# CAMELLIA PLC

Camellia Plc Annual Report 2019

2019

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# CAMELLIA PLC

## REPORT AND ACCOUNTS 2019

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# CAMELLIA PLC

## CAMELLIA AT A GLANCE

Camellia Plc is an international Group – a global family of diverse companies with a 132-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 2019 was £15.1 million (2018: profit £32.5 million) and the Segment trading profit and loss information set out below is extracted from note 1 on page 62 of the Accounts.

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

### AGRICULTURE

### 2019: Revenue – £238.7 million, Segment trading profit – £25.2 million

| | *Locations* | *Mature Area Ha* | *Immature Area Ha* |
|---|---|---|---|
| **Core crops** | | | |
| Tea | India, Bangladesh, Kenya, Malawi | 33,709 | 2,608 |
| Macadamia | Kenya, South Africa, Malawi | 2,834 | 1,019 |
| Avocados | Kenya | 452 | 346 |
| **Speciality crops** | | | |
| Arable | Brazil | 3,580 | – |
| Forestry | Kenya, Malawi, Brazil | 2,176 | 3,637 |
| Rubber | Bangladesh | 1,744 | 231 |
| Citrus | USA | 177 | – |
| Pistachios | USA | 131 | – |
| Wine grapes | South Africa | 60 | 24 |
| Almonds | USA | 56 | – |
| Blueberries | Kenya | – | 10* |
| **Other** | | | |
| Joint Projects | Kenya | 738 | |
| Livestock | Kenya | 4,396 head | |

* planted in 2019

## CAMELLIA AT A GLANCE

### ENGINEERING

**2019: Revenue – £22.1 million, Segment trading profit – £Nil**

| *Subsidiary* | *Locations* |
|---|---|
| Abbey Metal Finishing and Atfin | UK, Germany |
| AJT Engineering | UK |

### FOOD SERVICE

**2019: Revenue – £29.8 million, Segment trading profit – £0.8 million**

| *Subsidiary* | *Locations* |
|---|---|
| ACS&T | UK |
| Jing Tea | UK |

### INVESTMENTS

| *Investment type* | *Locations* | *Market value at 31/12/19 £'m* |
|---|---|---|
| Investment Portfolio | Global | 47.0 |
| Investment Property | UK, Malawi, Brazil | 23.1 |
| Collections | UK, India | 9.8* |

* Collections are stated at cost

### ASSOCIATES

**2019: Share of results after taxation – £4.6 million**

| | *Location* | *Activity* | *Holding %* |
|---|---|---|---|
| BF&M | Bermuda | Life and Non-life insurance | 37.8 |
| United Finance | Bangladesh | Banking | 38.4 |
| United Insurance | Bangladesh | Non-life insurance | 37.0 |

# DIRECTORS AND ADVISERS

| | | |
|---|---|---|
| **Directors** | Malcolm Perkins | *Chairman (iii)* |
| | Chris Relleen | *Deputy Chairman, independent non-executive Director and senior independent Director (i) (ii) (iii)* |
| | Tom Franks | *Chief Executive* |
| | Graham Mclean | *Director of Agriculture* |
| | Susan Walker | *Chief Financial Officer* |
| | Jonathon Bond | *Independent non-executive Director* |
| | Gautam Dalal | *Independent non-executive Director (i)* |
| | William Gibson | *Independent non-executive Director (i) (ii) (iii)* |
| | Simon Turner | *Non-executive Director* |
| | Frédéric Vuilleumier | *Independent non-executive Director* |
| | (i) Audit committee<br>(ii) Remuneration committee<br>(iii) Nomination committee | |
| **Group General Counsel & Company Secretary** | Amarpal Takk | |
| **Registered office** | Linton Park<br>Linton<br>Maidstone<br>Kent ME17 4AB | |
| **Registered Number** | 00029559 | |
| **Nominated adviser and broker** | Panmure Gordon (UK) Limited<br>One New Change<br>London EC4M 9AF | |
| **Registrars** | Link Asset Services<br>The Registry<br>34 Beckenham Road<br>Kent BR3 4ZF | |
| **Independent auditors** | Deloitte LLP<br>Statutory Auditors<br>1 New Street Square<br>London EC4A 3HQ | |
| **PR** | Maitland/AMO<br>The HKX Building<br>3 Pancras Square London<br>N1C 4AG | |
| **Website** | www.camellia.plc.uk | |

# CHAIRMAN'S STATEMENT

The results for 2019 reflect a profit before tax from continuing operations of £22.3 million and include significant provision releases and one off items amounting to £6.2 million (2018: profit before tax from continuing operations £52.5 million, including provision releases of £14.4 million).

In previous years we have talked extensively about the need to diversify our portfolio of businesses, particularly in Agriculture, and to ensure that we are as efficient in our production methods as we can be. The need for this diversification has never been more evident than in 2019, which saw the year open with an over-supply of tea in the market causing prices to fall and from which they never recovered.

Our own tea production fell slightly short of last year's record but at 101.4mkg was our second highest year, reflecting the investment that we have made in replanting and irrigation and the purchase of two additional estates in Assam. Our other core crops also performed well, and with good prices in the market, both macadamia and avocado made a significant contribution to Group profit.

More generally, we saw an increasing number of extreme weather events across our operations, with hurricanes, droughts, floods and excessive temperatures seemingly more frequent and more widespread than they have ever been. In 2019 we published our first ever comprehensive ESG report to demonstrate what we are doing to reduce our own environmental footprint, and to mitigate the impacts of climate change. Whilst we are pleased with our progress in many areas, we are also conscious that we need to do more and therefore we have also introduced an internal fund, to use some of our centrally held resources to enable a step change in our sustainability programmes around the world.

## Dividend

The Group is set up in a way that reflects our long-term approach, with financial stability and sustainability being at the heart of our philosophy. The current situation with regard to COVID-19 is unprecedented not only in its severity but because we cannot tell at this stage for how long it will last nor what the implications will be. Your Board has therefore decided not to recommend any additional dividends until we get clarity on the situation. Once we have this clarity and if circumstances so justify, we will declare a special dividend alongside the interim dividend.

## Outlook

Never in my years as Chairman has it been so hard to predict the outcome of the coming year. Whilst only a small proportion of our operations are direct to the consumer, the ramifications of the COVID-19 outbreak and the economic fallout arising from it are affecting all our businesses to some extent, and the ultimate impact will not be clear for some months yet. This matter is discussed in more detail in the Chief Executive's report. It is of course a situation that changes day by day.

However we remain financially strong, with significant net cash, and have the resources to withstand a period of disruption. The demand for our agricultural produce will remain and we are managing the business in a pragmatic manner which we believe will ensure our future prosperity whilst taking the necessary steps to manage our costs and spending in the short term.

## Directors

I am delighted to welcome two new Non-Executive Directors onto the Board. Simon Turner, who is president of The Camellia Foundation, our majority shareholder, and Jonathon Bond who holds a number of directorships and has a particular focus on raising standards of governance and performance.

## Staff

As always, my thanks go out to all our staff for their efforts in 2019 but in addition I should like to thank them for their continuing support during this very difficult period.

**Malcolm Perkins**
Chairman

7 May 2020

# CHIEF EXECUTIVE'S REPORT

## COVID-19 AND TRADING UPDATE

### *People*

First, I would like to reiterate our gratitude to all of our staff around the world for their continuing support both within the business but also within the communities in which they operate.

### *Trading*

*Agriculture*

All our agricultural operations continue to work as close to normal as is possible with the exception of India. Following the shut down in India announced on 24 March there has been a gradual easing of restrictions and currently all tea estates are open but utilising only 25% of their workforce in West Bengal and 50% of the workforce in Assam in order to maintain social distancing. As a consequence, we expect to lose the majority of our lucrative first flush and, if the current restrictions continue, a significant proportion of our second flush crops in India.

Elsewhere the restrictions that we are seeing globally continue to increase with all our countries of operation experiencing some form of lock down. It remains unclear the extent of the impact these restrictions will have on our production levels, our distribution channels, demand for our produce and access to market for our perishable crops such as avocado and citrus. A number of tea auctions have been cancelled in recent weeks although some have since resumed or are scheduled to resume in May. Overall tea prices during the first quarter was exceptionally poor as a result of the very high production levels of 2019, but as a consequence of the current crisis we have seen some signs of increased demand and prices for our teas.

As a result of very dry hot weather in Malawi and South Africa during the fourth quarter of 2019 we are also anticipating a decline in our macadamia production for 2020 and reduced global demand is also likely to adversely impact prices.

*Engineering*

Our engineering businesses are operating at close to normal. Both AJT Engineering (due to its role in the energy sector) and Abbey Metal Finishing (due to its role for aerospace and military) are deemed to be essential businesses. We are concerned however that issues in the wider economy could mean that demand in the oil, energy and aerospace sectors will be very weak in the second half of the year.

*Food Service*

ACS&T continues to operate but the reduced demand for its transport services which we mentioned on 1 April, means that profitability in H1 2020 is expected to be significantly lower than that for the same period in 2019. Jing Tea continues to trade at a substantially reduced level. Both businesses' trading results for the remainder of the year are dependent on the timing of any resumption of operations in the hospitality and food service sectors.

### *Financial Position*

The Group has a strong balance sheet with substantial cash liquidity which amounted to £77.1 million in cash and cash equivalents net of borrowings as at 31 March 2020. In addition, our investment portfolio had a market value of £43.8 million at 31 March 2020. We continue to conserve cash wherever possible against a fast changing and unpredictable backdrop.

### *Community Action*

As a Group we are uniquely placed to be able to assist in this crisis. We currently manage over 100 hospitals and clinics in some of the world's poorest countries where there is little access to public healthcare. Wherever appropriate our operations are working with the local authorities to ensure that these facilities are used for the benefit of the whole community. In addition, we are taking a wide range of steps across different businesses to help wherever possible. These steps include work on face masks by our engineering businesses in the UK; bulk purchasing of food in Kenya to ensure that our staff and their families are not forced to pay extortionate prices; purchasing hospital supplies in Malawi; payment of wages and distribution of food to our staff in India, whether in lock down or working and the provision of hygiene and social distancing education.

# CHIEF EXECUTIVE'S REPORT

## OVERVIEW

After an exceptional 2018, 2019 was a more challenging year for the Group, if not perhaps as challenging as 2020 is turning out to be.

Our long-term strategy of diversifying our agricultural products continues to impact positively on our results and we have made good progress in furthering this strategy during the year. On the investment side:

- In Tanzania we make slow but steady progress in completing the acquisition of our first farm. Whilst waiting for final government approval we have set up an avocado nursery so that there is no delay in planting out the trees once the land transfer is ultimately sanctioned.
- In Kenya the blueberry trial continues, and we harvested our first small crop in September 2019 which was in line with volume expectations with the fruit showing excellent flavour and size. Our first major crop should be in the autumn of 2020 which will give us a better insight into the prospects for this operation and allow Kakuzi to make decisions as to the expansion of this trial into a commercial operation. Our trial of new avocado plantings at Kitale is now in its third year and we are beginning to get some results which will allow us to make a decision as to whether to turn this into a full commercial operation.
- In South Africa, we completed the purchase of an additional 466Ha of land close to our existing macadamia operations in Levubu close to Mambedi estate. This will be developed into macadamia and avocado orchards.

Overall in 2019, our macadamia volumes continued to grow as the trees matured and prices held up well despite the increased volumes. Our investment in macadamia processing facilities has improved margins and widened our customer base and we are optimistic that whilst macadamia remains a relatively niche product amongst edible nuts, the market continues to grow.

Our avocado harvest was, as anticipated, significantly down after last year’s bumper crop but this was more than compensated for by the excellent prices received from the European market. We continue to examine ways to even out the natural tendency of the avocado tree to produce significantly larger crops in alternate years.

The results for our speciality crops were more mixed, edible nuts performed well but we were hit by a number of weather-related issues in our arable operations in Brazil.

However, whilst our diversification strategy has made good progress, we remain the world’s largest private grower of black tea which is therefore core to our performance. 2018 saw a record global production of tea at 5.9 million tonnes and we believe this was exceeded in 2019. This growth was driven partially by favorable weather conditions in Asia but more significantly by the relentless growth of the smallholder market. As a result, we witnessed record volumes of tea at the auctions, with consequent weaknesses in the market prices for black tea, from the start of 2019 and which continued throughout the year.

The drivers of this growth in production vary by geography, but good prices in former years, the ability of smallholders to produce tea with fewer of the social and certification costs, and a decrease in regulation have all played their part. There are a number of reasons why this situation will eventually reverse; global consumption will continue to increase, politicians are becoming increasingly concerned over the damage to the industry and to rural livelihoods, and producers themselves will abandon growing tea if there is no money to be made. However, such fundamental changes in the market will take time.

As a result of the above, 2019 turned out to be a difficult year for the Group’s tea operations. Whilst our own production volumes were excellent at 101.4mkg, reflecting our investment over the past few years, prices were poor. Although our Indian tea prices were relatively steady, others including Kenya (13% down), Bangladesh (25% down) and Malawi (14% down) suffered steep falls. The start of 2020 saw average prices continue to fall in all markets, although there are signs this is reversing on account of the current crisis.

## CHIEF EXECUTIVE'S REPORT

Despite steep increases in labour costs across all of our tea operations, the significant strides made to improve both efficiency and productivity through technology and structural reform, have enabled us to mitigate these increases to a significant extent.

Outside Agriculture, the performance was mixed. Our UK engineering and food service operations were all constrained by Brexit and other market related issues and our largest associate, BF&M, whilst having strong underlying growth was hit by two hurricanes in the year which held back profits.

### Acquisitions and Investments

As reported in last year's Annual Report, at the beginning of 2019 we completed the acquisition of two tea estates in Assam. As stated above we have also completed the purchase of an additional farm close to our estates in the Levubu district of South Africa which will, in due course, help to compensate for the loss of Wales estate, the lease for which expires in 2020.

### Financial Performance

The underlying profit before tax from continuing operations (i.e. before taking account of the provision releases and one off items described below) amounts to £16.1 million, down 58% on the comparable result for 2018.

We also recorded the following significant items:

- Gains arising from the release of provisions in Kenya and India amounting to £9.8 million
- A £3.6 million charge in respect of Workers Profit Participation contributions for prior years in Bangladesh which has been recognised as a consequence of regulatory changes in 2019 (further details are included in the CFO's report on page 20)

### BUSINESS STRATEGY

The overall Group strategy, which is set out on page 21, remains unchanged with each division expected to perform against an agreed 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. To investigate the possibility of a fourth core crop if suitable opportunities present themselves.

*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 spreading the Group's political and commodity price risk.

With all our agriculture operations we will have regard to the potential threats arising from politics and the impact of climate change, particularly in water stressed areas and will adapt our portfolio of operations accordingly.

#### *Engineering*

*AJT Engineering.* To maintain our presence in the oil services sector whilst diversifying into adjacent energy related sectors in order to create a sustainably profitable engineering business focused on the wider 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*

In total, the Agriculture division made a segment trading profit of £25.2 million (2018: £51.0 million) on revenue of £238.7 million (2018: £245.3 million), as set out in note 1 to the Accounts.

### *Tea Production*

2019 saw the Group produce high volumes of tea through our own and managed factories just falling short of 2018's record volumes. Total made tea produced was 101.4mkg (2018: 103.1mkg).

| | *Mature area Ha* | *Immature area Ha* | *2019 Volume mkg* | *2018 Volume mkg* |
|---|---|---|---|---|
| India | 15,925 | 1,375 | 32.1 | 28.1 |
| Bangladesh | 8,660 | 563 | 14.2 | 12.8 |
| Kenya | 3,992 | 161 | 12.1 | 14.4 |
| Malawi | 5,132 | 509 | 17.6 | 19.1 |
| Total own estates | 33,709 | 2,608 | 76.0 | 74.4 |
| Bought leaf production | | | 21.1 | 24.2 |
| Managed client production | | | 4.3 | 4.5 |
| Total made tea produced | | | 101.4 | 103.1 |

### *Tea pricing and operations*

*India*

Overall, India produced a record volume of tea in 2019 for the second consecutive year. This was principally as a result of improved volumes from our own estates, and the impact of the two estates that we bought in Assam at the start of the year. In total our own estate production was up 14% and bought leaf volumes were relatively stable at 8.2mkg.

Across all our Indian operations the average selling price for the year was 2% down on 2018 primarily due to a drop in the market value for 'old season' teas in the first quarter of 2019.

This and the very significant wage increases that took place during 2018 which totaled 33% in West Bengal and 22% in Assam has led to a significant pressure on margins which could only be partially mitigated by productivity and efficiency improvements.

Having recovered well in 2018 from the general strike in 2017, it is disappointing that for 2019 season teas prices in Darjeeling have slipped back significantly. Darjeeling produces very high quality teas but due to the altitude and topography, volumes are small and production costs are high. We continue to invest in marketing and tourism in the region for this unique product.

Packet tea sales volumes in India grew by 8.5% to 11.3 mkg in a highly competitive market due to continued marketing efforts.

We also opened three new tea lounges in Mumbai, Kolkata and at Mirik Lake in Darjeeling, taking the total to seven. These café/restaurants help to showcase our finest teas to a wider audience and promote tourism in Darjeeling.

The replanting programme continued with 239Ha completed and a further 205Ha uprooted for replanting at a later date.

Politically, the election saw the BJP gain significant ground in both Assam and West Bengal. The National Citizenship Register is causing tension in the border areas which has the potential to impact operations in both India and Bangladesh.

*Bangladesh*
Our Bangladesh tea crop was up on 2018 by 11% at 14.2mkg, as a result of good weather and the significant progress that we have made on replanting and infilling.

Unfortunately, the increased production resulting from the good weather, together with teas being available from India caused our average prices to drop.

The replanting and extension programme continued with 161Ha of new tea being established in the year and an additional three million bushes planted to infill existing fields.

*Kenya*
Tea production (including smallholders and managed clients) was down on 2018 by 15% and was our lowest production year since 2012. This was as result of a very dry start to the year from which volumes never recovered. However, frustratingly, these countrywide lower volumes failed to result in the expected increase in prices due to the large carry forward stocks of 2018 teas sent to the auction. As a result, average auction prices fell by 13% during the year.

The collective bargaining agreements covering the period 2014-2019 have now been agreed which has allowed us to make all outstanding payments to our employees and to release certain provisions which we were carrying. These agreements not only set pay levels but also productivity which will enable us to improve efficiency in the future.

The over-production in Kenya is having a severe effect on the livelihood's of smallholder farmers. This has resulted in the Kenyan government announcing a range of proposed measures to regulate and control the tea market. These measures which are currently out for consultation include the banning of private sales of tea, regulating agency agreements, provisions for the payment of smallholder farmers and ensuring that more value-added activities take place within Kenya. The final form of these proposals and when they might be enacted remains unclear.

We replanted a total of 51Ha in 2019 (2018: 41Ha) and uprooted a further 49Ha for replanting in 2020.

*Malawi*
Although not at 2018 record levels, Eastern Produce Malawi produced its second highest crop (including smallholders) in the year of 20mkg, down 10% on 2018. However, the Malawi market is linked to the Mombasa tea-auction and the weakness there left our average price for the year down 14%.

Eastern Produce Malawi continues to produce a little over 40% of Malawi's total tea 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). As I stated last year, the wage negotiations and a collective bargaining agreement were successfully concluded during 2018, awarding 22% wage increases but that such increases were only sustainable with the support of international buyers. The combination of increased costs and reduced prices has resulted in a tea sector in Malawi which is in danger of becoming unsustainable.

Developments included replanting a total of 77Ha in 2019 (2018: 106Ha) and installing additional irrigation at Ruo estate.

