

Company registration no. 2654245

Global Tea & Commodities Ltd

**Annual Report and Financial Statements
For the year ended 31 December 2018**



Global Tea & Commodities Ltd
Annual Report and Financial Statements

Contents

For the year ended 31 December 2018

	Page
Company Information	1
Strategic Report	2
Directors' Report	4
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Financial Statements	15
Company Statement of Financial Position	46
Company Statement of Changes in Equity	47
Notes to the Company Financial Statements	48

Company information

For the year ended 31 December 2018

Directors	M McBrien
	F Ahmed
	N Ahmed
Company secretary	M McBrien
Registered number	2654245
Registered office	1 Duchess Street
	London
	W1W 6AN
Independent auditor	Mazars LLP
	Chartered Accountants & Statutory Auditor
	14 th Floor
	The Plaza
	100 Old Hall Street
	Liverpool
	L3 9QJ

Strategic Report

For the year ended 31 December 2018

Principal business activities

Global Tea & Commodities Ltd is the holding company of the Global Tea & Commodities group of companies. In addition Global Tea & Commodities Ltd is engaged in the trading of tea and general commodities. Through its subsidiary companies the group operates coffee and macadamia nut plantations in Malawi and tea packing and trading facilities in Kenya.

Principal risks and uncertainties

World demand for the commodities produced by the group continues to increase. Many of the products sold by the group carry a relatively low unit price and world demand for these products is generally unaffected by factors affecting the world economy.

The core of the products sold by the group are agriculture based and world supply of the underlying commodities is largely dependent on the weather patterns in the producing countries. The resultant volatility in world supply can lead to fluctuations in the world price of these commodities.

A proportion of the group's revenues and costs are earned in Sterling and are subject to translation risk.

Financial KPI

In the year under review the world price of tea and coffee were:

Quarterly Averages	Oct - Dec	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	Jul - Sep
US\$/Kg	2017	2018	2018	2018	2018	2019	2019	2019
Tea Average	3.16	2.98	2.95	2.78	2.69	2.43	2.65	2.62
Coffee Arabica	3.08	3.01	2.97	2.77	2.95	2.80	2.73	2.87

Revenue in the manufacturing division in Kenya decreased during 2018 with sales, including group transactions, rising to US\$36m (2017: US\$41m). Volumes and margins on sales to the UK continue to be adversely affected by the Brexit referendum with the average Sterling exchange rate during the year at to \$1.332 (2017: \$1.295). This combined with higher tea prices reduced margins on export sales. Margins on sales of the Company's Kericho Gold & Baraka Chai brands improved with the introduction of premium speciality teas and infusions. Full year gross margins for 2018 were 12.8% (2017: 13.1%). The continued growth in the speciality branded sector is expected to improve margins into 2019.

The trading division operates in a competitive environment with a few select customers worldwide. During 2018 the group continued the policy of only trading with long established customers. Sales volumes during 2018 increased to 65.9m kg (2017: 61.3m kg). The increase in volumes together with higher tea prices during much of the year resulted in turnover, including group transactions, increasing to US\$189m (2017: US\$201m). The increase in tea prices resulted in gross margins decreasing to 3.5% (2017: 2.9%).

Coffee harvesting season for the group's plantation operations commences in August and finishes in March of the following year. The drought in Malawi adversely affected the harvest levels in 2016 & 2017 for both the coffee and macadamia crops. Average coffee prices achieved by the group during the year decreased to \$3.07 (2017: \$3.33) which was partly offset by an increased harvest.

Global Tea & Commodities Ltd
Annual Report and Financial Statements

Strategic Report

For the year ended 31 December 2018

	2018	2017	2016	2015	2014	2013
	MT	MT	MT	MT	MT	MT
Production						
Macadamia	335	235	237	313	296	261
Coffee	379	325	435	575	682	681
Sales						
Macadamia	353	219	272	310	315	237
Coffee	271	325	427	680	766	638

The low crop of coffee and macadamia resulted in gross margins for the plantation division decreasing to 44.5% (2017: 27.6%).

Turnover, including group transactions, for the division was US\$5.5m (2017: US\$3.8m).

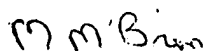
Macadamia continues to perform strongly and should continue to contribute as orchards mature.

Non Financial KPI

The group continues to invest in sustainable development programs to reduce the environmental impact of its operations.

The coffee plantations of the group have been certified under the Rain Forest Alliance certification scheme.

By order of the Board



M McBrien

Director

Date: 13 December 2019

Global Tea & Commodities Ltd
Annual Report and Financial Statements

Directors' Report

For the year ended 31 December 2018

The directors present their directors' report and financial statements of the group for the year ended 31 December 2018.

Principal activities

Global Tea & Commodities Ltd is the holding company of the Global Tea & Commodities group of companies. In addition Global Tea & Commodities Ltd is engaged in the trading of tea and general commodities. Through its subsidiary companies the group operates coffee and macadamia nut plantations in Malawi and tea packing and trading facilities in Kenya.

Results and dividends

The trading results of the group for the year, and the group's and Company's financial position at the end of the year are shown in the attached financial statements. The financial statements have been restated for changes in accounting policy as detailed in note 30.

The directors have not recommended the payment of a dividend (2017: \$nil).

Future developments

There are no anticipated changes to the nature of the group's operations in 2019. The group's trading and manufacturing operations continue to trade profitably but the Company will continue to see lower margins on exports of packaged tea. Maturing macadamia orchards will continue to have positive effects on the profitability of the plantation division but this will be partly offset by low coffee prices. It is expected that 2019 overall performance will be similar to 2018.

Employees

The Group continues to recruit, train and develop disabled employees and make reasonable adjustments where employees become disabled during their employment.

The Group undertakes regular risk assessments to protect the health and safety of its employees.

Employee committees operate in all the companies in the Group to promote the involvement of employees in the management of the company.

Directors

The directors who held office during the year were as follows:

N Ahmed
M McBrien
F Ahmed

Donations

During the year the company made the following contributions:

	2018	2017
	\$	\$
Charitable	25,595	46,153
Political	-	4,816

Global Tea & Commodities Ltd
Annual Report and Financial Statements

Directors' Report

For the year ended 31 December 2018

Matters covered in the Strategic Report and Financial Statements

As permitted by Schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report and in note 27 of the Financial Statements. These matters relate to principal risks and uncertainties, the principal activities of the company and financial risk management of the Group.

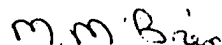
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Mazars LLP will therefore continue in office.

By order of the Board



M McBrien

Director

Date: 13 December 2019

Statement of Directors' Responsibilities

For the year ended 31 December 2018

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with applicable law, and the company financial statements in accordance with Financial Reporting Standard 101 ("FRS 101") and in accordance with applicable law. 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 group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union and FRS 101 have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS and FRS 101 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Global Tea & Commodities Limited

Opinion

We have audited the financial statements of Global Tea & Commodities Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with 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.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

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 this regard.

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.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

Use of the audit 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.



Gareth Hitchmough (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

14th Floor
The Plaza
100 Old Hall Street
Liverpool
L3 9QJ

Date

13 December 2019

Global Tea & Commodities Ltd
Annual Report and Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 \$	Restated 2017 \$
Revenue	3	216,482,072	225,666,843
Cost of sales		(194,006,278)	(205,183,881)
Gross profit		22,475,794	20,482,962
Distribution costs		(7,319,178)	(6,848,422)
Administrative expenses		(13,728,857)	(12,824,885)
Other operating income		2,962,154	2,878,554
Change in the fair value of biological assets	13	92,651	746,525
Operating profit	4	4,482,564	4,434,734
Finance income	8	260,513	31,422
Finance costs	9	(3,209,368)	(3,158,067)
Other gains and (losses)	10	54,711	(102,839)
Profit before taxation		1,588,420	1,205,250
Taxation	11	(455,778)	(186,476)
Profit for the year		1,132,642	1,018,774
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on property revaluation		2,852,699	2,430,513
Deferred tax on property revaluation		(822,029)	(617,894)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		4,691	(3,070)
Total comprehensive income for the year		3,168,003	2,828,323
Profit for the year, attributable to:			
Equity owners of the parent		1,123,100	1,016,634
Non-controlling interests		9,542	2,140
		1,132,642	1,018,774
Total comprehensive income, attributable to:			
to:			
Equity owners of the parent		3,158,461	2,826,183
Non-controlling interests		9,542	2,140
		3,168,003	2,828,323

