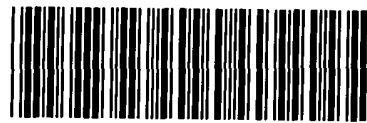


SURMAH VALLEY TEA COMPANY LIMITED

Registered number: 00053615

Report and Financial Statements
for the year ended 31 December 2022

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SURMAH VALLEY TEA COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
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SURMAH VALLEY TEA COMPANY LIMITED
COMPANY INFORMATION

Directors

Peter Field (resigned 9 March 2022)
Susan Walker
Imran Ahmed
Syed Ehsan Quadir
Joe Panter (appointed 9 March 2022)

Company Secretary

Amarpal Takk

Independent Auditor

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

Registered Office

Wrotham Place
Bull Lane
Wrotham, Near Sevenoaks
Kent
TN15 7AE
United Kingdom

Registered Number

00053615

SURMAH VALLEY TEA COMPANY LIMITED

STRATEGIC REPORT

for the year ended 31 December 2022

The Directors present their strategic report for the year ended 31 December 2022.

Business review, future developments and key performance indicators

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

For the year 2022, tea production was 1.85 mkg (2021: 2.35 mkg), sales volume 2.16 mkg (2021: 2.24 mkg), and revenue £4.0m (2021: £3.91m). Although sales prices increased by 2%, a 42% wage increase and arrears effective from August 2022, led to an increased operating loss of £337,814 (2021: loss of £203,188).

Management reviews monthly reports with a range of financial and other indicators to monitor the performance of its operations. This includes data on sales prices and volumes, costs of production and crop volumes against budget and on a per unit basis. Rainfall and other climate data are also considered.

Principal risks and uncertainties

The Company grows and manufactures tea in Bangladesh, and is a wholly owned subsidiary of Camellia Plc and as such the principal risks and uncertainties, key performance indicators, strategy and business model are in line with those of the group as a whole as disclosed in respect of Agriculture. A review of the principal risks and uncertainties, strategy and business model of the Camellia Plc group can be found in Camellia Plc's 2022 annual report on pages 22 to 24.

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

COVID-19

In 2022 COVID had no impact in the year on the operations of the Company in Bangladesh as the test positivity rates and the confirmed cases declined significantly and the economy started to operate normally. As part of the Camellia Plc group, the Company's response was in line with that set out in Camellia Plc's 2022 annual report on page 20.

The Directors recognise the very significant contribution from estate management and employees throughout the pandemic that allowed the Company to continue to trade almost uninterrupted despite the challenges created by COVID-19.

Ukraine War

There remains residual uncertainty about how the war in Ukraine might impact the tea market and input costs more broadly going forward. High energy prices will continue to affect our margins. Fertiliser prices also remain relatively high with the impact continuing to be felt in the cost of production across agricultural operations. Furthermore, rising inflation is leading to continuing increases in wage demands.

SURMAH VALLEY TEA COMPANY LIMITED

STRATEGIC REPORT (continued)

for the year ended 31 December 2022

Corporate Governance

The Board comprises four directors, two of whom are executive directors and two are non-executive directors. There are no independent directors. The Board met throughout the year. Members of the Board also liaised throughout the year with the shareholders.

The Company's operations are exclusively undertaken in Bangladesh and as such it has not adopted a UK corporate governance code. No board committees have been constituted. The management of the day to day operation of the business is managed by Duncan Brothers (Bangladesh) Limited, and is subject to local laws and regulations.

The Directors, through Duncan Brothers (Bangladesh) Limited, continue to have regard to the interests of the Company's employees and other stakeholders. The Company is a member of the Bangladesh Tea Association (Bangladeshiyo Cha Sangshad) and through that forum engages with the Bangladesh Cha Sramik Union, which represents tea workers, and Bangladesh Tea Estates Staff Association, which represents clerical staff.

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

Section 172 Statement

This section 172 statement should be read in conjunction with this Strategic Report and the Statement of Directors' Responsibilities.

In performing their duty under section 172(1) (a) to (f) of the Companies Act 2006, Directors have acted in a way that they have considered, in good faith, to promote the success of the Company, whilst carefully considering the interests of shareholders and its employees, in consultation with the managing agent.

Approved by the Board



Susan Walker

Director

7 September 2023

SURMAH VALLEY TEA COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 December 2022.

Principal Activities

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

Results and dividends

The loss for the year amounted to £31,027 (2021: profit £4,290). No dividend (2021: £nil) was paid during the year. The Directors have not proposed a final dividend for the year (2021: £nil).

