

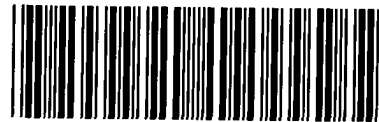
Finlay Extracts & Ingredients UK Limited

Annual report and financial statements

Registered number 6459409

31 December 2018

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Strategic report

Business review

The company operates as the divisional head office for Finlays' Extract division and Finlays' Leaf Tea division, the primary focus of which is the manufacture and procurement for resale of tea extracts and the buying and selling of tea across the globe. The results detailed in this report are for this legal entity only which focusses on sales in Europe, the Middle East, Africa and the Far East.

Share capital increased during the year by 4,813,336 Ordinary Shares of £1 each converted to \$6,171,178.

All results are set out in US Dollars, unless otherwise specified.

The Company's key financial and other performance indicators during the period were as follows:

	2018	2017	Change
	\$'000	\$'000	%
Company turnover	29,028	26,952	8%
Gross profit	2,006	2,652	(24%)
Total operating loss	(9,398)	(5,510)	(71%)
Shareholders' funds	86,091	87,240	(1%)
Average number of employees	46	49	(6%)
Gross profit as % of turnover	7%	10%	
Operating loss as % of turnover	(32%)	(20%)	
Return on capital employed	(11%)	(6%)	

Principal risks and uncertainties

The principal risks and uncertainties relate to movement in prices caused by amongst other factors extremes in weather conditions and inflation. Most sales are in US dollars, whilst the overhead costs of the Company are mainly in sterling. Financial risks include credit risk, liquidity risk and foreign currency risk and these are managed as follows.

Credit Risk

The company aims to limit undue counterparty exposure by ensuring proper procedures are followed before starting to trade with a new customer and material ongoing exposure is monitored.


Liquidity Risk

Investments in fixed assets and working capital are carefully controlled, with authorisation limits operating at different levels up to Group board level and with rates of return and cash payback periods applied as part of a defined investment appraisal process.

Foreign Currency Risk

A large part of the Company's operations are in emerging countries where it is not possible to hedge against fluctuations in local currency. However, the majority of our products are purchased and sold in hard currency which acts as a natural hedge against the devaluation of local currencies.

By order of the board


J M Rutherford
Director
30th May 2019

Directors' report

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

Principal activities

The Company's principal activity is the marketing and sale of tea extracts from a number of worldwide sites and the trading of leaf tea worldwide. The Company also acts as an investment holding company for certain tea extract and trading related interests of its parent company James Finlay Limited.

Financial instruments

The Company policy does not permit trading in any financial instruments.

Directors

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

G O Williams
G R Chambers
J M Rutherford
M A Lawson
N R Willsher

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: \$nil).

Policy and practice in payment of creditors

Creditors are paid in line with the credit terms negotiated with each creditor. At the period end there were 60 days (2017: 9 days) of purchases in creditors.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the current financial period (2017: \$nil).

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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

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

By order of the board



J M Rutherford
Director
30th May 2019

Swire House, 59 Buckingham Gate, London, SW1E 6AJ

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Finlay Extracts & Ingredients UK Limited

Opinion

We have audited the financial statements of Finlays Extracts & Ingredients UK Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Statement of Financial Position and the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
 15 Canada Square
 London E14 5GL
 30th May 2019

Profit and Loss Account
for the year ended 31st December 2018

Continuing operations	Note	2018 \$000	2017 \$000
Turnover	2	29,028	26,952
Cost of sales		(27,022)	(24,300)
Gross profit		2,006	2,652
Other income		1,976	2,900
Administrative expenses		(7,209)	(7,427)
Other expenses		(6,171)	(3,635)
Operating loss		(9,398)	(5,510)
Income from shares in group undertakings		3,270	4,600
Other interest receivable and similar income	6	4,094	2,904
Interest payable and similar charges	7	(6,418)	(4,607)
Loss on ordinary activities before taxation		(8,452)	(2,613)
Tax on loss on ordinary activities	8	1,132	545
Loss for the financial year		(7,320)	(2,068)

The notes on pages 10-23 form part of these accounts.

Statement of Financial Position at 31st December 2018

	Note	2018 \$000	2017 \$000
Fixed assets			
Tangible assets	9	166	247
Intangible assets	10	5	26
Investments	11	175,739	175,482
Debtors	13	48,279	46,533
		224,189	222,288
Current assets			
Stocks	12	1,831	1,681
Debtors	13	19,426	35,445
Cash at bank and in hand		3,919	7
		25,176	37,133
Current liabilities			
Creditors: Amounts falling due within one year	14	(115,024)	(124,013)
Net current liabilities		(89,848)	(86,880)
Total assets less current liabilities		134,341	135,408
Creditors: Amounts falling due after one year	15	(48,250)	(48,168)
Net assets		86,091	87,240
Capital and reserves			
Called up share capital	17	101,428	95,257
Profit or loss account		(15,337)	(8,017)
Shareholders' funds		86,091	87,240

The notes on pages 10-23 form part of these accounts.