The notes on pages 15 to 45 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

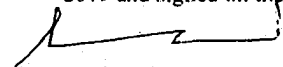
	Notes	2018 \$	Restated 2017 \$	2016 \$
ASSETS				
Non-current assets				
Property, plant and equipment	12	32,041,049	30,232,203	28,821,196
Biological assets – non-current	13	135,208	121,380	122,692
Investments	15	6,464,085	6,464,085	6,464,085
Deferred tax asset	23	707,224	1,251,514	966,855
Trade and other receivables	17	5,099,984	2,425,555	-
		<u>44,447,550</u>	<u>40,494,737</u>	<u>36,374,828</u>
Current assets				
Inventories	16	21,295,928	20,612,691	18,708,208
Biological assets - current	13	812,715	738,831	-
Trade and other receivables	17	30,238,979	31,942,476	28,617,738
Cash and bank balances	18	1,379,938	1,239,819	3,564,593
		<u>53,727,560</u>	<u>54,533,817</u>	<u>50,890,539</u>
Total assets		<u>98,175,110</u>	<u>95,028,554</u>	<u>87,265,367</u>
LIABILITIES				
Current liabilities				
Trade and other payables	19	20,004,667	20,140,984	14,693,592
Current tax liabilities		181,634	240,520	474,573
Borrowings	20	32,173,831	34,998,081	34,737,364
		<u>52,360,132</u>	<u>55,379,585</u>	<u>49,905,529</u>
Non-current liabilities				
Trade and other payables	19	75,501	546,434	162,777
Borrowings	20	7,123,746	4,414,661	5,224,830
Derivative financial instruments	22	314,882	113,652	1,168,680
Deferred tax liabilities	23	5,744,145	5,185,521	4,243,173
Provisions	24	-	-	-
		<u>13,258,274</u>	<u>10,260,268</u>	<u>10,799,460</u>
Total liabilities		<u>65,618,406</u>	<u>65,639,853</u>	<u>60,704,989</u>
Net assets		<u>32,556,704</u>	<u>29,388,701</u>	<u>26,560,378</u>
EQUITY				
Attributable to owners of the parent:				
Share capital	25	9,740,472	9,740,472	9,740,472
Share premium		3,648,302	3,648,302	3,648,302
Capital reserves		1,358,762	1,358,762	1,358,762
Revaluation reserves		10,416,888	8,552,529	6,913,516
Translation reserves		(118,907)	(126,057)	(121,316)
Retained earnings		7,471,401	6,184,449	4,992,538
Total equity attributable to owners of the company		<u>32,516,918</u>	<u>29,358,457</u>	<u>26,532,274</u>
Non-controlling interests		39,786	30,244	28,104
Total equity		<u>32,556,704</u>	<u>29,388,701</u>	<u>26,560,378</u>

Global Tea & Commodities Ltd
Annual Report and Financial Statements
Company number 2654245

Consolidated Statement of Financial Position

As at 31 December 2018

The financial statements were approved by the Board of Directors and authorised for issue on 13 December 2019 and signed on their behalf by:



N Ahmed

Director

The notes on pages 15 to 45 form part of these financial statements.

Global Tea & Commodities Ltd
Annual Report and Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital	Share premium	Capital reserves	Revaluation reserve	Translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 31 December 2016	9,740,472	3,648,302	1,358,762	6,913,516	(121,316)	4,992,538	26,532,274	28,104	26,560,378
Profit for the year	-	-	-	588	(1,671)	1,017,717	1,016,634	2,140	1,018,774
Other comprehensive income	-	-	-	1,812,619	(3,070)	-	1,809,549	-	1,809,549
Total comprehensive income	-	-	-	1,813,207	(4,741)	1,017,717	2,826,183	2,140	2,828,323
Transfer of depreciation from revaluation reserve	-	-	-	(248,849)	-	248,849	-	-	-
Deferred tax adjustment	-	-	-	74,655	-	(74,655)	-	-	-
At 31 December 2017 (restated)	9,740,472	3,648,302	1,358,762	8,552,529	(126,057)	6,184,449	29,358,457	30,244	29,388,701
Profit for the year	-	-	-	1,934	2,459	1,118,707	1,123,100	9,542	1,132,642
Other comprehensive income	-	-	-	2,030,670	4,691	-	2,035,361	-	2,035,361
Total comprehensive income	-	-	-	2,032,604	7,150	1,118,707	3,158,461	9,542	3,168,003
Transfer of depreciation from revaluation reserve	-	-	-	(200,292)	-	200,292	-	-	-
Deferred tax adjustment	-	-	-	32,047	-	(32,047)	-	-	-
At 31 December 2018	9,740,472	3,648,302	1,358,762	10,416,888	(118,907)	7,471,401	32,516,918	39,786	32,556,704

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	2018 \$	Restated 2017 \$
Cash flow from operating activities		
Operating profit	4,482,563	4,434,734
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	1,574,715	1,602,244
Profit on disposal of property, plant and equipment	(28,558)	(10,314)
Impairment of tangible assets	49,911	34,476
Change in fair value of biological assets	(92,651)	(746,525)
Exchange adjustment	(4,030)	2,309
<i>Changes in working capital:</i>		
Increase in inventories	(664,079)	(1,915,636)
Increase in trade and other receivables	(790,865)	(5,777,680)
Increase/(decrease) in trade and other payables	(276,385)	5,746,385
Cash generated from operations	4,250,621	3,369,993
Interest paid	(3,130,955)	(3,143,788)
Interest element of finance lease obligations	(99)	(3,017)
Income tax paid	(236,626)	(377,221)
Net cash (used in)/from operating activities	882,941	(154,033)
Cash flow from investing activities		
Purchase of property, plant and equipment	(599,113)	(734,580)
Proceeds from disposal of property, plant and equipment	61,221	116,047
Proceeds from disposal of biological assets	-	8,970
Interest received	121,900	2,757
Dividends received	1,880	1,849
Net cash used in investing activities	(414,112)	(604,957)
Cash flow from financing activities		
Increase in trade finance & guarantees	3,454,171	3,101,137
Repayment of finance leases	(72,923)	(163,427)
Receipt of new bank loans	500,000	-
Receipt of other loans	4,000,000	-
Repayment of borrowings	(1,796,561)	(5,176,310)
Net receipt/(payment) of other long term payables	(470,933)	139,607
Net cash used in financing activities	5,613,754	(2,098,993)
Increase/(decrease) in cash and cash equivalents	6,082,583	(2,857,983)
Cash and cash equivalents at beginning of the year	(17,214,705)	(14,358,650)
Effect of foreign exchange rate movements	1,446	1,928
Cash and cash equivalents at end of year (note 18)	(11,130,676)	(17,214,705)

Notes to the Financial Statements

for the year ended 31 December 2018

1. Corporate information

Global Tea & Commodities Ltd is a Company limited by shares and incorporated in England and Wales. The registered address of the Company is 1 Duchess Street, London, W1W 6AN.

The consolidated financial statements incorporate the financial statements of the Company and entities (its subsidiaries) controlled by the Company (collectively comprising the Group) and the Group's interest in associates.

The principal activities of the Group are included in the Directors' Report on page 4.

2. Accounting policies

2.1. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the applicable provisions of the Companies Act 2006.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain properties, financial instruments and biological assets that are measured at revalued amounts or fair values at the end of each reporting period. Details of the changes in accounting policy that have been adopted by prior year adjustment are shown in note 30.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Functional and presentational currency

The financial statements are presented in US Dollars. The Company's functional currency is also US Dollars as this is the currency of the primary economic environment in which the Company operates. The spot exchange rate at 31 December 2018 for sterling to US Dollars was 1.28 (2017: 1.35).

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 2.20.

Notes to the Financial Statements

for the year ended 31 December 2018

2.2. Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the spot exchange rates as at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

On consolidation, the assets and liabilities of foreign subsidiaries are translated into US Dollars at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign subsidiary is recognised in profit or loss.

Any goodwill arising on the acquisition of foreign subsidiaries and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiaries and translated at the spot rate of exchange at the reporting date.

2.3. Basis of consolidation

The Group financial statements consolidate those of the Parent Company and the subsidiaries that the Parent has control. Control is established when the Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Where a subsidiary is acquired/disposed of during the year, the consolidated profits or losses are recognised from/until the effective date of the acquisition/disposal.