### *Macadamia Production*

In line with the overall plan to increase our macadamia production, volumes produced in 2019 increased to 1.3mkg (2018: 1.1mkg).

| | *Mature area Ha* | *Immature area Ha* | *Volume 2019 Tonnes* | *Volume 2018 Tonnes* |
|---|---|---|---|---|
| Malawi | 1,326 | 182 | 503 | 472 |
| South Africa | 887 | 426 | 459 | 429 |
| Kenya | 621 | 411 | 313 | 229 |
| Total | 2,834 | 1,019 | 1,275 | 1,130 |

### *Macadamia Pricing*

Macadamia prices remained firm during the year and averaged 4% ahead of 2018 which was encouraging given the increase in global supply.

### *Macadamia Operations*

*Malawi*
Volumes were 6% up on 2018 as a result of benign weather.

*South Africa*
Volumes were 7% up on 2018 despite the Wales estate being hit by a major hailstorm during flowering which impacted the nut set and reduced volumes by 50% from that estate. Developments included:

- Completion of the Mambedi dam.
- Purchase of an additional 466Ha farm at Beja, close to Mambedi for planting macadamia and avocado.
- Planting of an additional 61Ha at Mambedi.
- The incorporation of additional colour sorting capability at the Zetmac processing facility to increase throughput and efficiencies.

As regards the Wales estate, which amounts to 191Ha of mature macadamia, we have made no significant progress towards renewing the lease for the property, although we will now be able to harvest the 2020 crop before vacating the estate.

*Kenya*
Production volumes were 36% up on 2018 as the orchards continue to mature. Developments included the installation of optical sorting technology at the processing plant.

***Avocado Production***

| | Mature area Ha | Immature area Ha | Volume 2019 mkg | Volume 2018 mkg |
|---|---|---|---|---|
| Kenya – own estates | 452 | 346 | 7.1 | 11.0 |
| – smallholders and outgrowers | | | 1.1 | 5.0 |

***Avocado Pricing and Operations***

Following the bumper crops in 2018, production of Hass from our own orchards was down 35% in 2019 due to the trees going in to an "off" year. This "off" year cycle was experienced in many other producing countries such as Peru, South Africa and Chile. As a result, global supply volumes were down whilst demand continued to increase leading to an undersupplied market and very firm pricing with our estate Hass average prices 152% higher than in 2018.

Smallholder Hass volumes in 2019 were down by 86%, but our outgrowers up by 2%. This was partially due to generally lower production volumes but also due to smallholders supplying other exporters.

A total of 79Ha of new Hass orchards were planted during the year including 9Ha of the Carmen variety of Hass.

Pinkerton volumes were up on the previous year by 77% and prices rose by 24%.

We continue to monitor the 23Ha trial of avocados near Kitale in Kenya which we initiated in 2017.

***Speciality Crops Production***

| | Mature area Ha | Immature area Ha | Volume 2019 Tonnes | Volume 2018 Tonnes |
|---|---|---|---|---|
| Arable (Brazil) | 3,580 | – | 27,829 | 31,445 |
| Rubber (Bangladesh) | 1,744 | 231 | 650 | 649 |
| Citrus (USA) | 177 | – | 6,665 | 3,773 |
| Pistachios (USA) | 131 | – | 10* | 712 |
| Wine grapes (South Africa) | 60 | 24 | 394 | 317 |
| Almonds (USA) | 56 | – | 131 | 111 |
| Blueberries (Kenya) | – | 10 | 4 | – |
| | | | *$m^3$* | *$m^3$* |
| Forestry (Kenya, Brazil, Malawi) | 2,176 | 3,637 | 86,710** | 47,767** |
| | | *Nº of head* | *Nº of births* | *Nº of births* |
| Livestock | | 4,396 | 827 | 948 |

* 2019 was an 'off' year for Pistachios
** Volumes quoted are for conversion to value addition products rather than fuel wood for our own use

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

*Arable*

Our arable operation in Brazil had a difficult year due to a combination of weather and pest and disease related issues. Soya harvest volumes were slightly down (1%) on last year, however prices were up 8%. Both the maize and oat crops suffered from pest and disease attacks and the wheat from unexpected frosts in July. Despite these adversities, the farm continues to generate good profits.

*Rubber*

Rubber is grown on areas of the Bangladesh tea estates unsuited for growing tea. Volumes produced in 2019 were in line with 2018 and although average prices increased by 4% they remain below cost.

*Citrus*
Citrus volumes were 77% up on last year but prices were 40% lower due to market over supply.

*Pistachios*
2019 was an off year for our pistachios so a very small volume was produced.

*Wine*
The harvest this year was much improved on 2018's drought affected crop with volumes up 24% but sales continue to disappoint. During the year 11Ha of vines were replanted bringing the total planted area to 84Ha.

*Almonds*
Almond volumes were 18% ahead of 2018 as the orchards continue to mature; prices remained firm in line with previous years.

*Forestry*
Production of Eucalyptus in Brazil doubled in the year due to increased demand from the paper industry. Kakuzi also saw a 30% increase in production of forestry products for the market in Kenya.

*Livestock*
Births were down this year due to the drought conditions experienced during the first quarter of the year which affected the availability and quality of grazing.

*Blueberries*
As previously reported, a 10Ha trial of blueberries was established at Kakuzi early in 2019. The first crop was harvested in September 2019 totalling 4 tonnes most of which was sold in the local market. The fruit showed excellent flavour and sizing which is most encouraging at this point. The first main crop is expected in the autumn of 2020. If successful, there are substantial additional areas of Kakuzi which could be developed.

***Engineering***

In total, the Engineering division reached break even (2018: trading loss £0.6 million) on revenue of £22.1 million (2018: £22.2 million), as set out in note 1 to the Accounts. The division continued to be cash generative.

AJT Engineering had a much better year with sales rising by 15% to £16.0 million as the strategy to increase utilisation and diversify into other parts of the energy sector continue to pay off. However increased overheads meant that the business made a small operating loss in the year.

Abbey Metal Finishing and its subsidiary Atfin both had a difficult year as issues in the aerospace supply chain and concerns from European customers over Brexit-impacted sales volumes. Combined revenues were down 9% with a consequent impact on profitability.

***Food Service***

In total the Food Service division made a segment trading profit of £0.8 million (2018: £1.6 million) on revenue of £29.8 million (2018: £41.5 million), as set out in note 1 to the Accounts.

ACS&T saw reduced profitability from lower revenue as production issues at its major customer saw storage volumes fall significantly over the summer.

Jing Tea saw revenues rise by 27%. Shortly before the year end Jing opened its first retail store in St Christopher's Place, London which began trading well but is currently closed.

***Investments***

*Investment Portfolio.* The gains on sale for the year were £1.1 million (2018: £0.4 million). Of this gain £0.2 million was reflected in the Income Statement and £0.9 million in the Statement of Comprehensive Income. The total value of the portfolio at 31 December 2019 was £47.0 million (2018: £39.6 million). The increase reflects the strength of global equity markets, particularly in the second half of 2019, in part offset by a number of disposals during the year.

Clearly the market value of the portfolio has fallen significantly in the last few weeks though not as severely as global markets due to the strength of the yen and we estimate the value at 31 March 2020 to be £43.8 million.

*Investment Property.* Work continues on the development of the Linton Park Estate with an additional two properties expected to be completed and available for rental in 2020. In addition, a property in central London was refurbished and has now been let.

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

### ***Associates***

In total, our share of the results of associates amounted to £4.6 million (2018: £7.6 million).

Although BF&M was adversely impacted by two major hurricanes in 2019, Dorian which hit the Bahamas and Humberto which hit Bermuda, gross premiums written increased by 12% driven by growth in property premiums in the Caribbean and higher annuity premiums. BF&M's profit for the year was Bermudian Dollar 13.1 million (2018: Bermudian Dollar 18.5 million).

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

## POLITICAL, LEGISLATIVE AND LEGAL ISSUES

The Group is present in many jurisdictions and is subject to local legislation. We previously disclosed that 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. This matter is on-going and we continue to keep the situation under review.

### Group claims against African operations

As we stated in our trading update of January 2020, Camellia and a number of its subsidiary companies have received notification of claims to be made in the UK relating to allegations made by multiple individuals concerning two of those companies' African operations. The allegations are of serious assault, harassment and sexual misconduct allegedly committed by certain individuals employed by those two foreign operating companies. The Company and its wider group takes any complaint of criminality, misconduct, illegality, or unethical behaviour extremely seriously. At this stage the financial impact of these claims is impossible to quantify, but the related legal and other costs will be significant. Costs incurred since notification of these claims in 2019 to the end of March 2020 amount to £3.5 million.

### Brexit

Brexit and the potential impact across the Group is something for which we have been preparing over the last three years. Whilst there is now clarity as to the dates, the significant uncertainty as to the precise structure of any post-Brexit trading arrangements continues to pose challenges for these preparations.

As we have said previously, 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 and the potential risk we could incur additional tax costs.

## CAPITAL INVESTMENT AND DEVELOPMENT

We continued to invest in our assets during the year and £14.5 million was spent on property, plant, equipment and investment property (2018: £17.4 million). Key projects are referred to in the operational reports above. A further £4.6 million (2018: £4.3 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.

In 2019, for the first time we also published a separate Environmental, Social and Governance report. This ESG report allowed 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. We intend to publish an updated version during the course of 2020. Further guidance on our approach to Governance, Sustainability and CSR is also set out in the Strategic Report on pages 21 to 27 of this document.

As part of our long-term commitment to the environment we are running a large number of programmes across our operations to mitigate our environmental impact and to reduce our carbon footprint. Clearly the ability of our operations to continue to invest in these initiatives depends on their results which can lead to a stop/start approach to this investment. Furthermore, a number of the potential solutions are untested in the country or on the crop concerned. We have therefore introduced a Chairman's Fund, the aim of which is to utilise some of our centrally held resources to maintain these critical initiatives and to make a step change in the speed and effectiveness of the programmes. More detail will be available in our 2020 ESG report to be published later this year.

### *Performance*

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

| | *2019* | *2018* | *2017* |
|---|---|---|---|
| **Energy and Carbon** | | | |
| Total energy consumed (TWh)* | 0.76 | 0.79 | 0.79 |
| Total carbon emissions (tonnes $CO_2e$) | 229,703 | 217,320 | 222,775 |
| **Water** | | | |
| Total water withdrawal (million $m^3$) | 42.7 | 40.7 | 40.9 |

* Historical data has been adjusted to reflect more accurate conversion factors published each year by the UK Department for Business, Energy & Industrial Strategy (BEIS).

These numbers set out actual usage, prior years have not been adjusted to reflect acquisitions, disposals nor other corporate activity.

Overall our energy usage dropped during the year but our total carbon emissions were up by 5.6%. This largely reflects the acquisitions of tea estates in India in 2019 which rely on coal as a fuel source. One of the largest uses of energy in the Group is the requirement to process and dry our tea crop and I am pleased to report that the continuing investment we have been making to increase energy efficiency in our tea factories has resulted in a drop in our carbon emissions from 1.48kg to 1.39kg of $CO_2$ per kg of made tea, a reduction of 6%.

## SUMMARY

Although 2019 was a less good year financially for the Group compared with the exceptional results in 2018, we continued to make good progress with our core strategy. Our tea operations continued to produce excellent volumes and quality of tea and we made significant improvements in efficiency and productivity. Our two other core crops, macadamia and avocado, once again demonstrated the importance of this diversification, and whilst not yet large enough, are already showing their ability to mitigate the cyclicality of the tea market. The investments that we are making in these areas will improve this situation in the future.

Like all commodities, tea has cycles; cycles which can be long or short depending on a range of factors. However, tea remains the world's most widely consumed drink after water, global consumption continues to increase and inevitably prices will improve albeit it remains unclear as to when.

# CHIEF EXECUTIVE'S REPORT

We continue to invest in sustainability; our first ESG report in 2019 showed off some of the strength and depth of our commitment in this area and was very positively received by our many stakeholders. Our new Chairman's Fund will ensure that we maintain our impetus in this area.

We are fortunate that our balance sheet remains strong with £89.4 million of net cash in the Group and money market deposits amounting to £6.2 million. However some of this cash is committed for long-term projects and much of it overseas. At this stage there are a number of short-term calls on this cash and therefore until we get some certainty as to the future, we believe that it is prudent to conserve cash wherever we can. We have already put a number of capital projects on hold and have decided not to pay a final dividend for 2019. If circumstances justify, we will declare a special dividend alongside the interim dividend.

2020 is likely to be one of the most challenging years that the Group has yet faced and is already testing our operations across the world. I am delighted by the response of our staff and proud of the efforts that they have made not just in their own business, but in the wider communities where they operate. This has been particularly true in the agricultural operations where the Group's hospitals have been made available to assist local services.

**Tom Franks**
Chief Executive

7 May 2020

# CHIEF FINANCIAL OFFICER'S REPORT

## Overview of Results

The profit after tax for the year ended 31 December 2019 was £15.1 million (2018: £32.3 million).

Profit before tax from our continuing operations in 2019 was £22.3 million which includes £6.2 million relating to a number of large separately disclosed items (2018: £52.5 million, including provision releases of £14.4 million). This reduction in profit before tax reflects, *inter alia*, lower average selling prices for tea, improved volumes and strong prices for our macadamia crop, lower volumes and higher prices for our avocado crop, lower profits at BF&M, and a number of significant items:

- A £9.8 million gain from the release of provisions for wage increases relating to prior years in our agriculture operations following progress on wage negotiations.
- The creation of a £3.6 million charge in Bangladesh for workers profit participation obligations for prior years which has been recognised as a consequence of regulatory developments during the year, further details of which are set out below on page 20.

Excluding these items, the underlying profit before tax from continuing operations was £16.1 million (2018: £38.1 million).

Equity attributable to the owners of Camellia was £395.7 million (2018: £395.5 million) with net cash and cash equivalents of £89.4 million (2018: £109.6 million) and financial assets at fair value through profit or loss (ie money market funds) having increased to £6.2 million (2018: £3.7 million).

## COVID-19 impact

As set out in the CEO's Report on page 6, our businesses are currently operating broadly as normal with the exception of our Indian estates. However, the impact of COVID-19 on the Group during the remainder of this year is difficult to predict with any certainty. Accordingly, we have taken actions to conserve our cash during this period of uncertainty by reducing our operating and capital expenditure across the Group and by deciding not to recommend any additional dividends until we have clarity on the situation.

We have undertaken a scenario planning exercise, further details of which are set out in the Report of the Directors on page 30, to assess a range of potential impacts on our profits and cashflows. This has included considering the impact of very substantial sales volume reductions across our major operations and pricing risks for our macadamia and avocado crops as well as the mitigating actions we could take in those circumstances. The impact of these on our revenue, were they to occur would have a substantially negative impact on Group profitability. Further, the scenario modelling indicates that in this event, the Group would, in the absence of material price increases, or significant levels of overseas government support, make a substantial loss during 2020.

However, with our substantial cash resources, our investment portfolio and limited gearing, we are well placed to withstand a period of disruption to our operations and sales.

## Currencies

Over the course of the year, Sterling strengthened against all our key operating currencies. This has resulted in a loss on foreign exchange translation of £16.7 million (2018: gain £11.6 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 2019 would have been £0.8 million lower. Our profit before tax from continuing operations includes an exchange loss of £0.3 million on transactions during the year (2018: gain £0.2 million).

There has been significant currency volatility during 2020 to date, the impact of which will only become clear as the year progresses. We are fortunate that much of our revenue is denominated in hard currencies which provides some hedging against our emerging markets currency risk.

### Cash

The Group's net cash position decreased to £89.4 million at 31 December 2019 (2018: £109.6 million) reflecting, inter alia, lower net cash inflows from continuing operating activities of £12.6 million (2018: inflow £24.5 million) as a result of the reduced trading results. We spent £9.4 million on acquiring businesses and in addition maintained a significant level of investment in our existing operations and in purchasing land (£19.0 million). We also increased our holding in BF&M at a cost of £1.3 million. The Group has loans outstanding amounting to £6.9 million (2018: £3.9 million).

As previously highlighted, 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 to ensure wherever possible a level of headroom exists against the risk of crop losses and adverse price movements, such as are possible as a result of COVID-19. In addition funds are held for:

- Long-term development projects related to the planned continued extension of our core crop portfolio, including in our new locations.
- Disputed taxation assessments (see below).
- Other contingent liabilities.

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.

In light of the impact of COVID-19 on equity markets and on interest rates, it is likely that deficit reduction contributions will be required to our UK defined benefit pension scheme following the completion of our triennial valuation later this year.

Our businesses are conserving cash pending further clarity on the full impact of the COVID-19 situation and we expect capital expenditure to be lower in 2020 than historically.

### Taxation

The Group's effective tax rate of 32.3% (2018: 38.2%) is higher than we would want. The key reason for this is that it reflects the losses which are incurred in the UK for which no tax relief is available and the fact that we are not able to recognise the associated deferred tax asset on our balance sheet until it is sufficiently clear when those UK tax losses will be utilised.

### Tax and Other Provisions

During the year, the wage negotiations in Kenya were resolved for the Collective Bargaining Agreement years of 2014 to 2019 and payment made to employees. The balance of the provisions which we were carrying have now been released, as have certain provisions for wage increases in India, amounting in aggregate to £9.8 million. As is normal at this time of the year, we have ongoing wage negotiations in Bangladesh and India. We consider we have made adequate provision for the likely outcome of these.

We quantify our provisions for tax in accordance with IFRIC 23 (Uncertainty over tax treatments) which we have implemented for the first time this year. The impact of this has not been material to our tax charge for the year. However, there are a number of significant movements in tax provisions due to changes in circumstances.

We have a number of significant uncertain tax situations, the majority of which have been disclosed previously:

- During the year we released a provision of £2.3 million for taxation arising from assessments raised by the Malawi Revenue Authority for unpaid taxes from prior years in light of the assessments having been set aside by a judicial review hearing and the years in question now falling outside the enquiry window.
- A provision of £1.3 million has been established in respect of possible withholding taxes on branch remittances from Bangladesh where the Bangladesh Revenue Authority is contesting the applicable rate.
- In India assessments have been received for £3.8 million of excise duties, sales and entry tax £0.9 million and £1.1 million of income taxes. These are being contested and no provisions have been made.
- In India, the 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 have advised that payment of Salami does not apply, accordingly no provisions have been made. The sums contested amount to £1.3 million excluding penalties.

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 but unfortunately, in other situations the law is either unclear or underdeveloped and in these instances we make provisions where we consider it is more likely than not that a liability will arise and the quantum of provision is determined in accordance with IFRIC 23.

### Pensions and Other Employment Benefits

The Group operates a number of defined benefit pension schemes, the largest of which is in the UK. The triennial valuation of the UK scheme is due to be carried out in 2020. The 2017 triennial valuation for the UK scheme, which was closed to future accrual during 2016, showed a funding surplus of £7.1 million. The recent UK interest rate reductions and the major movements in equity market valuations due to COVID-19 will have significantly impacted both the scheme's asset values and its obligations such that were the valuation to be performed today, the scheme would be in a deficit position.

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 £22.0 million (2018: £24.7 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 and to asset performance. This year a net actuarial gain of £3.5 million (2018: loss £0.7 million) is reflected in the Statement of Comprehensive Income. The net gain this year arises primarily from the UK scheme where strong asset performance was only offset in part by the effect of lower discount rates and lower inflation assumptions.

Our Income Statement also reflects current and past service costs of £1.6 million (2018: net gain £5.9 million, including a £9.0 million gain re post-employment benefits curtailment gain) and £1.1 million (2018: £1.5 million) in respect of employee benefit interest.