Directors

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

Insurance

Camellia Plc purchases insurance to cover the Company's Directors and officers in respect of legal actions against them in their capacity as directors of the Company. Directors have access to independent professional advice at the Company's expense.

Review of business

The Company undertakes its principal activities through a branch in Bangladesh.

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Company financial statements in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Directors have also chosen to prepare the financial statements under United Kingdom adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SURMAH VALLEY TEA COMPANY LIMITED

DIRECTORS' REPORT (continued)

Responsibility statement

We confirm that to the best of our knowledge:

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

Auditors

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

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are not aware.

Each Director has taken all the steps that he ought to have taken as a director, including making enquiries of fellow directors and of the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Employees

The Company's policy is to consult and discuss with employees on any matters likely to affect their interests. It is also company policy that due consideration be given to employment applications received from disabled persons and to give employees who become disabled every opportunity to continue their employment. Information on matters of concern to employees is given through regular bulletins, notices and briefings, in order to achieve a common awareness of the financial and economic factors affecting the performance of the Company.

Future developments

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

Subsequent events

There have been no subsequent events requiring disclosure.

SURMAH VALLEY TEA COMPANY LIMITED

DIRECTORS' REPORT (continued)

Going concern

As set out in the Strategic Report, our business is currently operating broadly as normal.

The Directors, at the time of approving the financial statements, considered the Company's business activities together with the main trends and factors likely to affect the Company, and the most recent business performance of the Company along with the impacts of the pandemic.

The Directors considered the current trading environment and the possible impact of the Ukraine conflict on the business for the next 15 months.

We have considered several variables which may impact on revenue, profits and cash flows. In light of the nature of our business and our experience of trading through the pandemic and the Ukraine conflict over the last two years, we expect the business to operate broadly as currently.

We have modelled various severe but plausible scenarios using assumptions including the effect of reduced sales volumes for tea during 2023. The revenue and operational impact of such volume and price reductions would have a substantially negative impact on Company profitability.

Historically in the tea sector, restrictions on, or reductions in the supply of tea, have led to higher selling prices. However, for prudence for the purposes of our downside scenario planning, we have not reflected increased selling prices for tea nor any significant reduction to our operating cost base.

The Company has access to a committed loan facility of £0.4m.

Lawrie Group plc confirmed that it will continue to support the Company as necessary up to a maximum funding limit of £0.5m, to enable it to continue trading in a reasonable worst case scenario for a period lasting at least 12 months from the date of approving these financial statements.

Under both the base case and the downside scenario, the Company is expected to have sufficient headroom relative to the funding available to it. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approving the financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

Financial risk management

Information on the Company's financial risk management objectives and policies and on the exposure of the Company to relevant risks in respect of financial instruments is set out in note 22 of the Accounts.

Approved by the Board



Susan Walker

Director

7 September 2023

Independent auditor's report to the members of Surmah Valley Tea Company Limited

Opinion

In our opinion the financial statements of Surmah Valley Tea Company Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the latest cash flow forecasts of the Company and assessing the reasonability of the assumptions that management have used in their cash forecasts based on actual outcome post year end;
- Reviewing copies of existing and new overdraft and short term loan facilities and assessing the Company's cash forecasts against available facilities;
- Evaluating each of the sensitivities adopted by management and assessing downside scenarios of cash headroom over the forecast period by performing our own sensitivity analyses to gain adequate assurance regarding the solvency of the Company over the going concern review period; and
- Reviewed the letter of support provided by the parent company and assessed the ability of the parent entity to provide this support.
- Assessing the adequacy of the financial statement disclosures in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Surmah Valley Tea Company Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Surmah Valley Tea Company Limited

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included:

- UK Companies Act 2006
- UK Laws and Regulation
- Accounting standards
- Pensions regulations
- Tax legislation

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included:

- Food safety act (1990)
- Data protection Act
- Employment laws
- Health and Safety Act 1974
- Bribery Act

We discussed among the audit engagement team including relevant internal specialists such as tax and pensions specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

Revenue Recognition

The entity is a grower and manufacturer of tea in Bangladesh and its sales are made through auction. We have identified a fraud risk in relation to inappropriate cut-off of revenue recognition around the balance sheet date.