All inter-company balances and transactions between group companies have been eliminated on consolidation.

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.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net asset that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interest based on their respective ownership interests.

2.4. Business combinations

The Group applies the acquisition method of accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquired subsidiary's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Notes to the Financial Statements

for the year ended 31 December 2018

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the fair value of consideration transferred, over the Group's share of the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

2.5. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

2.6. Revenue

Revenue is derived from the trading of loose tea, coffee beans and macadamia nuts and the sale of packaged tea.

Revenue represents the amount receivable for the provision of services and the sale of goods during the year, excluding VAT and trade discounts. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be measured reliably.

2.7. Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries and associates a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Financial Statements

for the year ended 31 December 2018

2.8. Property plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost or their revalued amounts, being their cost or fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold land and property	over the remaining lease period
Semi-permanent buildings	over 10 years
Permanent buildings	over 50 years
Tea nursery structures	over 3 years
Motor vehicles	over 5 years
Fixtures, fittings & equipment	over 5 years
Plant and machinery	over 15 years
Bearer plants	10 to 37 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2018

2.9. Investment property

Investment properties are long term investments in land and buildings that are not occupied substantially for own use. Investment properties are initially recognised at cost and subsequently stated at fair value representing open market value at the reporting date. Changes in fair value are recorded in profit or loss.

Subsequent expenditure on investment properties where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year in which it is incurred.

Gains and losses on disposal of investment properties are determined by reference to their carrying amount and are taken into account in determining operating profit/(loss).

2.10. Biological assets

Biological assets: non current

Biological assets that do not meet the definition of bearer plants are measured on initial recognition and at the end of each reporting period at fair value less cost to sell, unless fair value cannot be measured reliably.

Where the Group cannot obtain a reliable fair value, biological assets are measured at cost less accumulated depreciation.

Biological assets: current

Produce is valued using market based approaches or 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.

2.11. Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or cash-generating unit is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

The impairment loss is allocated to reduce the carrying amount of the asset, first against the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the Financial Statements

for the year ended 31 December 2018

2.12. Inventories

Agricultural produce is included within inventory and largely comprises stock of coffee and macadamia nuts. 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 measured at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13. Financial instruments

Financial instruments are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value adjusted for any directly attributable transaction costs.

Financial assets carried at amortised cost

Financial assets carried at amortised cost are classified as loans and receivables and comprise trade and other receivables and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Investments in equity interests

Investments in equity interests are classified as available for sale financial assets ('AFS'). These AFS equity investments do not have a quoted market price in an active market and the fair value cannot be reliably measured and therefore are measured at cost.

Dividends receivable on AFS equity instruments are recognised in profit or loss when the right to receive the dividend is established.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and borrowings. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financial assets and liabilities at fair value through profit or loss

The Group uses cross currency swaps to reduce its exposure to risks from interest rates and foreign exchange movements. Such financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Notes to the Financial Statements

for the year ended 31 December 2018

2.14. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in the statement of financial position.

2.15. Employee retirement benefits

The Group operates defined contribution schemes. Payments into the scheme are recognised as an expense when employees have rendered services entitling them to the scheme.

2.16. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17. Lease arrangements

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

This liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments and lease incentives on operating lease agreements are recognised on a straight-line basis within profit or loss over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Where the Group is a lessor, receipts and lease incentives on operating lease agreements are recognised on a straight-line basis within profit or loss over the lease term.

2.18. Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

Notes to the Financial Statements

for the year ended 31 December 2018

2.19. Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium account represents the difference between the nominal value of shares issued and the issue price.

The capital reserve arose on the conversion of 'B' ordinary shares.

Translation reserve represents the cumulative foreign exchange differences arising on the translation of foreign operations and subsidiaries.

Revaluation reserves are stated net of deferred tax calculated in accordance with the tax regulations of the jurisdiction in which they arise and represent cumulative gains net of losses on revaluation of property, plant and equipment. The reserve is not considered to be distributable to the shareholders.

Retained earnings include all current and prior period retained profits.

2.20. Significant management judgements in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Group that have the most effect on the financial statements.

Recognition of deferred tax assets

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and using an interest rate to discount them. Estimation uncertainty relates to the assumptions about future operating results and the determination of a suitable discount rate.

Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in arm's length transactions at the reporting date.

Determining residual values and useful economic lives of fixed assets

Certain property, plant and equipment is depreciated over its estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Notes to the Financial Statements

for the year ended 31 December 2018

Recoverability of receivables

A provision for receivables is established where it is estimated that the receivables are not considered to be fully recoverable. When assessing recoverability the directors consider factors such as the ageing of receivables, past experience of recoverability, and the credit profile of the counterparty from whom the debt is owed.

2.21. Standards, amendments and interpretations adopted in the current financial year ended 31 December 2018

New or amended standards	Summary of the requirements and possible impact on Company
<i>IFRS 9 Financial instruments</i>	<p>International Financial Reporting Standard (IFRS) 9 - Financial Instruments was issued in July 2014 by the International Accounting Standards Board (IASB's) replacing IAS 39. IFRS 9 sets out the requirements for recognition and de-recognition of financial instruments, measurement, impairment and general hedge accounting. The Standard is mandatorily effective for periods beginning on or after 1st January 2018.</p> <p>Financial assets are classified primarily in the following categories:</p> <ul style="list-style-type: none"> • At amortized cost • Fair value through profit and loss (FVTPL) • Fair value through other comprehensive income (FVTOC) — equity instruments • Fair value through other comprehensive income (FVTOCI) — debt instruments <p>As at 31 December 2018 and 2017 and 1 January 2017, the Company's financial instruments are classified and measured at amortised cost and FVTPL (i.e. derivative financial asset).</p> <p>The shift:</p> <p>Classification and measurement of financial instruments</p> <p>The financial assets and liabilities of the Company carried on the statement of financial position include Trade and Other receivables, Cash and Cash Equivalents, Trade and Other payables and Dues to related parties. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.</p> <p>Financial assets at amortized cost are subject to impairment assessment based on ECL model per IFRS 9. IFRS 9, replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model.</p> <p>Changes in accounting policies resulting from the adoption of IFRS 9 was applied retrospectively. Differences in the carrying amounts of financial assets and financial liabilities arising from the application of the IFRS are recognised in retained earnings as at 1 January 2017. The business model "Hold to collect" in which the financial asset held is determined.</p> <p>Based on management assessment and review of the credit risk of financial assets held during the year to the reporting date and based on the history and the current information of the issuer of the financial instruments, management concludes that there is no material impact on the carrying amounts of the financial assets</p>

Notes to the Financial Statements

for the year ended 31 December 2018

2.21. Standards, amendments and interpretations adopted in the current financial year ended 31 December 2018 (continued)

New or amended standards	Summary of the requirements and possible impact on Company
<i>IFRS 15 Revenue from contracts with customers</i>	<p>IFRS 15 provides a single comprehensive model for use in accounting for revenue arising from contracts with customers. It replaced IAS 18 Revenue, IAS 11 Construction contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of goods and services, determining the timing of transfer of control - at a point in time or over time - requires judgement.</p> <p>The company adopted IFRS 15 on 1 January 2018. Based on management assessment, adoption of IFRS 15 had no material impact on the revenue recognition policy previously in use, thus no restatement was necessary.).</p>

2.22. Standards, amendments and interpretations in issue but not yet effective

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group's financial statements.

	<i>EU effective date – periods beginning on or after</i>
<i>IAS 19 Employee Benefits: Amendment in relation to plan amendment, curtailment or settlement</i>	<i>1 January 2019</i>
<i>IAS 28 Investments in Associates and Joint Ventures: Amendment in relation to Long-term interests in Associates and Joint Ventures</i>	<i>1 January 2019</i>
<i>IFRS 9 Financial Instruments: Amendment in relation to Prepayment features with negative compensation</i>	<i>1 January 2019</i>
<i>IFRS 16 Leases</i>	<i>1 January 2019</i>
<i>Annual Improvements to IFRSs (2015 – 2017)</i>	<i>1 January 2019</i>
<i>Conceptual Framework (Revised) and amendments to related references in IFRS Standards</i>	<i>1 January 2020</i>
<i>IFRIC 23 Uncertainty over Income Tax Treatments</i>	<i>1 January 2019</i>

Notes to the Financial Statements

for the year ended 31 December 2018

3. Revenue

All of the Group's revenue relates to the sale of goods.