In addition, £3.6 million has been charged to our Income Statement in 2019 in respect of possible workers profit participation obligations for prior years in Bangladesh which has been recognised as a consequence of regulatory changes during the year. As announced previously, legislation has been enacted in Bangladesh requiring certain companies to make workers profit participation payments. The applicability of this legislation to our tea operations in Bangladesh is not wholly clear, and the government fund to which payments are to be made has not yet been established. We consider sufficient provision to have been made for these costs.

**Susan Walker**
Chief Financial Officer

7 May 2020

## 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 2019 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 5 to 16. 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 17 to 20. 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.
- Setting the principles which the operating companies need to achieve through their policies and procedures to ensure that the quality and safety of their 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 16 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.

## S172 Statement

This section serves as the Company's section 172 statement and should be read in conjunction with the whole of the Strategic Report, the Corporate Governance Report and the Statement of Directors' Responsibilities. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making.

The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term.

The Board regularly considers the views of its principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management presentations, meetings and operational visits.

The Board continues to enhance its methods of engagement with the workforce. For example, during 2019 it was concluded that the most effective method to measure engagement across the Group's UK staff was to undertake an employee survey, and overseas operations are encouraged to undertake similar steps.

During the year, the Board reviewed our Group Principal Policies, which includes additional steps to prevent modern slavery across the operations. For more information, refer to pages 25 to 26.

**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 41 of the Accounts. The following material risks relating to the Group's principal operations have been identified.

***Agriculture***

| *Risk* | *Potential Impact* | *Mitigation* |
|---|---|---|
| Climate change | Current agricultural patterns and practices become unsustainable.<br>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 Polices. |
| 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. |

***Engineering***

| *Risk* | *Potential Impact* | *Mitigation* |
|---|---|---|
| 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 of fines and claims and reputational damage. | Strict compliance with legislation and training employees to adopt safe working practices. Regular external compliance reviews. |

***Food Service***

| *Risk* | *Potential Impact* | *Mitigation* |
|---|---|---|
| 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. |

***Investments***

| *Risk* | *Potential Impact* | *Mitigation* |
|---|---|---|
| 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***

| *Risk* | *Potential Impact* | *Mitigation* |
|---|---|---|
| Prolonged impact of a pandemic | Interruption to production and/or disruption of supply to customers.<br>Volatile equity markets impacting the pension schemes' deficits with a resultant increase in the funding requirement.<br>Increased risk of bank failure, and foreign exchange volatility resulting in increased costs. Risk of imposition of currency controls leading to the inability to remit funds from overseas operations. | Implementation of contingency plans.<br>Cost reduction and cash management measures.<br>Ongoing monitoring of banking partners and country credit ratings. |

***Group (continued)***

| *Risk* | *Potential Impact* | *Mitigation* |
|---|---|---|
| UK and Overseas Pensions<br>Increases in inflation and/or reductions in long- term government bond yields<br>Lower than expected asset return<br>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. |
| 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. |
| Taxation<br>Uncertainties in relation to the interpretation of complex tax legislation, or arising from changes in tax legislation<br>Risk that the Group's judgements are challenged by tax authorities | 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. |
| Legal<br>Uncertainties in relation to the application of English or other law or changes in case law | Group legal risk in relation to the activities of overseas operations (including potential litigation in the UK) and incurring costs in relation to the same. | Monitoring the interpretation of law and taking appropriate legal advice. |
| IT systems | Interruption to services for customers and the business. | Implementation of a disaster recovery plan. |

## Group Principal Policies – GPPs

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 significant operation confirms to Group its adherence 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.

Notwithstanding the fact that overall responsibility for the implementation and enforcement of the GPPs rests with the management of each operating company, certain GPPs (such as the Anti-Bribery and Corruption GPP, the Modern Slavery GPP and the Tax GPP) include provisions which are directly effective. This is the case where observance of these provisions is required in order for Camellia Plc to comply with its own legal and regulatory obligations.

The GPPs can therefore be grouped into the following four categories:

- The High-level GPPs
- The Compliance GPPs
- The Modern Slavery GPP
- The Tax Principles

The High-level GPPs comprise the Certification and Traceability GPP, the Health and Safety GPP, the Environment GPP, and the Employee Welfare GPP. The Compliance GPPs comprise the Anti-Bribery and Corruption GPP, and the Whistleblowing GPP. A summary of each principal policy is set out below and they are set out in full on our website.

### High-level GPPs

#### *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 FSSC 22000 certified. Across the Group, operations have also obtained ISO14001, ISO9001 and ISO45001 and many other appropriate accreditations.

#### *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.

#### *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 the global temperature increase below 2ºC compared to pre-industrial temperatures.

### *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.

## Compliance GPPs

### *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 is monitored at Group and by individual operations.

### *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.

## Modern Slavery GPP

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 2019 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 production 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 Principles

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.

### 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 and Food Service divisions, 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 Executive's report on pages 6 to 16.

### Non-Financial Performance Indicators

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

- Market trends – including tea auction volumes, demand for each product by country where available, supply data and market prices.
- Health & Safety – including days lost to injury, number of accidents, whistleblowing incidents and updates to legislation.
- Industrial disputes – including days lost to strike action and other significant labour issues.
- Land and politics – including elections, material new regulation or case law.
- Movements in key personnel – including promotions, resignations and retirements of senior management.
- Weather and climate – including rainfall, temperatures and long-term meteorological trends.

These are regularly monitored and used by local management. The Board considers such KPIs by exception where local operations notify that significant material issues have emerged.

### 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 operating companies give due consideration 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 2019.

| | Men | Women |
|---|---|---|
| Company Directors | 7 | 1 |
| All employees | 38,721 | 32,569 |

By order of the Board

**Amarpal Takk**
Company Secretary

7 May 2020

# REPORT OF THE DIRECTORS

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

## 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 16.

## Results and Dividends

The profit after tax for the year amounted to £15.1 million (2018: £32.3 million). The Board is not proposing a final dividend for the year 2019. Therefore, the total dividend payable for 2019 is 42p per share (2018: 142p per share). Details are shown in note 9 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 2019 | 1 January 2019 |
|---|---|---|
| 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. Jonathon Bond and Simon Turner were each appointed as a Non-Executive Director effective from 6 March 2020 and will seek election to the Board at the AGM.

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 until April 2019.

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.

Jonathon Bond was appointed as an independent non-executive Director in March 2020. Jonathon has spent 25 years in the private equity industry with a particular focus on raising standards of governance and performance. He is also a senior independent director of Jupiter Fund Management plc, a non-executive director of Standard Life Private Equity Trust plc and Scottish Widows/LLoyds Bank Insurance.

Simon Turner was appointed as a non-executive Director in March 2020. After an earlier career in the legal profession, he is now president of the board of the trustee of The Camellia Foundation.

### Company Secretary

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 7 May 2020 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 | 142,773 | 5.17 |

*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 35 to the Accounts.

At the AGM in 2019, 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.

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 27.

## 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

As set out in the CEO's Report on page 6, our businesses are currently operating broadly as normal with the exception of our Indian estates.

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

Whilst the situation evolves daily making scenario planning difficult, we have considered several variables which may impact on revenue, profits and cash flows. In light of the nature of our business and our current approvals/status in our various jurisdictions, we have assumed our operations to be important, essential businesses which will continue to operate wherever possible with appropriate safety protocol in place and on the basis that we will also be able to continue to sell our produce to customers.

Whilst the virus will have an impact on many aspects of the Group's operations, disruption to the production, distribution, demand for and hence sales of our core crops; tea, macadamia and avocado, will have the biggest impact on our cashflows. Within that, as tea is still our major revenue generator (67% of Revenue in 2019) and involves the employment of a large labour force, any disruption to tea production and/or sales activities will have a disproportionately adverse impact on our cashflows.

All our businesses have put in place contingency plans, aimed at making operational cost reductions and wherever possible delaying or cancelling non-critical expenditure.

At 31 December 2019, the Group had cash and cash equivalents of £89.4 million with borrowings of £6.9 million. In addition, the Group had undrawn short-term loan and overdraft facilities of £24.1 million and a portfolio of liquid investments with a fair market value of £47.0 million.

We have modelled various scenarios using assumptions including significantly reduced combined sales volumes of up to 30% for tea, up to 40% for avocado exports and up to 25% for macadamia during 2020. The revenue and operational impact of such volume reductions across our operations would have a substantially negative impact on Group profitability. We have also considered the risk of price reductions during 2020 for our macadamia and avocado crops. The scenario modelling indicates that the Group would, in the absence of material price increases, or significant levels of government support, make a substantial loss during 2020. We would however anticipate a recovery in subsequent years as the impact of the virus recedes.

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

The Directors believe that the Company and the Group are well placed to manage their financing and other business risks satisfactorily and, have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

## Corporate Governance

The Company's statement on corporate governance can be found in the Corporate Governance report on pages 32 to 35.

## Political Donations

The Company has no political affiliations and does not make political donations. Its operations 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.

Stewart Holl (India) Limited and Amgoorie India Limited, made an aggregate donation in April 2019 of Indian Rupees INR 400k (equivalent to approximately £4,400) to Assam Pradesh Congress Committee.

By order of the Board

**Amarpal Takk**
Company Secretary

7 May 2020

# 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 ten Directors, six of whom are non-executive Directors. The remaining Directors are executive Directors, including the 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 28 and 29.

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 informed judgements to be made on matters referred to the Board. The Board met nine times in 2019.

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 | 8/9 | 3/3 | 1/1 | 1/1 |
| Tom Franks | 9/9 | – | – | – |
| Graham Mclean | 9/9 | – | – | – |
| Susan Walker | 9/9 | – | – | – |
| William Gibson | 9/9 | 2/3 | 1/1 | 1/1 |
| Frédéric Vuilleumier | 9/9 | – | – | – |
| Gautam Dalal | 9/9 | 3/3 | – | – |

## Board Evaluation

The Board has agreed to undertake a performance evaluation by way of internal review every three years. The last evaluation was conducted in 2018. Details of the next review will be disclosed when the next review is completed at the end of 2021.

## 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 2019, 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:

*Going concern*
The committee considered the appropriateness of the going concern principle of accounting used in preparing the financial statements in the context, in particular, of the impact of COVID-19 pandemic on the Group's cash requirements.

*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 17 to the Accounts.

*Pensions*
A key area of judgement is in relation to the valuation of the pension schemes 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 quantum of 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 intangible assets*
The Group's carrying value of the Jing and Tea City brands and of the goodwill relating to the two Assam estates were discussed in light of the trading of those businesses. The committee considered the fair value of the Group's holdings and whether any impairment in the carrying value had occurred and agreed that apart from a £0.3m provision impairment of the goodwill relating to the Assam gardens, no impairment was required.

*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.

*Adoption of IFRIC 23, tax and other provisions*
The basis of provisions for material uncertain tax situations were considered by the committee as were the provisions for wage increases in India and in Bangladesh. The committee is satisfied that the provisions represent best estimates of the likely liabilities.

The committee reviewed the implementation of IFRIC 23's guidance for quantifying uncertain tax provisions which was implemented from 1 January 2019.

*Adoption of IFRS 16*
The Group's leasing arrangements were reviewed in light of the new lease accounting rules in IFRS 16 which was adopted for the first time from 1 January 2019. The standard has affected primarily the accounting for the Group's operating leases and details of the impact on the 2019 financial statements are included on page 58 to the Accounts.

***External auditor***

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 the auditor's 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 37 to 38.

## 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 35.

## 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.

The key management philosophy of the Company is that the responsibility for efficient day to day operations remains with the 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 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

7 May 2020

# 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 Accounts, 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

7 May 2020

# 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 35.

## 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 and applied for a period of three years until 2020. The committee considers any views of the shareholders expressed on Directors' remuneration.

At the AGM on 6 June 2019, the Remuneration Report for the year to 31 December 2018 was approved by shareholders with 99.99% of the votes cast in favour, 0.01% of the votes cast against and 508 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 | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* | 2019 | *2018* |
| | £ | *£* | £ | *£* | £ | *£* |
| **Executive** | | | | | | |
| Malcolm Perkins | 442,344 | *442,344* | 30,172 | *30,819* | 472,516 | *473,163* |
| Tom Franks | 594,000 | *550,000* | 42,582 | *65,993* | 636,582 | *615,993* |
| Susan Walker | 363,000 | *330,000* | 34,306 | *43,211* | 397,306 | *373,211* |
| Graham Mclean | 390,500 | *363,000* | 51,006 | *29,865* | 441,506 | *392,865* |
| **Non-executive** | | | | | | |
| William Gibson | 49,000 | *45,991* | – | – | 49,000 | *45,991* |
| Chris Relleen | 53,000 | *48,696* | – | – | 53,000 | *48,696* |
| Frédéric Vuilleumier | 50,000 | *43,285* | – | – | 50,000 | *43,285* |
| Gautam Dalal | 46,000 | *36,071* | – | – | 46,000 | *36,071* |
| Total | 1,987,844 | *1,859,387* | 158,066 | *169,888* | 2,145,910 | *2,029,275* |

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 2019. Tom Franks, Graham Mclean and Susan Walker receive an excess non-pensionable salary supplement equivalent to 10% of base salary.

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

7 May 2020

## CONSOLIDATED INCOME STATEMENT

***for the year ended 31 December 2019***

| | Notes | 2019 Underlying profit (note 4) £'m | 2019 Separately disclosed items (note 4) £'m | 2019 £'m | *2018 Underlying profit (note 4) £'m* | *2018 Separately disclosed items £'m* | *2018 £'m* |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| **Revenue** | 2 | 291.5 | – | 291.5 | *309.8* | *–* | *309.8* |
| Cost of sales | | (224.1) | 6.2 | (217.9) | *(223.6)* | *14.4* | *(209.2)* |
| **Gross profit** | | 67.4 | 6.2 | 73.6 | *86.2* | *14.4* | *100.6* |
| Other operating income | | 4.0 | – | 4.0 | *4.0* | *–* | *4.0* |
| Distribution costs | | (15.0) | – | (15.0) | *(17.2)* | *–* | *(17.2)* |
| Administrative expenses | 3 | (46.1) | – | (46.1) | *(45.1)* | *–* | *(45.1)* |
| **Trading profit** | 1,3 | 10.3 | 6.2 | 16.5 | *27.9* | *14.4* | *42.3* |
| Share of associates' results | 5 | 4.6 | – | 4.6 | *7.6* | *–* | *7.6* |
| Provisions and impairment of property, plant and equipment | | – | – | – | *(0.2)* | *–* | *(0.2)* |
| Loss on disposal of subsidiaries | | – | – | – | *(0.4)* | *–* | *(0.4)* |
| Profit on disposal of financial assets | | 0.2 | – | 0.2 | *0.3* | *–* | *0.3* |
| **Operating profit – continuing operations** | | 15.1 | 6.2 | 21.3 | *35.2* | *14.4* | *49.6* |
| Investment income | | 0.7 | – | 0.7 | *0.8* | *–* | *0.8* |
| Finance income | 6 | 3.9 | – | 3.9 | *4.0* | *–* | *4.0* |
| Finance costs | 6 | (2.2) | – | (2.2) | *(0.6)* | *–* | *(0.6)* |
| Net exchange (loss)/gain | 6 | (0.3) | – | (0.3) | *0.2* | *–* | *0.2* |
| Employee benefit interest | 6 | (1.1) | – | (1.1) | *(1.5)* | *–* | *(1.5)* |
| Net finance income | 6 | 0.3 | – | 0.3 | *2.1* | *–* | *2.1* |
| **Profit before tax from continuing operations** | | 16.1 | 6.2 | 22.3 | *38.1* | *14.4* | *52.5* |
| Taxation | 7 | | | (7.2) | | | *(20.0)* |
| **Profit after tax from continuing operations** | | | | 15.1 | | | *32.5* |
| **Loss from discontinued operation** | | | | – | | | *(0.2)* |
| **Profit for the year** | | | | 15.1 | | | *32.3* |
| **Profit attributable to:** | | | | | | | |
| Owners of Camellia Plc | | | | 8.3 | | | *25.2* |
| Non-controlling interests | | | | 6.8 | | | *7.1* |
| | | | | 15.1 | | | *32.3* |
| **Earnings per share – basic and diluted** | 10 | | | 300.5p | | | *912.4p* |
| **Earnings per share – continuing operations** | 10 | | | 300.5p | | | *919.6p* |
| **Earnings/(loss) per share – discontinued operation** | 10 | | | – | | | *(7.2)p* |

## STATEMENT OF COMPREHENSIVE INCOME

***for the year ended 31 December 2019***

| | Notes | 2019 £'m | *2018 £'m* |
|---|---|---|---|
| *Group* | | | |
| **Profit for the year** | | 15.1 | *32.3* |
| Other comprehensive income/(expense): | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Financial assets at fair value through other comprehensive income: | | | |
| Fair value adjustment released on disposal | 21 | (0.3) | *(3.8)* |
| Profit on disposal | | 1.2 | *3.9* |
| | | 0.9 | *0.1* |
| Changes in the fair value of financial assets | 21 | 6.9 | *(5.6)* |
| Deferred tax movement in relation to fair value adjustments | | (0.9) | *1.5* |
| Remeasurements of post employment benefit obligations | 34 | 3.5 | *(0.7)* |
| Deferred tax movement in relation to post employment benefit obligations | 33 | (0.5) | *(0.3)* |
| | | 9.9 | *(5.0)* |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Foreign exchange translation differences | | (16.7) | *11.6* |
| Share of other comprehensive income of associates | | 0.3 | *0.8* |
| | | (16.4) | *12.4* |
| **Other comprehensive (expense)/income for the year, net of tax** | | (6.5) | *7.4* |
| **Total comprehensive income for the year** | | 8.6 | *39.7* |
| Total comprehensive income attributable to: | | | |
| Owners of Camellia Plc | | 4.2 | *30.7* |
| Non-controlling interests | | 4.4 | *9.0* |
| | | 8.6 | *39.7* |
| *Company* | | | |
| **Profit for the year** | | 4.2 | *3.9* |
| **Total comprehensive income for the year** | | 4.2 | *3.9* |

# CAMELLIA PLC

## CONSOLIDATED BALANCE SHEET

***at 31 December 2019***

| **ASSETS** | Notes | 2019 £'m | *2018 £'m* |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 13 | 10.3 | *9.5* |
| Property, plant and equipment | 14 | 222.5 | *226.3* |
| Right-of-use assets | 15 | 18.5 | *–* |
| Investment properties | 16 | 18.3 | *18.0* |
| Biological assets | 17 | 14.6 | *14.5* |
| Prepaid operating leases | 18 | – | *1.0* |
| Investments in associates | 20 | 66.0 | *65.7* |
| Financial assets at fair value through other comprehensive income | 21 | 37.8 | *32.7* |
| Financial asset at fair value through profit or loss | 22 | 6.2 | *3.7* |
| Financial assets at amortised cost | 23 | 3.0 | *3.0* |
| Other investments–heritage assets | 25 | 9.8 | *9.5* |
| Retirement benefit surplus | 34 | 0.7 | *0.3* |
| Trade and other receivables | 27 | 2.8 | *2.7* |
| **Total non-current assets** | | 410.5 | *386.9* |
| **Current assets** | | | |
| Inventories | 26 | 49.3 | *52.7* |
| Biological assets | 17 | 9.1 | *8.8* |
| Trade and other receivables | 27 | 44.3 | *48.5* |
| Financial assets at amortised cost | 23 | – | *0.2* |
| Current income tax assets | | 1.2 | *0.7* |
| Cash and cash equivalents (excluding bank overdrafts) | 28 | 91.4 | *112.4* |
| | | 195.3 | *223.3* |
| Assets classified as held for sale | | – | *0.2* |
| **Total current assets** | | 195.3 | *223.5* |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Financial liabilities–borrowings | 30 | (5.6) | *(3.4)* |
| Lease liabilities | 31 | (1.2) | *–* |
| Trade and other payables | 29 | (48.6) | *(53.5)* |
| Current income tax liabilities | | (4.2) | *(8.0)* |
| Employee benefit obligations | 34 | (0.7) | *(1.0)* |
| Provisions | 32 | (8.9) | *(18.5)* |
| **Total current liabilities** | | (69.2) | *(84.4)* |
| **Net current assets** | | 126.1 | *139.1* |
| **Total assets less current liabilities** | | 536.6 | *526.0* |
| **Non-current liabilities** | | | |
| Financial liabilities–borrowings | 30 | (3.3) | *(3.3)* |
| Lease liabilities | 31 | (11.8) | *(0.1)* |
| Deferred tax liabilities | 33 | (47.1) | *(46.3)* |
| Employee benefit obligations | 34 | (22.0) | *(24.0)* |
| **Total non-current liabilities** | | (84.2) | *(73.7)* |
| **Net assets** | | 452.4 | *452.3* |
| **EQUITY** | | | |
| Called up share capital | 35 | 0.3 | *0.3* |
| Share premium | | 15.3 | *15.3* |
| Reserves | | 380.1 | *379.9* |
| **Equity attributable to owners of Camellia Plc** | | 395.7 | *395.5* |
| **Non-controlling interests** | | 56.7 | *56.8* |
| **Total equity** | | 452.4 | *452.3* |

# COMPANY BALANCE SHEET

***at 31 December 2019***

| | Notes | 2019 £'m | *2018 £'m* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 19 | 73.5 | *73.5* |
| Other investments – heritage assets | 25 | 11.0 | *10.7* |
| **Total non-current assets** | | 84.5 | *84.2* |
| **Current assets** | | | |
| Current income tax asset | | 0.1 | *0.1* |
| Cash and cash equivalents | 28 | – | *0.1* |
| **Total current assets** | | 0.1 | *0.2* |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 29 | (0.6) | *(0.6)* |
| Amounts due to group undertakings | 44 | (17.0) | *(16.9)* |
| **Total current liabilities** | | (17.6) | *(17.5)* |
| **Net current liabilities** | | (17.5) | *(17.3)* |
| **Total assets less current liabilities** | | 67.0 | *66.9* |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 33 | (0.2) | *(0.2)* |
| **Total non-current liabilities** | | (0.2) | *(0.2)* |
| **Net assets** | | 66.8 | *66.7* |
| **EQUITY** | | | |
| Called up share capital | 35 | 0.3 | *0.3* |
| Share premium | | 15.3 | *15.3* |
| Reserves | | 51.2 | *51.1* |
| **Total equity** | | 66.8 | *66.7* |

The profit for the company is shown in note 8.