These financial statements were approved by the board of directors on 30th May 2019 and were signed on its behalf by:



J M Rutherford
Director

Company registered number: 6459409

Statement of Changes in Equity

	Called up share capital \$000	Profit and loss account \$000	Total equity \$000
Balance at 1 January 2017	54,260	(5,949)	48,311
Total comprehensive loss for the period			
Loss for the financial year	-	(2,068)	(2,068)
Total comprehensive loss for the period	-	(2,068)	(2,068)
Issue of shares	40,997	-	40,997
Balance at 31 December 2017	<u>95,257</u>	<u>(8,017)</u>	<u>87,240</u>

	Called up share capital \$000	Profit and loss account \$000	Total equity \$000
Balance at 1 January 2018	95,257	(8,017)	87,240
Total comprehensive loss for the period			
Loss for the financial year	-	(7,320)	(7,320)
Total comprehensive loss for the period	-	(7,320)	(7,320)
Issue of shares	6,171	-	6,171
Balance at 31 December 2018	<u>101,428</u>	<u>(15,337)</u>	<u>86,091</u>

The notes on pages 10-23 form part of these accounts.

Notes

(forming part of the financial statements)

1 Accounting policies

Finlay Extracts & Ingredients UK Limited is a private company incorporated, domiciled and registered in the UK. The registered number is 6459409 and the registered address is Swire House, 59 Buckingham Gate, London, SW1E 6AJ.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2017/15 Cycle) issued in July 2018 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of James Finlay Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Going concern

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

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 2.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the company's parent James Finlay Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Finlay Extracts & Ingredients UK Limited to continue as a going concern or its ability to continue with the current banking arrangements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

1 Accounting policies (continued)

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments are stated at amortised cost less impairment. Financial instruments held for trading or designated upon initial recognition or at the IAS 39 transition date if later are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other investments in debt and equity securities held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Investments in subsidiaries are carried at cost less impairment.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- fixtures and fittings 7 years
- plant and machinery 10 years
- computer equipment 3 years
- office equipment 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Intangible assets, goodwill and negative goodwill

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. Cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net realisable value is defined as estimated selling price less all further costs to completion and disposal.

Notes (continued)

1 Accounting policies (continued)

1.9 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.10 Impairment excluding stocks, and deferred tax assets

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.13 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)

2 Turnover

	2018 \$000	2017 \$000
Sale of goods	28,672	24,784
Income from recharges	356	2,168
Total turnover	29,028	26,952

3 Expenses and auditor's remuneration

Auditor's remuneration:

	2018 \$000	2017 \$000
Audit of these financial statements	25	26

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, James Finlay Limited.

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Management	3	3
Administration	35	35
Sales and production	8	11
	46	49

The aggregate payroll costs of these persons were as follows:

	2018 \$000	2017 \$000
Wages and salaries	4,782	4,854
Social security costs	539	534
Contributions to defined contribution plans	346	289
Expenses related to defined benefit plans	-	77
	5,667	5,754

Notes (continued)

5 Directors' emoluments

	2018	2017
	\$000	\$000
Directors' emoluments	1,080	1,154

The aggregate of remuneration of the highest paid director was \$481k (2017: \$533k), and company pension contributions of \$18k (2017: \$39k) were made to a defined benefit scheme and a defined contribution scheme on his behalf.

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under: Money purchase schemes	2	2

6 Other interest receivable and similar income

	2018	2017
	\$000	\$000
Receivable from group undertakings	509	398
Other interest	3,585	2,506
Total interest receivable and similar income	4,094	2,904

7 Interest payable and similar charges

	2018	2017
	\$000	\$000
Payable to group undertakings	6,418	4,607
Total interest payable and similar charges	6,418	4,607

Notes (continued)

8. Taxation

Recognised in the profit and loss account

	2018 \$000	2017 \$000
<i>UK corporation tax</i>		
Group relief receivable	(1,115)	(961)
Foreign Withholding tax	130	379
Adjustments in respect of prior periods	(145)	28
Total current tax	(1,130)	(554)
<i>Deferred tax (see note 16)</i>		
Origination of timing differences	(3)	9
Adjustments in respect of prior periods	1	-
Total deferred tax	(2)	9
Tax on Loss on ordinary activities	(1,132)	(545)

