Group		Company	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Provision for diminution in value				
At 31 December	2.4	2.4	0.2	-
Adjustment upon application of IFRS 9	<u>(2.4)</u>	<u>-</u>	<u>(0.2)</u>	<u>-</u>
At 1 January	-	2.4	-	-
Exchange differences	-	(0.2)	-	0.2
Provided during year	<u>-</u>	<u>0.2</u>	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>2.4</u>	<u>-</u>	<u>0.2</u>
Net book value at 31 December	<u>-</u>	<u>47.0</u>	<u>-</u>	<u>-</u>

Available-for-sale financial assets include the following:

	Group		Company	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Listed securities:				
Equity securities – Bermuda	-	5.2	-	-
Equity securities – Japan	-	20.3	-	-
Equity securities – Switzerland	-	9.5	-	-
Equity securities – US	-	4.1	-	-
Equity securities – India	-	3.8	-	-
Equity securities – Europe	-	0.5	-	-
Equity securities – Other	-	0.3	-	-
Treasury infrastructure bonds – 12.0% to 12.2% interest payable twice yearly and redeemable in November 2022 – Kenya	-	1.5	-	-
Treasury infrastructure bonds – 12.0% to 12.2% interest payable twice yearly and redeemable in November 2024 – Kenya	-	1.5	-	-
Debentures with fixed interest of 12.5% and repayable twice yearly until 31 October 2019 – Kenya	<u>-</u>	<u>0.3</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>47.0</u>	<u>-</u>	<u>-</u>



Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
US Dollar	-	4.1	-	-
Euro	-	0.5	-	-
Swiss Franc	-	9.5	-	-
Indian Rupee	-	3.8	-	-
Bermudian Dollar	-	5.2	-	-
Japanese Yen	-	20.3	-	-
Kenyan Shilling	-	3.3	-	-
Other	-	0.3	-	-
	<u>-</u>	<u>47.0</u>	<u>-</u>	<u>-</u>

## 26 Other investments - heritage assets

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Cost				
At 1 January	9.4	9.2	10.6	10.4
Additions	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>
At 31 December	<u>9.5</u>	<u>9.4</u>	<u>10.7</u>	<u>10.6</u>

Heritage assets comprise the Group's and Company's investment in fine art, philately, documents and manuscripts. The market value of these collections is expected to be in excess of book value.

## 27 Inventories

	2018 £'m	2017 £'m
<i>Group</i>		
Made Tea	34.6	31.3
Other agricultural produce	2.6	1.9
Work in progress	0.1	0.2
Trading stocks	1.6	2.5
Raw materials and consumables	<u>13.8</u>	<u>11.5</u>
	<u>52.7</u>	<u>47.4</u>

Made tea inventories include the fair value of green leaf which includes a fair value uplift of 0.2 million (2017: £1.2 million).

## 28 Trade and other receivables

	Group	
	2018 £'m	2017 £'m
<i>Group</i>		
Current:		
Trade receivables	34.5	30.3
Amounts owed by associated undertakings	0.1	0.1
Other receivables	6.0	7.4

Prepayments and accrued income	7.9	5.9
	<u>48.5</u>	<u>43.7</u>
Non-current:		
Other receivables	2.7	1.9
	<u>2.7</u>	<u>1.9</u>

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2018	2017
	£'m	£'m
Current:		
Sterling	13.0	11.7
US Dollar	6.2	3.5
Euro	0.1	1.3
Kenyan Shilling	3.4	2.5
Indian Rupee	20.0	19.5
Malawian Kwacha	1.7	0.9
Bangladesh Taka	2.2	2.3
South African Rand	0.2	0.2
Brazilian Real	1.1	0.9
Other	0.6	0.9
	<u>48.5</u>	<u>43.7</u>
Non-current:		
Kenyan Shilling	0.5	0.5
Indian Rupee	1.5	0.8
Malawian Kwacha	0.4	0.3
Bangladesh Taka	0.3	0.3
	<u>2.7</u>	<u>1.9</u>

Included within trade receivables is a provision for doubtful debts of £0.4 million (2017: £0.3 million). All other trade receivables are with normal trading partners and there is no history of defaults.

Trade receivables include receivables of £5.9 million (2017: £6.0 million) which are past due at the reporting date against which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. Ageing of past due but not provided for receivables is as follows:

	2018	2017
	£'m	£'m
Up to 30 days	2.5	4.0
30-60 days	1.4	0.8
60-90 days	0.3	0.3
Over 90 days	1.7	0.9
	<u>5.9</u>	<u>6.0</u>

## 29 Cash and cash equivalents (excluding bank overdrafts)

	Group		Company	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Cash at bank and in hand	41.3	42.8	0.1	0.1

Short-term bank deposits	67.5	61.1	-	-
Short-term liquid investments	3.6	4.1	-	-
	<u>112.4</u>	<u>108.0</u>	<u>0.1</u>	<u>0.1</u>

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Cash and cash equivalents	112.4	108.0	0.1	0.1
Bank overdrafts (note 32)	<u>(2.8)</u>	<u>(1.2)</u>	<u>-</u>	<u>-</u>
	<u>109.6</u>	<u>106.8</u>	<u>0.1</u>	<u>0.1</u>

	2018	2017	2018	2017
Effective interest rate:				
Short-term deposits	0.82 - 12.00%	0.57 - 12.00%	-	-
Short-term liquid investments	7.04%	5.08 - 9.75%	-	-
Average maturity period:				
Short-term deposits	59 days	58 days	-	-
Short-term liquid investments	37 days	64 days	-	-

### 30 Assets classified as held for sale

Assets classified as held for sale relates to a property previously occupied by Duncan Lawrie in the Isle of Man which the Group is selling. The sale is expected to be completed during 2019. £0.2 million has been reclassified from investment property.

In 2017, assets classified as held for sale related to British Metal Treatments Limited, GU Cutting and Grinding Services Limited and the property previously occupied by Loddon Engineering all of which were sold during 2018.

### 31 Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Current:				
Trade payables	24.8	24.6	0.1	-
Other taxation and social security	1.9	1.6	-	-
Other payables	17.9	16.9	0.1	0.2
Accruals and deferred income	<u>8.9</u>	<u>8.9</u>	<u>0.4</u>	<u>-</u>
	<u>53.5</u>	<u>52.0</u>	<u>0.6</u>	<u>0.2</u>

### 32 Financial liabilities - borrowings

	2018	2017
	£'m	£'m
<i>Group</i>		
Current:		
Bank overdrafts	2.8	1.2
Bank loans	<u>0.6</u>	<u>0.6</u>
	<u>3.4</u>	<u>1.8</u>

Current borrowings include the following amounts secured on property, plant and equipment and investment properties:		
Bank overdrafts	2.8	0.8
Bank loans	0.6	0.6
	<u>3.4</u>	<u>1.4</u>
Non-current:		
Bank loans	3.3	3.9
Finance leases	0.1	0.1
	<u>3.4</u>	<u>4.0</u>
Non-current borrowings include the following amounts secured on plant and equipment and investment properties:		
Bank loans	3.3	3.9
Finance leases	0.1	0.1
	<u>3.4</u>	<u>4.0</u>
The repayment of bank loans and overdrafts fall due as follows:		
Within one year or on demand (included in current liabilities)	3.4	1.8
Between 1 – 2 years	3.3	0.6
Between 2 – 5 years	-	3.3
	<u>6.7</u>	<u>5.7</u>
	2018	2017
	£'m	£'m
Minimum finance lease payments fall due as follows:		
Between 2 – 5 years	0.1	0.1
	0.1	0.1
Future finance charges on finance leases	-	-
Present value of finance lease liabilities	0.1	0.1
	<u>0.1</u>	<u>0.1</u>
The rates of interest payable by the Group ranged between:		
	2018	2017
	%	%
Bank overdrafts	2.50 – 21.00	2.25 – 21.50
Bank loans	3.03	3.03
Finance leases	6.80 – 10.00	6.80 – 9.50

### 33 Provisions

	Wages and salaries	Others	Total
	£'m	£'m	£'m
<i>Group</i>			
At 1 January 2017	12.3	0.9	13.2
Exchange differences	(1.1)	-	(1.1)
Utilised in the period	(4.8)	-	(4.8)
Provided in the period	12.1	0.7	12.8
Unused amounts reversed in period	-	(0.4)	(0.4)
At 1 January 2018	18.5	1.2	19.7
Exchange differences	0.6	-	0.6
Utilised in the period	(4.9)	(0.6)	(5.5)
Provided in the period	8.6	0.6	9.2

Unused amounts reversed in period	(5.4)	(0.1)	(5.5)
At 31 December 2018	<u>17.4</u>	<u>1.1</u>	<u>18.5</u>
Current:			
At 31 December 2018	<u>17.4</u>	<u>1.1</u>	<u>18.5</u>
At 31 December 2017	<u>18.5</u>	<u>1.2</u>	<u>19.7</u>

The wages and salaries provisions are in respect of unresolved wage negotiations in Kenya for the Collective Bargaining Agreement years of 2014/15, 2016/17 and 2018/19, and ongoing wage and bonus negotiations in India and Bangladesh.