4. Operating profit

	2018 \$	2017 \$
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	1,574,715	1,602,245
Impairment of property, plant and equipment	49,911	34,476
Profit on disposal of property, plant and equipment	(28,558)	(10,314)
Cost of inventories recognised as expense	193,610,779	212,864,885
Net foreign exchange gain	(643,527)	(83,523)
Operating lease expenses	<u>60,538</u>	<u>70,430</u>

5. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2018 \$	2017 \$
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	69,941	78,120
Fees payable to the company's auditor and their associates for other services to the Group		
- Audit of the Company's subsidiaries	11,178	10,930
Total audit fees	<u>81,119</u>	<u>89,050</u>
- Taxation advisory services	11,381	3,844
- Other	1,916	11,370
Total non-audit fees	<u>13,297</u>	<u>15,214</u>

Notes to the Financial Statements

for the year ended 31 December 2018

6. Directors' remuneration

	2018 \$	2017 \$
Directors' emoluments	602,361	530,332
Pension contributions	45,244	38,515
	<u>647,605</u>	<u>568,847</u>

The number of directors for whom entitlements are accruing under the money purchase pension scheme is 3 (2017: 3).

The aggregate of emoluments and amounts receivable under long term incentive scheme of the highest paid director was \$199,207 (2017: \$204,809), and pension contributions of \$14,903 (2017: \$14,573) were made to a money purchase scheme on his behalf.

7. Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2018 Number	2017 Number
Production and distribution	2,872	2,671
Administration	184	190
Sales and marketing	66	68
	<u>3,122</u>	<u>2,929</u>

Employment costs

	2018 \$	2017 \$
Wages and salaries	6,352,689	5,028,151
Social security costs	136,526	261,955
Pension costs	121,358	139,677
	<u>6,610,573</u>	<u>5,429,783</u>

Notes to the Financial Statements

for the year ended 31 December 2018

8. Finance income

	2018	2017
	\$	\$
Interest on bank deposits	4,388	2,757
Other interest	254,245	26,816
Dividends received	1,880	1,849
	<u>260,513</u>	<u>31,422</u>

9. Finance costs

	2018	2017
	\$	\$
Interest on bank overdrafts and bank loans	3,209,269	3,155,050
Interest on obligations under finance leases	99	3,017
	<u>3,209,368</u>	<u>3,158,067</u>

10. Other gains and (losses)

	2018	2017
	\$	\$
Foreign exchange gain/(loss) on retranslation of hedged bank loan	255,941	(1,429,867)
Fair value (loss)/profit on cross currency swap (note 22)	(201,230)	1,055,028
Derivative settlement premium (note 22)	-	272,000
	<u>54,711</u>	<u>(102,839)</u>

11. Income tax

	2018	Restated 2017
	\$	\$
Corporation tax:		
Current year	188,491	161,110
Adjustments in respect of prior years	(13,598)	(14,429)
	<u>174,893</u>	<u>146,681</u>
Deferred tax:		
Current year	284,774	43,602
Currency adjustment	(3,889)	(3,807)
	<u>280,885</u>	<u>39,795</u>
Total tax expense	<u>455,778</u>	<u>186,476</u>

The tax rate used for the reconciliation is the corporate tax rate of 19.00% (2017: 19.00%) payable by the corporate entities in the UK on taxable profits under UK tax law.

Notes to the Financial Statements

for the year ended 31 December 2018

11. Income tax (continued)

The total tax expense for the year can be reconciled to the profit for the year as follows:

	2018 \$	Restated 2017 \$
Profit/(loss) before taxation	<u>1,588,420</u>	<u>1,205,250</u>
Income tax calculated at 19.00% (2017: 19.00 %)	301,800	228,997
Expenses not deductible for tax	176,042	18,392
Depreciation for period in deficit of capital allowances	6,261	(19,642)
Short term timing differences	68,748	260,480
Utilisation of tax losses	(315,037)	(245,451)
Adjustments to tax charge in respect of previous periods	87,989	(14,429)
Differences in tax rates on overseas earnings	98,036	(63,246)
Additional overseas tax	-	-
Exchange adjustment	22,730	(90,014)
Other	9,209	111,389
Total tax expense	<u>455,778</u>	<u>186,476</u>

Factors that will affect future tax charges:

- The Corporation Tax rate in the United Kingdom will decrease to 17% from 1 April 2020.

Notes to the Financial Statements

for the year ended 31 December 2018

12. Property, plant and equipment

	Land	Buildings & construction	Short term leasehold improvements	Plant & machinery	Tractors & agricultural equipment	Motor vehicles	Fixtures, fittings & equipment	Assets in the course of construction	Bearer plants	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost or valuation										
As at 1 January 2017	8,600,398	3,913,203	290,412	8,644,938	1,117,920	2,025,721	1,204,500	403,710	9,891,847	36,092,649
Additions	-	1,624	-	147,072	45,553	309,608	39,863	16,862	173,998	734,580
Revaluation	1,083,093	1,133,318	-	-	-	-	-	-	-	2,216,411
Transfers	-	-	-	256,968	16,214	-	2,447	(275,629)	-	-
Disposals	-	-	(227,407)	(26,305)	-	(132,344)	(178,759)	-	(222,245)	(787,060)
Impairment	-	-	-	(10,064)	(23,460)	-	(952)	-	-	(34,476)
Currency adjustment	-	-	-	(10,295)	-	(3,925)	(2,297)	-	-	(16,517)
As at 31 December 2017 (restated)	9,683,491	5,048,145	63,005	9,002,314	1,156,227	2,199,060	1,064,802	144,943	9,843,600	38,205,587
Additions	-	1,731	-	66,084	35,611	149,104	64,979	1,007	280,597	599,113
Revaluation	1,191,300	886,285	-	-	-	-	-	-	-	2,077,585
Transfers	-	-	-	-	1,007	(744)	744	(1,007)	-	-
Disposals	-	-	-	-	-	(95,025)	-	-	-	(95,025)
Impairment	-	-	-	(11,533)	(68,904)	(41,712)	(1,490)	-	(1,767)	(125,406)
Currency adjustment	-	-	-	14,317	-	5,286	3,090	-	-	22,693
As at 31 December 2018	10,874,791	5,936,161	63,005	9,071,182	1,123,941	2,215,969	1,132,125	144,943	10,122,430	40,684,547

Notes to the Financial Statements
for the year ended 31 December 2018

12. Property, plant and equipment (continued)

	Land	Buildings & construction	Short term leasehold improvements	Plant & machinery	Tractors & agricultural equipment	Motor vehicles	Fixtures, fittings & equipment	Assets in the course of construction	Bearer plants	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Depreciation										
At 1 January 2017	344,233	558,348	290,412	2,821,468	285,592	1,183,683	801,241	-	986,476	7,271,453
Charge	52,237	102,005	-	665,445	104,897	230,895	83,815	-	362,951	1,602,245
Transfers	-	-	-	69	-	-	(69)	-	-	-
Revaluation	(82,818)	(131,285)	-	-	-	-	-	-	-	(214,103)
Disposals	-	-	(227,407)	(438)	-	(52,528)	(178,726)	-	(222,245)	(681,344)
Currency adjustment	-	-	-	(1,879)	-	(2,035)	(953)	-	-	(4,867)
As at 31 December 2017 (restated)	313,652	529,068	63,005	3,484,665	390,489	1,360,015	705,308	-	1,127,182	7,973,384
Charge	81,425	106,248	-	622,954	115,342	227,534	75,715	-	345,496	1,574,714
Impairment	-	-	-	(10,557)	(39,553)	(23,266)	(1,460)	-	(659)	(75,495)
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation	(395,077)	(380,037)	-	-	-	-	-	-	-	(775,114)
Disposals	-	-	-	-	-	(62,385)	-	-	-	(62,385)
Currency adjustment	-	-	-	3,686	-	3,212	1,496	-	-	8,394
As at 31 December 2018	-	255,279	63,005	4,100,748	466,278	1,505,110	781,059	-	1,472,019	8,643,498
Carrying amount										
As at 31 December 2018	10,874,791	5,680,882	-	4,970,434	657,663	710,859	351,066	144,943	8,650,411	32,041,049
As at 31 December 2017 (restated)	9,369,839	4,519,077	-	5,517,649	765,738	839,045	359,494	144,943	8,716,418	30,232,203
As at 31 December 2016	8,256,165	3,354,855	-	5,823,470	832,328	842,038	403,259	403,710	8,905,371	28,821,196

Notes to the Financial Statements

for the year ended 31 December 2018

12. Property, plant and equipment (continued)

The net book value of assets held under finance leases is as follows

	2018	2017	2016
	\$	\$	\$
Plant & Machinery	-	315,561	341,148
Motor Vehicles	<u>25,710</u>	<u>54,487</u>	<u>72,642</u>
	<u>25,710</u>	<u>370,048</u>	<u>413,790</u>

The depreciation charged on assets held under finance leases was \$17,171 (2017: \$43,741).