Reconciliation of effective tax rate

	2018 \$000	2017 \$000
<i>Tax reconciliation</i>		
Loss on ordinary activities before tax	(8,452)	(2,613)
Tax at 19% (2017: 19.25%)	(1,606)	(503)
<i>Effects of:</i>		
Fixed asset differences	3	26
Expenses not deductible for tax purposes	1,190	715
Income not deductible for tax purposes	(681)	(1,116)
Adjustments to brought forward values	-	1
Other differences	(25)	(73)
Other tax adjustments, reliefs and transfers	-	3
Foreign Withholding tax	130	379
Temporary differences not recognised in the computation	1	(3)
Adjustments to tax charge in respect of previous periods	(134)	23
Adjustments to tax charge in respect of previous periods – deferred tax	1	-
Adjust closing deferred tax to average rate of 19% (2017: 19.25%)	4	4
Adjust opening deferred tax to average rate of 19%	(4)	(5)
Current tax (prior period) exchange difference	(11)	4
Total tax credit (see above)	(1,132)	(545)

Notes (continued)

9. Tangible fixed assets

	Fixtures & fittings \$000	Plant and machinery	Computer equipment \$000	Office equipment \$000	Total \$000
Cost					
Balance at 1 January 2018	465	51	106	51	673
Additions	1	5	4	-	10
Disposals	-	-	(12)	(9)	(21)
Balance at 31 December 2018	466	56	98	42	662
Depreciation					
Balance at 1 January 2018	298	26	66	36	426
Depreciation charge for the year	53	5	24	9	91
On disposals	-	-	(12)	(9)	(21)
Balance at 31 December 2018	351	31	78	36	496
Net book value					
At 1 January 2018	167	25	40	15	247
At 31 December 2018	115	25	20	6	166

10. Intangible assets

	Software \$000
Cost	
Balance at 1 January 2018	86
Additions	-
Disposals	(17)
Balance at 31 December 2018	69
Amortisation	
Balance at 1 January 2018	60
Amortisation charge for the year	21
On disposals	(17)
Balance at 31 December 2018	64
Net book value	
At 1 January 2018	26
At 31 December 2018	5

Notes (continued)

11 Fixed asset investments

	Shares in group undertakings
	\$000
Cost	
At beginning of year	175,482
Additions	8,171
Impairment	(6,171)
Restatement of investment in Finlay Tea Solutions (HK) Ltd	(1,743)
At end of year	175,739

The Company has the following investments in subsidiaries:

	Registered office address	Class of shares held	Ownership	
			2018	2017
Finlay Tea Solutions (Hong Kong) Limited	2601 Universal Trade Centre, 3-5a Arbuthnot Road Central, Hong Kong.	Ordinary	100%	100%
Finlay Hull Limited	60 Lime Street, Hull, HU8 7AF, England.	Ordinary	100%	100%
James Finlay (ME) DMCC	Dubai Tea Trading Centre, Plot No. S10814, Office 24, 28-30, Jebel Ali Free Zone – South, Dubai, PO BOX 17016, United Arab Emirates.	Ordinary	100%	100%
James Finlay (Blantyre) Limited	Gate 149, Bca Hill, Off Kittermaster, Ave, Plot No. LE 460 & 505, PO Box 51387, Limbe, Malawi.	Ordinary	100%	100%
Casa Fuentes SACIFI	1085 Liberated Avenue, Obera, Misiones, N3361DQK, Argentina.	Ordinary	98%	98%
Argente SA	1085 Liberated Avenue, Obera, Misiones, N3361DQK, Argentina.	Ordinary	100%	100%
James Finlay (Guizhou) Tea Company Limited	No 67. Fuhou Street, Sitang, Sinan, Tongren, 565100, China	Ordinary	100%	-

During the year the company purchased 100% of shares of James Finlay (Guizhou) Tea Company Limited.

Notes (continued)

12 Stocks

	2018	2017
	\$000	\$000
Finished goods	1,831	1,681
	1,831	1,681

13 Debtors

	2018	2017
	\$000	\$000
Trade debtors	3,590	3,327
Amounts due from parent undertakings	-	7
Amounts owed by group undertakings	15,067	10,562
Other debtors	48,537	67,509
Deferred tax assets (see note 16)	29	27
Prepayments and accrued income	482	546
	67,705	81,978
Current	19,426	35,445
Non-current	48,279	46,533
	67,705	81,978

14 Creditors: Current

	2018	2017
	\$000	\$000
Bank loans and overdrafts	390	9,246
Trade creditors	484	405
Amounts owed to group undertakings	5,506	523
Amounts owed to parent company	106,434	111,495
Accruals and deferred income	2,210	2,344
	115,024	124,013

15 Creditors: Non-current

	2018	2017
	\$000	\$000
Amounts owed to parent company	48,250	46,506
Deferred income	-	1,662
	48,250	48,168