£5.4 million was reversed in 2018 from the wages and salaries provision following progress on negotiations.

Others relate to provisions for claims and dilapidations.

### 34 Deferred tax

The net movement on the deferred tax account is set out below:

	Group		Company	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
At 1 January	40.0	43.1	0.2	0.2
Exchange differences	1.5	(3.7)	-	-
Charged/(credited) to the income statement	5.9	(2.1)	-	-
(Credited)/charged to other comprehensive income	(1.1)	2.7	-	-
At 31 December	<u>46.3</u>	<u>40.0</u>	<u>0.2</u>	<u>0.2</u>

The movement in deferred tax assets and liabilities is set out below:

#### Deferred tax liabilities

	Accelerated tax depreciation	Other	Total
	£'m	£'m	£'m
At 1 January 2017 as previously reported	49.0	3.1	52.1
Restated for unrealised gains in financial assets	-	2.7	2.7
At 1 January 2017 restated	49.0	5.8	54.8
Exchange differences	(4.4)	(0.5)	(4.9)
Charged/(credited) to the income statement	3.5	(2.0)	1.5
Charged to other comprehensive income	-	1.6	1.6
At 1 January 2018	48.1	4.9	53.0
Exchange differences	1.8	0.3	2.1
Charged to the income statement	1.1	0.1	1.2
Credited to other comprehensive income	-	(1.5)	(1.5)
At 31 December 2018	<u>51.0</u>	<u>5.3</u>	<u>54.8</u>
Deferred tax assets offset			<u>(8.5)</u>
Net deferred tax liability after offset			<u>46.3</u>

#### Deferred tax assets

	Tax losses	Pension scheme asset	Other	Total
	£'m	£'m	£'m	£'m
At 1 January 2017 as previously reported	0.3	0.8	7.9	9.0
Restated for tax loss recognition	<u>2.7</u>	<u>-</u>	<u>-</u>	<u>2.7</u>
At 1 January 2017 restated	3.0	0.8	7.9	11.7
Exchange differences	(0.3)	(0.5)	(0.4)	(1.2)
Credited to the income statement	2.0	0.1	1.5	3.6
Charged to other comprehensive income	-	(1.0)	(0.1)	(1.1)
Recategorisation	<u>-</u>	<u>3.8</u>	<u>(3.8)</u>	<u>-</u>
At 1 January 2018	4.7	3.2	5.1	13.0
Exchange differences	0.2	0.1	0.3	0.6
Charged to the income statement	(1.9)	(2.7)	(0.1)	(4.7)
Charged to other comprehensive income	<u>-</u>	<u>(0.3)</u>	<u>(0.1)</u>	<u>(0.4)</u>
At 31 December 2018	<u>3.0</u>	<u>0.3</u>	<u>5.2</u>	<u>8.5</u>
Offset against deferred tax liabilities				<u>(8.5)</u>
Net deferred tax asset after offset				<u>-</u>

Figures have been restated to reflect deferred tax liabilities on financial assets underlying capital gains arising from market value recognition through other comprehensive income. The recognition of this gain is matched by recognising tax losses in deferred tax assets against which such gains can be offset.

Deferred tax liabilities of £26.9 million (2017: £23.8 million) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets of £6.1 million (2017: £6.9 million) in respect of losses that can be carried forward against future taxable income.

### 35 Employee benefit obligations

#### (i) Pensions

Certain Group subsidiaries operate defined contribution and funded defined benefit pension schemes. The most significant is the UK funded, defined benefit scheme. The assets of this scheme are administered by trustees and are kept separate from those of the Group. The performance of the assets is monitored on a regular basis by the trustees and their investment advisors. A full actuarial valuation was undertaken as at 1 July 2017 and updated to 31 December 2018 by a qualified independent actuary. The UK defined benefit pension scheme is closed to new entrants and with effect from 1 November 2016, the scheme was closed to future accruals. Since that date members have participated in a defined contribution scheme.

The overseas schemes are operated in Group subsidiaries located in Bangladesh and India. Actuarial valuations have been updated to 31 December 2018 by qualified actuaries for these schemes.

#### Assumptions

The major assumptions used in the valuation to determine the present value of the schemes' defined benefit obligations were as follows:

	2018	2017
	% per annum	% per annum

## UK schemes

Rate of increase in salaries	N/a	N/a
Rate of increase to LPI (Limited Price Indexation) pensions in payment	2.30 – 5.00	2.20 – 5.00
Discount rate applied to scheme liabilities	2.75	2.45
Inflation assumption (CPI/RPI)	2.30/3.30	2.20/3.20

Assumptions regarding future mortality experience are based on advice received from independent actuaries. The current mortality tables used are SAPS 2, males 105% and females 104%, on a year of birth basis, with CMI\_2017 future improvement factors and subject to a long term annual rate of future improvement of 1.25% per annum. This results in males and females aged 65 having life expectancies of 21.6 years (2017: 21.7 years) and 22.9 years respectively (2017: 23.0 years).

	2018	2017
	% per annum	% per annum
<b>Overseas schemes</b>		
Rate of increase in salaries	6.00 – 7.00	1.50 – 7.00
Rate of increase to LPI (Limited Price Indexation) pensions in payment	0.00 – 3.00	0.00 – 3.00
Discount rate applied to scheme liabilities	7.50	2.00 – 7.50
Inflation assumption	6.00 – 7.00	0.00 – 7.00

## (ii) Post-employment benefits

Certain Group subsidiaries located in Kenya, India and Bangladesh have an obligation to pay terminal gratuities, based on years of service. These obligations are estimated annually using the projected unit method by qualified independent actuaries. Schemes operated in India are funded but the schemes operated in Kenya and Bangladesh are unfunded. Operations in India and Bangladesh also have an obligation to pay medical benefits upon retirement. These schemes are unfunded.

## Assumptions

The major assumptions used in the valuation to determine the present value of the post-employment benefit obligations were as follows:

	2018	2017
	% per annum	% per annum
Rate of increase in salaries	6.00 – 10.00	6.00 – 10.00
Discount rate applied to scheme liabilities	7.50 – 13.00	7.00 – 13.50
Inflation assumptions	0.00 – 10.00	0.00 – 10.00

## (iii) Leave obligations

Certain Group subsidiaries located in India have an obligation to pay leave benefit, based on years of service. These obligations are estimated annually using the projected unit method by qualified independent actuaries. These schemes are unfunded.

## Sensitivity analysis

The sensitivity of the UK defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation
Discount rate	0.5% higher	7.2% decrease
Discount rate	0.5% lower	8.1% increase
Rate of RPI inflation	0.25% higher	1.8% increase
Rate of RPI inflation	0.25% lower	1.7% decrease
Life expectancy	+1 year	4.5% increase

Life expectancy -1 year 4.5% decrease

The above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the scheme holds a proportion of its assets in corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, thus mitigating the increase in the defined benefit obligation to some extent. The sensitivities have been calculated by changing the key assumption only and leaving all others fixed.

#### Duration of the scheme liabilities

The weighted average duration of the UK scheme's liabilities is 15 years.