In addressing the risk of fraud on revenue recognition, we have performed the following procedures:

- We gained an understanding of the key processes and controls used to record revenue transactions.
- We reviewed and assessed commercial arrangements to determine the correct point of revenue recognition of different type of shipments.
- 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.
- We examined material journal entries that were posted to revenue accounts and obtained supporting evidence to test the appropriateness of revenue recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent auditor's report to the members of Surmah Valley Tea Company Limited

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Makhan Chahal, FCA (Senior statutory auditor)
Deloitte LLP
Statutory Auditor
London, United Kingdom

7 September 2023

SURMAH VALLEY TEA COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	2022 £	2021 £
Continuing operations			
Revenue	2	3,996,613	3,914,750
Cost of sales		(4,101,524)	(3,917,954)
Gross (loss)		(104,911)	(3,204)
Net operating expenses	4	(232,903)	(199,984)
Operating (loss)	3	(337,814)	(203,188)
Investment income	5	134,586	132,363
Finance income		10,124	8,213
Finance costs		(22,288)	(15,167)
Employee benefit expense	19	-	(2,137)
Net finance (expense)		(12,164)	(9,091)
(Loss) before tax from continuing operations		(215,392)	(79,916)
Taxation	8	184,365	84,206
(Loss)/Profit after tax from continuing operations		(31,027)	4,290
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post employment benefit obligations	19	(14,953)	40,013
Deferred tax movement in relation to post employment benefit obligations	18	4,112	(12,005)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		(396,969)	1,563
Other comprehensive (expense)/income for the year net of tax		(407,810)	29,571
Total comprehensive (expense)/income for the year		(438,837)	33,861

SURMAH VALLEY TEA COMPANY LIMITED

BALANCE SHEET

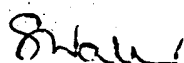
as at 31st December 2022

	Note	2022	2021
		£	£
ASSETS			
Non-current assets			
Property, plant and equipment	9	6,517,440	6,891,143
Right-of-use assets	10	157,720	174,231
Investments	11	317,003	336,892
Trade and other receivables	13	38,760	41,191
Total non-current assets		7,030,923	7,443,457
Current assets			
Inventories	12	626,809	971,125
Trade and other receivables	13	820,488	365,977
Current income tax assets		10,859	11,526
Cash and cash equivalents		143,210	814,874
Total current assets		1,601,366	2,163,502
LIABILITIES			
Current liabilities			
Financial liabilities - borrowings	14	1,204	1,204
Lease liabilities	15	17,776	18,891
Trade and other payables	16	794,408	989,821
Provisions	17	311,136	391,691
Total current liabilities		1,124,524	1,401,607
Net current assets		476,842	761,895
Total assets less current liabilities		7,507,765	8,205,352
Non-current liabilities			
Financial liabilities - borrowings	14	1,556	2,408
Lease liabilities	15	158,720	170,522
Employee benefit obligations	19	34,089	7,142
Deferred tax liabilities	18	918,721	1,191,764
Total non-current liabilities		1,113,086	1,371,836
Net assets		6,394,679	6,833,516
EQUITY			
Called up share capital	20	500,004	500,004
Share premium		4,996	4,996
Reserves		5,889,679	6,328,516
Total equity		6,394,679	6,833,516

Registered number: 00053615

The notes on pages 16 to 37 form part of the financial statements.

The Financial statements on pages 12 to 37 were approved on 7 September 2023 by the Board of Directors and signed on their behalf by:



Susan Walker
Director

SURMAH VALLEY TEA COMPANY LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 2022

	Note	2022 £	2021 £
Cash generated from operations			
Cash flows from operating activities	21	(112,613)	(67,050)
Interest paid		(5,065)	-
Interest received		10,124	34,248
Income taxes paid		(29,159)	(27,862)
Net cash flow from operating activities		<u>(136,713)</u>	<u>(60,664)</u>
Cashflows from investing activities			
Purchases of property, plant and equipment		(295,253)	(269,127)
Dividends received		134,586	132,363
Net cash flow from investing activities		<u>(160,667)</u>	<u>(136,764)</u>
Cashflows from financing activities			
Intra-group loans received		31,579	215,125
Intra-group loan repayments (made)		(109,310)	(215,125)
Intra-group loans (advanced)		(429,141)	(378,621)
Intra-group loan repayments received		153,843	292,571
Payments of lease liabilities		(19,085)	(18,770)
Net cash flow from financing activities		<u>(372,114)</u>	<u>(104,820)</u>
Net (decrease) in cash and cash equivalents from continuing operations		(669,494)	(302,248)
Cash and cash equivalents at beginning of year		814,874	1,113,274
Exchange (loss)/gain on cash		(2,170)	3,848
Cash and cash equivalents at end of year		<u>143,210</u>	<u>814,874</u>
Cash and cash equivalents included in the cash flow statement comprise the following:-			
Cash at bank and in hand		143,210	814,874
Bank Overdraft		-	-
		<u>143,210</u>	<u>814,874</u>