The Company did not have any capital commitments at the balance sheet date (2017: Nil).

Fair value measurement of the Group's property, plant and equipment

Certain of the group's property, plant and equipment are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's property, plant and equipment in Malawi as at 31 December 2014 was performed by Charles Chifambe, MRICS, a qualified valuer of Interval Services (Proprietary) Limited, Botswana. The valuation conforms to International Valuation Standards.

The fair value of certain property, plant and equipment was determined based on market value assuming continuing present usage. The resultant revaluation gains/losses are taken to revaluation reserve and are not available for distribution until realised. There has been no change to the valuation technique during the year.

No valuations were performed in Malawi during the year ended 31 December 2018. The directors believe the carrying value as at 31 December 2018 approximates to their fair value.

The fair value of land and buildings in Kenya was determined by reference to the market prices of similar properties of the same type and in the area in which the property is situated. The valuation was carried out by Elite Africa Valuers Limited, an independent professional valuer with recent experience in the location and category of property being valued. The revaluation was carried out on 7 December 2018 and in the opinion of the directors, there are no material changes as at 31 December 2018.

The fair revaluation of investment property is considered to represent level 3 valuation based on significant non-observable inputs being the location and condition of the property. Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. There were no transfers between levels 1, 2 or 3 fair values during the year.

Had these items of property, plant and equipment been measured at the historical basis, the carrying amount would be as follows, note there is no difference reported for short term leasehold improvements, assets in the course of construction and bearer plants which are measured at historic cost.

Notes to the Financial Statements

for the year ended 31 December 2018

12. Property, plant and equipment (continued)

	2018	Restated 2017	2016
	\$	\$	\$
<i>At revaluation</i>			
Land	10,874,791	9,369,839	8,256,165
Building & construction	5,680,882	4,519,077	3,354,855
Plant and machinery	4,970,433	5,517,649	5,823,470
Tractors & agricultural equipment	657,663	765,738	832,328
Motor vehicles	710,860	839,045	842,038
Fixtures, fittings & equipment	351,064	359,494	403,259
	<u>23,245,693</u>	<u>21,370,842</u>	<u>19,512,115</u>
<i>At cost</i>			
Land	1,485,676	1,640,454	1,692,691
Building & construction	2,269,449	2,457,209	2,505,657
Plant and machinery	4,069,588	4,509,012	4,706,729
Tractors & agricultural equipment	449,784	519,553	520,593
Motor vehicles	750,082	849,482	831,914
Fixtures, fittings & equipment	320,365	342,622	383,670
	<u>9,344,944</u>	<u>10,318,332</u>	<u>10,641,254</u>

13. Biological assets

	Macadamia \$	Livestock \$	Total \$
As at 1 January 2017	-	122,692	122,692
Currency adjustment	-	(36)	(36)
Fair value adjustment	738,831	7,694	746,525
Disposals	-	(8,970)	(8,970)
As at 31 December 2017 (Restated)	<u>738,831</u>	<u>121,380</u>	<u>860,211</u>
Currency adjustment	(4,242)	(697)	(4,939)
Fair value adjustment	78,126	14,525	92,651
As at 31 December 2018	<u>812,715</u>	<u>135,208</u>	<u>947,923</u>
	2018	Restated 2017	2016
	\$	\$	\$
Biological assets -non-current	135,208	121,380	122,692
Biological assets -current	812,715	738,831	-
	<u>947,923</u>	<u>860,211</u>	<u>122,692</u>

The biological assets comprise dairy livestock and the unharvested value of macadamia nuts.

Livestock have been valued using current market prices.

Macadamia nuts have been valued using the value of macadamia nuts harvested between January 2019 and March 2019.

Notes to the Financial Statements

for the year ended 31 December 2018

13. Biological assets (continued.)

Fair value movement in biological assets

	2018	Restated 2017
	\$	\$
Macadamia	78,126	738,831
Dairy livestock	14,525	7,694
Net fair value surplus in the year	92,651	746,525

As at the year end, there were no capital commitments for the development or acquisition of biological assets.

There are no financial risk management strategies related to agricultural activity.

Notes to the Financial Statements

for the year ended 31 December 2018

14. Subsidiaries

The group consists of the parent company, Global Tea & Commodities Ltd, incorporated in the UK, a number of subsidiaries held directly and indirectly by Global Tea & Commodities Ltd, and two companies not formally owned by Global Tea & Commodities Ltd but over which Global Tea & Commodities Ltd exercises full management and control.

Information about the composition of the Group at the end of the reporting period is as follows:

Company	Country of registration or incorporation	Nature of business	Percentage shareholding
Global Tea & Commodities (Kenya) Limited	Kenya	Trading	100%
Sable Farming Company Limited	Malawi	Plantation	100%
Global Tea & Commodities (Malawi) Limited	Great Britain	Trading	100%
Gold Crown Beverages (Kenya) Limited	Kenya	Manufacture	100%
Gold Crown Foods (EPZ) Limited	Kenya	Manufacture	100%
Tea Brokers Central Africa Limited	Malawi	Tea Broking	82%
Gold Crown Speciality Foods Limited	Great Britain	Manufacture	100%
Wilson Smithett & Company Limited	Great Britain	Holding	100%
Gold Crown Foods (Tanzania) Limited	Tanzania	Dormant	100%
Global Foods Limited	Somaliland	Distribution	0%
Barsha Tea Packaging and Distribution Enterprises	Sudan	Distribution	0%

15. Investments

	2018	2017	2016
	\$	\$	\$
Investment in associates	26,098	26,098	26,098
Other participating interests	6,434,874	6,434,874	6,434,874
Equity investments	3,113	3,113	3,113
	6,464,085	6,464,085	6,464,085

The Group has an associate interest of a 33% shareholding in Blue Mountain Tea & Commodities Limited, which is a trading company incorporated in India. The group has not accounted for Blue Mountain Tea & Commodities Limited as an associate and the investment is held at cost on the grounds of materiality.

The Group has a participating interest by way of a 5% shareholding in Anglo-Dal Trading Sp. z.o.o, which is a trading company incorporated in Poland at a cost of \$5,000.

The Group has a participating interest by way of a 9.8% shareholding in Typhoo Tea Limited, a company incorporated in Great Britain at a cost of \$6,429,874.

Gold Crown Beverages (Kenya) Limited holds shares in Uchumi Supermarket Limited at a cost of \$3,113. Uchumi Supermarket Limited is listed on the Nairobi Securities Exchange.

Global Tea & Commodities Ltd
Annual Report and Financial Statements

Notes to the Financial Statements

for the year ended 31 December 2018

16. Inventories

	2018	Restated 2017	2016
	\$	\$	\$
Raw materials	17,510,227	17,564,297	16,109,236
Work in progress	450,754	364,540	310,611
Finished goods	3,334,947	2,683,854	2,288,361
	<u>21,295,928</u>	<u>20,612,691</u>	<u>18,708,208</u>

17. Trade and other receivables

	2018	2017	2016
	\$	\$	\$
Current			
Trade receivables	25,401,461	27,065,627	22,234,732
VAT recoverable	169,922	164,138	48,970
Other receivables	2,937,132	3,450,658	5,506,514
Directors' loan accounts	1,990	-	-
Accrued interest receivable	163,549	26,816	-
Prepayments and accrued income	1,564,925	1,235,237	827,522
	<u>30,238,979</u>	<u>31,942,476</u>	<u>28,617,738</u>
Non-current			
Other receivables	<u>5,099,984</u>	<u>2,425,555</u>	<u>-</u>

The movement in the allowance for doubtful debts during the year is as follows:

	2018	2017
	\$	\$
Balance at 1 January	462,028	308,346
Impairment loss made during the year	226,960	457,111
Reversal of impairment loss	(268,269)	(300,402)
Currency adjustments	2,220	(3,027)
Balance at 31 December	<u>422,939</u>	<u>462,028</u>

Debts that are past due, but not impaired are analysed as follows:

	2018	2017	2016
	\$	\$	\$
0-30 days	2,483,518	1,156,749	2,220,192
30-60 days	1,043,014	978,903	1,937,469
60-90 days	3,093,576	1,516,066	2,676,900
90-120 days	651,605	2,607,530	1,897,151
+120 days	10,748,870	5,895,808	3,867,993
	<u>18,020,583</u>	<u>12,155,056</u>	<u>12,599,705</u>

The Company does not hold any collateral over the above and the directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Global Tea & Commodities Ltd
Annual Report and Financial Statements

Notes to the Financial Statements

for the year ended 31 December 2018

18. Cash and cash equivalents

	2018 \$	2017 \$	2016 \$
Cash and bank balances	1,379,938	1,239,819	3,564,593
Bank overdraft (note 20)	(12,510,614)	(18,454,524)	(17,923,243)
	<u>(11,130,676)</u>	<u>(17,214,705)</u>	<u>(14,358,650)</u>

19. Trade and other payables

	2018 \$	2017 \$	2016 \$
Current			
Trade payables	16,908,727	18,034,617	13,308,063
Other taxation and social security costs	67,982	138,906	46,722
Accruals and deferred income	2,938,331	1,839,950	1,285,748
Other payables	89,627	126,468	52,914
Directors' loan accounts	-	1,043	145
	<u>20,004,667</u>	<u>20,140,984</u>	<u>14,693,592</u>
Non-Current			
Other payables	<u>75,501</u>	<u>546,434</u>	<u>162,777</u>

The carrying amount of trade and other payables approximates to their fair value.

20. Borrowings

	2018 \$	2017 \$	2016 \$
Current			
Bank overdraft (note 18)	12,510,614	18,454,524	17,923,243
Trade finance & guarantees	18,422,118	14,967,947	11,866,810
Bank loans	1,236,571	1,505,590	4,806,014
Finance lease obligations	4,528	70,020	141,297
	<u>32,173,831</u>	<u>34,998,081</u>	<u>34,737,364</u>
Non-current			
Bank loans	3,123,292	4,406,776	5,124,795
Other loans	4,000,000	-	-
Finance lease obligations	454	7,885	100,035
	<u>7,123,746</u>	<u>4,414,661</u>	<u>5,224,830</u>

Bank loans, other loans and overdrafts are secured by an unlimited company cross guarantee and unlimited multilateral cross guarantees given by group companies, a general letter of pledge, a letter of set-off and a debenture secured by a fixed and floating charge over the assets of the Company and specified assets of its subsidiaries.

The carrying amount of borrowings approximates to their fair value.

Notes to the Financial Statements

for the year ended 31 December 2018

21. Commitments under finance leases

	Minimum lease payments		
	2018	2017	2016
	\$	\$	\$
Amounts payable under finance leases			
In one year or less	8,508	75,048	159,999
Between one and five years	1,304	11,472	111,574
	9,812	86,520	271,573
Future finance charges	(4,830)	(8,615)	(30,241)
Present value of lease obligation	4,982	77,905	241,332
	Present value of minimum lease payments		
	2018	2017	2016
	\$	\$	\$
Amounts payable under finance leases			
In one year or less	4,528	70,020	141,297
Between one and five years	454	7,885	100,035
In five years or more	-	-	-
Present value of lease obligation	4,982	77,905	241,332

Finance leases relate to the purchase of motor vehicles and plant and machinery.

Ownership of the assets will transfer to the group on final settlement of the obligations under the finance leases.

There are no restrictions imposed on the use of the assets.

22. Derivative financial instruments

	2018	2017	2016
	\$	\$	\$
Cross currency swap			
Fair value of cross currency swap	314,882	113,652	1,168,680

On 22 December 2016 the Company borrowed GBP 4,895,362 at a variable interest rate of 2.8% over the 3m LIBOR rate.

On 23 December 2016 the Company entered into a contract to purchase GBP 4,895,362 for \$6,000,000 between 2017 and 2022 to hedge against the scheduled repayments of the GBP bank loan. On 23 December 2016 the Company entered into a contract to receive a GBP amount equivalent to its interest payment obligations under the GBP loan and to pay an amount equivalent to 4.5% of \$6,000,000 to hedge against the interest rate risk of the GBP loan. On 13 December 2017 the Company unwound these contracts and received a settlement premium of \$272,000.

On 13 December 2017 the Company entered into a contract to purchase GBP 4,283,441 for \$5,726,961 between 2017 and 2022 to hedge against the scheduled repayments of the GBP bank loan.

The fair value of the derivative contracts are a mark to market valuation obtained from the counter-party to the derivative contract.

The amounts charged to profit or loss in respect of derivative financial instruments was \$201,230 (2017: credit \$1,055,028).

Notes to the Financial Statements

for the year ended 31 December 2018

23. Deferred tax (asset)/liability

	Accelerated capital allowances	Tax Losses	Other	Total
	\$		\$	\$
As at 1 January 2017	4,224,311	(905,427)	(42,566)	3,276,318
Charge to profit or loss	(161,520)	(219,699)	424,821	43,602
Deferred tax on revaluation	617,894	-	-	617,894
Currency adjustment	(6,044)	2,132	105	(3,807)
As at 31 December 2017 (<i>restated</i>)	4,674,641	(1,122,994)	382,360	3,934,007
Charge/(credit) to profit or loss	(148,316)	424,424	10,666	284,774
Deferred tax on revaluation	822,029	-	-	822,029
Currency adjustments	(4,903)	(153)	1,167	(3,889)
As at 31 December 2018	5,343,451	(700,723)	394,193	5,036,921
		2018	2017	2016
		\$	\$	\$
Deferred tax asset		(707,224)	(1,251,514)	(966,855)
Deferred tax liability		5,744,145	5,185,521	4,243,173
		5,036,921	3,934,007	3,276,318

The Group has \$543,696 (2017: \$872,373, 2016: \$1,117,827) in relation to unrecognised tax losses.

The asset will be recognised when a suitable trading record has been established and it is probable that this will not reverse in the future.

These tax losses are not expected to expire.

24. Provisions

	2018	2017	2016
	\$	\$	\$
Provision for onerous lease commitments			
As at 1 January	-	-	132,124
Currency adjustment	-	-	-
Released to income statement	-	-	(132,124)
As at 31 December	-	-	-

The provision for onerous lease commitments was extinguished following the agreement of a new sub-lease with a tenant in September 2016.

Notes to the Financial Statements

for the year ended 31 December 2018

25. Share capital

	2018	2017	2016
	\$	\$	\$
Authorised, allocated, called up and fully paid			
2 ordinary shares of £1 each	3	3	3
9,740,469 ordinary shares of \$1 each	<u>9,740,469</u>	<u>9,740,469</u>	<u>9,740,469</u>
	<u>9,740,472</u>	<u>9,740,472</u>	<u>9,740,472</u>

The 2 ordinary shares of £1 rank pari passu with the 9,740,469 ordinary shares of \$1.

26. Capital management

The directors consider the company's capital to comprise of share capital, long-term loans and reserves stated on the statement of financial position.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

27. Financial instruments

Categories of financial instruments

	2018	2017	2016
	\$	\$	\$
Financial assets:			
- Cash and bank balances	1,379,938	1,239,819	3,564,593
- Loans and receivables	33,772,048	33,132,794	27,790,216
- Available-for-sale financial assets	6,437,987	6,437,987	6,437,987
Financial liabilities			
- Fair value through profit or loss	314,882	113,652	1,168,680
- Amortised cost	<u>56,432,443</u>	<u>58,182,305</u>	<u>53,291,483</u>

Financial risk management objectives and policies

The Group's principal financial instruments comprise borrowings, cash and short term deposits, derivatives, shareholder loans, receivables and payables. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The main financial risks faced by the Group relate to availability of funds to meet business needs and the risk of default by a counterparty in a financial transaction. The Group manages borrowing, liquidity, foreign exchange and banking relationships in accordance with Board approved policies designed to minimise exposures. The undertaking of financial transactions of a speculative nature is not permitted.