#### Analysis of scheme liabilities

The liabilities of the UK scheme are split as follows:

	%
Deferred pensioners	41
Current pensioners	<u>59</u>
Total membership	<u>100</u>

#### (iv) Actuarial valuations

	2018			2017		
	UK £'m	Overseas £'m	Total £'m	UK £'m	Overseas £'m	Total £'m
Equities and property	77.5	0.9	78.4	108.6	0.7	109.3
Bonds	47.4	18.6	66.0	48.2	19.5	67.7
Diversified growth	36.4	-	36.4	16.9	-	16.9
Cash	0.8	9.0	9.8	0.6	7.2	7.8
Other	-	-	-	-	4.9	4.9
Total fair value of plan assets	<u>162.1</u>	<u>28.5</u>	<u>190.6</u>	<u>174.3</u>	<u>32.3</u>	<u>206.6</u>
Present value of defined benefit obligations	<u>(178.6)</u>	<u>(36.7)</u>	<u>(215.3)</u>	<u>(188.6)</u>	<u>(48.9)</u>	<u>(237.5)</u>
Total deficit in the schemes	<u>(16.5)</u>	<u>(8.2)</u>	<u>(24.7)</u>	<u>(14.3)</u>	<u>(16.6)</u>	<u>(30.9)</u>
Amount recognised as asset in the balance sheet	-	0.3	0.3	-	0.3	0.3
Amount recognised as current liability in the balance sheet	-	(1.0)	(1.0)	-	(0.7)	(0.7)
Amount recognised as non-current liability in the balance sheet	<u>(16.5)</u>	<u>(7.5)</u>	<u>(24.0)</u>	<u>(14.3)</u>	<u>(16.2)</u>	<u>(30.5)</u>
	(16.5)	(8.2)	(24.7)	(14.3)	(16.6)	(30.9)
Related deferred tax asset (note 34)	-	0.3	-	-	3.2	3.2
Net deficit	<u>(16.5)</u>	<u>(7.9)</u>	<u>(24.7)</u>	<u>(14.3)</u>	<u>(13.4)</u>	<u>(27.7)</u>

Movements in the fair value of scheme assets were as follows:

	2018			2017		
	UK £'m	Overseas £'m	Total £'m	UK £'m	Overseas £'m	Total £'m
At 1 January	174.3	32.3	206.6	164.1	30.0	194.1
Expected return on plan	4.1	2.0	6.1	4.1	1.8	5.9



assets						
Employer contributions	0.2	2.4	2.6	0.9	3.8	4.7
Benefit payments	(8.1)	(2.9)	(11.0)	(9.6)	(2.1)	(11.7)
Company leaving the group	-	(5.0)	(5.0)	-	-	-
Actuarial (losses)/gains	(8.4)	-	(8.4)	14.8	0.1	14.9
Exchange differences	-	(0.3)	(0.3)	-	(1.3)	(1.3)
At 31 December	<u>162.1</u>	<u>28.5</u>	<u>190.6</u>	<u>174.3</u>	<u>32.3</u>	<u>206.6</u>

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

	2018			2017		
	UK £'m	Overseas £'m	Total £'m	UK £'m	Overseas £'m	Total £'m
At 1 January	(188.6)	(48.9)	(237.5)	(208.7)	(52.1)	(260.8)
Current service cost	-	(2.0)	(2.0)	-	(2.5)	(2.5)
Past service cost	(0.9)	(0.2)	(1.1)	-	-	-
Interest cost	(4.5)	(3.1)	(7.6)	(5.3)	(3.3)	(8.6)
Curtailement gain	-	9.0	9.0	-	-	-
Benefit payments	8.1	2.9	11.0	9.6	2.1	11.7
Company leaving the group	-	5.3	5.3	-	-	-
Actuarial gains	7.3	0.4	7.7	15.8	3.6	19.4
Exchange differences	-	(0.1)	(0.1)	-	3.3	3.3
At 31 December	<u>(178.6)</u>	<u>(36.7)</u>	<u>(215.3)</u>	<u>(188.6)</u>	<u>(48.9)</u>	<u>(237.5)</u>

In 2016, the total fair value of plan assets was £194.1 million, present value of defined benefit obligations was £260.8 million and the deficit was £66.7 million. In 2015, the total fair value of plan assets was £172.0 million, present value of defined benefit obligations was £210.6 million and the deficit was £38.6 million and in 2014, the total fair value of plan assets was £169.6 million, present value of defined benefit obligations was £211.2 million and the deficit was £41.6 million.

### Income Statement

The amounts recognised in the Income Statement are as follows:

	2018			2017		
	UK £'m	Overseas £'m	Total £'m	UK £'m	Overseas £'m	Total £'m
Amounts (charged)/credited to operating profit:						
Current service cost	-	(2.0)	(2.0)	-	(2.5)	(2.5)
Past service cost	(0.9)	(0.2)	(1.1)	-	-	-
Curtailement gain	-	9.0	9.0	-	-	-
Total operating (charge)/credit	(0.9)	6.8	5.9	-	(2.5)	(2.5)
Amounts charged to other finance costs:						
Interest expense	(0.4)	(1.1)	(1.5)	(1.2)	(1.5)	(2.7)
Total (charged)/credited to income statement	<u>(1.3)</u>	<u>5.7</u>	<u>4.4</u>	<u>(1.2)</u>	<u>(4.0)</u>	<u>(5.2)</u>

The curtailment gain of £9.0 million reflects a change to the labour laws in Bangladesh which has

exempted the tea industry from the requirement to pay certain post-employments benefits.

Employer contributions to defined contribution schemes are charged to profit when payable and the costs charged were £5.5 million (2017: £5.2 million).

### Actuarial gains and losses recognised in the Statement of Comprehensive Income

The amounts included in the Statement of Comprehensive Income:

	2018			2017		
	UK £'m	Overseas £'m	Total £'m	UK £'m	Overseas £'m	Total £'m
Remeasurements:						
Return on plan assets, excluding amount included in interest	(8.4)	-	(8.4)	14.8	0.1	14.9
Gain from changes in demographic assumptions	1.0	-	1.0	14.7	-	14.7
Gain/(loss) from changes in financial assumptions	6.9	1.4	8.3	(4.8)	4.8	-
Experience (losses)/gains	(0.6)	(1.0)	(1.6)	5.9	(1.2)	4.7
Actuarial (loss)/gain	<u>(1.1)</u>	<u>0.4</u>	<u>(0.7)</u>	<u>30.6</u>	<u>3.7</u>	<u>34.3</u>

Cumulative actuarial losses recognised in the Statement of Comprehensive Income are £25.7 million (2017: £25.0 million).

As the UK defined benefit pension scheme is closed to future accrual and active members were transferred to a defined contribution scheme, no employer contributions will be paid for the year commencing 1 January 2019. No additional funding contributions will be made, as the latest actuarial valuation shows a funding surplus of £7.1 million.

### 36 Share capital

	2018 £'m	2017 £'m
Authorised: 2,842,000 (2017: 2,842,000) ordinary shares of 10p each	<u>0.3</u>	<u>0.3</u>
Allotted, called up and fully paid: ordinary shares of 10p each:		
At 1 January and 31 December – 2,824,500 (2017: 2,824,500) shares	<u>0.3</u>	<u>0.3</u>

Group companies hold 62,500 issued shares in the Company. These are classified as treasury shares.

### 37 Reconciliation of profit from operations to cash flow

	2018 £'m	2017 £'m
<i>Group</i>		
Profit from continuing operations	49.6	27.3
Share of associates' results	(7.6)	(2.0)
Depreciation and amortisation	15.5	15.4
Impairment of assets and provisions	0.2	1.8
Profit on disposal of non-current assets	(0.1)	(0.1)
Loss on disposal of subsidiaries	0.4	-
Profit on disposal of financial assets	(0.3)	(0.7)
(Increase)/decrease in working capital	(14.1)	1.2
Difference between employee benefit obligations funding contributions and cost charged	<u>(8.3)</u>	<u>(2.2)</u>

Cash generated from continuing operations	35.3	40.7
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### 38 Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans Current £'m	Bank loans Non-current £'m	Finance leases Non-current £'m	Total £'m
At 1 January 2017	0.6	4.5	-	5.1
New loans	-	-	0.1	0.1
Loans repaid	(0.6)	-	-	(0.6)
Transfers	0.6	(0.6)	-	-
At 1 January 2018	0.6	3.9	0.1	4.6
Loans repaid	(0.6)	-	-	(0.6)
Transfers	0.6	(0.6)	-	-
At 31 December 2018	0.6	3.3	0.1	4.0

The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement. Other changes include interest accruals and prepayments.

### 39 Acquisition and disposal of businesses

	Acquisitions 2018 £'m Fair value	Disposals 2018 £'m Net book value
Property, plant and equipment	0.5	0.6
Deferred tax asset	1.1	0.1
Inventories	0.8	1.6
Trade and other receivables	1.5	0.9
Current income tax assets	-	0.2
Cash and cash equivalents	0.4	0.2
Assets classified as held for sale	-	2.4
Trade and other payables	(1.6)	(1.3)
Employee benefit obligations	-	(0.3)
Deferred tax liability	(1.1)	-
	1.6	4.4
Identifiable intangible assets - Brands	6.6	-
Non-controlling interest	(1.4)	(0.1)
Loss on disposal	-	(0.5)
	6.8	3.8
Satisfied by:		
Cash consideration and costs	6.8	3.8
Net cash outflow arising on acquisitions/disposals:		
Cash consideration	(6.8)	3.8

Less: cash and cash equivalent balances acquired/disposed	0.4	(0.2)
	<u>(6.4)</u>	<u>3.6</u>

The acquisitions in 2018 related to the following:

On 8 February 2018 the Group obtained control of Jing Tea Limited after acquiring 80 per cent. of its share capital for consideration of £5.7 million. Jing Tea Limited is a UK based branded speciality teas business selling to the retail and food services sectors internationally.