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

SURMAH VALLEY TEA COMPANY LIMITED**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2022

	Share Capital £	Share Premium £	Retained Earnings £	Total Equity £
At 1 January 2021	500,000	-	6,294,655	6,794,655
Total comprehensive income for the year	-	-	33,861	33,861
Shares issued	4	4,996	-	5,000
At 31 December 2021	500,004	4,996	6,328,516	6,833,516
Total comprehensive (expense) for the year	-	-	(438,837)	(438,837)
At 31 December 2022	500,004	4,996	5,889,679	6,394,679

SURMAH VALLEY TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

The Company is a private company limited by shares, registered in England and Wales and incorporated under the Companies Act. The Company's registered number and registered office are set out at page 2.

1. ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRS IC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost basis.

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

b) Foreign currency translation

The presentation currency of the Company is pounds sterling, the currency of the country in which the Company is incorporated. The operations of the Company are based in Bangladesh and the functional currency is Bangladesh takas. The statement of comprehensive income and cash flows are translated into pounds sterling at average exchange rates for the year and balance sheet items are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from translation of the net investment in the foreign operation are taken to shareholders' equity.

c) Revenue recognition

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

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

- the identification of contract(s) with customers
- the identification of the performance obligations in the contract
- the determination of the transaction price
- the allocation of the transaction price to the performance obligations in the contract
- the recognition of revenue when (or as) a performance obligation has been satisfied

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

d) Property, plant and equipment

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

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

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

d) Property, plant and equipment (continued)

Rates of depreciation are:

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

No depreciation is provided on bearer plants until maturity when commercial levels of production have been reached. No depreciation is provided on assets under the course of construction until they are brought into use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in the statement of comprehensive income.

Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

e) Impairment of non-financial assets

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

f) Financial assets

Classification of financial assets

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

On initial recognition, the Company has made an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI.

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

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

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

Impairment of financial assets

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

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

SURMAH VALLEY TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

The Company recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

(i) Significant increase in credit risk

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

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

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

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

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

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

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

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
 - information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).
- Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that different default criterion is more appropriate.

(iii) Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);

SURMAH VALLEY TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) a disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write off policy

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

(v) Measurement and recognition of expected credit losses

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

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

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

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

Derecognition of financial assets

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

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

SURMAH VALLEY TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

g) Inventories

Agricultural produce included within inventory largely comprises stock of 'black' tea. In accordance with IAS 41, on initial recognition, agricultural produce is required to be measured at fair value less estimated point of sale costs. Made tea inventories include the fair value of green leaf.

Other inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and selling expenses.

h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

i) Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

j) Trade payables

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

k) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than in a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or 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.

l) Employee benefits

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

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

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

SURMAH VALLEY TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

l) Employee benefits (continued)

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

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

m) Provisions

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

n) Share capital

Ordinary shares are classified as equity.

o) Critical accounting judgements and key sources of estimation uncertainty

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

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Impairment of assets

The Company has significant investments in property, plant and equipment (including bearer crops), as set out in note 9. These assets are tested for impairment when circumstances indicate there may be a potential impairment.

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.

(ii) Retirement benefit obligations

Pension accounting requires certain assumptions to be made in order to value obligations and to determine the impact on the Income Statement. These figures are particularly sensitive to assumptions for discount rates, life expectancy and inflation rates. Details of assumptions made and sensitivity analysis are given in note 19.

(iii) Taxation

Income tax liabilities include provisions based on management's interpretation of country specific 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 liabilities differ from the provisions, adjustments are made which can have a material impact on the Company's profits for the year. It is not practicable to quantify the range of outcomes with the application of sensitivity analyses. Tax provision movements are disclosed in note 8.

(iv) Provisions and other liabilities

Provisions include ongoing wage and bonus negotiations which are based on management's judgement of the expected outcome of these negotiations. Where actual wage and bonus awards differ from the provisions, adjustments are made which can have a material impact on the Company's profits for the year. Provision movements are disclosed in note 17.

(v) COVID

In addition, in light of the current ongoing impact of the COVID pandemic, valuations of certain assets and liabilities are necessarily more subjective.