The notes on pages 46 to 113 form part of the financial statements.

The financial statements on pages 39 to 113 were approved on 7 May 2020 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 2019***

| | Notes | 2019 £'m | *2018 £'m* |
|---|---|---|---|
| **Cash generated from operations** | | | |
| Cash flows from operating activities | 36 | 21.2 | *35.3* |
| Interest received | | 4.0 | *3.9* |
| Interest paid | | (1.7) | *(0.5)* |
| Income taxes paid | | (10.9) | *(14.2)* |
| **Net cash flow from operating activities** | | 12.6 | *24.5* |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | | (0.1) | *–* |
| Purchase of property, plant and equipment | | (18.4) | *(20.5)* |
| Proceeds from sale of non-current assets | | 1.7 | *0.7* |
| Additions to investment property | | (0.5) | *(0.9)* |
| Biological assets: non-current – disposals/(additions) | | 0.7 | *(0.9)* |
| Payment for acquisition of a businesses/subsidiary net of cash acquired | | (9.4) | *(6.4)* |
| Proceeds from sale of subsidiaries net of cash disposed | | - | *3.6* |
| Proceeds from sale of assets held for sale – investment property | | 0.8 | *0.7* |
| Investment in associates | | (1.3) | *(1.0)* |
| Dividends received from associates | | 3.1 | *2.8* |
| Purchase of investments | | (11.4) | *(7.2)* |
| Proceeds from sale of investments | | 10.3 | *11.4* |
| Income from investments | | 0.7 | *0.8* |
| Purchase of other investments – heritage assets | | (0.3) | *(0.1)* |
| **Net cash flow from investing activities** | | (24.1) | *(17.0)* |
| **Cash flows from financing activities** | | | |
| Equity dividends paid | | (4.0) | *(3.8)* |
| Dividends paid to non-controlling interests | | (4.5) | *(3.1)* |
| New loans | 37 | 3.6 | *–* |
| Loans repaid | 37 | (0.6) | *(0.6)* |
| Payments of lease liabilities | 37 | (0.4) | *–* |
| **Net cash flow from financing activities** | | (5.9) | *(7.5)* |
| **Net decrease in cash and cash equivalents from continuing operations** | | (17.4) | *–* |
| **Net cash outflow from discontinued operation** | | – | *(0.2)* |
| **Cash and cash equivalents at beginning of year** | 28 | 109.6 | *106.8* |
| Exchange (losses)/gains on cash | | (2.8) | *3.0* |
| **Cash and cash equivalents at end of year** | 28 | 89.4 | *109.6* |

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 2019***

| | Notes | 2019 £'m | *2018 £'m* |
|---|---|---|---|
| **Cash generated from operations** | | | |
| Profit before tax | 8 | 4.2 | *3.9* |
| Adjustments for: | | | |
| Interest income | | (0.2) | *(0.2)* |
| Dividends from group companies | | (5.3) | *(5.0)* |
| Increase in trade and other payables | | – | *0.4* |
| Net movement in intra-group balances | | 0.1 | *(0.3)* |
| **Cash used in operations** | | (1.2) | *(1.2)* |
| Interest received | | 0.2 | *0.2* |
| **Net cash flow from operating activities** | | (1.0) | *(1.0)* |
| **Cash flows from investing activities** | | | |
| Purchase of other investments - heritage assets | | (0.3) | *(0.1)* |
| Dividends received | | 5.3 | *5.0* |
| **Net cash flow from investing activities** | | 5.0 | *4.9* |
| **Cash flows from financing activities** | | | |
| Equity dividends paid | | (4.1) | *(3.9)* |
| **Net cash flow from financing activities** | | (4.1) | *(3.9)* |
| **Net movement in cash and cash equivalents** | | (0.1) | *–* |
| **Cash and cash equivalents at beginning of year** | 28 | 0.1 | *0.1* |
| **Cash and cash equivalents at end of year** | 28 | – | *0.1* |

## STATEMENT OF CHANGES IN EQUITY

***for the year ended 31 December 2019***

| | Share capital £'m | Share premium £'m | Treasury shares £'m | Retained earnings £'m | Other reserves £'m | Total £'m | Non-controlling interests £'m | Total equity £'m |
|---|---|---|---|---|---|---|---|---|
| *Group* | | | | | | | | |
| At 1 January 2018 | 0.3 | 15.3 | (0.4) | 323.8 | 29.4 | 368.4 | 49.5 | 417.9 |
| Total comprehensive income 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 | 0.3 | 15.3 | (0.4) | 350.7 | 29.6 | 395.5 | 56.8 | 452.3 |
| Total comprehensive income/(expense) for the year | – | – | – | 11.9 | (7.7) | 4.2 | 4.4 | 8.6 |
| Dividends | – | – | – | (4.0) | – | (4.0) | (4.5) | (8.5) |
| Share of associate's other equity movements | – | – | – | – | – | – | – | – |
| At 31 December 2019 | 0.3 | 15.3 | (0.4) | 358.6 | 21.9 | 395.7 | 56.7 | 452.4 |
| *Company* | | | | | | | | |
| At 1 January 2018 | 0.3 | 15.3 | – | 39.0 | 12.1 | 66.7 | – | 66.7 |
| Total comprehensive income for the year | – | – | – | 3.9 | – | 3.9 | – | 3.9 |
| Dividends | – | – | – | (3.9) | – | (3.9) | – | (3.9) |
| At 31 December 2018 | 0.3 | 15.3 | – | 39.0 | 12.1 | 66.7 | – | 66.7 |
| Total comprehensive income for the year | – | – | – | 4.2 | – | 4.2 | – | 4.2 |
| Dividends | – | – | – | (4.1) | – | (4.1) | – | (4.1) |
| At 31 December 2019 | 0.3 | 15.3 | – | 39.1 | 12.1 | 66.8 | – | 66.8 |

Other reserves of the group include net exchange differences of £33.0 million deficit (2018: £16.5 million deficit).

Group retained earnings include £168.4 million (2018: £180.7 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.

## Going concern

The Report of the Directors on page 30 sets out details of the potential substantial risks to our operations and sales arising from COVID-19 and the potential impact on our profitability and cashflows based on our scenario planning.

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

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 Strategy Group led by the CEO. Inter segment sales are not significant.

## 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 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.

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 includes 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

### Classification of financial assets

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

On initial recognition, the Group 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 investment 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.

#### (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 6).

### 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 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 are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

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 equity 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.

### Other investments – heritage assets

Other investments comprise fine art, documents, manuscripts and philately which are measured at cost as fair value cannot be reliably measured.

### Investments in subsidiary companies

Investments in subsidiary companies are included at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed when there has been an indication of potential impairment.

### 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).

### 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. The prior period's 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 and workers profit participation 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 accounting judgements and key sources of estimation uncertainty

In the view of the Directors, the following accounting judgements and estimations 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.

### Accounting judgements

*Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

*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.

### Key sources of estimation uncertainty

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. Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually. Factors considered which could trigger an impairment review include a significant fall in market values, significant underperformance relative to historical or projected future operating results, a major change in market conditions or negative cash flows.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit ('CGU') in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

**Sensitivity analysis**

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

The sensitivity of carrying amounts of biological and financial assets is disclosed in notes 17 and 41 respectively.

**(ii) 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 17.

**(iii) 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 34.

**(iv) Taxation and other liabilities**

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. Tax provision movements are disclosed in note 7. Significant unprovided contingent tax liabilities are disclosed in note 40.

## 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 2019:

### IFRS 16 Leases

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

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

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

*Practical expedients applied*

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

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

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

*Adjustments recognised on adoption of IFRS 16*

The effect of adopting IFRS 16 on 1 January 2019 was to recognise additional right-of-use assets of £11.8 million, investment properties of £0.7 million and lease liabilities of £12.2 million, and to recategorise assets with a carrying amount of £2.9 million.

In doing so, the Group used incremental borrowing rates of between 4.2% to 10.5% on lease terms ranging from 1 to 103 years. This had no impact on retained earnings.

The difference between lease liabilities of £12.2 million and operating lease commitments previously disclosed of £26.2 million is the effect of short-term leases not previously recognised of £0.2 million, discounting of £17.1 million and extension options not previously included in operating lease commitments of £3.3 million.

*Impact of IFRS 16*

For the year ended 31 December 2019:

- Depreciation expense increased by £0.9 million relating to the depreciation of additional right-of-use assets recognised
- Rent expense decreased by £0.4 million relating to previous operating leases
- Finance costs increased by £0.7 million relating to the interest expense on additional lease liabilities recognised
- Income tax expense decreased by less than £0.1 million relating to the tax effect of those changes
- Retained profits decreased by £1.1 million relating to the excess of interest and depreciation over rent expense and tax

*Summary of new accounting policies*

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

*Right-of-use assets*

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

*Lease liabilities*

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

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

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

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

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

The amendments clarify that the past service cost (or of 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 with 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.

Adoption of this standard did not 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.

Adoption of this standard did not 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 provided 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.

Adoption of this standard did not 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.

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

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

### (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 2019 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 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set, however, earlier application of the amendments is permitted. The application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

## 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* |
| **Revenue** | | | | | | | | | | |
| External sales | 238.7 | *245.3* | 22.1 | *22.2* | 29.8 | *41.5* | 0.9 | *0.8* | 291.5 | *309.8* |
| Segment trading profit/(loss) | 25.2 | *51.0* | - | *(0.6)* | 0.8 | *1.6* | 0.1 | *0.1* | 26.1 | 52.1 |
| Unallocated corporate expenses | | | | | | | | | (9.6) | (9.8) |
| **Trading profit** | | | | | | | | | 16.5 | *42.3* |
| Share of associates' results | | | | | | | | | 4.6 | *7.6* |
| Provisions and impairment of property, plant and equipment | | | | | | | | | – | *(0.2)* |
| Loss on disposal of subsidiaries | | | | | | | | | – | *(0.4)* |
| Profit on disposal of financial assets | | | | | | | | | 0.2 | *0.3* |
| Investment income | | | | | | | | | 0.7 | *0.8* |
| Net finance income | | | | | | | | | 0.3 | *2.1* |
| **Profit before tax from continuing operations** | | | | | | | | | 22.3 | *52.5* |
| **Taxation** | | | | | | | | | (7.2) | *(20.0)* |
| **Profit after tax from continuing operations** | | | | | | | | | 15.1 | *32.5* |
| **Other information** | | | | | | | | | | |
| Segment assets | 364.8 | *378.9* | 19.1 | *14.1* | 32.9 | *31.3* | 19.8 | *19.6* | 436.6 | *443.9* |
| Investments in associates | | | | | | | | | 66.0 | *65.7* |
| Unallocated assets | | | | | | | | | 103.2 | *100.8* |
| Consolidated total assets | | | | | | | | | 605.8 | *610.4* |
| Segment liabilities | (49.8) | *(61.5)* | (12.1) | *(6.0)* | (7.0) | *(6.2)* | (2.6) | – | (71.5) | *(73.7)* |
| Unallocated liabilities | | | | | | | | | (81.9) | *(84.4)* |
| Consolidated total liabilities | | | | | | | | | (153.4) | *(158.1)* |
| Capital expenditure | 15.3 | *16.4* | 0.6 | *0.4* | 2.3 | *3.2* | 0.7 | *1.4* | 18.9 | *21.4* |
| Depreciation | (13.3) | *(11.8)* | (1.5) | *(1.4)* | (1.8) | *(1.9)* | (0.2) | *(0.2)* | (16.8) | *(15.3)* |
| Amortisation | – | – | – | – | (0.3) | *(0.4)* | – | – | (0.3) | *(0.4)* |
| Impairments | (0.3) | – | – | – | – | – | – | – | (0.3) | – |

Segment assets consist primarily of intangible assets, property, plant and equipment, right-of-use assets, 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 and non-current liabilities.

## 1 Business and geographical segments *(continued)*

### 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 | |
|---|---|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* | 2019 | *2018* |
| | £'m | *£'m* | £'m | *£'m* | £'m | *£'m* |
| United Kingdom | 56.5 | *58.7* | 0.8 | *0.7* | 57.3 | *59.4* |
| Continental Europe | 24.0 | *36.0* | – | – | 24.0 | *36.0* |
| Bangladesh | 23.9 | *31.7* | – | – | 23.9 | *31.7* |
| India | 92.4 | *79.2* | – | – | 92.4 | *79.2* |
| Kenya | 30.2 | *40.7* | – | – | 30.2 | *40.7* |
| Malawi | 11.0 | *14.0* | 0.1 | *0.1* | 11.1 | *14.1* |
| North America and Bermuda | 14.0 | *11.8* | – | – | 14.0 | *11.8* |
| South Africa | 3.0 | *2.2* | – | – | 3.0 | *2.2* |
| South America | 5.9 | *6.1* | – | – | 5.9 | *6.1* |
| Other | 29.7 | *28.6* | – | – | 29.7 | *28.6* |
| | 290.6 | *309.0* | 0.9 | *0.8* | 291.5 | *309.8* |

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 | |
|---|---|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* | 2019 | *2018* |
| | £'m | *£'m* | £'m | *£'m* | £'m | *£'m* |
| United Kingdom | 68.3 | *62.2* | 3.0 | *4.0* | 0.5 | *0.9* |
| Continental Europe | 1.1 | *1.4* | – | *0.1* | – | – |
| Bangladesh | 68.2 | *72.0* | 2.1 | *2.5* | – | – |
| India | 103.1 | *101.4* | 3.6 | *4.0* | – | – |
| Kenya | 99.5 | *107.0* | 4.7 | *5.3* | – | – |
| Malawi | 54.0 | *58.6* | 1.6 | *2.0* | – | – |
| Tanzania | 1.3 | – | – | – | – | – |
| North America and Bermuda | 12.4 | *13.3* | – | – | – | – |
| South Africa | 18.7 | *16.4* | 3.1 | *2.3* | – | – |
| South America | 10.0 | *11.6* | 0.3 | *0.3* | – | – |
| | 436.6 | *443.9* | 18.4 | *20.5* | 0.5 | *0.9* |

## 2 Revenue

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

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| Sale of goods | 242.9 | *248.5* |
| Distribution and warehousing revenue | 25.6 | *38.2* |
| Engineering services revenue | 22.1 | *22.2* |
| Agency commission revenue | – | *0.1* |
| Property rental revenue | 0.9 | *0.8* |
| Total Group revenue | 291.5 | *309.8* |
| Other operating income | 4.0 | *4.0* |
| Investment income | 0.7 | *0.8* |
| Interest income | 3.9 | *4.0* |
| Total Group income | 300.1 | *318.6* |

Disaggregation of revenue from contracts with customers:

| | At a point in time | | Over time | |
|---|---|---|---|---|
| | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* |
| Sale of goods | 242.9 | *248.5* | – | *–* |
| Distribution and warehousing revenue | 25.6 | *38.2* | – | *–* |
| Engineering services revenue | 22.1 | *22.2* | – | *–* |
| Agency commission revenue | – | *0.1* | – | *–* |
| Property rental revenue | – | *–* | 0.9 | *0.8* |
| Total Group revenue | 290.6 | *309.0* | 0.9 | *0.8* |

## 3 Trading profit

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| The following items have been included in arriving at trading profit: | | |
| Employment costs (note 11) | 118.0 | *98.5* |
| Inventories: | | |
| Cost of inventories recognised as an expense (included in cost of sales) | 164.4 | *162.1* |
| Fair value gain included in Made Tea | 0.1 | *0.2* |
| Depreciation of property, plant and equipment: | | |
| Owned assets | 15.8 | *15.1* |
| Under finance leases | – | *0.1* |
| Right-of-use assets | 0.9 | – |
| Amortisation of intangibles (included in administrative expenses) | 0.3 | *0.4* |
| Impairment of intangibles (included in administrative expenses) | 0.3 | – |
| Gain from change in fair value of non-current biological assets | 1.4 | *1.5* |
| Profit on disposal of property, plant and equipment | 0.5 | *0.1* |
| Repairs and maintenance expenditure on property, plant and equipment | 5.4 | *5.6* |

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| Currency exchange (gains)/losses (credited)/charged to income include: | | |
| Revenue | – | *(0.1)* |
| Cost of sales | – | *(0.1)* |
| Administrative expenses | (0.2) | *(0.2)* |
| Investment income | (0.1) | - |
| Finance income | 0.3 | *(0.2)* |
| | – | *(0.6)* |

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

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| Audit services: | | |
| Statutory audit: | | |
| Parent company and consolidated financial statements | 0.2 | *0.2* |
| Subsidiary companies | 0.5 | *0.5* |
| | 0.7 | *0.7* |
| Audit – related regulatory reporting | 0.1 | *0.1* |
| Tax compliance services | 0.1 | – |
| | 0.9 | *0.8* |