On 6 June 2018 the Group obtained control of Black Gold Oil Tools Limited after acquiring 100 per cent of its share capital for consideration of £1.1 million. Black Gold Oils Limited is a UK based Engineering company specialising in the oil services sector.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table above.

Acquisition-related costs (included in administrative expenses) amount to £0.4 million.

Jing Tea Limited contributed £3.3 million revenue and loss of £0.3 million to the Group's profit for the period between the date of acquisition and the reporting date.

Black Gold Oil Tools Limited contributed £0.7 million revenue and loss of £0.3 million to the Group's profit for the period between the date of acquisition and the reporting date.

The disposals in 2018 related to the following:

In August 2018, the Group sold its 100 per cent. interest in GU Cutting and Grinding Limited.

In October 2018, the Group sold its 100 per cent. interest in British Metal Treatments Limited.

In December 2018, the Group sold its 100 per cent. interest in Affsh BV.

In November 2018, the Group sold its 51 per cent. interest in XiMo AG.

#### 40 Commitments

##### Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2018	2017
	£'m	£'m
<i>Group</i>		
Property, plant and equipment	<u>1.3</u>	<u>2.5</u>

##### Operating leasing commitments - minimum lease payments

The Group leases land and buildings, plant and machinery under non-cancellable operating lease arrangements, which have various terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	£'m	£'m
<i>Group</i>		
Land and buildings:		
Within 1 year	1.0	1.0
Between 1 – 5 years	3.3	3.0
After 5 years	<u>21.6</u>	<u>17.1</u>
	<u>25.9</u>	<u>21.1</u>
Plant and machinery:		
Within 1 year	0.2	0.2
Between 1 – 5 years	<u>0.1</u>	<u>0.2</u>
	<u>0.3</u>	<u>0.4</u>

The Group's most significant operating lease commitments are long term property leases with renewal terms in excess of 60 years.

#### 41 Contingencies

In India, assessments have been received for excise duties of £4.1 million and of £1.3 million for income tax matters. These are being contested on the basis that they are without technical merit.

In India, a long running dispute between our local subsidiaries and the Government of West Bengal over the payment of a land tax, locally called, "Salami", remains unresolved. Lawyers acting for the Group have advised that payment of Salami does not apply, accordingly no provisions have been made. The sum in dispute, excluding fines and penalties, amounts to £1.4 million.

The Group operates in certain countries where its operations are potentially subject to a number of legal claims. When required, appropriate provisions are made for the expected cost of such claims.

#### 42 Financial instruments

##### Capital risk management

The Group manages its capital to ensure that 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 Group consists of debt, which includes the borrowings disclosed in note 32, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Board reviews the capital structure, with an objective to ensure that gross borrowings as a percentage of tangible net assets does not exceed 50 per cent.

The ratio at the year end is as follows:

	2018 £'m	2017 £'m
Borrowings	6.8	5.8
Tangible net assets	386.0	365.2
Ratio	1.76%	1.59%

Borrowings are defined as current and non-current borrowings, as detailed in note 32.

Tangible net assets includes all capital and reserves of the Group attributable to equity holders of the parent less intangible assets.

##### Financial instruments by category

At 31 December 2018

	Loans and receivables £'m	Financial assets £'m	Total £'m
<i>Group</i>			
Assets as per Balance Sheet			
Financial assets at fair value through other comprehensive income	–	32.7	32.7
Financial asset at fair value through profit or loss	–	3.7	3.7
Financial assets at amortised cost – non-current	–	3.0	3.0
Trade and other receivables excluding prepayments	43.3	–	43.3
Financial assets at amortised cost – current	–	0.2	0.2
Cash and cash equivalents	112.4	–	112.4
	<u>155.7</u>	<u>39.6</u>	<u>195.3</u>

Other financial

	liabilities at amortised cost £'m	Total £'m
<i>Group</i>		
Liabilities as per Balance Sheet		
Borrowings	6.8	6.8
Trade and other payables	53.5	53.5
	<u>60.3</u>	<u>60.3</u>
<i>Company</i>		
Trade and other payables	0.6	0.6

At 31 December 2017

	Loans and receivables £'m	Available for sale £'m	Total £'m
<i>Group</i>			
Assets as per Balance Sheet			
Available-for-sale financial assets	-	47.0	47.0
Trade and other receivables excluding prepayments	39.7	-	39.7
Cash and cash equivalents (excluding bank subsidiaries)	108.0	-	108.0
	<u>147.7</u>	<u>47.0</u>	<u>194.7</u>

	Other financial liabilities at amortised cost £'m	Total £'m
<i>Group</i>		
Liabilities as per Balance Sheet		
Borrowings	5.8	5.8
Trade and other payables	52.0	52.0
	<u>57.8</u>	<u>57.8</u>
<i>Company</i>		
Trade and other payables	0.2	0.2

### Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value. See note 18 for disclosures of biological assets that are measured at fair value.

At 31 December 2018

	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Assets				
Financial assets at fair value through other comprehensive income	32.7	-	-	32.7

Financial asset at fair value through profit or loss	3.7	-	-	3.7
Financial assets at amortised cost	3.2	-	-	3.2
	<u>39.6</u>	<u>-</u>	<u>-</u>	<u>39.6</u>

At 31 December 2017

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
<b>Assets</b>				
Available-for sale financial assets:				
- Equity securities	43.7	-	-	43.7
Debt investments:				
- Debentures	3.3	-	-	3.3
	<u>47.0</u>	<u>-</u>	<u>-</u>	<u>47.0</u>

### Financial risk management objectives

The Group finances its operations by a mixture of retained profits, bank borrowings, long-term loans and leases. The objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. To achieve this, the maturity profile of borrowings and facilities are regularly reviewed. The Group also seeks to maintain sufficient undrawn committed borrowing facilities to provide flexibility in the management of the Group's liquidity.

Given the nature and diversity of the Group's operations, the board does not believe a highly complex use of financial instruments would be of significant benefit to the Group. However, where appropriate, the Board does authorise the use of certain financial instruments to mitigate financial risks that face the Group, where it is effective to do so.

Various financial instruments arise directly from the Group's operations, for example cash and cash equivalents, trade receivables and trade payables. In addition, the Group uses financial instruments for two main reasons, namely:

- To finance its operations (to mitigate liquidity risk);
- To manage currency risks arising from its operations and arising from its sources of finance (to mitigate foreign exchange risk).

The Group did not, in accordance with Group policy, trade in financial instruments throughout the period under review.

### (A) Market risk

#### (i) Foreign exchange risk

The Group has no material exposure to foreign currency exchange risk on currencies other than the functional currencies of the operating entities, with the exception of significant Japanese financial assets. A movement by 5 per cent. in the exchange rate of the Japanese Yen with Sterling, the Group's carrying value would increase/decrease by £0.9 million (2017: £1.0 million).

Currency risks are primarily managed through the use of natural hedging and regularly reviewing when cash should be exchanged into either sterling or another functional currency.

#### (ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The majority of the Group's equity investments are publicly traded and are quoted on stock exchanges located in Bermuda, Japan, Switzerland, UK and US. Should these equity indexes increase or decrease by 5 per cent. with all other variables held constant and all the Group's equity instruments move accordingly, the Group's carrying value would increase/decrease by £1.6 million (2017: £2.2 million).

The Group's exposure to commodity price risk is not significant.

*(iii) Cash flow and interest rate risk*

The Group's interest rate risk arises from interest-bearing assets and short and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's UK borrowings of £3.9 million are at fixed rates.

At 31 December 2018, if interest rates on non-sterling denominated interest-bearing assets and borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £0.4 million (2017: £0.3 million) higher/lower.

The interest rate exposure of the Group's interest bearing assets and liabilities by currency, at 31 December was:

	Assets		Liabilities	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Sterling	28.6	40.9	3.9	4.6
US Dollar	21.7	13.1	-	-
Euro	0.6	0.9	-	0.1
Swiss Franc	-	0.6	-	-
Kenyan Shilling	24.9	26.8	-	-
Indian Rupee	6.0	9.4	2.7	0.6
Malawian Kwacha	1.3	0.1	-	0.3
Bangladesh Taka	17.7	10.9	0.1	0.1
South African Rand	1.5	0.6	0.1	0.1
Brazilian Real	3.0	2.7	-	-
Bermudian Dollar	7.1	2.0	-	-
	<u>112.4</u>	<u>108.0</u>	<u>6.8</u>	<u>5.8</u>

**(B) Credit risk**

The Group has policies in place to limit its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise if there is no independent rating, management assesses the credit quality of the customer taking into account its financial position, past experience and other factors and if appropriate holding liens over stock and receiving payments in advance of services or goods as required. Management monitors the utilisation of credit limits regularly.