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

SURMAH VALLEY TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

IFRS 16 LEASES

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

SURMAH VALLEY TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

Amendments to IAS 16 Property, Plant and Equipment - Proceeds before intended use

The Company has adopted the amendments to IAS 16 for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Annual Improvements to IFRS Standards 2018-2020

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to three standards.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

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

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1 - Classification of liabilities as current or non-current

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies

Amendments to IAS 8 - Definition of accounting estimates

Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except if indicated below.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendment replaces all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

SURMAH VALLEY TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

A change in accounting estimate that results from new information or new developments is not the correction of an error; and

The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also added an illustrative example to IAS 12 that explains how the amendments are applied.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

Right-of-use assets and lease liabilities

Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2022 £	2021 £
2. REVENUE		
Tea Sales - Bangladesh	3,996,613	3,914,750
Recognised at a point in time	3,996,613	3,914,750
	2022 £	2021 £
3. OPERATING (LOSS)		
Is stated after charging:		
Depreciation of tangible assets	258,511	255,834
Depreciation of right-of-use assets	6,684	6,574
Cost of inventories recognised as an expense (included in cost of sales)	523,045	517,849
Employee costs	2,110,519	2,067,198
Fees payable to Deloitte LLP for the audit of the Company's annual accounts of £10,100 (2021: £9,200) were borne by Camellia Plc, the ultimate parent undertaking, without recharge.		
	2022 £	2021 £
4. NET OPERATING EXPENSES		
Administrative expenses	237,993	200,497
Other income - rent received and intra-group recharges	(5,090)	(513)
	232,903	199,984
	2022 £	2021 £
5. INVESTMENT INCOME		
Income from listed investments - dividends received	134,586	132,363
	2022 £	2021 £
6. EMPLOYEES AND DIRECTORS		
Staff costs:		
Wages and salaries	1,966,028	1,906,595
Employment benefit obligation costs	144,491	160,603
	2,110,519	2,067,198
	2022 Number	2021 Number
The monthly average number of persons employed by the company was:		
Production	3,048	3,047
Management and administration	94	94
	3,142	3,141

The Directors received no emoluments during the year from the Company (2021: £nil) as they are remunerated by other group companies.

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. DIVIDENDS

	2022 £	2021 £
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2022 of £nil (2021: £nil) per share	-	-

8. TAXATION

The Company's branch is resident for taxation purposes in Bangladesh.

(a) Current tax

UK Corporation tax:

UK Corporation tax at 19% (2021: 19%)

Double tax relief

Foreign tax:

Current tax on (loss) for the year

Minimum tax

Deferred tax - origination and reversal of timing differences

Taxation

	2022 £	2021 £
	-	-
	-	-
	-	-
	-	-
	-	27,648
	29,141	-
	(213,506)	(111,854)
	(184,365)	(84,206)

(b) Factors affecting tax charge for the year

The differences between tax calculated at the standard rate of taxation in the UK of 19% (2021: 19%) and that charged in the Financial Statements are explained below:

	2022 £	2021 £
(Loss) before tax from continuing operations	(215,392)	(79,916)
Tax on (loss) on ordinary activities at 19% (2021: 19%)	(40,924)	(15,184)
Effects of:		
Unrecognised deferred tax on losses	40,924	15,184
Income not subject to tax	-	476
Movement in other timing differences	(184,365)	(84,682)
Total tax (credit) for the year	(184,365)	(84,206)

(c) The results of the Company's branch in Bangladesh are subject to local taxation at rates in excess of those charged in the UK.