## 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 profit measure and have been separately disclosed:

- A £9.8 million gain (2018: £5.4 million gain) from the release of provisions for wage increases relating to prior years in our Agriculture operations following progress on negotiations.
- A charge of £3.6 million (2018: £nil) in relation to workers profit participation in Bangladesh which mainly relates to prior years obligations and has been recognised as a consequence of regulatory developments in the current year.
- The release of a £nil (2018: £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:

| | 2019<br>£'m | *2018*<br>*£'m* |
|---|---|---|
| Profit before tax | 5.3 | *8.4* |
| Taxation | (0.7) | *(0.8)* |
| Profit after tax | 4.6 | *7.6* |

## 6 Finance income and costs

| | 2019<br>£'m | *2018*<br>*£'m* |
|---|---|---|
| Finance costs – interest payable on loans and bank overdrafts | (1.5) | *(0.6)* |
| Interest payable on leases | (0.7) | – |
| Finance costs | (2.2) | (0.6) |
| Finance income - interest income on short-term bank deposits | 3.9 | *4.0* |
| Net exchange (loss)/gain on foreign cash balances | (0.3) | *0.2* |
| Employee benefit interest (note 34) | (1.1) | *(1.5)* |
| Net finance income | 0.3 | *2.1* |

## 7 Taxation

| **Analysis of charge in the year** | 2019 £'m | £'m | *2018 £'m* |
|---|---|---|---|
| **Current tax** | | | |
| **UK corporation tax** | | | |
| UK corporation tax at 19.0 per cent. (2018: 19.0 per cent.) | 0.6 | | *2.8* |
| Double tax relief | (0.6) | | *(2.8)* |
| | | – | *–* |
| **Foreign tax** | | | |
| Corporation tax | 8.7 | | *14.0* |
| Adjustment in respect of prior years | (2.4) | | *0.1* |
| | | 6.3 | *14.1* |
| **Total current tax** | | 6.3 | *14.1* |
| **Deferred tax** | | | |
| Origination and reversal of timing differences | | | |
| United Kingdom | (1.1) | | *1.5* |
| Overseas | 2.0 | | *4.4* |
| | | 0.9 | *5.9* |
| **Tax on profit on ordinary activities** | | 7.2 | *20.0* |

| **Factors affecting tax charge for the year** | 2019 £'m | *2018 £'m* |
|---|---|---|
| Profit on ordinary activities before tax | 22.3 | *52.3* |
| Share of associated undertakings profit | (4.6) | *(7.6)* |
| Adjusted profit on ordinary activities before tax | 17.7 | *44.7* |
| Tax on ordinary activities at the standard rate of corporation tax in the UK of 19.0 per cent. (2018: 19.0 per cent.) | 3.4 | *8.5* |
| Effects of: | | |
| Adjustment to tax in respect of prior years | (2.4) | *0.1* |
| Expenses not deductible for tax purposes | 1.0 | *1.3* |
| Adjustment in respect of foreign tax rates | 3.1 | *7.2* |
| Additional tax arising on dividends from overseas companies | 1.0 | *0.7* |
| Other income not charged to tax | (0.5) | *(1.0)* |
| Increase in tax losses carried forward | 1.5 | *2.8* |
| Movement in other timing differences | 0.1 | *0.4* |
| Total tax charge for the year | 7.2 | *20.0* |

Adjustment to tax in respect of prior years includes a credit of £2.3 million relating to a reversal of the provision previously carried relating to assessments raised by the Malawi Revenue Authority which are no longer required.

Included within the tax charge is a provision amounting to £0.9 million relating to withholding tax on prior year branch profit remittances from Bangladesh where the applicable rate of withholding tax is being contested.

Also included within the tax charge is a  credit to deferred tax of £1.3 million relating to the recognition of workers profit participation liabilties in Bangladesh.

**7 Taxation** *(continued)*

The tax charge includes a credit of £0.9 million relating to the recognition of deferred tax losses able to be utilised to offset gains in the value of financial assets at fair value through other comprehensive income where the related equal and opposite charge arises in the Statement of Comprehensive Income.

**8 Profit for the year**

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| The profit of the Company was: | 4.2 | *3.9* |

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

**9 Equity dividends**

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend for the year ended 31 December 2018 of 102p (2017: 98p) per share | 2.8 | *2.7* |
| Interim dividend for the year ended 31 December 2019 of 42p (2018: 40p) per share | 1.2 | *1.1* |
| | 4.0 | *3.8* |

Dividends amounting to £0.1 million (2018: £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 2019 of nil (2018: 102p) per share | – | *2.9* |

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

| | Earnings/ (loss) £'m | 2019 Weighted average number of shares Number | EPS Pence | *Earnings £'m* | *2018 Weighted average number of shares Number* | *EPS Pence* |
|---|---|---|---|---|---|---|
| Attributable to ordinary shareholders | 8.3 | 2,762,000 | 300.5 | *25.2* | *2,762,000* | *912.4* |
| Attributable to ordinary shareholders - continuing operations | 8.3 | 2,762,000 | 300.5 | *25.4* | *2,762,000* | *919.6* |
| Attributable to ordinary shareholders - discontinued operation | – | 2,762,000 | – | *(0.2)* | *2,762,000* | *(7.2)* |

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 35).

## 11 Employees

| | 2019 Number | *2018 Number* |
|---|---|---|
| Average number of employees by activity: | | |
| Agriculture | 77,564 | *77,182* |
| Engineering | 257 | *225* |
| Food Service | 313 | *357* |
| Central Management | 31 | *28* |
| | 78,165 | *77,792* |

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| Employment costs: | | |
| Wages and salaries | 103.7 | *96.2* |
| Social security costs | 2.6 | *2.7* |
| Employee benefit obligations (note 34) – UK | 1.7 | *2.3* |
| – Overseas | 6.4 | *6.3* |
| – Overseas workers profit participation | 3.6 | *–* |
| – Overseas curtailment gain | – | *(9.0)* |
| | 118.0 | *98.5* |

Total remuneration paid to key employees who are members of the Executive Committees, excluding Directors of Camellia Plc, amounted to £2.6 million (2018: £2.9 million).

## 12 Emoluments of the directors

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| Aggregate emoluments excluding pension contributions | 2.1 | *2.0* |

Emoluments of the highest paid director excluding pension contributions were £0.6 million (2018: £0.6 million).

Further details of directors' emoluments are set out on pages 37 to 38.

## 13 Intangible assets

| *Group* | Goodwill £'m | Brands £'m | Computer software £'m | Total £'m |
|---|---|---|---|---|
| Cost | | | | |
| 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 1 January 2019 | – | 8.9 | 2.2 | 11.1 |
| Exchange differences | – | (0.1) | – | (0.1) |
| Additions | – | – | 0.1 | 0.1 |
| Businesses joining the group | 1.4 | – | – | 1.4 |
| At 31 December 2019 | 1.4 | 8.8 | 2.3 | 12.5 |
| Amortisation | | | | |
| At 1 January 2018 | – | – | 1.5 | 1.5 |
| Charge for the year | – | – | 0.4 | 0.4 |
| Disposals | – | – | (0.3) | (0.3) |
| At 1 January 2019 | – | – | 1.6 | 1.6 |
| Charge for the year | – | – | 0.3 | 0.3 |
| Impairment | 0.3 | – | – | 0.3 |
| At 31 December 2019 | 0.3 | – | 1.9 | 2.2 |
| Net book value at 31 December 2019 | 1.1 | 8.8 | 0.4 | 10.3 |
| Net book value at 31 December 2018 | – | 8.9 | 0.6 | 9.5 |

***Impairment testing***

*Timing of impairment testing*

The Group's impairment test in respect of goodwill 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. As a result of this testing and following a change in fair value less costs of disposal as assessed by a professional valuation, an impairment of £0.3 million was made in the year to 31 December 2019. For the purpose of this impairment testing, the Group's CGU components represent the goodwill on the acquisition of tea estates in India by Goodricke Group Limited and Amgoorie India Limited.

**13 Intangible assets** *(continued)*

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 2019. For the purpose of this impairment testing, the Group's CGU components represent the brands owned by Jing Tea Limited and Goodricke Group Limited.

**14 Property, plant and equipment**

| *Group* | Bearer plants £'m | Land and buildings £'m | Plant and machinery £'m | Fixtures, fittings and equipment £'m | Total £'m |
|---|---|---|---|---|---|
| Deemed cost | | | | | |
| 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 1 January 2019 | 142.1 | 107.8 | 112.6 | 17.7 | 380.2 |
| Reclassification to right–of-use assets | – | (2.0) | (0.1) | – | (2.1) |
| Exchange differences | (6.7) | (3.1) | (3.8) | (0.4) | (14.0) |
| Additions | 4.4 | 5.8 | 6.6 | 1.6 | 18.4 |
| Disposals | (1.1) | (1.1) | (2.6) | (0.1) | (4.9) |
| Businesses joining the group | 2.6 | 1.6 | 1.4 | 0.1 | 5.7 |
| At 31 December 2019 | 141.3 | 109.0 | 114.1 | 18.9 | 383.3 |
| Depreciation | | | | | |
| 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 1 January 2019 | 23.0 | 51.7 | 70.9 | 8.3 | 153.9 |
| Reclassification to right-of-use assets | – | (0.2) | – | – | (0.2) |
| Exchange differences | (1.2) | (1.2) | (2.3) | (0.3) | (5.0) |
| Charge for the year | 5.8 | 2.7 | 6.5 | 0.8 | 15.8 |
| Disposals | (0.9) | (0.7) | (2.0) | (0.1) | (3.7) |
| At 31 December 2019 | 26.7 | 52.3 | 73.1 | 8.7 | 160.8 |
| Net book value at 31 December 2019 | 114.6 | 56.7 | 41.0 | 10.2 | 222.5 |
| Net book value at 31 December 2018 | 119.1 | 56.1 | 41.7 | 9.4 | 226.3 |

The amount of expenditure for property, plant and equipment in the course of construction (including immature bearer plants) amounted to £5.5 million (2018: £4.2 million).

## 15 Right-of-use assets

| | Land and buildings £'m | Plant and machinery £'m | Total £'m |
|---|---|---|---|
| *Group* | | | |
| Deemed cost | | | |
| Impact on adopting IFRS 16 at 1 January 2019 | 11.5 | 0.3 | 11.8 |
| Reclassification from property, plant and equipment | 2.0 | 0.1 | 2.1 |
| Reclassification from prepaid operating leases | 1.0 | – | 1.0 |
| Exchange differences | (0.2) | – | (0.2) |
| Additions | 1.0 | 0.2 | 1.2 |
| Businesses joining the group | 3.7 | – | 3.7 |
| At 31 December 2019 | 19.0 | 0.6 | 19.6 |
| Depreciation | | | |
| Reclassification from property, plant and equipment | 0.2 | – | 0.2 |
| Charge for the year | 0.7 | 0.2 | 0.9 |
| At 31 December 2019 | 0.9 | 0.2 | 1.1 |
| Net book value at 31 December 2019 | 18.1 | 0.4 | 18.5 |

The Group leases many assets including land, buildings and plant. The average lease term is 87 years.

Leases that expired in the year and were replaced by new leases for identical or the same underlying assets resulted in additions to right-of-use assets of £0.2 million.

The maturity analysis of lease liabilities is presented in note 31.

| | 2019 £'m |
|---|---|
| Amounts recognised in the consolidated income statement: | |
| Interest expense on lease liabilities | 0.7 |
| Expense relating to short-term leases | 0.1 |

## 16 Investment properties

| | £'m |
|---|---|
| *Group* | |
| Cost | |
| At 1 January 2018 | 19.5 |
| Additions | 0.9 |
| Transfers from property, plant and equipment | (0.2) |
| Reclassification to assets held for sale | (0.4) |
| At 1 January 2019 | 19.8 |
| Impact on adopting IFRS 16 at 1 January 2019 | 0.7 |
| Additions | 0.5 |
| Disposals | (1.5) |
| At 31 December 2019 | 19.5 |
| Depreciation | |
| At 1 January 2018 | 1.9 |
| Transfers from property, plant and equipment | (0.2) |
| Charge for the year | 0.1 |
| At 1 January 2019 | 1.8 |
| Charge for the year | 0.1 |
| Disposals | (0.7) |
| At 31 December 2019 | 1.2 |
| Net book value at 31 December 2019 | 18.3 |
| Net book value at 31 December 2018 | 18.0 |

Included in revenue is £0.9 million (2018: £0.8 million) of rental income generated from investment properties. Direct operating expenses relating to the investment property, the majority of which generated rental income in the period, amounted to £0.2 million (2018: £0.1 million).

At the end of the year the fair value of Investment properties was £23.1 million (2018: £23.7 million). Investment properties were valued by the Directors (fair value hierarchy Level 2).

## 17 Biological assets

| Non-current: | Forestry £'m | Livestock £'m | Total £'m |
|---|---|---|---|
| *Group* | | | |
| 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 | (0.6) | (0.4) | (1.0) |
| At 1 January 2019 | 13.5 | 1.0 | 14.5 |
| Exchange differences | (0.6) | – | (0.6) |
| Additions | 0.2 | – | 0.2 |
| Gains arising from changes in fair value less estimated point-of-sale costs | 1.0 | 0.4 | 1.4 |
| Decreases due to harvesting | (0.6) | (0.3) | (0.9) |
| At 31 December 2019 | 13.5 | 1.1 | 14.6 |

| Current: | 2019 £'m | *2018 £'m* |
|---|---|---|
| *Group* | | |
| Tea | 0.4 | *0.3* |
| Edible nuts | 3.6 | *2.8* |
| Citrus | 1.1 | *1.6* |
| Soya | 2.7 | *3.0* |
| Avocado | 1.1 | *1.0* |
| Other | 0.2 | *0.1* |
| | 9.1 | *8.8* |

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 2019 the area planted to Forestry amounted to 5,813 Hectares (2018: 5,982) from which 173,867 cubic metres (2018: 156,112) were harvested during the year.

Livestock numbers were 4,396 head (2018: 4,436) at 31 December 2019.

**Fair value measurement**
Livestock biological assets fall under level 2 and all other 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 49.

## 17 Biological assets *(continued)*

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 (2018: £1.4 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 (2018: £0.6 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 £0.7 million (2018: £0.8 million) increase/decrease in the fair value.

– Avocados - a 10% increase/decrease in the volume or the price assumed would result in a £0.2 million (2018: £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 (2018: £0.3 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.

## 18 Prepaid operating leases

| | £'m |
|---|---|
| *Group* | |
| Cost | |
| At 1 January 2018 | 0.9 |
| Exchange differences | 0.1 |
| At 1 January 2019 | 1.0 |
| Reclassification to right-of-use assets | (1.0) |
| At 31 December 2019 | – |
| Net book value at 31 December 2019 | – |
| Net book value at 31 December 2018 | 1.0 |

## 19 Investments in subsidiaries

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| *Company* | | |
| Cost – At 1 January and 31 December | 73.5 | *73.5* |

## 20 Investments in associates

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| *Group* | | |
| At 1 January | 93.6 | *81.7* |
| Exchange differences | (3.8) | *5.1* |
| Share of profit (note 5) | 4.6 | *7.6* |
| Dividends | (3.1) | *(2.8)* |
| Additions | 1.3 | *1.0* |
| Other equity movements | 0.3 | *1.0* |
| At 31 December | 92.9 | *93.6* |
| Provision for diminution in value | | |
| At 1 January | 27.9 | *26.3* |
| Exchange differences | (1.0) | *1.6* |
| At 31 December | 26.9 | *27.9* |
| Net book value at 31 December | 66.0 | *65.7* |

Details of the Group's associates are shown in note 42.

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 |
|---|---|---|---|---|---|---|---|
| 2019 | | | | | | | |
| Listed | | | | | | | |
| BF&M | Bermuda | 779.1 | (698.9) | 74.3 | 3.6 | 37.8 | 52.3 |
| United Finance Limited | Bangladesh | 73.4 | (63.3) | 3.4 | 0.8 | 38.4 | 11.1 |
| United Insurance Company Limited | Bangladesh | 3.7 | (1.1) | 0.4 | 0.2 | 37.0 | 8.6 |
| | | 856.2 | (763.3) | 78.1 | 4.6 | | 72.0 |
| *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* |
| | | *678.6* | *(585.0)* | *68.3* | *7.6* | | *57.4* |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | £'m | *£'m* | £'m | *£'m* |
| Cost or fair value | | | | |
| At 31 December | 35.2 | – | 0.2 | – |
| Adjustment upon application of IFRS 9 | – | 43.6 | – | 0.2 |
| At 1 January | 35.2 | 43.6 | 0.2 | 0.2 |
| Exchange differences | (1.5) | 2.1 | – | – |
| Fair value adjustment | 6.9 | (5.6) | – | – |
| Additions | 0.8 | – | – | – |
| Disposals | (1.1) | (1.1) | – | – |
| Fair value adjustment for disposal | (0.3) | (3.8) | – | – |
| At 31 December | 40.0 | 35.2 | 0.2 | 0.2 |
| | | | | |
| Provision for diminution in value | | | | |
| At 31 December | 2.5 | – | 0.2 | – |
| Adjustment upon application of IFRS 9 | – | 2.4 | – | 0.2 |
| At 1 January | 2.5 | 2.4 | 0.2 | 0.2 |
| Exchange differences | (0.1) | 0.1 | – | – |
| Disposals | (0.2) | – | – | – |
| At 31 December | 2.2 | 2.5 | 0.2 | 0.2 |
| | | | | |
| Net book value at 31 December | 37.8 | 32.7 | – | – |

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

| | Group | |
|---|---|---|
| | 2019 | *2018* |
| | £'m | *£'m* |
| Listed securities: | | |
| Equity securities - Bermuda | 2.0 | 2.6 |
| Equity securities - Japan | 18.8 | 17.1 |
| Equity securities - Switzerland | 11.3 | 8.1 |
| Equity securities - US | 3.9 | 3.6 |
| Equity securities - India | 0.6 | 0.6 |
| Equity securities - Europe | 0.4 | 0.4 |
| Equity securities - United Kingdom | 0.3 | – |
| Equity securities - Other | 0.5 | 0.3 |
| | 37.8 | 32.7 |

## 21 Financial assets at fair value through other comprehensive income *(continued)*

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

| | Group 2019 £'m | Group *2018 £'m* |
|---|---|---|
| Sterling | 0.3 | *–* |
| US Dollar | 3.9 | *3.6* |
| Euro | 0.4 | *0.4* |
| Swiss Franc | 11.3 | *8.1* |
| Indian Rupee | 0.6 | *0.6* |
| Bermudian Dollar | 2.0 | *2.6* |
| Japanese Yen | 18.8 | *17.1* |
| Other | 0.5 | *0.3* |
| | 37.8 | *32.7* |

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

| | Group 2019 £'m | Group *2018 £'m* |
|---|---|---|
| At 31 December | 3.7 | *–* |
| Adjustment upon application of IFRS 9 | – | *2.5* |
| At 1 January | 3.7 | *2.5* |
| Exchange differences | (0.3) | *–* |
| Fair value adjustment | – | *0.1* |
| Additions | 10.6 | *7.2* |
| Disposals | (7.8) | *(6.1)* |
| At 31 December | 6.2 | *3.7* |

Financial assets at fair value through profit or loss include the following:

| | Group 2019 £'m | Group *2018 £'m* |
|---|---|---|
| Listed securities: | | |
| Money market - Bermuda | 0.8 | *–* |
| Money market - US | 3.9 | *–* |
| Money market - India | 1.4 | *3.7* |
| Money market - Switzerland | 0.1 | *–* |
| | 6.2 | *3.7* |

**22 Financial assets at fair value through profit or loss** *(continued)*

Financial assets at fair value through profit or loss are denominated in the following currencies:

| | Group | |
|---|---|---|
| | 2019 | *2018* |
| | £'m | *£'m* |
| US Dollar | 3.9 | *–* |
| Indian Rupee | 1.4 | *3.7* |
| Bermudian Dollar | 0.8 | *–* |
| Swiss Franc | 0.1 | *–* |
| | 6.2 | *3.7* |

**23 Financial assets at amortised cost**

| | Group | |
|---|---|---|
| | 2019 | *2018* |
| | £'m | *£'m* |
| At 31 December | – | *–* |
| Adjustment upon application of IFRS 9 | – | *3.3* |
| At 1 January | 3.2 | *3.3* |
| Exchange differences | – | *0.1* |
| Disposals | (0.2) | *(0.2)* |
| At 31 December | 3.0 | *3.2* |

Financial assets at amortised cost comprises:

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

## 24 Available-for-sale financial assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* |
| | £'m | *£'m* | £'m | *£'m* |
| Cost or fair value | | | | |
| At 31 December | – | *49.4* | – | *0.2* |
| Adjustment upon application of IFRS 9 | – | *(49.4)* | – | *(0.2)* |
| At 1 January and 31 December | – | *–* | – | *–* |
| Provision for diminution in value | | | | |
| At 31 December | – | *2.4* | – | *0.2* |
| Adjustment upon application of IFRS 9 | – | *(2.4)* | – | *(0.2)* |
| At 1 January and 31 December | – | *–* | – | *–* |
| Net book value at 31 December | – | *–* | – | *–* |

## 25 Other investments – heritage assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* |
| | £'m | *£'m* | £'m | *£'m* |
| Cost | | | | |
| At 1 January | 9.5 | *9.4* | 10.7 | *10.6* |
| Additions | 0.3 | *0.1* | 0.3 | *0.1* |
| At 31 December | 9.8 | *9.5* | 11.0 | *10.7* |

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.