The Group has a large number of trade receivables, the largest five receivables at the year end comprise 17 per cent. (2017: 27 per cent.) of total trade receivables.

**(C) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the board of Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and managing the maturity profiles of financial assets and liabilities.

At 31 December 2018, the Group had undrawn committed facilities of £23.5 million (2017: £25.8 million), all of which are due to be reviewed within one year.

The table below analyses the Group's financial assets and liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Undated	Total
£'m	£'m	£'m	£'m	£'m	£'m

At 31 December 2018



Assets						
Financial assets at fair value through other comprehensive income	-	-	-	-	32.7	32.7
Financial asset at fair value through profit or loss	3.7	-	-	-	-	3.7
Financial assets at amortised cost	0.2	-	1.5	1.5	-	3.2
Trade and other receivables excluding prepayments	40.6	2.7	-	-	-	43.3
Cash and cash equivalents	112.4	-	-	-	-	112.4
	<u>156.9</u>	<u>2.7</u>	<u>1.5</u>	<u>1.5</u>	<u>32.7</u>	<u>195.3</u>
Liabilities						
Borrowings	3.4	3.3	0.1	-	-	6.8
Trade and other payables excluding taxation	51.6	-	-	-	-	51.6
	<u>55.0</u>	<u>3.3</u>	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>58.4</u>
At 31 December 2017						
Assets						
Available-for-sale financial assets	0.1	0.2	1.5	1.5	43.7	47.0
Trade and other receivables	37.8	1.9	-	-	-	39.7
Cash and cash equivalents	108.0	-	-	-	-	108.0
	<u>145.9</u>	<u>2.1</u>	<u>1.5</u>	<u>1.5</u>	<u>43.7</u>	<u>194.7</u>
Liabilities						
Borrowings	1.8	0.6	3.4	-	-	5.8
Trade and other payables	54.9	-	-	-	-	54.9
	<u>56.7</u>	<u>0.6</u>	<u>3.4</u>	<u>-</u>	<u>-</u>	<u>60.7</u>

Included in borrowings due in less than 1 year is £2.8 million (2017: £1.2 million) repayable on demand.

#### 43 Subsidiary and associated undertakings

##### Subsidiary undertakings

The subsidiary undertakings of the Group at 31 December 2018, which are wholly owned and incorporated in Great Britain unless otherwise stated, were:

	Principal country of operation	Registered Office
<b>Agriculture</b>		
Amgoorie India Limited (Incorporated in India – 99.8 per cent. holding)	India	(ii)
Amo Tea Company Limited	Bangladesh	(i)
C.C. Lawrie Comércio e Participações Ltda. (Incorporated in Brazil)	Brazil	(vi)
Chittagong Warehouse Limited (Incorporated in Bangladesh – 93.3 per cent. holding)	Bangladesh	(vii)
Duncan Brothers Limited (Incorporated in Bangladesh)	Bangladesh	(vii)
Eastern Produce Cape (Pty) Limited (Incorporated in South Africa)	South Africa	(viii)
Eastern Produce Estates South Africa (Pty) Limited (Incorporated in South Africa – held by Eastern Produce South Africa (Pty) Limited)	South Africa	(ix)
Eastern Produce Kenya Limited (Incorporated in Kenya – 70.0 per cent. holding)	Kenya	(x)
Eastern Produce Malawi Limited (Incorporated in Malawi – 73.2 per cent. holding)	Malawi	(xii)
Eastern Produce South Africa (Pty) Limited (Incorporated in South Africa – 73.2 per cent. holding)	South Africa	(ix)
Eastland Camellia Limited (Incorporated in Bangladesh – 93.8 per cent. holding)	Bangladesh	(vii)

holding)		
EP(T) East Africa Limited (Incorporated in Tanzania)	Tanzania	(xviii)
Goodricke Group Limited (Incorporated in India – 74.0 per cent. holding)	India	(iii)
Goodricke Tech Limited (Incorporated in India – 99.8 per cent. holding)	India	(iii)
Horizon Farms (An United States of America general partnership – 80 per cent. holding)	USA	(xiii)
Kakuzi Plc (Incorporated in Kenya – 50.7 per cent. holding)	Kenya	(xi)
Koomber Tea Company Limited (Incorporated in India)	India	(iv)
Octavius Steel & Company of Bangladesh Limited (Incorporated in Bangladesh)	Bangladesh	(vii)
Robertson Bois Dickson Anderson Limited	UK	(i)
Stewart Holl (India) Limited (Incorporated in India – 92.0 per cent. holding)	India	(v)
Surmah Valley Tea Company Limited	Bangladesh	(i)
The Allynugger Tea Company Limited	Bangladesh	(i)
The Chandpore Tea Company Limited	Bangladesh	(i)
The Lungla (Sylhet) Tea Company Limited	Bangladesh	(i)
The Mazdehee Tea Company Limited	Bangladesh	(i)
Victoria Investments Limited (Incorporated in Malawi – 73.2 per cent. holding)	Malawi	(xii)
Zetmac (Pty) Limited (Incorporated in South Africa – 55.8 per cent. held by Eastern Produce Estates South Africa (Pty) Limited)	South Africa	(ix)
<b>Engineering</b>		
Abbey Metal Finishing Company Limited	UK	(i)
AJT Engineering Limited	UK	(xiv)
Atfin GmbH (Incorporated in Germany – 51.0 per cent. holding)	Germany	(xv)
Black Gold Oil Tools Limited	UK	(xiv)
<b>Food Service</b>		
Associated Cold Stores & Transport Limited	UK	(i)
Duncan Products Limited (Incorporated in Bangladesh)	Bangladesh	(vii)
Jing Tea Limited (80.0 per cent. holding)	UK	(i)
<b>Banking and Financial Services</b>		
Duncan Lawrie Limited	UK	(i)
Duncan Lawrie Holdings Limited	UK	(i)
Duncan Lawrie International Holdings Limited (Incorporated in Isle of Man)	Isle of Man	(xvi)
Duncan Lawrie (IOM) Limited (Incorporated in Isle of Man)	Isle of Man	(xvi)
Duncan Lawrie Offshore Services Limited (Incorporated in Isle of Man)	Isle of Man	(xvi)
Dunman Nominees Limited (Incorporated in Isle of Man)	Isle of Man	(xvi)
Havelock Nominees Limited (Incorporated in Isle of Man)	Isle of Man	(xvi)
Hobart Place Nominees Limited	UK	(i)
Mount Havelock Directors Limited (Incorporated in Isle of Man)	Isle of Man	(xvi)
Mount Havelock Investments Limited (Incorporated in Isle of Man)	Isle of Man	(xvi)
Mount Havelock Secretaries Limited (Incorporated in Isle of Man)	Isle of Man	(xvi)
<b>Investment Holding</b>		
Associated Fisheries (Europe) Limited	UK	(i)
Assam Dooars Investments Limited	UK	(i)
Associated Fisheries Limited	UK	(i)
Borbam Limited (Incorporated in India – 99.8 per cent. holding)	India	(iii)
Bordure Limited	UK	(i)
Duncan Properties Limited (Incorporated in Bangladesh)	Bangladesh	(vii)
Eastern Produce Investments Limited	UK	(i)
Elgin Investments Limited (Incorporated in India – 99.8 per cent. holding)	India	(iii)
Endogram Limited	India	(iii)
EP USA Inc. (Incorporated in the United States of America)	USA	(xiii)
EP California Inc. (Incorporated in the United States of America)	USA	(xiii)
John Ingham & Sons Limited	UK	(i)