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

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

9. PROPERTY, PLANT AND EQUIPMENT

	Bearer plants £	Buildings £	Plant and Machinery £	Vehicles £	Fixtures, Fittings Tools and Equipment £	Assets in Course of Construction £	Total £
Deemed Cost							
At 1 January 2021	5,080,601	2,431,179	1,212,787	215,850	187,937	415,591	9,543,945
Currency retranslation	(15,089)	(6,352)	(3,801)	(620)	(1,460)	(775)	(28,097)
Transfers between categories	122,543	142,811	(2,640)	1,025	(141,198)	(122,541)	-
Additions	-	50,542	1,043	7,433	5,728	204,381	269,127
At 31 December 2021	5,188,055	2,618,180	1,207,389	223,688	51,007	496,656	9,784,975
Currency retranslation	(312,748)	(156,663)	(71,307)	(13,862)	(4,796)	(37,195)	(596,571)
Transfers between categories	113,922	-	-	-	-	(113,922)	-
Additions	-	30,576	409	9,563	26,018	228,686	295,252
Disposals	(19,640)	-	-	-	-	-	(19,640)
At 31 December 2022	4,969,589	2,492,093	1,136,491	219,389	72,229	574,225	9,464,016
Accumulated Depreciation							
At 1 January 2021	844,962	748,347	716,536	192,526	142,243	-	2,644,614
Currency retranslation	(1,679)	(1,363)	(1,938)	(555)	(1,081)	-	(6,616)
Transfers between categories	-	100,806	(1,351)	-	(99,455)	-	-
Charge for the year	149,315	50,463	48,161	7,232	663	-	255,834
At 31 December 2021	992,598	898,253	761,408	199,203	42,370	-	2,893,832
Currency retranslation	(67,760)	(56,433)	(48,209)	(12,199)	(2,709)	-	(187,310)
Disposals	(18,457)	-	-	-	-	-	(18,457)
Charge for the year	151,977	49,617	47,490	6,402	3,025	-	258,511
At 31 December 2022	1,058,358	891,437	760,689	193,406	42,686	-	2,946,576
Net book value							
At 31 December 2022	3,911,231	1,600,656	375,802	25,983	29,543	574,225	6,517,440
Net book value							
At 31 December 2021	4,195,457	1,719,927	445,981	24,485	8,637	496,656	6,891,143

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

10. RIGHT-OF-USE ASSETS

	Land and Buildings £	Total £
Deemed cost		
At 1 January 2021	193,315	193,315
Currency retranslation	(605)	(605)
At 31 December 2021	192,710	192,710
Currency retranslation	(11,377)	(11,377)
At 31 December 2022	181,333	181,333
Accumulated Depreciation		
At 1 January 2021	11,900	11,900
Currency retranslation	5	5
Charge for the year	6,574	6,574
At 31 December 2021	18,479	18,479
Currency retranslation	(1,550)	(1,550)
Charge for the year	6,684	6,684
At 31 December 2022	23,613	23,613
Net book value		
At 31 December 2022	157,720	157,720
Net book value		
At 31 December 2021	174,231	174,231

The Company leases assets including land and buildings. The average lease term is 28 years.
The maturity analysis of lease liabilities is presented in note 15.

	2022 £	2021 £
Amounts recognised in the Statement of Comprehensive Income:		
Interest expense on lease liabilities	17,222	17,089

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2022 £	2021 £
11. INVESTMENTS		
Investments in subsidiaries of Camellia Group - at cost		
At 1st January	2,373	2,380
Exchange differences	(140)	(7)
At 31st December	<u>2,233</u>	<u>2,373</u>
Investments in associates of Camellia Group - at cost		
At 1st January	334,519	335,567
Exchange differences	(19,749)	(1,048)
At 31st December	<u>314,770</u>	<u>334,519</u>

The Company has neither control nor significant influence over these investments. Investments are carried at cost less impairment, if any.

	2022 £	2021 £
12. INVENTORIES		
Stock of tea	359,165	744,145
Stock of rubber	25,227	20,351
Estate stores	242,417	206,629
	<u>626,809</u>	<u>971,125</u>

	2022 £	2021 £
13. TRADE AND OTHER RECEIVABLES		
Due within one year		
Trade debtors	201,596	110,342
Other debtors	51,421	25,218
Amounts owed by group companies	360,933	85,669
Prepayments and accrued income	206,538	144,748
	<u>820,488</u>	<u>365,977</u>
Due after more than one year		
Other debtors	<u>38,760</u>	<u>41,191</u>

No expected credit loss allowance was made at 31 December 2022 (2021: £nil) as no trade debtors were past their due date at 31 December 2022.

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

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2022	2021
	£	£
14. BORROWINGS		
Current:		
Term loans secured	1,204	1,204
Non-current:		
Bank loans (secured against property, plant and equipment and biological assets)	1,556	2,408
	<u>2,760</u>	<u>3,612</u>
The repayments of bank loans and overdrafts fall due as follows:		
Within one year	1,204	1,204
Between 1 - 2 years	1,556	1,204
Between 2 - 5 years	-	1,204
	<u>2,760</u>	<u>3,612</u>

Interest rates vary from 8% per annum to 9.5% per annum (2021: 8% - 9%).