## 26 Inventories

| | 2019 | *2018* |
|---|---|---|
| | £'m | *£'m* |
| *Group* | | |
| Made Tea | 28.6 | *34.6* |
| Other agricultural produce | 5.9 | *2.6* |
| Work in progress | 0.1 | *0.1* |
| Trading stocks | 1.5 | *1.6* |
| Raw materials and consumables | 13.2 | *13.8* |
| | 49.3 | *52.7* |

Made tea inventories include the fair value of green leaf which includes a fair value uplift of £0.1 million (2018: £0.2 million).

## 27 Trade and other receivables

| | Group 2019 £'m | Group *2018 £'m* |
|---|---|---|
| *Group* | | |
| Current: | | |
| Trade receivables | 30.0 | *34.5* |
| Amounts owed by associated undertakings | 0.1 | *0.1* |
| Other receivables | 5.8 | *6.0* |
| Prepayments and accrued income | 8.4 | *7.9* |
| | 44.3 | *48.5* |
| Non-current: | | |
| Other receivables | 2.8 | *2.7* |

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

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| Current: | | |
| Sterling | 13.4 | *13.0* |
| US Dollar | 2.8 | *6.2* |
| Euro | 0.1 | *0.1* |
| Kenyan Shilling | 3.1 | *3.4* |
| Indian Rupee | 18.9 | *20.0* |
| Malawian Kwacha | 2.1 | *1.7* |
| Bangladesh Taka | 1.6 | *2.2* |
| South African Rand | 0.2 | *0.2* |
| Brazilian Real | 1.4 | *1.1* |
| Other | 0.7 | *0.6* |
| | 44.3 | *48.5* |
| Non-current: | | |
| Kenyan Shilling | 0.5 | *0.5* |
| Indian Rupee | 1.4 | *1.5* |
| Malawian Kwacha | 0.6 | *0.4* |
| Bangladesh Taka | 0.3 | *0.3* |
| | 2.8 | *2.7* |

Included within trade receivables is a provision for doubtful debts of £0.5 million (2018: £0.4 million). All other trade receivables are with normal trading partners and there is no history of defaults.

Trade receivables include receivables of £6.4 million (2018: £5.9 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:

## 27 Trade and other receivables *(continued)*

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| Up to 30 days | 2.7 | *2.5* |
| 30-60 days | 1.5 | *1.4* |
| 60-90 days | 0.5 | *0.3* |
| Over 90 days | 1.7 | *1.7* |
| | 6.4 | *5.9* |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* |
| Cash at bank and in hand | 31.1 | *41.3* | – | *0.1* |
| Short–term bank deposits | 59.5 | *67.5* | – | – |
| Short-term liquid investments | 0.8 | *3.6* | – | – |
| | 91.4 | *112.4* | – | *0.1* |

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

| | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* |
|---|---|---|---|---|
| Cash and cash equivalents | 91.4 | *112.4* | – | *0.1* |
| Bank overdrafts (note 30) | (2.0) | *(2.8)* | – | – |
| | 89.4 | *109.6* | – | *0.1* |

| | 2019 | *2018* | 2019 | *2018* |
|---|---|---|---|---|
| Effective interest rate: | | | | |
| Short-term deposits | 0.85 – 12.0% | *0.82 – 12.0%* | – | – |
| Short-term liquid investments | 5.0% | *7.04%* | – | – |
| Average maturity period: | | | | |
| Short-term deposits | 53 days | *59 days* | – | – |
| Short-term liquid investments | 24 days | *37 days* | – | – |

## 29 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* |
| | £'m | *£'m* | £'m | *£'m* |
| Current: | | | | |
| Trade payables | 20.6 | *24.8* | – | *0.1* |
| Other taxation and social security | 0.9 | *1.9* | – | - |
| Other payables | 20.5 | *17.9* | 0.2 | *0.1* |
| Accruals and deferred income | 6.6 | *8.9* | 0.4 | *0.4* |
| | 48.6 | *53.5* | 0.6 | *0.6* |

## 30 Financial liabilities – borrowings

| | 2019 | *2018* |
|---|---|---|
| | £'m | *£'m* |
| *Group* | | |
| Current: | | |
| Bank overdrafts | 2.0 | *2.8* |
| Bank loans | 3.6 | *0.6* |
| | 5.6 | *3.4* |
| Current borrowings include the following amounts secured on property, plant and equipment and investment properties: | | |
| Bank overdrafts | 2.0 | *2.8* |
| Bank loans | 3.6 | *0.6* |
| | 5.6 | *3.4* |
| Non-current: | | |
| Bank loans | 3.3 | *3.3* |
| Non-current borrowings include the following amounts secured on plant and equipment and investment properties: | | |
| Bank loans | 3.3 | *3.3* |
| The repayment of bank loans and overdrafts fall due as follows: | | |
| Within one year or on demand (included in current liabilities) | 5.6 | *3.4* |
| Between 1 – 2 years | 0.4 | *3.3* |
| Between 2 – 5 years | 1.3 | – |
| After 5 years | 1.6 | – |
| | 8.9 | *6.7* |

## 30 Financial liabilities – borrowings *(continued)*

The rates of interest payable by the Group ranged between:

| | 2019 % | *2018 %* |
|---|---|---|
| Bank overdrafts | 2.50 – 18.50 | *2.50 – 21.00* |
| Bank loans | 3.03 | *3.03* |

## 31 Lease liabilities

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| *Group* | | |
| Maturity analysis of lease liabilities is as follows: | | |
| Within one year | 1.2 | *–* |
| Between 1 – 2 years | 1.2 | *0.1* |
| Between 2 – 5 years | 2.1 | *–* |
| Onwards | 8.5 | *–* |
| | 13.0 | *0.1* |
| Analysed as: | | |
| Current | 1.2 | *–* |
| Non-current | 11.8 | *0.1* |
| | 13.0 | *0.1* |

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the individual subsidiaries' finance functions.

## 32 Provisions

| | Wages and salaries £'m | Others £'m | Total £'m |
|---|---|---|---|
| *Group* | | | |
| 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 1 January 2019 | 17.4 | 1.1 | 18.5 |
| Exchange differences | (0.5) | – | (0.5) |
| Utilised in the period | (6.3) | (0.1) | (6.4) |
| Provided in the period | 6.8 | 0.3 | 7.1 |
| Businesses joining the group | 0.1 | – | 0.1 |
| Unused amounts reversed in period | (9.8) | (0.1) | (9.9) |
| At 31 December 2019 | 7.7 | 1.2 | 8.9 |
| Current: | | | |
| At 31 December 2019 | 7.7 | 1.2 | 8.9 |
| At 31 December 2018 | *17.4* | *1.1* | *18.5* |

The wages and salaries provisions are in respect of ongoing wage and bonus negotiations in India and Bangladesh.

£9.8 million (2018: £5.4 million) was reversed from the wages and salaries provision following progress on negotiations in Kenya and India.

Others relate to provisions for claims and dilapidations.

## 33 Deferred tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* |
| At 1 January | 46.3 | *40.0* | 0.2 | *0.2* |
| Exchange differences | (2.3) | *1.5* | – | – |
| Charged to the income statement | 0.9 | *5.9* | – | – |
| Charged/(credited) to other comprehensive income | 1.4 | *(1.1)* | – | – |
| Businesses joining the group | 0.8 | – | – | – |
| At 31 December | 47.1 | *46.3* | 0.2 | *0.2* |

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

### Deferred tax liabilities

| | Accelerated tax depreciation £'m | Other £'m | Total £'m |
|---|---|---|---|
| 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 1 January 2019 | 51.0 | 3.8 | 54.8 |
| Exchange differences | (2.4) | (0.1) | (2.5) |
| Charged/(credited) to the income statement | 1.9 | (0.3) | 1.6 |
| Charged to other comprehensive income | – | 0.9 | 0.9 |
| Businesses joining the group | 0.8 | – | 0.8 |
| At 31 December 2019 | 51.3 | 4.3 | 55.6 |
| Deferred tax assets offset | | | (8.5) |
| Net deferred tax liability after offset | | | 47.1 |

## 33 Deferred tax *(continued)*

### Deferred tax assets

| | Tax losses £'m | Pension scheme asset £'m | Other £'m | Total £'m |
|---|---|---|---|---|
| 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 | – | (0.3) | (0.1) | (0.4) |
| At 1 January 2019 | 3.0 | 0.3 | 5.2 | 8.5 |
| Exchange differences | – | – | (0.2) | (0.2) |
| Credited / (charged) to the income statement | 1.5 | 0.2 | (1.0) | 0.7 |
| Charged to other comprehensive income | – | (0.2) | (0.3) | (0.5) |
| At 31 December 2019 | 4.5 | 0.3 | 3.7 | 8.5 |
| Offset against deferred tax liabilities | | | | (8.5) |
| Net deferred tax asset after offset | | | | – |

Deferred tax liabilities of £24.9 million (2018: £26.9 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 £11.7 million (2018: £6.1 million) in respect of losses that can be carried forward against future taxable income.

## 34 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 2019 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 for these schemes have been updated to 31 December 2019 by qualified actuaries.

**34 Employee benefit obligations** *(continued)*

**Assumptions**

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

| | 2019<br>% per annum | *2018*<br>*% per annum* |
|---|---|---|
| **UK schemes** | | |
| Rate of increase in salaries | N/a | *N/a* |
| Rate of increase to LPI (Limited Price Indexation) pensions in payment | 2.10 – 5.00 | *2.30 – 5.00* |
| Discount rate applied to scheme liabilities | 1.90 | *2.75* |
| Inflation assumption (CPI/RPI) | 2.10/3.10 | *2.30/3.30* |

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_2018 future improvement factors and subject to a long term annual rate of future improvement of 1.25% per annum, smoothing parameter of 7.0 and initial addition parameter of 0.25% pa. This results in males and females aged 65 having life expectancies of 21.4 years (2018: 21.6 years) and 22.7 years respectively (2018: 22.9 years).

| **Overseas schemes** | 2019<br>% per annum | *2018*<br>*% per annum* |
|---|---|---|
| Rate of increase in salaries | 6.00 – 7.00 | *6.00 – 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 | 7.00 – 9.00 | *7.50* |
| Inflation assumption | 6.00 – 7.00 | *6.00 – 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:

| | 2019<br>% per annum | *2018*<br>*% per annum* |
|---|---|---|
| Rate of increase in salaries | 6.00 – 7.50 | *6.00 – 10.00* |
| Discount rate applied to scheme liabilities | 7.00 – 13.00 | *7.50 – 13.00* |
| Inflation assumptions | 0.00 – 7.50 | *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.

## 34 Employee benefit obligations *(continued)*

**(iv) Profit sharing obligations**
Certain Group subsidiaries located in Bangladesh may have an obligation to pay sums for workers profit participation for prior years based on a rate of 5 per cent. of post tax profit. Provisions have been made for these sums pending clarification of the appplicability of the legislation.

**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 | 7.1% decrease |
| Discount rate | 0.5% lower | 7.6% 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 | 59 |
| Total membership | 100 |

## 34 Employee benefit obligations *(continued)*

### (v) Actuarial valuations

| | 2019 UK £'m | 2019 Overseas £'m | 2019 Total £'m | *2018 UK £'m* | *2018 Overseas £'m* | *2018 Total £'m* |
|---|---|---|---|---|---|---|
| Equities and property | 87.8 | 0.9 | 88.7 | *77.5* | *0.9* | *78.4* |
| Bonds | 50.8 | 18.8 | 69.6 | *47.4* | *18.6* | *66.0* |
| Diversified growth | 39.9 | – | 39.9 | *36.4* | *–* | *36.4* |
| Cash | 1.2 | 9.1 | 10.3 | *0.8* | *9.0* | *9.8* |
| Total fair value of plan assets | 179.7 | 28.8 | 208.5 | *162.1* | *28.5* | *190.6* |
| Present value of defined benefit obligations | (193.3) | (37.2) | (230.5) | *(178.6)* | *(36.7)* | *(215.3)* |
| Total deficit in the schemes | (13.6) | (8.4) | (22.0) | *(16.5)* | *(8.2)* | *(24.7)* |
| Amount recognised as asset in the balance sheet | – | 0.7 | 0.7 | *–* | *0.3* | *0.3* |
| Amount recognised as current liability in the balance sheet | – | (0.7) | (0.7) | *–* | *(1.0)* | *(1.0)* |
| Amount recognised as non-current liability in the balance sheet | (13.6) | (8.4) | (22.0) | *(16.5)* | *(7.5)* | *(24.0)* |
| | (13.6) | (8.4) | (22.0) | *(16.5)* | *(8.2)* | *(24.7)* |
| Related deferred tax asset (note 33) | – | 0.3 | 0.3 | *–* | *0.3* | *0.3* |
| Net deficit | (13.6) | (8.1) | (21.7) | *(16.5)* | *(7.9)* | *(24.4)* |

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

| | 2019 UK £'m | 2019 Overseas £'m | 2019 Total £'m | *2018 UK £'m* | *2018 Overseas £'m* | *2018 Total £'m* |
|---|---|---|---|---|---|---|
| At 1 January | 162.1 | 28.5 | 190.6 | *174.3* | *32.3* | *206.6* |
| Expected return on plan assets | 4.3 | 2.1 | 6.4 | *4.1* | *2.0* | *6.1* |
| Employer contributions | – | 2.0 | 2.0 | *0.2* | *2.4* | *2.6* |
| Benefit payments | (9.5) | (2.4) | (11.9) | *(8.1)* | *(2.9)* | *(11.0)* |
| Businesses joining the group | – | 0.7 | 0.7 | *–* | *–* | *–* |
| Company leaving the group | – | – | – | *–* | *(5.0)* | *(5.0)* |
| Actuarial gains/(losses) | 22.8 | (0.4) | 22.4 | *(8.4)* | *–* | *(8.4)* |
| Exchange differences | – | (1.7) | (1.7) | *–* | *(0.3)* | *(0.3)* |
| At 31 December | 179.7 | 28.8 | 208.5 | *162.1* | *28.5* | *190.6* |

**34 Employee benefit obligations** *(continued)*

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

| | 2019 UK £'m | 2019 Overseas £'m | 2019 Total £'m | *2018 UK £'m* | *2018 Overseas £'m* | *2018 Total £'m* |
|---|---|---|---|---|---|---|
| At 1 January | (178.6) | (36.7) | (215.3) | *(188.6)* | *(48.9)* | *(237.5)* |
| Current service cost | – | (1.6) | (1.6) | *–* | *(2.0)* | *(2.0)* |
| Past service cost | – | – | – | *(0.9)* | *(0.2)* | *(1.1)* |
| Interest cost | (4.8) | (2.7) | (7.5) | *(4.5)* | *(3.1)* | *(7.6)* |
| Curtailment gain | – | – | – | *–* | *9.0* | *9.0* |
| Benefit payments | 9.5 | 2.4 | 11.9 | *8.1* | *2.9* | *11.0* |
| Businesses joining the group | – | (1.2) | (1.2) | *–* | *–* | *–* |
| Company leaving the group | – | – | – | *–* | *5.3* | *5.3* |
| Actuarial (losses)/gains | (19.4) | 0.5 | (18.9) | *7.3* | *0.4* | *7.7* |
| Exchange differences | – | 2.1 | 2.1 | *–* | *(0.1)* | *(0.1)* |
| At 31 December | (193.3) | (37.2) | (230.5) | *(178.6)* | *(36.7)* | *(215.3)* |

In 2017, the total fair value of plan assets was £206.6 million, the present value of defined benefit obligations was £237.5 million and the deficit was £30.9 million. In 2016, the total fair value of plan assets was £194.1 million, the present value of defined benefit obligations was £260.8 million and the deficit was £66.7 million and in 2015, the total fair value of plan assets was £172.0 million, the present value of defined benefit obligations was £210.6 million and the deficit was £38.6 million.

**Income Statement**

The amounts recognised in the Income Statement are as follows:

| | 2019 UK £'m | 2019 Overseas £'m | 2019 Total £'m | *2018 UK £'m* | *2018 Overseas £'m* | *2018 Total £'m* |
|---|---|---|---|---|---|---|
| Amounts (charged)/credited to operating profit: | | | | | | |
| Current service cost | – | (1.6) | (1.6) | *–* | *(2.0)* | *(2.0)* |
| Past service cost | – | – | – | *(0.9)* | *(0.2)* | *(1.1)* |
| Curtailment gain | – | – | – | *–* | *9.0* | *9.0* |
| Total operating (charge)/credit | – | (1.6) | (1.6) | *(0.9)* | *6.8* | *5.9* |
| Amounts charged to other finance costs: | | | | | | |
| Interest expense | (0.5) | (0.6) | (1.1) | *(0.4)* | *(1.1)* | *(1.5)* |
| Total (charged)/credited to income statement | (0.5) | (2.2) | (2.7) | *(1.3)* | *5.7* | *4.4* |

In 2018, the curtailment gain of £9.0 million reflected a change to the labour laws in Bangladesh which exempted the tea industry from the requirement to pay certain post-employment benefits.

Employer contributions to defined contribution schemes are charged to profit when payable and the costs charged were £6.5 million (2018: £5.5 million).

Liabilities for workers profit participation in Bangladesh are charged to profit when the obligation arises. The amount of £3.6 million (2018: £nil) charged largely related to prior years and has been recognised as a consequence of events in the current year.

## 34 Employee benefit obligations *(continued)*

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

The amounts included in the Statement of Comprehensive Income:

| | 2019 | | | *2018* | | |
|---|---|---|---|---|---|---|
| | UK £'m | Overseas £'m | Total £'m | *UK £'m* | *Overseas £'m* | *Total £'m* |
| Remeasurements: | | | | | | |
| Return on plan assets, excluding amount included in interest | 22.8 | (0.4) | 22.4 | *(8.4)* | *–* | *(8.4)* |
| Gain from changes in demographic assumptions | 2.2 | – | 2.2 | *1.0* | *–* | *1.0* |
| (Loss)/gain from changes in financial assumptions | (21.6) | 0.4 | (21.2) | *6.9* | *1.4* | *8.3* |
| Experience gains/(losses) | – | 0.1 | 0.1 | *(0.6)* | *(1.0)* | *(1.6)* |
| Actuarial gain/(loss) | 3.4 | 0.1 | 3.5 | *(1.1)* | *0.4* | *(0.7)* |

Cumulative actuarial losses recognised in the Statement of Comprehensive Income are £22.2 million (2018: £25.7 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 2020. No additional funding contributions will be made, as the latest actuarial valuation shows a funding surplus of £7.1 million.