Notes to the Financial Statements

for the year ended 31 December 2018

27. Financial instruments (continued)

The Group finances its operations by a combination of internally-generated cashflow, shareholder loans and bank borrowings. Refinancing risk is controlled by ensuring the Group has sufficient bank facilities to meet increases in projected borrowings over the following 12-month period.

Interest rate risk

The Group is exposed to cash flow interest rate risk on bank overdrafts and short term borrowings. The Group seeks to mitigate this risk by fixing interesting bearing liabilities wherever possible. Fixed interest rates are used for all finance lease borrowing.

The Group uses derivative instruments to reduce its exposure to changes in interest rates.

At 31 December 2018, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would decrease/increase the Company's profit after tax and retained earnings by approximately \$66,815 (2017: \$98,150).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 1% increase or decrease represents management's assessment of the likely maximum change in interest rates over the period until the next reporting date.

Foreign currency risk

The Group's principal foreign currency exposures arise from the purchase and sale of products in different currencies and from the translation of overseas assets and liabilities.

Group policy allows for but does not demand that the transactional exposures are hedged by the use of spot and forward contracts but seeks to match the aggregate position of foreign currency assets and liabilities to reduce exposure. The Group operates in countries that have historically been subject to devaluation. The group policy is to undertake frequent revaluations of the underlying assets to minimise the effects of the translation loss.

The following table details the Group's sensitivity to a 5 % increase in US Dollars against the relevant foreign currencies. 5 % is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates.

		2018	2017
		\$	\$
Profit or (loss)	Pounds Sterling	413,102	181,797
Profit or (loss)	Euros	12,814	22,444
Profit or (loss)	Kenya Shillings	(237,797)	(4,220)
Profit or (loss)	Malawi Kwacha	148,217	131,134
Profit or (loss)	Sudanese Pound	<u>(2,532)</u>	<u>(330)</u>

The above excludes the retranslation of the hedged GBP loans, as any exchanges gains or losses are expected to be substantially offset by the change in the fair value of the cross currency swap (note 22).

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts included in the balance sheet are net of allowances for doubtful debts, which have been estimated by management based on expected credit losses at the reporting date which may indicate that a provision is required.

Notes to the Financial Statements

for the year ended 31 December 2018

27. Financial instruments (continued)

Liquidity risk

The Group manages its cash and borrowing requirement to ensure the Group has sufficient bank facilities to meet increases in projected borrowings over the following 12-month period.

The following table details the remaining contractual maturities at the end of the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting date) and the earliest date the Group can be required to pay.

	Carrying amount	Total contractual Undiscoun- ted amount	Within 1 year or on demand	Between 1 & 2 years	Between 2 & 5 years	In 5 years or more
	\$	\$	\$	\$	\$	\$
2018						
Trade and other payables	17,139,848	17,139,848	17,064,347	-	-	75,501
Bank overdraft	12,510,614	12,510,614	12,510,614	-	-	-
Trade finance & guarantees	18,422,118	18,422,118	18,422,118	-	-	-
Bank loans	8,359,863	10,148,344	1,678,921	1,429,126	4,848,937	2,191,360
	<u>56,432,443</u>	<u>58,220,924</u>	<u>49,676,000</u>	<u>1,429,126</u>	<u>4,848,937</u>	<u>2,266,861</u>
2017						
Trade and other payables	18,847,468	18,847,468	18,301,034	-	-	546,434
Bank overdraft	18,454,524	18,454,524	18,454,524	-	-	-
Trade finance & guarantees	14,967,947	14,967,947	14,967,947	-	-	-
Bank loans	5,912,366	6,353,528	1,671,163	1,222,264	3,460,101	-
	<u>58,182,305</u>	<u>58,623,467</u>	<u>53,394,668</u>	<u>1,222,264</u>	<u>3,460,101</u>	<u>546,434</u>
2016						
Trade and other payables	13,570,621	13,570,621	13,407,844	-	-	162,777
Bank overdraft	17,923,243	17,923,243	17,923,243	-	-	-
Trade finance & guarantees	11,866,810	11,866,810	11,866,810	-	-	-
Bank loans	9,930,809	10,635,768	5,107,938	1,248,627	3,257,127	1,022,076
	<u>53,291,483</u>	<u>53,996,442</u>	<u>48,305,835</u>	<u>1,248,627</u>	<u>3,257,127</u>	<u>1,184,853</u>

Notes to the Financial Statements

for the year ended 31 December 2018

28. Operating lease arrangements

The Group as a lessee

At 31 December 2018, the Group's future minimum rentals payable under non-cancellable operating leases were as follows:

	2018 \$	2017 \$	2016 \$
Land and building			
In one year or less	1,834,462	1,903,281	1,603,130
Between one and five years	5,242,695	7,431,079	6,165,070
In five years or more	-	-	1,532,430
	<u>7,077,157</u>	<u>9,334,360</u>	<u>9,300,630</u>
Other			
In one year or less	27,109	20,569	21,278
Between one and five years	27,426	40,290	-
In five years or more	-	-	-
	<u>54,535</u>	<u>60,859</u>	<u>21,278</u>

The company entered into a property lease in 2008 which expires in December 2022.

Global Tea & Commodities (Kenya) Ltd leases various properties under non cancellable operating lease agreements. The lease terms are between 5 to 6 years and these are generally renewable at the end of the tenure of the lease.

The Group as a lessor

	2018 \$	2017 \$	2016 \$
Land and building			
In one year or less	1,614,631	1,708,610	1,560,460
Between one and five years	4,754,098	6,739,418	6,241,837
In five years or more	-	-	1,473,677
	<u>6,368,729</u>	<u>8,448,028</u>	<u>9,275,974</u>

The Group has a leasing arrangement for offices which it sublets to third parties. The head lease expires in December 2022 and the sub-leases expire in September 2022 and December 2022.

Notes to the Financial Statements

for the year ended 31 December 2018

29. Related party transactions

Key management personnel compensation

Key management personnel are considered to be the directors of the Company. Their remuneration has been disclosed in note 6.

Other related parties

During the year, the Group had the following transactions with other related parties:

	2018 \$	2017 \$
Sales		
Typhoo Tea Limited	15,145,040	29,413,341
	<u>15,145,040</u>	<u>29,413,341</u>
Purchases		
Typhoo Tea Limited	31,848	23,795
Peerless Logistics Ltd	-	22,980
Peerless Tea Services Ltd	11,041	13,385
Blue Mountain Tea and Commodities Limited	294,423	807,628
Sandhurst Management Inc.	-	41,150
	<u>337,312</u>	<u>908,938</u>

At the year end, the Group had the following balances with other related parties

	2018 \$	2017 \$	2016 \$
Amounts due from Related Parties			
Typhoo Tea Limited	23,132,465	21,286,335	15,696,296
Peerless Logistics Limited	295,549	313,689	305,357
Peerless Tea Services Limited	25,440	33,725	95,715
Sandhurst Management Inc.	-	-	-
	<u>23,453,454</u>	<u>21,633,749</u>	<u>16,097,368</u>
Amounts due to Related Parties			
Typhoo Tea Limited	2,516,265	2,616,959	2,367,358
Peerless Logistics Limited	14,622	14,514	57,451
Peerless Tea Services Limited	-	3,798	86,554
Blue Mountain Tea and Commodities Limited	313,287	344,802	146,370
Sandhurst Management Inc.	10,052	44,394	11,421
	<u>2,854,226</u>	<u>3,024,467</u>	<u>2,669,154</u>

The above related parties are considered to be "other related parties" as defined by IAS 24 Related Party Disclosures with the exception of Blue Mountain Tea and Commodities Limited, which is an associate.

Notes to the Financial Statements

for the year ended 31 December 2018

30. Changes in accounting policy

Investment property leased to subsidiaries of the Company has been re-classified as property, plant & equipment.

The value of unharvested macadamia nuts was held at cost in the prior year. In accordance with IAS41 Biological Assets an adjustment has been made to record unharvested macadamia nuts at fair value.

The following tables illustrate the effect of the amendments on the Consolidated Statement of Financial Position at 31 December 2017 (only for those items that have changed).