15. LEASES

	2022	2021
	£	£
Maturity analysis		
Within one year	17,776	18,891
Between 1 - 2 years	17,776	18,891
Between 2 - 5 years	53,328	56,673
After 5 years	87,616	94,958
	<u>176,496</u>	<u>189,413</u>
Analysed as:		
Current	17,776	18,891
Non-current	158,720	170,522
	<u>176,496</u>	<u>189,413</u>

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

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2022 £	2021 £
16. TRADE AND OTHER PAYABLES		
Amounts falling due within one year		
Trade payables	55,966	117,529
Other payables	708,306	737,019
Accruals and deferred income	295	282
Amounts owed to group companies	29,841	134,991
	<u>794,408</u>	<u>989,821</u>
	2022	2021
17. PROVISIONS	£	£
At 1 January	391,691	357,391
Exchange differences	(23,124)	(1,931)
Provided in period	-	362,787
Utilised in period	(27,945)	(326,556)
Unused amounts reversed in period	(29,486)	-
At 31 December	<u>311,136</u>	<u>391,691</u>
The provisions are in respect of ongoing wage and bonus negotiations.		
	2022	2021
18. DEFERRED TAX :	£	£
ASSETS		
At 1 January	216,363	242,692
Exchange differences	(18,147)	(923)
Movement in statement of comprehensive income	74,209	(13,401)
Movement relating to retirement benefit obligations - included in other comprehensive income	4,112	(12,005)
At 31 December	<u>276,537</u>	<u>216,363</u>
The deferred tax asset at the start and end of the year relates to Workers Profit Participation costs and retirement benefit obligations. Deferred tax assets are recognised only to the extent that the realisation of the related deferred tax benefit through future taxable profits is probable.		
	2022	2021
LIABILITIES	£	£
At 1 January	1,408,127	1,539,003
Exchange differences	(73,572)	(5,621)
Movement in statement of comprehensive income	(139,297)	(125,255)
At 31 December	<u>1,195,258</u>	<u>1,408,127</u>
NET	<u>(918,721)</u>	<u>(1,191,764)</u>

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

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. EMPLOYMENT BENEFIT OBLIGATIONS

The Company has an obligation to make compensation payments on retirement or other events terminating employment, based on years of service. These obligations are estimated annually using the projected unit method by qualified independent actuaries.

The defined benefit plans are administered by separate funds that are legally separate from the Company. The plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The most recent actuarial valuations of the plans assets and the present value of the defined benefit liability were carried out as at 31 December 2022 by Ritobrata Sarkar, Fellow of the Institute of Actuaries of India, of Willis Towers Watson India Private Ltd.

The principal rules of the Gratuity Scheme are:

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

Assumptions

The major assumptions used in the valuation (actuary's report of 6 January 2023) to determine the present value of the post-employment benefit obligations were as follows:

	2022 per annum	2021 per annum
Discount rate applied to scheme liabilities	8.00%	6.80%
Rate of increase in salaries	6.00%	6.00%

Sensitivity analysis	Change in assumption	Impact on benefit obligation
Discount rate	+ 1%	-7.0%
Discount rate	-1%	7.9%
Salary escalation	+ 1%	8.0%
Salary escalation	-1%	-7.1%

The expected total contributions to the Gratuity Scheme for the year ending 31 December 2023, is £13,360.

The weighted average duration of defined benefit obligation of the plan is 8 years.

Asset allocations are as follows:

	Gratuity Scheme
Fixed deposits	95.73%
Cash including special deposits	4.27%

Actuarial valuations	2022 £	2021 £
Debt securities	232,383	248,517
Cash	10,365	23,057
Total fair value of plan assets	242,748	271,574
Present value of defined benefit obligations	(276,837)	(278,716)
Total deficit in the scheme	(34,089)	(7,142)

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. EMPLOYMENT BENEFIT OBLIGATIONS (continued)

	2022 £	2021 £
Amount recognised in the balance sheet	(34,089)	(7,142)
Deferred tax asset on defined benefit scheme	11,079	2,321
Net deficit	<u>(23,010)</u>	<u>(4,821)</u>

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

	2022 £	2021 £
At 1 January	271,574	288,567
Expected return on plan assets	18,169	15,817
Employer contributions		17,100
Benefit payments	(28,949)	(50,615)
Actuarial movement	(2,956)	1,795
Exchange movement	(15,090)	(1,090)
At 31 December	<u>242,748</u>	<u>271,574</u>

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

	2022 £	2021 £
At 1 January	(278,716)	(334,230)
Current service cost	(14,431)	(16,843)
Interest cost	(18,169)	(17,955)
Benefit payments	28,949	50,615
Actuarial movement	(11,997)	38,218
Exchange movement	17,527	1,479
At 31 December	<u>(276,837)</u>	<u>(278,716)</u>