Koomber Properties Limited (Incorporated in India – 94.0 per cent. holding)	India	(iii)
Lawrie (Bermuda) Limited (Incorporated in Bermuda)	Bermuda	(xx)
Lawrie Group Plc (Owned directly by the Company)	UK	(i)
Lawrie International Limited (Incorporated in Bermuda)	Bermuda	(xx)
Lebong Investments Limited (Incorporated in India – 94.0 per cent. holding)	India	(iii)
Linton Park Plc (Owned directly by the Company)	UK	(i)
Lintak Investments Limited (Incorporated in Kenya)	Kenya	(x)
Longbourne Holdings Limited	Bangladesh	(i)
Plantation House Investments Limited	Malawi	(xii)
(Incorporated in Malawi – 50.2 per cent. held by subsidiaries)		
Shula Limited (Incorporated in Isle of Man)	Isle of Man	(xix)
Unochrome Industries Limited	UK	(i)
Western Dooars Investments Limited	UK	(i)
<b>Other</b>		
Linton Park Services Limited	UK	(i)
<b>Dormant companies</b>		
ACS&T Gloucester Limited	UK	(i)
ACS&T Grimsby Limited	UK	(i)
ACS&T Humberside Limited	UK	(i)
ACS&T Seamer Limited	UK	(i)
ACS&T Tewkesbury Limited	UK	(i)
ACS&T Wolverhampton Limited	UK	(i)
AKD Engineering Limited	UK	(i)
Alex Lawrie & Company Limited	UK	(i)
Amgoorie Investments Limited	UK	(i)
Assam-Dooars Holdings Limited	UK	(i)
Associated Fisheries (Scotland) Limited	UK	(xiv)
Banbury Tea Warehouses Limited	UK	(i)
Blantyre & East Africa Limited	UK	(xiv)
Blantyre Insurance & General Agencies Limited (Incorporated in Malawi – Eastern Produce Malawi Limited)	Malawi	(xii)
Bonathaba Farms (Pty) Limited (Incorporated in South Africa)	South Africa	(viii)
British African Tea Estates (Holdings) Limited	UK	(i)
British African Tea Estates Limited	UK	(i)
British Heat Treatments Limited	UK	(i)
British Indian Tea Company Limited	UK	(i)
British United Trawlers Limited	UK	(i)
BTS Chemicals Limited	UK	(i)
BUT Engineers (Fleetwood) Limited	UK	(i)
BUT Engineers (Grimsby) Limited	UK	(i)
Camellia Investments Limited	UK	(i)
Chisambo Holdings Limited	UK	(i)
Chisambo Tea Estate Limited	UK	(i)
Cholo Holdings Limited	UK	(i)
Craighead Investments Limited	UK	(i)
David Field Limited	UK	(i)
East African Tea Plantations Limited (Incorporated in Kenya – held by Eastern Produce Kenya Limited)	Kenya	(x)
Eastern Produce Africa Limited	UK	(i)
Eastern Produce Kakuzi Services Limited (Incorporated in Kenya – held by Kakuzi Limited)	Kenya	(x)
EP (RBDA) Limited (Incorporated in Malawi – Eastern Produce Malawi Limited)	Malawi	(xii)
Estate Services Limited (Incorporated in Kenya – held by Kakuzi Limited)	Kenya	(xi)
Feltham 1 Limited	UK	(i)
Feltham 2 Limited	UK	(i)
Fescol Limited	UK	(i)

G. F. Sleight & Sons Limited	UK	(i)
Goodricke Lawrie Consultants Limited	UK	(i)
Gotha Tea Estates Limited	UK	(i)
Granton Transport Limited	UK	(xiv)
Hamstead Village Investments Limited	UK	(i)
Hellyer Brothers Limited	UK	(i)
Horace Hickling & Company Limited	UK	(i)
Hudson Brothers Trawlers Limited	UK	(i)
Humber Commercials Limited	UK	(i)
Humber St. Andrew's Engineering Company Limited	UK	(i)
Isa Bheel Tea Company Limited	UK	(i)
Jatel Plc	UK	(i)
Jetinga Holdings Limited	UK	(i)
Jetinga Valley Tea Company Limited	UK	(i)
Kaguru EPZ Limited (Incorporated in Kenya – held by Kakuzi Limited)	Kenya	(xi)
Kapsumbeiwa Factory Company Limited	UK	(i)
Kip Koimet Limited (Incorporated in Kenya – held by Eastern Produce Kenya Limited)	Kenya	(x)
Kumadzi Tea Estates Limited	UK	(i)
Lankapara Tea Company Limited	UK	(i)
Lawrie Bhutan Limited	UK	(i)
Lawrie Plantation Services Limited	UK	(i)
Leasing Investments Limited	UK	(i)
Nasonia Tea Company Limited (Incorporated in Malawi)	Malawi	(xii)
North West Profiles Limited	UK	(i)
Octavius Steel & Company (London) Limited	UK	(i)
Robert Hudson Holdings Limited	UK	(i)
Rosehaugh (Africa) Limited	UK	(i)
Ruo Estates Limited	UK	(i)
Ruo Estates Holdings Limited	UK	(i)
Sandbach Export Limited	UK	(i)
Sapekoe Pusela (Pty) Limited (Incorporated in South Africa – held by Eastern Produce South Africa (Pty) Limited)	South Africa	(ix)
Silverthorne-Gillott Limited	UK	(i)
SIS Securities Limited	UK	(i)
Sterling Industrial Securities Limited	UK	(i)
Stewart Holl Investments Limited	UK	(i)
The Amgoorie Tea Estates Limited	UK	(i)
The Bagracote Tea Company, Limited	UK	(i)
The Ceylon Upcountry Tea Estates Limited	UK	(i)
The Dejoo Tea Company Limited	UK	(i)
The Dhoolie Tea Company Limited	UK	(i)
The Doolahat Tea Company Limited	UK	(i)
The Eastern Produce & Estates Company Limited	UK	(i)
The Endogram Tea Company Limited	UK	(i)
The Jhanzie Tea Association Ltd	UK	(i)
The Harmutty Tea Company Limited	UK	(i)
The Kapsumbeiwa Tea Company Limited	UK	(i)
The Longai Valley Tea Company Limited	UK	(i)
The Tyspane Tea Company Limited	UK	(i)
Thyolo Highlands Tea Estates Limited	UK	(i)
Vaghamon (Travancore) Tea Company Limited	UK	(i)
Walter Duncan & Goodricke Limited	UK	(i)
WDG Properties Limited	UK	(i)
Western Dooars Tea Holdings Limited	UK	(i)

**Summarised financial information on subsidiaries with material non-controlling interests**

## Summarised balance sheet

	Eastern Produce Kenya Limited as at 31 December		Eastern Produce Malawi Limited as at 31 December	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
<b>Current</b>				
Assets	33.2	29.0	17.3	11.9
Liabilities	<u>(25.6)</u>	<u>(25.1)</u>	<u>(10.5)</u>	<u>(9.5)</u>
<b>Total current net assets</b>	<u>7.6</u>	<u>3.9</u>	<u>6.8</u>	<u>2.4</u>
<b>Non-current</b>				
Assets	28.7	26.5	41.4	39.3
Liabilities	<u>(4.3)</u>	<u>(4.1)</u>	<u>(12.9)</u>	<u>(12.0)</u>
<b>Total non-current net assets</b>	<u>24.4</u>	<u>22.4</u>	<u>28.5</u>	<u>27.3</u>
<b>Net assets</b>	<u>32.0</u>	<u>26.3</u>	<u>35.3</u>	<u>29.7</u>

	Eastern Produce South Africa Limited as at 31 December		Goodricke Group Limited as at 31 December	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
<b>Current</b>				
Assets	6.1	3.9	38.3	36.9
Liabilities	<u>(3.2)</u>	<u>(1.2)</u>	<u>(24.5)</u>	<u>(22.0)</u>
<b>Total current net assets</b>	<u>2.9</u>	<u>2.7</u>	<u>13.8</u>	<u>14.9</u>
<b>Non-current</b>				
Assets	6.8	6.2	34.6	34.8
Liabilities	<u>(1.5)</u>	<u>(1.1)</u>	<u>(10.4)</u>	<u>(10.3)</u>
<b>Total non-current net assets</b>	<u>5.3</u>	<u>5.1</u>	<u>24.2</u>	<u>24.5</u>
<b>Net assets</b>	<u>8.2</u>	<u>7.8</u>	<u>38.0</u>	<u>39.4</u>

	Horizon Farms as at 31 December		Kakuzi Plc as at 31 December	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
<b>Current</b>				
Assets	5.4	4.3	17.2	17.1
Liabilities	<u>(0.8)</u>	<u>(0.5)</u>	<u>(2.4)</u>	<u>(4.4)</u>
<b>Total current net assets</b>	<u>4.6</u>	<u>3.8</u>	<u>14.8</u>	<u>12.7</u>
<b>Non-current</b>				
Assets	7.9	7.9	28.0	24.0
Liabilities	<u>(0.8)</u>	<u>(0.7)</u>	<u>(6.8)</u>	<u>(5.8)</u>
<b>Total non-current net assets</b>	<u>7.1</u>	<u>7.2</u>	<u>21.2</u>	<u>18.2</u>
<b>Net assets</b>	<u>11.7</u>	<u>11.0</u>	<u>36.0</u>	<u>30.9</u>

## Summarised income statement

Eastern Produce

Eastern Produce

	Kenya Limited for year ended 31 December		Malawi Limited for year ended 31 December	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Revenue	<u>40.4</u>	<u>44.0</u>	<u>29.1</u>	<u>26.0</u>
Profit before tax	10.9	9.0	8.4	5.2
Taxation	(3.3)	(3.0)	(2.4)	(1.8)
Other comprehensive income/(expense)	<u>2.3</u>	<u>(2.1)</u>	<u>1.9</u>	<u>(2.7)</u>
<b>Total comprehensive income</b>	<b><u>9.9</u></b>	<b><u>3.9</u></b>	<b><u>7.9</u></b>	<b><u>0.7</u></b>
Total comprehensive income allocated to non-controlling interests	3.0	1.2	2.1	0.2
Dividends paid to non-controlling interests	1.3	0.8	0.6	0.5