Consolidated Statement of Financial Position as at 31 December 2017

	As previously reported \$	Investment property \$	Biological assets \$	As restated \$
Assets				
Property, plant and equipment:	29,433,481	798,722	-	30,232,203
Investment property	798,722	(798,722)	-	-
Biological assets – current	-	-	738,831	738,831
	<u>30,232,203</u>	<u>-</u>	<u>738,831</u>	<u>30,971,034</u>
Liabilities				
Deferred tax liabilities	4,961,564	-	221,649	5,183,213
	<u>4,961,564</u>	<u>-</u>	<u>221,649</u>	<u>5,183,213</u>
Equity				
Revaluation reserves	7,979,784	572,745	-	8,552,529
Retained earnings	6,240,012	(572,745)	517,182	6,184,449
	<u>14,219,796</u>	<u>-</u>	<u>517,182</u>	<u>14,736,978</u>

Reconciliation of total comprehensive income

The following table illustrates the effect of the amendments on the Consolidated Statement of Comprehensive Income for the year ended 31 December 2017.

	31 December 2017 \$
Reconciliation to total comprehensive income:	
Total comprehensive income as previously reported	2,311,141
<i>Investment property amendments</i>	
Change in the fair value of investment property	(602,890)
Deferred tax expense	30,145
Gain on property revaluation	602,890
Deferred tax on property revaluation	(30,145)
<i>Biological asset amendment</i>	
Change in the fair value of biological assets	738,831
Deferred tax expense	(221,649)
	<u>517,182</u>
Total comprehensive income restated	<u>2,828,323</u>

Notes to the Financial Statements

for the year ended 31 December 2018

31. Ultimate controlling party

The directors of Global Tea & Commodities Limited, a company incorporated in England and Wales, consider the ultimate controlling party of the group to be Nadeem Ahmed.

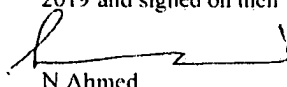
Global Tea & Commodities Ltd
Annual Report and Financial Statements

Company Statement of Financial Position

as at 31 December 2018

	Notes	2018 \$	2017 \$
ASSETS			
Non-current assets			
Property, plant and equipment	34	1,289,555	1,510,194
Investments	35	21,922,313	21,922,313
Trade and other receivables	37	5,099,984	2,425,555
		<u>28,311,852</u>	<u>25,858,062</u>
Current assets			
Inventories	36	1,374,528	2,003,183
Trade and other receivables	37	9,274,586	10,421,680
Cash and bank balances		1,083,237	314,902
		<u>11,732,351</u>	<u>12,739,765</u>
Total assets		<u>40,044,203</u>	<u>38,597,827</u>
LIABILITIES			
Current liabilities			
Trade and other payables	38	7,197,811	9,247,746
Borrowings	39	6,044,837	6,473,348
		<u>13,242,648</u>	<u>15,721,094</u>
Non-current liabilities			
Trade and other payables	38	25,473	490,698
Borrowings	39	7,123,292	4,406,776
Derivative financial instruments	40	314,882	113,652
		<u>7,463,647</u>	<u>5,011,126</u>
Total liabilities		<u>20,706,295</u>	<u>20,732,220</u>
Net assets		<u>19,337,908</u>	<u>17,865,607</u>
EQUITY			
Share capital	41	9,740,472	9,740,472
Share premium		3,648,302	3,648,302
Capital reserve		1,358,762	1,358,762
Retained earnings		4,590,372	3,118,071
Total equity		<u>19,337,908</u>	<u>17,865,607</u>

The financial statements were approved by the Board of Directors and authorised for issue on 13 December 2019 and signed on their behalf by:



N Ahmed
Director

The notes on pages 48 to 51 form part of these financial statements

Global Tea & Commodities Ltd
Annual Report and Financial Statements

Company Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital \$	Share premium \$	Capital reserves \$	Retained earnings \$	Total equity \$
At 31 December 2016	9,740,472	3,648,302	1,358,762	2,122,635	16,870,171
Profit for the year	-	-	-	995,436	995,436
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	995,436	995,436
Dividends paid	-	-	-	-	-
At 31 December 2017	9,740,472	3,648,302	1,358,762	3,118,071	17,865,607
Profit for the year	-	-	-	1,472,301	1,472,301
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,472,301	1,472,301
Dividends paid	-	-	-	-	-
At 31 December 2018	9,740,472	3,648,302	1,358,762	4,590,372	19,337,908

Notes to the Company Financial Statements

for the year ended 31 December 2018

32. Accounting policies of the Company

Statement of compliance

The separate financial statements of the Company are have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

- (i) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value;
- (iii) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)).
- (iv) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (v) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;
- (vi) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and
- (vii) The requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group.

For the disclosure exemptions listed in points (i) to (ii), the equivalent disclosures are included in the consolidated financial statements of the group into which the Company is consolidated.

The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

33. Profit for the year

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the year. The company reported a profit for the financial year ended 31 December 2018 of \$1,472,301 (2017: \$995,436).

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

Notes to the Company Financial Statements

for the year ended 31 December 2018

34. Property, plant and equipment

	Land	Short term leasehold improvements	Plant & machinery	Fixtures, fittings & equipment	Assets under Constr- uction	Total
	\$	\$	\$	\$	\$	\$
Cost						
As at 1 January 2018	21,306	63,005	2,145,088	304,253	-	2,533,652
Additions	-	-	-	13,216	-	13,216
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
As at 31 December 2018	21,306	63,005	2,145,088	317,469	-	2,546,868
Depreciation						
As at 1 January 2018	-	63,005	697,152	263,301	-	1,023,458
Disposals	-	-	-	-	-	-
Charge	-	-	214,509	19,346	-	233,855
As at 31 December 2018	-	63,005	911,661	282,647	-	1,257,313
Carrying amount						
As at 31 December 2018	21,306	-	1,233,427	34,822	-	1,289,555
As at 31 December 2017	21,306	-	1,447,936	40,952	-	1,510,194

35. Investments

Details of the Company investments in subsidiaries and other participating interests are listed in notes 14 and 15.

	2018 \$	2017 \$
Investment in subsidiaries	15,461,341	15,461,341
Other participating interests	6,460,972	6,460,972
	21,922,313	21,922,313

Notes to the Company Financial Statements

for the year ended 31 December 2018

36. Inventories

	2018 \$	2017 \$
Raw materials	1,353,706	1,982,362
Work in progress	-	-
Finished goods	20,822	20,821
	<u>1,374,528</u>	<u>2,003,183</u>

37. Trade and other receivables

	2018 \$	2017 \$
Current		
Trade receivables	353,513	1,172,108
Amounts owed by subsidiary undertakings	5,834,996	5,747,671
VAT recoverable	31,993	151,212
Directors' loan account	1,990	-
Other receivables	2,159,708	2,689,282
Prepayments and accrued income	892,386	661,407
	<u>9,274,586</u>	<u>10,421,680</u>
Non-Current		
Other receivables	<u>5,099,984</u>	<u>2,425,555</u>

38. Trade and other payables

	2018 \$	2017 \$
Current		
Trade payables	3,244,226	4,464,169
Amounts owed to subsidiary undertakings	2,535,021	3,563,365
Other taxation and social security	67,982	138,906
Accruals and deferred income	1,350,582	1,080,263
Directors' loan accounts	-	1,043
	<u>7,197,811</u>	<u>9,247,746</u>
Non-current		
Other payables	<u>25,473</u>	<u>490,698</u>

Notes to the Company Financial Statements

for the year ended 31 December 2018

39. Borrowings

	2018 \$	2017 \$
Current		
Bank overdrafts	5,003,740	5,084,732
Bank loans	<u>1,041,097</u>	<u>1,388,616</u>
	<u>6,044,837</u>	<u>6,473,348</u>
Non-current		
Bank loans	3,123,292	4,406,776
Other loans	<u>4,000,000</u>	<u>-</u>
	<u>7,123,292</u>	<u>4,406,776</u>
Total borrowings	<u>13,168,129</u>	<u>10,880,124</u>

Analysis of borrowings

	2018 \$	2017 \$
In one year or less, or on demand	6,044,837	6,473,348
Between one and two years	1,041,097	1,101,694
Between two and five years	4,082,195	3,305,082
In five years or more	<u>2,000,000</u>	<u>-</u>
	<u>13,168,129</u>	<u>10,880,124</u>

Borrowings is made up of an overdraft, and bank loans bearing interest at 2.8% and 4.5% over 3 month LIBOR. The bank loans are repayable in the next eight years.

40. Derivative financial instruments

For further details of the Company's derivative financial instruments, please see note 22.

41. Share capital

For further details of the Company's share capital, please see note 25.