SURMAH VALLEY TEA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. EMPLOYMENT BENEFIT OBLIGATIONS (continued)

Income statement

The amounts recognised in the income statement are as follows:

	2022 £	2021 £
Current service cost	(14,431)	(16,843)
Interest	-	(2,138)
Total (charged) to Income Statement	<u>(14,431)</u>	<u>(18,981)</u>

Statement of comprehensive income

The amounts recognised in other comprehensive income are as follows:

	2022 £	2021 £
Remeasurements:		
Return on plan assets, excluding amount included in interest	(2,956)	1,795
Movement from changes in financial assumptions	(11,997)	38,218
Actuarial movement	<u>(14,953)</u>	<u>40,013</u>

20. SHARE CAPITAL

Allotted, called up and fully paid
500,004 (2021: 500,004) shares of £1 each

	2022 £	2021 £
	<u>500,004</u>	<u>500,004</u>

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

	2022 £	2021 £
Operating (loss)	(337,814)	(203,188)
Depreciation	265,196	262,409
Gain on disposal of property, plant and equipment	1,183	-
Actuarial gain/(loss)	14,953	(12,004)
Movement in provisions	(80,555)	(824,275)
Movement in inventories	308,127	(108,223)
Movement in debtors	(210,219)	(81,554)
Movement in creditors	(21,289)	909,277
Change in intra-group balances and loans	(52,195)	(9,492)
Cash flow from operations	<u>(112,613)</u>	<u>(67,050)</u>

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of its debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 14, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Categories of financial instruments

	Carrying value	
	2022	2021
	£	£
Assets as per Balance Sheet		
Cash at bank and in hand	143,210	814,874
Trade and other receivables excluding prepayments	652,710	262,420
	<u>795,920</u>	<u>1,077,294</u>
Liabilities as per Balance Sheet		
Other financial liabilities at amortised cost		
Borrowings	2,760	3,612
Lease liabilities	176,496	189,413
Trade and other payables excluding taxation	794,408	989,821
	<u>973,664</u>	<u>1,182,846</u>

Financial risk management objectives

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

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL INSTRUMENTS (continued)

(A) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

(iii) Cash flow and interest rate risk

The Company's interest rate risk arises from interest-bearing assets and short and long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. The company has no fixed rate exposure.

(B) Credit risk

The Company has policies in place to limit its exposure to credit risk. Credit risk arises from cash at bank, as well as credit exposures to customers, including outstanding receivables and committed transactions. Management assesses the credit quality of the customer taking into account its financial position, past experience and other factors and monitors the utilisation of credit limits regularly.

(C) Liquidity risk

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

23. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The parent company is Lawrie Group Plc which is registered in England and Wales and the ultimate parent company is Camellia Plc which is also registered in England and Wales - web address: www.camellia.plc.uk. Both companies have their registered office at Linton Park, Linton, Maidstone, Kent, ME17 4AB.

Copies of the Camellia Plc report and financial statements prepared in accordance with International Financial Reporting Standards can be obtained from Linton Park, Linton, Maidstone, Kent ME17 4AB. Camellia Plc is the only company to consolidate the Company's financial statements.

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

SURMAH VALLEY TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24. RELATED PARTY TRANSACTIONS

Related party transactions in respect of intra-group sales and recharges which are included within revenue and cost of sales, and outstanding debtor/(creditor) balances which are included within Trade and other receivables, and Trade and other payables, are as follows:

Company Name	Sales to / (purchases from) £	Recharges to / (from) £	Intra-group loans advanced / (received) £	Intra-group balance debtor / (creditor) £
Mazdehee Tea Company, Limited (The)	-	(24,724)	105,261	(10,643)
Chandpore Tea Company Limited (The)	(234,339)	(13,787)	105,261	68,824
Amo Tea Company Ltd	(11,874)	(1,528)	(11,336)	75,413
Allynugger Tea Company, Limited (The)	-	(3,618)	-	83,452
Lungla (Sylhet) Tea Company, Limited (The)	(165)	(245,445)	170,037	132,525
Duncan Brothers (Bangladesh) Ltd	-	(12,478)	(20,243)	(1,480)
Eastland Camellia Ltd	(69,011)	2,244	48,582	(16,998)
Octavius Steel & Company Ltd	-	2,234	-	(720)
	(315,389)	(297,102)	397,562	330,373

Amounts due from / to these fellow group undertakings include trading balances, recharges and intra-group loans, which are unsecured, interest free and have no fixed term of repayment.