	Eastern Produce South Africa Limited for year ended 31 December		Goodricke Group Limited for year ended 31 December	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Revenue	<u>6.4</u>	<u>3.7</u>	<u>83.6</u>	<u>84.0</u>
Profit/(loss) before tax	1.7	(1.3)	2.7	5.4
Taxation	(0.5)	0.4	(1.1)	(2.1)
Other comprehensive expense	<u>(0.8)</u>	<u>-</u>	<u>(1.9)</u>	<u>(0.7)</u>
<b>Total comprehensive income/(expense)</b>	<b><u>0.4</u></b>	<b><u>(0.9)</u></b>	<b><u>(0.3)</u></b>	<b><u>2.6</u></b>
Total comprehensive income/(expense) allocated to non-controlling interests	0.1	(0.2)	(0.1)	0.8
Dividends paid to non-controlling interests	-	-	0.3	0.3

	Horizon Farms for year ended 31 December		Kakuzi Plc for year ended 31 December	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
Revenue	<u>5.2</u>	<u>6.6</u>	<u>21.7</u>	<u>19.2</u>
Profit before tax	2.4	3.8	5.1	6.3
Taxation	(0.8)	(1.4)	(1.5)	(1.9)
Other comprehensive income/(expense)	<u>0.7</u>	<u>(0.8)</u>	<u>2.5</u>	<u>(2.9)</u>
<b>Total comprehensive income</b>	<b><u>2.3</u></b>	<b><u>1.6</u></b>	<b><u>6.1</u></b>	<b><u>1.5</u></b>
Total comprehensive income allocated to non-controlling interests	0.5	0.3	3.0	0.7
Dividends paid to non-controlling interests	0.3	0.4	0.5	0.4

### Summarised cash flows

	Eastern Produce Kenya Limited for year ended 31 December		Eastern Produce Malawi Limited for year ended 31 December	
	2018	2017	2018	2017
	£'m	£'m	£'m	£'m
<b>Cash flows from operating activities</b>				
Cash generated from operations	9.1	17.3	6.2	6.0
Net interest received	1.6	1.1	0.2	0.1

Income tax paid	<u>(3.8)</u>	<u>(3.4)</u>	<u>(1.6)</u>	<u>(1.0)</u>
Net cash generated from operating activities	<u>6.9</u>	<u>15.0</u>	<u>4.8</u>	<u>5.1</u>
Net cash used in investing activities	<u>(1.7)</u>	<u>(3.4)</u>	<u>(1.9)</u>	<u>(2.9)</u>
Net cash used in financing activities	<u>(4.2)</u>	<u>(2.8)</u>	<u>(2.3)</u>	<u>(1.2)</u>
Net increase in cash and cash equivalents and bank overdrafts	1.0	8.8	0.6	1.0
<b>Cash, cash equivalents and bank overdrafts</b>				
<b>at beginning of year</b>	20.4	13.0	0.5	(0.4)
Exchange gains/(losses) on cash and cash equivalents	<u>1.4</u>	<u>(1.4)</u>	<u>0.1</u>	<u>(0.1)</u>
<b>Cash, cash equivalents and bank overdrafts</b>				
<b>at end of year</b>	<u>22.8</u>	<u>20.4</u>	<u>1.2</u>	<u>0.5</u>

	Eastern Produce South Africa Limited for year ended 31 December		Goodricke Group Limited for year ended 31 December	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
<b>Cash flows from operating activities</b>				
Cash generated from operations	2.1	0.1	1.3	8.2
Net interest received	-	0.1	-	-
Income tax paid	<u>-</u>	<u>-</u>	<u>(1.0)</u>	<u>(1.6)</u>
Net cash generated from operating activities	<u>2.1</u>	<u>0.2</u>	<u>0.3</u>	<u>6.6</u>
Net cash used in investing activities	<u>(1.9)</u>	<u>(1.5)</u>	<u>(1.8)</u>	<u>(6.3)</u>
Net cash generated from/(used in) financing activities	<u>-</u>	<u>0.1</u>	<u>(1.6)</u>	<u>(1.4)</u>
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	0.2	(1.2)	(3.1)	(1.1)
<b>Cash, cash equivalents and bank overdrafts</b>				
<b>at beginning of year</b>	2.5	3.9	1.6	2.5
Exchange (losses)/gains on cash and cash equivalents	<u>(0.2)</u>	<u>(0.2)</u>	<u>-</u>	<u>0.2</u>
<b>Cash, cash equivalents and bank overdrafts</b>				
<b>at end of year</b>	<u>2.5</u>	<u>2.5</u>	<u>(1.5)</u>	<u>1.6</u>

	Horizon Farms for year ended 31 December		Kakuzi Plc for year ended 31 December	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
<b>Cash flows from operating activities</b>				
Cash generated from operations	1.8	5.0	7.4	9.8
Net interest received	-	-	0.9	0.7
Income tax paid	<u>(0.7)</u>	<u>(1.0)</u>	<u>(2.6)</u>	<u>(0.9)</u>
Net cash generated from operating activities	<u>1.1</u>	<u>4.0</u>	<u>5.7</u>	<u>9.6</u>
Net cash used in investing activities	<u>-</u>	<u>(0.2)</u>	<u>(5.8)</u>	<u>(6.2)</u>

Net cash used in financing activities	<u>(1.6)</u>	<u>(1.9)</u>	<u>(1.0)</u>	<u>(0.9)</u>
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	(0.5)	1.9	(1.1)	2.5
<b>Cash, cash equivalents and bank overdrafts at beginning of year</b>	2.5	0.7	12.6	11.3
Exchange gains/(losses) on cash and cash equivalents	<u>0.1</u>	<u>(0.1)</u>	<u>0.1</u>	<u>(1.2)</u>
<b>Cash, cash equivalents and bank overdrafts at end of year</b>	<u>2.1</u>	<u>2.5</u>	<u>11.6</u>	<u>12.6</u>

#### Associated undertakings

The principal associated undertakings of the Group at 31 December 2018 were:

	Principal country of operation	Registered Office	Accounting date 2018	Group interest in equity capital per cent.
<b>Insurance and banking</b>				
BF&M Limited (Incorporated in Bermuda – common stock)	Bermuda	(xvii)	31 December	37.2
United Finance Limited (Incorporated in Bangladesh – ordinary shares)	Bangladesh	(vii)	31 December	38.4
United Insurance Company Limited (Incorporated in Bangladesh – ordinary shares)	Bangladesh	(vii)	31 December	37.0

#### Registered Offices:

(i)	Linton Park Linton Maidstone Kent ME17 4AB England	(viii)	Slangrivier Road Slangrivier Plaas Wellington 7655 South Africa	(xv)	Robert-Drosten-Platz 1 D-82380 Peissenberg Germany
(ii)	Amgoorie Tea Garden PO: Amguri Haloating - 785 681 Dist: Sibsagar Assam India	(ix)	7 Windsor Street Tzaneen 850 Limpopo Province South Africa	(xvi)	First Names House Victoria Road Douglas Isle of Man IM2 4DF
(iii)	Camellia House 14 Gurusaday Road Kolkata - 700019 West Bengal India	(x)	New Rehema House Rhapta Road Westlands P O Box 45560 GPO 00100 Nairobi Kenya	(xvii)	112 Pitts Bay Road Pembroke Bermuda HM08
(iv)	Koomber Tea Garden PO: Kumbhir Cachar - 788 108 Assam India	(xi)	Main Office Punda Milia Road Makuyu P O Box 24 01000 Thika Kenya	(xviii)	3rd Floor 180 Msasani Bay Msasani Dar Es Salaam Tanzania



(v)	Sessa Tea Garden PO: Dibrugarh - 786001 Dist: Dibrugarh Assam India	(xii)	PO Box 53 Mulanje Malawi.
(vi)	Fazenda Maruque s/n sala 03 Bairro Maruque Itaberá São Paulo Brazil	(xiii)	2520 West Shaw Lane Suite 101 Fresno California USA
(vii)	Camellia House 22 Kazi Nazrul Islam Avenue Dhaka 1000 Bangladesh	(xiv)	Craigshaw Crescent West Tullos Aberdeen AB12 3TB Scotland

#### **44 Control of Camellia Plc**

Camellia Holding AG continues to hold 1,427,000 ordinary shares of Camellia Plc (representing 51.67 per cent. of the total voting rights). Camellia Holding AG is owned by The Camellia Private Trust Company Limited, a private trust company incorporated under the laws of Bermuda as trustee of The Camellia Foundation (“the Foundation”). The Foundation is a Bermudian trust, the income of which is utilised for charitable, educational and humanitarian causes at the discretion of the trustees.