Notes (continued)

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 \$000	2017 \$000
PPE and intangible assets	32	29
Tax credit and loss carry forward	-	1
Foreign exchange	(3)	(3)
Net tax assets	29	27

Movement in deferred tax during the year

	1 January 2018 \$000	Recognised in income \$000	31 December 2018 \$000
PPE and intangible assets	29	3	32
Tax credit and loss carry forward	1	(1)	-
Foreign exchange	(3)	-	(3)
	27	2	29

Movement in deferred tax during the prior year

	1 January 2017 \$000	Recognised in income \$000	31 December 2017 \$000
PPE and intangible assets	27	2	29
Tax credit and loss carry forward	1	-	1
Provisions	11	(11)	-
Foreign exchange	(3)	-	(3)
	36	(9)	27

Notes (continued)

17 Capital and reserves

	Ordinary shares			
	2018 No.	2017 No.	2018 \$	2017 \$
On issue at 1 January	65,868,010	34,883,066	95,256,922	54,259,821
Issued for cash – fully paid	4,813,336	30,984,944	6,171,178	40,997,101
On issue at 31 December – fully paid	70,681,346	65,868,010	101,428,100	95,256,922
Authorised – par value £1.00	70,681,346	65,868,010	101,428,100	95,256,922

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On 31 August 2018, 4,813,336 shares were issued and fully paid at £1.00 per share converted to \$6,171,178. (2017: 30,984,944 shares were issued and fully paid at £1.00 per share converted to \$40,997,101).

A dividend of \$nil in respect of the current financial period was declared and paid to the shareholder (2017: \$nil).

18 Pension commitments

Defined Benefit Scheme

The James Finlay Group operates a defined benefit pension scheme in respect of its employees in the UK. The defined benefit scheme is wholly funded. The Company participates in this defined benefit plan. This defined benefit plan is a multi-employer plan and is run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities. In accordance with FRS 17 the Company accounts for its contribution to the plan as if it were a defined contribution plan.

As at 31 December 2018 there is a nil surplus/deficit (2017: nil) in this pension plan. This is reflected in the consolidated accounts of James Finlay Limited for the year ended 31 December 2018.

The latest full actuarial valuation of the Finlays Pension Fund was as at 31 December 2015 and this has been adjusted by Hymans Robertson, a qualified independent actuary, to reflect the position at the 31 December 2018.

The pension cost for this scheme represents contributions payable by the Company to the scheme and the costs amounted to \$nil in the year (2017: \$76,860). No contributions were prepaid or accrued as at 31 December 2018 (2017: nil prepaid).

Defined Contribution Scheme

The company operates a defined contribution scheme for qualifying employees, which was set up on 1 February 2010. The assets of the Scheme are held in administered funds separate from the finances of the Group.

The total cost charged to income of \$346,039 (2017: \$289,237) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan. As of 31 December 2018, contributions in respect of the current reporting period that had not been paid over to the scheme amounted to nil.

19 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of James Finlay Limited, which is registered in Scotland. The Company's ultimate parent company is John Swire & Sons Limited, which is registered in England. The largest group in which the results of the Company are consolidated is that headed by John Swire & Sons Limited, incorporated in England.

The consolidated financial statements of the group are available to the public and may be obtained from John Swire & Sons Limited, Swire House, 59 Buckingham Gate, London SW1E 6AJ.

Notes (continued)

20 Accounting estimates

In preparing these financial statements, management has made estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2018 is included in the following notes:

- Note 16 – Deferred taxation

21 Related party transactions

	Sales to 2018 \$000	2017 \$000	Purchases from 2018 \$000	2017 \$000
Damin Biotechnology Zhangzhou Co Ltd	-	-	-	4
Damin Foodstuff (Zhangzhou) Co Ltd	102	487	65	584
Zhanghou Damin Roure Flavour Co. Ltd	-	-	-	4
Finlays Colombo Plc	-	-	-	10
Hapugastenne Plantations Ltd	-	2	57	67
Jiangs Family Holdings Limited	3,605	2,278	-	-
John Swire and Sons Ltd	6	-	22	20
John Swire & Sons (HK) Limited	2	1	-	-
Nanjing Apogee Food Technology Co Ltd	209	-	56	56
	Receivables outstanding 2018 \$000	2017 \$000	Creditors outstanding 2018 \$000	2017 \$000
Damin Foodstuff (Zhangzhou) Co Ltd	385	385	30	16
Hapugastenne Plantations Plc	-	1	7	-
John Swire and Sons Ltd	-	-	1	16
Nanjing Apogee Food Technology Co Ltd	70	-	56	-
Jiangs Family Holdings Limited	48,250	66,506	-	-