## 35 Share capital

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| Authorised: 2,842,000 (2018: 2,842,000) ordinary shares of 10p each | 0.3 | *0.3* |
| Allotted, called up and fully paid: ordinary shares of 10p each: | | |
| At 1 January and 31 December – 2,824,500 (2018: 2,824,500) shares | 0.3 | *0.3* |

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

## 36 Reconciliation of profit from operations to cash flow

| | 2019 £'m | *2018 £'m* |
|---|---|---|
| *Group* | | |
| Profit from continuing operations | 21.3 | *49.6* |
| Share of associates' results | (4.6) | *(7.6)* |
| Depreciation and amortisation | 16.2 | *15.5* |
| Depreciation of right-of-use assets | 0.9 | *–* |
| Impairment of assets and provisions | 0.3 | *0.2* |
| Realised movements on biological assets – non-current | (1.4) | *(1.5)* |
| Profit on disposal of non-current assets | (0.5) | *(0.1)* |
| Loss on disposal of subsidiaries | – | *0.4* |
| Profit on disposal of financial assets | (0.2) | *(0.3)* |
| Movement in provisions | (9.0) | *(1.2)* |
| Increase in working capital | (5.1) | *(11.4)* |
| Difference between employee benefit obligations funding contributions and cost charged | 3.3 | *(8.3)* |
| Cash generated from continuing operations | 21.2 | *35.3* |

## 37 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 | Leases Current £'m | Leases Non-current £'m | Total £'m |
|---|---|---|---|---|---|
| At 1 January 2018 | 0.6 | 3.9 | – | 0.1 | 4.6 |
| Loans repaid | (0.6) | – | – | – | (0.6) |
| Transfers | 0.6 | (0.6) | – | – | – |
| At 1 January 2019 | 0.6 | 3.3 | – | 0.1 | 4.0 |
| On adoption of IFRS 16 | – | – | 1.3 | 10.9 | 12.2 |
| Exchange Differences | – | – | – | (0.1) | (0.1) |
| New loans | 0.3 | 3.3 | – | – | 3.6 |
| New finance leases | – | – | 0.1 | 1.1 | 1.2 |
| Loans repaid | (0.6) | – | – | – | (0.6) |
| Lease repayments | – | – | (0.3) | (0.1) | (0.4) |
| Transfers | 3.3 | (3.3) | 0.1 | (0.1) | – |
| At 31 December 2019 | 3.6 | 3.3 | 1.2 | 11.8 | 19.9 |

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.

## 38 Acquisition and disposal of businesses

| | Acquisitions 2019 £'m Fair value | Acquisitions 2018 £'m Fair value | Disposals 2018 £'m Net book value |
|---|---|---|---|
| Property, plant and equipment | 5.7 | 0.5 | 0.6 |
| Right-of-use asset | 3.7 | – | – |
| Deferred tax asset | – | 1.1 | 0.1 |
| Inventories | 0.1 | 0.8 | 1.6 |
| Trade and other receivables | 0.1 | 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 | (0.3) | (1.6) | (1.3) |
| Employee benefit obligations | (0.5) | – | (0.3) |
| Deferred tax liability | (0.8) | (1.1) | – |
| | 8.0 | 1.6 | 4.4 |
| Identifiable intangible assets - Brands | – | 6.6 | – |
| Identifiable intangible assets – Goodwill | 1.4 | – | – |
| Non-controlling interest | – | (1.4) | (0.1) |
| Loss on disposal | – | – | (0.5) |
| | 9.4 | 6.8 | 3.8 |
| Satisfied by: | | | |
| Cash consideration and costs | 9.4 | 6.8 | 3.8 |
| Net cash (outflow)/inflow arising on acquisitions/disposals: | | | |
| Cash consideration | (9.4) | (6.8) | 3.8 |
| Less: cash and cash equivalent balances acquired/disposed | – | 0.4 | (0.2) |
| | (9.4) | (6.4) | 3.6 |

The acquisitions in 2019 related to tea estates in India which were purchased by our Indian subsidiaries for cash, funded in part by local borrowings.

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 31 December 2018.

## 38 Acquisition and disposal of businesses (continued)

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

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

## 39 Commitments

### Capital commitments

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

| | 2019<br>£'m | *2018*<br>*£'m* |
|---|---|---|
| *Group* | | |
| Property, plant and equipment | 3.4 | *1.3* |

## 40 Contingent liabilities

Camellia and a number of its subsidiary companies have received notification of claims to be made in the UK relating to allegations made by multiple individuals concerning two of those companies' African operations. The allegations are of serious assault, harassment and sexual misconduct allegedly committed by certain individuals employed by those two foreign operating companies. At this stage it is not practicable to estimate the financial impact of these claims.

In India, assessments have been received for excise duties of £3.8 million, sales and entry tax of £0.9 million and of £1.1 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 £1.3 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.

## 41 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 and lease liabilities disclosed in notes 30 and 31, 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 debt as a percentage of tangible net assets does not exceed 50 per cent..

## 41 Financial instruments (continued)

The ratio at the year end is as follows:

| | 2019<br>£'m | *2018*<br>*£'m* |
|---|---|---|
| Borrowings | 8.9 | *6.7* |
| Lease liabilities | 13.0 | *0.1* |
| Debt | 21.9 | *6.8* |
| Tangible net assets | 385.4 | *386.0* |
| Ratio | 5.68% | *1.76%* |

Debt is defined as long- and short-term borrowings and lease liabilities as detailed in notes 30 and 31.

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

Debt as a percentage of tangible net assets has increased with the introduction of IFRS 16 Leases and recognition of previously off balance sheet operating leases.

### Financial instruments by category

At 31 December 2019

| | Loans and receivables<br>£'m | Financial assets<br>£'m | Total<br>£'m |
|---|---|---|---|
| **Group** | | | |
| Assets as per Balance Sheet | | | |
| Financial assets at fair value through other comprehensive income | – | 37.8 | 37.8 |
| Financial asset at fair value through profit or loss | – | 6.2 | 6.2 |
| Financial assets at amortised cost – non-current | – | 3.0 | 3.0 |
| Trade and other receivables excluding prepayments | 38.7 | – | 38.7 |
| Cash and cash equivalents | 91.4 | – | 91.4 |
| | 130.1 | 47.0 | 177.1 |

| | Other financial liabilities at amortised cost<br>£'m | Total<br>£'m |
|---|---|---|
| **Group** | | |
| Liabilities as per Balance Sheet | | |
| Borrowings | 8.9 | 8.9 |
| Leases liabilities | 13.0 | 13.0 |
| Trade and other payables | 48.6 | 48.6 |
| | 70.5 | 70.5 |
| *Company* | | |
| Trade and other payables | 0.6 | 0.6 |

## 41 Financial instruments (continued)

At 31 December 2018

| | Loans and receivables £'m | Available for sale £'m | Total £'m |
|---|---|---|---|
| **Group** | | | |
| 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 (excluding bank overdrafts) | 112.4 | – | 112.4 |
| | 155.7 | 39.6 | 195.3 |

| | Other financial liabilities at amortised cost £'m | Total £'m |
|---|---|---|
| *Group* | | |
| Liabilities as per Balance Sheet | | |
| Borrowings | 6.8 | 6.8 |
| Trade and other payables | 53.5 | 53.5 |
| | 60.3 | 60.3 |
| *Company* | | |
| Trade and other payables | 0.6 | 0.6 |

### 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 17 for disclosures of biological assets that are measured at fair value.

**41 Financial instruments (continued)**

At 31 December 2019

| | Level 1 £'m | Level 2 £'m | Level 3 £'m | Total £'m |
|---|---|---|---|---|
| Assets | | | | |
| Financial assets at fair value through other comprehensive income | 37.8 | – | – | 37.8 |
| Financial asset at fair value through profit or loss | 6.2 | – | – | 6.2 |
| Financial assets at amortised cost | 3.0 | – | – | 3.0 |
| | 47.0 | – | – | 47.0 |

At 31 December 2018

| | Level 1 £'m | Level 2 £'m | Level 3 £'m | Total £'m |
|---|---|---|---|---|
| Assets | | | | |
| Available-for sale financial assets: | | | | |
| - Equity securities | 32.7 | – | – | 32.7 |
| Debt investments: | 3.7 | – | – | 3.7 |
| - Debentures | 3.2 | – | – | 3.2 |
| | 39.6 | – | – | 39.6 |

**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); and
- 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. If the exchange rate of the Japanese Yen to Sterling were to move by 5 per cent, the Group's carrying value would increase/decrease by £0.9 million (2018: £0.9 million).

**41 Financial instruments (continued)**

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, India, 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 £1.9 million (2018: £1.6 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 £3.3 million are at fixed rates.

At 31 December 2019, 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 £0.3 million (2018: £0.4 million) higher/lower.

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* |
| | £'m | *£'m* | £'m | *£'m* |
| Sterling | 22.2 | *28.6* | 13.3 | *3.9* |
| US Dollar | 24.6 | *21.7* | – | – |
| Euro | 0.4 | *0.6* | – | – |
| Kenyan Shilling | 16.9 | *24.9* | 0.3 | – |
| Indian Rupee | 4.2 | *6.0* | 7.0 | *2.7* |
| Malawian Kwacha | 0.1 | *1.3* | – | – |
| Bangladesh Taka | 15.0 | *17.7* | 1.2 | *0.1* |
| South African Rand | 2.2 | *1.5* | 0.1 | *0.1* |
| Brazilian Real | 1.3 | *3.0* | – | – |
| Bermudian Dollar | 3.4 | *7.1* | – | – |
| Tanzanian Shilling | 1.1 | – | – | – |
| | 91.4 | *112.4* | 21.9 | *6.8* |

**(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.

## 41 Financial instruments (continued)

The Group has a large number of trade receivables, the largest five receivables at the year end comprise 22 per cent. (2018: 17 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 2019, the Group had undrawn committed facilities of £24.1 million (2018: £23.5 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 £'m | Between 1 and 2 years £'m | Between 2 and 5 years £'m | Over 5 years £'m | Undated £'m | Total £'m |
|---|---|---|---|---|---|---|
| At 31 December 2019 | | | | | | |
| Assets | | | | | | |
| Financial assets at fair value through other comprehensive income | – | – | – | – | 37.8 | 37.8 |
| Financial asset at fair value through profit or loss | 6.2 | – | – | – | – | 6.2 |
| Financial assets at amortised cost | – | – | 3.0 | – | – | 3.0 |
| Trade and other receivables excluding prepayments | 35.9 | 2.8 | – | – | – | 38.7 |
| Cash and cash equivalents | 91.4 | – | – | – | – | 91.4 |
| | 133.5 | 2.8 | 3.0 | – | 37.8 | 177.1 |
| Liabilities | | | | | | |
| Borrowings | 5.6 | 0.4 | 1.3 | 1.6 | – | 8.9 |
| Lease liabilities | 1.2 | 1.2 | 2.1 | 8.5 | – | 13.0 |
| Trade and other payables excluding taxation | 47.7 | – | – | – | – | 47.7 |
| | 54.5 | 1.6 | 3.4 | 10.1 | – | 69.6 |
| 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 |
| | 156.9 | 2.7 | 1.5 | 1.5 | 32.7 | 195.3 |
| Liabilities | | | | | | |
| Borrowings | 3.4 | 3.3 | – | – | – | 6.7 |
| Lease liabilities | – | 0.1 | – | – | – | 0.1 |
| Trade and other payables excluding taxation | 51.6 | – | – | – | – | 51.6 |
| | 55.0 | 3.4 | – | – | – | 58.4 |

Included in borrowings due in less than 1 year is £2.0 million (2018: £2.8 million) repayable on demand.

## 42 Subsidiary and associated undertakings

**Subsidiary undertakings**

The subsidiary undertakings of the Group at 31 December 2019, which are wholly owned and incorporated in Great Britain unless otherwise stated, were:

| | Principal country of operation | Registered Office |
|---|---|---|
| **Agriculture** | | |
| Amgoorie India Limited (Incorporated in India – 99.8 per cent. holding) | India | *(ii)* |
| Amo Tea Company Limited | Bangladesh | *(i)* |
| C.C. Lawrie Comércio e Participacões 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)* |
| 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)* |
| **Engineering** | | |
| 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)* |

## 42 Subsidiary and associated undertakings (continued)

### Subsidiary undertakings (continued)

| | Principal country of operation | Registered Office |
|---|---|---|
| **Food Service** | | |
| Associated Cold Stores & Transport Limited | UK | *(i)* |
| Duncan Products Limited (Incorporated in Bangladesh) | Bangladesh | *(vii)* |
| Jing Tea Limited (82.5 per cent. holding) | UK | *(i)* |
| **Investment Holding** | | |
| 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 (Incorporated in Malawi – 50.2 per cent. held by subsidiaries) | Malawi | *(xii)* |
| Shula Limited (Incorporated in Isle of Man) (in liquidation) | Isle of Man | *(xix)* |
| Unochrome Industries Limited | UK | *(i)* |
| Western Dooars Investments Limited | UK | *(i)* |
| **Other** | | |
| Duncan Lawrie Limited | UK | *(i)* |
| Duncan Lawrie Holdings Limited | UK | *(i)* |
| Duncan Lawrie International Holdings Limited (Incorporated in Isle of Man) (in liquidation) | Isle of Man | *(xvi)* |
| Duncan Lawrie (IOM) Limited (Incorporated in Isle of Man) (in liquidation) | Isle of Man | *(xvi)* |
| Duncan Lawrie Offshore Services Limited (Incorporated in Isle of Man) (in liquidation) | Isle of Man | *(xvi)* |
| Hobart Place Nominees Limited | UK | *(i)* |
| Linton Park Services Limited | UK | *(i)* |

## 42 Subsidiary and associated undertakings (continued)

**Subsidiary undertakings (continued)**

| | Principal country of operation | Registered Office |
|---|---|---|
| **Dormant companies** | | |
| 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)* |
| Dejoo Tea Company 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 One Limited | UK | *(i)* |
| Feltham Two Limited | UK | *(i)* |
| Fescol Limited | UK | *(i)* |
| G. F. Sleight & Sons Limited | UK | *(i)* |

## 42 Subsidiary and associated undertakings (continued)

**Subsidiary undertakings (continued)**

| | Principal country of operation | Registered Office |
|---|---|---|
| **Dormant companies (continued)** | | |
| Goodricke Lawrie Consultants Limited | UK | *(i)* |
| Gotha Tea Estates Limited | UK | *(i)* |
| Granton Transport Limited | UK | *(xiv)* |
| Hamstead Village Investments Limited | UK | *(i)* |
| Hellyer Bros Limited | UK | *(i)* |
| Horace Hickling & Co Limited | UK | *(i)* |
| Hudson Brothers Trawlers Limited | UK | *(i)* |
| Humber Commercials Limited | UK | *(i)* |
| Humber – St. Andrew's Engineering Company Limited | UK | *(i)* |
| Jhanzie Tea Association Ltd | 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)* |
| Longai Valley Tea Company 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)* |
| S.I.S. 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 Dhoolie Tea Company Limited | UK | *(i)* |

## 42 Subsidiary and associated undertakings (continued)

### Subsidiary undertakings (continued)

| | Principal country of operation | Registered Office |
|---|---|---|
| **Dormant companies (continued)** | | |
| The Doolahat Tea Company Limited | UK | *(i)* |
| The Eastern Produce and Estates Company Limited | UK | *(i)* |
| The Endogram Tea Company Limited | UK | *(i)* |
| The Harmutty Tea Company Limited | UK | *(i)* |
| The Kapsumbeiwa 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 | |
|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* |
| | £'m | *£'m* | £'m | *£'m* |
| **Current** | | | | |
| Assets | 24.4 | *33.2* | 12.9 | *17.3* |
| Liabilities | (13.6) | *(25.6)* | (8.9) | *(10.5)* |
| **Total current net assets** | 10.8 | *7.6* | 4.0 | *6.8* |
| **Non-current** | | | | |
| Assets | 27.8 | *28.7* | 38.6 | *41.4* |
| Liabilities | (6.5) | *(4.3)* | (11.6) | *(12.9)* |
| **Total non-current net assets** | 21.3 | *24.4* | 27.0 | *28.5* |
| **Net assets** | 32.1 | *32.0* | 31.0 | *35.3* |

## 42 Subsidiary and associated undertakings (continued)

### Subsidiary undertakings (continued)

### Summarised balance sheet

| | Eastern Produce South Africa Limited as at 31 December | | Goodricke Group Limited as at 31 December | |
|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* |
| | £'m | *£'m* | £'m | *£'m* |
| **Current** | | | | |
| Assets | 6.1 | *6.1* | 33.0 | *38.3* |
| Liabilities | (3.7) | *(3.2)* | (22.5) | *(24.5)* |
| **Total current net assets** | 2.4 | *2.9* | 10.5 | *13.8* |
| **Non-current** | | | | |
| Assets | 9.1 | *6.8* | 38.3 | *34.6* |
| Liabilities | (2.0) | *(1.5)* | (12.0) | *(10.4)* |
| **Total non-current net assets** | 7.1 | *5.3* | 26.3 | *24.2* |
| **Net assets** | 9.5 | *8.2* | 36.8 | *38.0* |

| | Horizon Farms as at 31 December | | Kakuzi Plc as at 31 December | |
|---|---|---|---|---|
| | 2019 | *2018* | 2019 | *2018* |
| | £'m | *£'m* | £'m | *£'m* |
| **Current** | | | | |
| Assets | 5.3 | *5.4* | 19.3 | *17.2* |
| Liabilities | (0.2) | *(0.8)* | (1.8) | *(2.4)* |
| **Total current net assets** | 5.1 | *4.6* | 17.5 | *14.8* |
| **Non-current** | | | | |
| Assets | 7.1 | *7.9* | 28.8 | *28.0* |
| Liabilities | (1.7) | *(0.8)* | (7.5) | *(6.8)* |
| **Total non-current net assets** | 5.4 | *7.1* | 21.3 | *21.2* |
| **Net assets** | 10.5 | *11.7* | 38.8 | *36.0* |

## 42 Subsidiary and associated undertakings (continued)

**Subsidiary undertakings (continued)**

**Summarised income statement**

| | Eastern Produce Kenya Limited for year ended 31 December | | Eastern Produce Malawi Limited for year ended 31 December | |
|---|---|---|---|---|
| | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* |
| Revenue | 34.1 | *40.4* | 25.6 | *29.1* |
| Profit before tax | 11.1 | *10.9* | 2.0 | *8.4* |
| Taxation | (3.3) | *(3.3)* | (0.5) | *(2.4)* |
| Other comprehensive (expense)/income | (0.7) | *2.3* | (1.6) | *1.9* |
| **Total comprehensive income** | 7.1 | *9.9* | (0.1) | *7.9* |
| Total comprehensive income allocated to non-controlling interests | 2.1 | *3.0* | – | *2.1* |
| Dividends paid to non-controlling interests | 2.1 | *1.3* | 1.1 | *0.6* |

| | Eastern Produce South Africa Limited for year ended 31 December | | Goodricke Group Limited for year ended 31 December | |
|---|---|---|---|---|
| | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* |
| Revenue | 5.6 | *6.4* | 90.5 | *83.6* |
| Profit before tax | 1.9 | *1.7* | 2.6 | *2.7* |
| Taxation | (0.5) | *(0.5)* | (0.2) | *(1.1)* |
| Other comprehensive expense | – | *(0.8)* | (2.6) | *(1.9)* |
| **Total comprehensive income/(expense)** | 1.4 | *0.4* | (0.2) | *(0.3)* |
| Total comprehensive income/(expense) allocated to non-controlling interests | 0.4 | *0.1* | – | *(0.1)* |
| Dividends paid to non-controlling interests | – | – | 0.2 | *0.3* |