The activities of Camellia Plc and its group (the “Camellia Group”) are conducted independently of the Foundation and none of the directors of Camellia Plc are connected with The Camellia Private Trust Company Limited or the Foundation. While The Camellia Private Trust Company Limited as a Trustee of the Foundation maintains its rights as a shareholder, it has not participated in, and has confirmed to the board of Camellia Plc that it has no intention of participating in, the day to day running of the business of the Camellia Group. The Camellia Private Trust Company Limited has also confirmed its agreement that where any director of Camellia Plc is for the time being connected with the Foundation, he should not exercise any voting rights as a director of Camellia Plc in relation to any matter concerning the Camellia Group’s interest in any assets in which the Foundation also has a material interest otherwise than through Camellia Plc.

#### **45 Related party transactions**

During the year the Group received rental income from the Foundation of £22,804 (2017: £8,910).

#### **46 Subsequent events**

Subsequent to the year end, the Group has agreed to acquire the business and assets of two tea estates in Assam, India for an aggregate consideration of approximately £10.2 million. The estates are being operated under a power of attorney and the Group is entitled to the income and responsible for the costs from 1 February 2019. However, the transfer of the leases is subject to the approval of the government of Assam.

## **Report of the independent auditors**

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CAMELLIA PLC**

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

#### **Opinion**

In our opinion:

- **the financial statements of Camellia Plc (the ‘parent company’) and its subsidiaries (the ‘Group’)**

**give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;**

- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 46.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

#### **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 Group and the parent 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 as applied to listed entities, 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.

#### **Summary of our audit approach**

<b>Key audit matters</b>	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"><li>▪ Revenue recognition</li><li>▪ Fair value of biological assets under IAS 41 'Agriculture'</li><li>▪ Impairment of factories and bearer plants</li></ul>
<b>Materiality</b>	The materiality that we used for the Group financial statements was £1.3m which was determined on the basis of 5% of profit before tax from continuing operations.
<b>Scoping</b>	Our scoping provides full scope audit coverage of 87% of the Group's revenue, 96% of the Group's profit before tax and 86% of the Group's net assets.

## 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 Group's or the parent 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.**

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue recognition

Key audit matter description	<p>The Group's agricultural operations involve a wide range of customer delivery models, including auction and retail sales. Per IFRS 15, revenue is recognised when the performance obligation has been satisfied. Given the complexity of the Group's operations and the terms of business with buyers, there is a risk of inappropriate cut-off of revenue recognition around the balance sheet date.</p> <p>The Group's agricultural revenue is included within Sale of Goods of £248.5m, disclosed in note 2 to the financial statements. Further information regarding the agricultural revenue recognition policy is in the principal accounting policies disclosed in the financial statements.</p>
How our scope of work responded to the key audit matter	<p>We have performed the following procedures in order to address the risk:</p> <ul style="list-style-type: none"><li>- We gained an understanding of the key processes used to record revenue transactions and assessed the design and implementation of controls.</li><li>- We performed detailed cut-off testing of revenue transactions during the period either side of the balance sheet date with reference to the relevant terms of business, dispatch or delivery documentation as appropriate.</li><li>- We examined material journal entries that were posted to revenue accounts and obtained supporting evidence to test the appropriateness of revenue recognition.</li></ul>
Key observations	<p>We have concluded that revenue is appropriately recognised in the correct accounting period in accordance with IFRS 15.</p>

## Fair value of biological assets under IAS 41 'Agriculture'

Key audit matter description	<p>The Group holds £8.8m (2017: £6.6m) of biological assets as current assets. As required by IAS 41 'Agriculture', management estimates the fair value of these assets through the use of valuation models and recent transaction prices. Significant judgement is required for key assumptions for each model, including the life-span of the plantings, yields, selling</p>
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prices, costs and discount rates. The valuation is sensitive to some of the underlying assumptions.

Biological assets are disclosed in note 18 to the financial statements, the valuation is discussed as a key source of estimation uncertainty and the valuation policy is disclosed in the principal accounting policies.

How our scope of work responded to the key audit matter

We have performed the following procedures in order to address the risk:

- We gained an understanding of key controls around the valuation of biological assets and assessed the design and implementation of controls.
- For a sample of fair value models,
  - we assessed the inputs by assessing the historical accuracy of management's forecasts and utilising third-party and market data;
  - we tested the mechanical integrity of the model.

Key observations

From the work performed, we are satisfied that the key assumptions applied in respect of the valuation of biological assets are appropriate.

### **Impairment of factories and bearer plants**

Key audit matter description

The Group holds £226.3m (2017: £216.3m) of property, plant and equipment (PP&E), which includes factories and bearer plants. Management identified gardens as cash generating units (CGUs) and performed an annual review for indicators of impairment. This considered indicators such as underutilisation, adverse weather conditions and land use rights. There is, therefore, a risk that an impairment is required but not recognised.

PP&E is disclosed in note 16 to the financial statements, the valuation is discussed as source of estimation uncertainty, and the valuation policy is disclosed in the principal accounting policies.

How our scope of work responded to the key audit matter

We gained an understanding of key controls around the valuation of biological assets and assessed the design and implementation of controls.

We challenged management's assessment as to whether indicators of impairment exist for factories and bearer plants with reference to disease or crop damage, sustained generation of operating losses, long term commodity price reductions, underutilised plant or warehousing, loss of key customers, long term failure of water or power supply, variation in rights to land use, significant changes in tax or foreign exchange rates.

We also challenged management's allocation of assets to individual cash generating units.

Key observations

We concur with management that no impairment of factories and bearer plants is required.

### **Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	£1.3m	£0.5m
<b>Basis for determining materiality</b>	5% of adjusted profit before tax from continuing operations.	2% of net assets, capped at 40% of group materiality.
<b>Rationale for the benchmark applied</b>	We have used a profit based measure given the Group is listed and therefore shareholders focus on profitability. The profit is adjusted to avoid distortion that could otherwise arise due to non-recurring items.	We have used net assets measure given that entity is a holding company, generating no revenue.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.07m (2017: £0.07m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### **An overview of the scope of our audit**

The Group holds agricultural operations in countries across Africa, North and South America, and Asia, with its principal crops grown in Bangladesh, India, Kenya, Malawi and South Africa. The Group's engineering and food service operations are located in Europe, principally in the UK. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Of the Group's 81 principal components, 23 were subject to a full audit and 3 were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

These 26 components represent the principal business units and account for 87% of the Group's revenue and 96% of the Group's profit before tax and 86% of the Group's net assets.

The group engagement team worked from the group's London office, directing and supervising the work of component auditors. Senior members of the group audit team visited the Bangladesh and India components during the current year to discuss the component auditors' risk assessment, and review documentation of the findings from their work.

<b>Scope</b>	<b>Revenue %</b>	<b>Profit before tax %</b>	<b>Net assets %</b>
Full scope	85	89	66
Specified audit procedures	2	7	20
Review at group level	13	4	14

### **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.

**We have nothing to report in respect of these matters.**

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.

### **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 Group's and the parent 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 Group or the parent 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **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 Group and or the parent company and their 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**

*Adequacy of explanations received and accounting records*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

**We have nothing to report in respect of these matters.**

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

#### *Directors' remuneration*

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

**We have nothing to report in respect of this matter.**

#### **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.

#### **Michael Williams, FCA (Senior statutory auditor)**

For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

10 April 2019

#### **Five year record**

	2018	2017	2016	2015	2014
	£'m	£'m	£'m	£'m	£'m
		Restated		Restated	
Revenue - continuing operations	309.8	298.3	257.9	244.7	238.9
Profit before tax	52.5	27.6	26.5	24.0	22.0
Taxation	(20.0)	(12.2)	(12.4)	(13.2)	(13.7)
Profit from continuing operations	32.5	15.4	14.1	10.8	8.3
(Loss)/profit from discontinued operation	(0.2)	14.8	(20.0)	(3.6)	-
Profit/(loss) attributable to owners of the parent	25.2	23.8	(10.7)	1.4	2.8
Equity dividends paid	3.8	3.6	3.6	3.5	3.5
<b>Equity</b>					
Called up share capital	0.3	0.3	0.3	0.3	0.3
Reserves	395.2	368.1	330.5	320.6	321.4
<b>Total shareholders' funds</b>	395.5	368.4	330.8	320.9	321.7
Earnings/(loss) per share	912.4 p	861.7 p	(387.4) p	50.7 p	102.7 p
Earnings per share					
- continuing operations	919.6 p	325.9 p	336.7 p	181.0 p	102.7 p
Dividend paid per share	138 p	132 p	130 p	126 p	125 p