## 42 Subsidiary and associated undertakings (continued)

**Subsidiary undertakings (continued)**

**Summarised income statement**

| | Horizon Farms for year ended 31 December 2019 £'m | *2018 £'m* | Kakuzi Plc for year ended 31 December 2019 £'m | *2018 £'m* |
|---|---|---|---|---|
| Revenue | 4.8 | *5.2* | 21.2 | *21.7* |
| Profit before tax | 1.8 | *2.4* | 7.8 | *5.1* |
| Taxation | (1.1) | *(0.8)* | (2.3) | *(1.5)* |
| Other comprehensive (expense)/income | (0.3) | *0.7* | (1.2) | *2.5* |
| **Total comprehensive income** | 0.4 | *2.3* | 4.3 | *6.1* |
| Total comprehensive income allocated to non-controlling interests | 0.1 | *0.5* | 2.1 | *3.0* |
| Dividends paid to non-controlling interests | 0.3 | *0.3* | 0.7 | *0.5* |

**Summarised cash flows**

| | Eastern Produce Kenya Limited for year ended 31 December 2019 £'m | *2018 £'m* | Eastern Produce Malawi Limited for year ended 31 December 2019 £'m | *2018 £'m* |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | 2.0 | *9.1* | 6.4 | *6.2* |
| Net interest received | 1.2 | *1.6* | 0.1 | *0.2* |
| Income tax paid | (1.2) | *(3.8)* | (1.9) | *(1.6)* |
| Net cash generated from operating activities | 2.0 | *6.9* | 4.6 | *4.8* |
| Net cash used in investing activities | (1.4) | *(1.7)* | (1.5) | *(1.9)* |
| Net cash used in financing activities | (7.1) | *(4.2)* | (4.2) | *(2.3)* |
| Net (decrease)/increase in cash and cash equivalents and bank overdrafts | (6.5) | *1.0* | (1.1) | *0.6* |
| **Cash, cash equivalents and bank overdrafts at beginning of year** | 22.8 | *20.4* | 1.2 | *0.5* |
| Exchange (losses)/gains on cash and cash equivalents | (0.6) | *1.4* | – | *0.1* |
| **Cash, cash equivalents and bank overdrafts at end of year** | 15.7 | *22.8* | 0.1 | *1.2* |

## 42 Subsidiary and associated undertakings (continued)

**Subsidiary undertakings (continued)**

**Summarised cashflows**

| | Eastern Produce South Africa Limited for year ended 31 December | | Goodricke Group Limited for year ended 31 December | |
|---|---|---|---|---|
| | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* |
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | 3.2 | *2.1* | 9.1 | *1.3* |
| Net interest received | (0.1) | – | – | – |
| Income tax paid | – | – | (0.5) | *(1.0)* |
| Net cash generated from operating activities | 3.1 | *2.1* | 8.6 | *0.3* |
| Net cash used in investing activities | (2.8) | *(1.9)* | (6.1) | *(1.8)* |
| Net cash used in financing activities | – | – | (0.8) | *(1.6)* |
| Net increase/(decrease) in cash and cash equivalents and bank overdrafts | 0.3 | *0.2* | 1.7 | *(3.1)* |
| **Cash, cash equivalents and bank overdrafts at beginning of year** | 2.5 | *2.5* | (1.5) | *1.6* |
| Exchange losses on cash and cash equivalents | – | *(0.2)* | (0.1) | – |
| **Cash, cash equivalents and bank overdrafts at end of year** | 2.8 | *2.5* | 0.1 | *(1.5)* |

| | Horizon Farms for year ended 31 December | | Kakuzi Plc for year ended 31 December | |
|---|---|---|---|---|
| | 2019 £'m | *2018 £'m* | 2019 £'m | *2018 £'m* |
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | 3.1 | *1.8* | 9.3 | *7.4* |
| Net interest received | – | – | *0.9* | *0.9* |
| Income tax paid | (0.5) | *(0.7)* | (0.5) | *(2.6)* |
| Net cash generated from operating activities | 2.6 | *1.1* | 9.7 | *5.7* |
| Net cash used in investing activities | (0.2) | – | (6.7) | *(5.8)* |
| Net cash used in financing activities | (1.4) | *(1.6)* | (1.4) | *(1.0)* |
| Net increase/(decrease) in cash and cash equivalents and bank overdrafts | 1.0 | *(0.5)* | 1.6 | *(1.1)* |
| **Cash, cash equivalents and bank overdrafts at beginning of year** | 2.1 | *2.5* | 11.6 | *12.6* |
| Exchange (losses)/gains on cash and cash equivalents | (0.3) | *0.1* | (0.6) | *0.1* |
| **Cash, cash equivalents and bank overdrafts at end of year** | 2.8 | *2.1* | 12.6 | *11.6* |

## 42 Subsidiary and associated undertakings (continued)

**Associated undertakings**
The principal associated undertakings of the Group at 31 December 2019 were:

| | Principal country of operation | Registered Office | Accounting date 2019 | Group interest in equity capital per cent. |
|---|---|---|---|---|
| **Insurance and banking** | | | | |
| BF&M Limited (Incorporated in Bermuda – common stock) | Bermuda | (xvii) | 31 December | 37.8 |
| 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 |

## 42 Subsidiary and associated undertakings (continued)

Registered Offices:

*(i)* Linton Park
Linton
Maidstone
Kent
ME17 4AB
England

*(ii)* Amgoorie Tea Garden
PO: Amguri
Haloating - 785 681
Dist: Sibsagar
Assam
India

*(iii)* Camellia House
14 Gurusaday Road
Kolkata - 700019
West Bengal
India

*(iv)* Koomber Tea Garden
PO: Kumbhir
Cachar - 788 108
Assam
India

*(v)* Sessa Tea Garden
PO: Dibrugarh - 786001
Dist: Dibrugarh
Assam
India

*(vi)* Fazenda Maruque s/n
sala 03
Bairro Maruque
Itaberá
São Paulo
Brazil

*(vii)* Camellia House
22 Kazi Nazrul Islam
Avenue
Dhaka 1000
Bangladesh

*(viii)* Slangrivier Road
Slangrivier Plaas
Wellington
7655
South Africa

*(ix)* 7 Windsor Street
Tzaneen
850
Limpopo Province
South Africa

*(x)* New Rehema House
Rhapta Road
Westlands
P O Box 45560
GPO 00100
Nairobi
Kenya

*(xi)* Main Office
Punda Milia Road
Makuyu
P O Box 24
01000 Thika
Kenya

*(xii)* PO Box 53
Mulanje
Malawi

*(xiii)* 2520 West Shaw Lane
Suite 101
Fresno
California
USA

*(xiv)* Craigshaw Crescent
West Tullos
Aberdeen
AB12 3TB
Scotland

*(xv)* Robert-Drosten-Platz 1
D-82380
Peissenberg
Germany

*(xvi)* First Names House
Victoria Road
Douglas
Isle of Man
IM2 4DF

*(xvii)* 112 Pitts Bay Road
Pembroke
Bermuda
HM08

*(xviii)* 3rd Floor
180 Msasani Bay
Msasani
Dar Es Salaam
Tanzania

## 43 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 other than Simon Turner, who is a director of The Camellia Private Trust Company and the president of the board of the trustee of the Foundation, 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.

## 44 Related party transactions

*Group*
During the year the Group received rental income from the Foundation of £36,000 (2018: £22,804).

*Company*
The Company receives financial and secretarial services from Linton Park Plc, a directly owned subsidiary undertaking. The amount payable for these services for 2019 was £447,121 (2018: £402,572). At 31 December 2019 £5,943,853 (2018: £9,612,337) is owed to Linton Park Plc and is unsecured, interest free and has no fixed terms of repayment.

Amounts due to Lawrie Group Plc, a directly owned subsidiary undertaking of £10,876,941 (2018: £7,076,105) include an unsecured loan note of £4,191,777 (2018: £4,191,777). The remaining balance is unsecured, interest free and has no fixed terms of repayment.

Amounts due to other group undertakings of £193,187 (2018: £193,405) are unsecured, interest free and have no fixed terms of repayment.

## 45 Subsequent events

***COVID-19***

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

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

**45 Subsequent events (continued)**

*Impairment of intangible asset carrying values*
Refer to pages 56 to 57 for details of the Group's impairment methodology, impairment losses and reversals, net carrying value of intangible assets, and key assumptions and sensitivity analysis. Subsequent to the balance sheet date, the Group's Indian operations have seen significant disruption to production but it is unclear whether and to what extent this will continue and hence whether there will be any impact on the brand value carried in respect of the Indian Packet tea operations and the goodwill relating to the two estates in Assam.

Jing Tea has been particularly impacted by the global lockdowns and as a consequence depending on the duration of the disruption, the brand value carried may be impaired.

*Financial assets at fair value through other comprehensive income*
COVID-19 has had a significant impact on global stock markets and resulted changes to the dividend policies and prospects for the portfolio of equities held by the Group.

*Defined benefit pension schemes and other employee benefit arrangements*
Review of the key financial assumptions relating to the Group's pension schemes subsequent to the year end indicate movements as a result of changes in the fair value of the assets held in the schemes and as a result of reductions in interest rates. It is too early to assess the impact of COVID-19 upon the Group's long-term life expectancy assumptions. The fair value of plan assets has reduced and is expected to be volatile in the short term due to uncertain market conditions.

## 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 2019 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 45.

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

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| **Key audit matters** | The key audit matters that we identified in the current year were:<br>■ Revenue recognition<br>■ Fair value of biological assets under IAS 41 'Agriculture'<br>■ Impairment of factories and bearer plants<br>■ Provisions for tax, legal and employee benefits<br>■ Going concern assessment and related disclosures |
| **Materiality** | The materiality that we used for the Group financial statements was £1.1m which was determined on the basis of 5% of profit before tax from continuing operations. |

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| **Scoping** | Our scoping provides coverage of 91% of the Group's revenue, 69% of the Group's profit before tax and 86% of the Group's net assets from full scope audit and specified audit procedures. |
| **Significant changes in our approach** | We have identified two new key audit matters in the current year:<br>(i) Provisions for tax, legal and employee benefits. This have been included as a key audit matter due to the judgements and estimates involved in determining the provisions.<br>(ii) Going concern assessment and related disclosures. This have been included as a key audit matter due to the judgements relating to potential impact of COVID-19 on going concern. There are no other significant changes to our audit approach. |

**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**

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| Key audit matter description | The Group's agricultural operations involve a wide range of customer delivery models, including auction and retail sales. 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.<br>The Group's agricultural revenue of £238.7m is included within Sale of Goods of £242.9m (2018: £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. |

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| How our scope of work responded to the key audit matter | We have performed the following procedures in order to address the risk:<br>– We gained an understanding of the key processes and controls used to record revenue transactions.<br>– 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.<br>– We examined material journal entries that were posted to revenue accounts and obtained supporting evidence to test the appropriateness of revenue recognition. |
| Key observations | We have concluded that revenue is appropriately recognised in the correct accounting period in accordance with IFRS 15 |

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

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| Key audit matter description | The Group holds £9.1m (2018: £8.8m) 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 prices, costs and discount rates. The valuation is sensitive to some of the underlying assumptions.<br><br>Biological assets are disclosed in note 17 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:<br>– We gained an understanding of key processes and controls around the valuation of biological assets.<br>– For a selection of fair value models:<br>■ we assessed the inputs by assessing the historical accuracy of management's forecasts and comparing to third-party and market data; and<br>■ we tested the mechanical integrity of each 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**

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| Key audit matter description | The Group holds £222.5m (2018: £226.3m) of property, plant and equipment (PP&E), which includes factories and bearer plants. For components in the agriculture segment, 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 a risk that the indicators of impairment are not identified appropriately by management eventually resulting in an impairment charge not being recognised.<br><br>PP&E is disclosed in note 14 to the financial statements, the valuation is discussed as sources of estimation uncertainty, and the valuation policy is disclosed in the principal accounting policies. |

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| How our scope of work responded to the key audit matter | We have performed the following procedures in order to address the risk:<br>■ We gained an understanding of key processes and controls around the identification of impairment indicators for factories and bearer plants.<br>■ We challenged management's assessment as to whether indicators of impairment exist for factories and bearer plants with reference to operating losses incurred, disease or crop damage, 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, and significant changes in tax or foreign exchange rates.<br>■ For the CGUs where indicators of impairment were identified, we also tested management's determination of the recoverable amount for these CGUs, which included an assessment of the reasonableness of key inputs into the valuation and sensitivity analysis thereon. |
| Key observations | We concur with management that no impairment of factories and bearer plants is required. |

**Provision for tax, legal and employee benefits**

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| Key audit matter description | Given the various jurisdictions in which the Group operates, as described in the principal risks and uncertainties on page 22, there is a risk relating to uncertainties in relation to the interpretation of complex tax legislation, or arising from changes in local regulation or law including those related to employee benefits.<br>Judgement is also applied in estimating amounts payable to legal, regulatory or tax authorities in certain jurisdictions. This gives rise to a risk over the accuracy and disclosure of provisions and contingent liabilities. There is also a risk that management may influence these significant estimates and judgements in order to meet market expectations.<br>Contingent liabilities are disclosed in note 40 to the financial statements, their quantification is discussed as sources of estimation uncertainty, and the accounting policy for provisions 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:<br>■ We gained an understanding of key processes and controls around identification of tax, legal and employee benefits matters across the key components of the Group.<br>■ We sent confirmations to the Group's legal counsel in the key jurisdictions as at 31 December 2019. We also spoke to legal counsel on selected key issues.<br>■ We also reviewed the Group's correspondence with regulatory and tax authorities and understood management's interpretation and application of relevant laws and regulations.<br>■ Where appropriate, working with the legal specialists, we challenged the appropriateness of the Group's assumptions and estimates in relation to provisions and contingent liabilities.<br>■ We also assessed the appropriateness of disclosures in the financial statements. |

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| Key observations | From the work performed, we are satisfied that the key assumptions applied in respect of the recognition, measurement and disclosure of tax, legal and employee benefits matters are appropriate. |

**Going concern assessment and related disclosures**

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|---|---|
| Key audit matter description | The rapid spread and ongoing uncertainty surrounding the impact of COVID-19 has increased the complexity associated with the Directors' assessment of the Group's and parent company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the Financial Statements. The key considerations in relation to going concern are associated with the assessment of the Group and parent company's capital solvency and liquidity positions.<br><br>In addition, there is an increased risk associated with the adequacy of disclosures over the going concern assessment and events after the reporting date, particularly given that the majority of economic deterioration in relation to COVID-19 has occurred subsequent to the balance sheet date.<br><br>In making their assessment, the Directors consider that the going concern basis of accounting is appropriate and that there is no material uncertainty related to going concern. The Directors have disclosed their explanations and conclusions on the going concern basis and the key matters considered, including judgements in relation to the Group's ability to maintain production and distribution of its goods in the event of continuing disruption as a result of COVID-19. Management's associated consideration of the impact of COVID-19 on the parent company's and Group's ability to continue as a going concern is detailed on pages 30 and 31 within the Directors' Report. Detail of the impact of events after the reporting date is presented in note 45. |
| How our scope of work responded to the key audit matter | In performing procedures over management's going concern assessment, we reviewed and challenged:<br><br>■ the scenarios adopted by the Directors to capture potential downside risks, including the associated macro-economic assumptions; and the subsequent stress testing output, with a particular focus on the headroom available and the Group's cash resources, under severe but plausible stress scenarios.<br><br>■ the application of additional downside sensitivities including consideration of reverse-stress testing.<br><br>■ Management's business continuity plans and subsequent changes to those plans as a consequence of a prolonged impact from the COVID-19 pandemic.<br><br>■ the extent and nature of intra-Group funding obligations and ability of the parent company to repatriate funds from subsidiary companies.<br><br>In addition to the above noted procedures, we held meetings with Senior Management to discuss the Directors' assessment of going concern and to challenge matters arising from the review of Management's going concern paper.<br><br>In order to assess whether the post balance sheet event disclosures in note 45 were appropriate we have evaluated Management's assessment of the impact of the significant business developments that occurred after the year end, including the spread of COVID-19 and the resulting actions taken by Governments in Bangladesh, India, Kenya and Malawi where Group's principal crops are grown. |

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| Key observations | We concurred with management's going concern conclusions and consider the disclosures in relation to going concern and events after the reporting date to be appropriate. |

**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 |
|---|---|---|
| **Materiality** | £1.1m | £0.4m |
| **Basis for determining materiality** | 5% of adjusted profit before tax from continuing operations. | % of net assets, capped at 50% of Group performance materiality. |
| **Rationale for the benchmark applied** | 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 the parent company is a holding company, generating no revenue. |

**Performance materiality**

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered our assessment of the control environment and the level of audit adjustments identified in the prior period.

**Error reporting threshold**

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.06m (2018: £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 undertakes agricultural operations in countries across Africa, North and South America, and Asia, with its principal crops grown in Bangladesh, India, Kenya and Malawi. 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 82 principal components, 26 were subject to a full audit and 2 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 28 components represent the principal business units and account for 89% of the Group's revenue and 69% of the Group's profit before tax and 86% of the Group's net assets.

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

| Scope | Revenue % | Profit before tax % | Net assets % |
|---|---|---|---|
| Full scope | 91 | 70 | 65 |
| Specified audit procedures | - | (-1) | 21 |
| Review at Group level | 9 | 31 | 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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

**Responsibilities of Directors**

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

In preparing the financial statements, the Directors are responsible for assessing the 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. 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
- 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.

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

*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

7 May 2020

# FIVE YEAR RECORD

| | 2019 £'m | 2018 £'m | 2017 £'m Restated | 2016 £'m | 2015 £'m Restated |
|---|---|---|---|---|---|
| Revenue - continuing operations | 291.5 | 309.8 | 298.3 | 257.9 | 244.7 |
| Profit before tax | 22.3 | 52.5 | 27.6 | 26.5 | 24.0 |
| Taxation | (7.2) | (20.0) | (12.2) | (12.4) | (13.2) |
| Profit from continuing operations | 15.1 | 32.5 | 15.4 | 14.1 | 10.8 |
| (Loss)/profit from discontinued operation | – | (0.2) | 14.8 | (20.0) | (3.6) |
| Profit/(loss) attributable to owners of the parent | 8.3 | 25.2 | 23.8 | (10.7) | 1.4 |
| Equity dividends paid | 4.0 | 3.8 | 3.6 | 3.6 | 3.5 |
| **Equity** | | | | | |
| Called up share capital | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Reserves | 395.4 | 395.2 | 368.1 | 330.5 | 320.6 |
| **Total shareholders' funds** | 395.7 | 395.5 | 368.4 | 330.8 | 320.9 |
| Earnings/(loss) per share | 300.5 p | 912.4 p | 861.7 p | (387.4) p | 50.7 p |
| Earnings per share - continuing operations | 300.5 p | 919.6 p | 325.9 p | 336.7 p | 181.0 p |
| Dividend paid per share | 144 p | 138 p | 132 p | 130 p | 126 p |