

THE MAZDEHEE TEA COMPANY, LIMITED
REPORT AND ACCOUNTS
1998



THE MAZDEHEE TEA COMPANY, LIMITED

Incorporated 1890

SHARE CAPITAL

Authorised
£150,000

In shares of £1 each

Issued
£150,000

Directors P.A. LEGGATT, M.B.E. (Chairman)
 A.S.M.O. SUBHAN
 K. MAYES
 P.E. HILL, F.C.I.S.
 A.K. MATHUR, F.C.A.
 A.R. BHUIYA

Secretary K. MAYES

Auditors MOORE STEPHENS
 ST. PAUL'S HOUSE,
 WARWICK LANE,
 LONDON EC4P 4BN

Bankers DUNCAN LAWRIE LIMITED

Registered Office WROTHAM PLACE,
 WROTHAM,
 SEVENOAKS,
 KENT TN15 7AE

Registered Number C31287

THE MAZDEHEE TEA COMPANY, LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the one hundred and tenth annual general meeting of The Mazdehee Tea Company, Limited will be held at Wrotham Place, Wrotham, Sevenoaks, Kent TN15 7AE on Tuesday, 18th May 1999 at 3.45 p.m. for the following purposes:-

1. To receive and adopt the directors' report and statement of accounts for the year ended 31st December 1998
2. To re-elect directors
3. To declare a dividend
4. To re-appoint the auditors and authorise the directors to fix their remuneration.

By Order of the Board

K. MAYES

Secretary

Wrotham Place,
Wrotham,
Sevenoaks,
Kent, TN15 7AE

18th May 1999

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him and such proxy need not be a member of the company.

THE MAZDEHEE TEA COMPANY, LIMITED

REPORT OF THE DIRECTORS

The directors submit to the members their report together with the accounts for the year ended 31st December 1998.

ACCOUNTS	1998	1997
Profit on ordinary activities before taxation	<u>£300,812</u>	<u>£298,877</u>
Profit on ordinary activities after taxation	<u>£208,549</u>	<u>£209,719</u>
Dividend - proposed	<u>£173,000</u>	<u>£142,000</u>
Retained profit for year	<u>£35,549</u>	<u>£67,719</u>

REVIEW OF ACTIVITIES

The principal activity of the company is the growing and manufacturing of tea and rubber in Bangladesh and it is the directors' intention to continue this policy.

The profit on ordinary activities before taxation was lower than that recorded for the previous year due to the weakening of the Bangladesh currency.

At this stage it is not possible to forecast the results for 1999.

DIRECTORS

Board

The present board is shown on page one.

Mr. P.A. Leggatt and Mr. P.E. Hill retire by rotation and, being eligible, offer themselves for re-election.

Shareholdings

Neither at the end of the year, nor at any time during the year, has any director held a beneficial interest in any shares of the company.

YEAR 2000

The directors are continuing to review the risks associated with the Year 2000 problem, both with regard to internal use of computer systems and embedded chips and in connection with relationships with third parties. They are satisfied that these steps will be completed in sufficient time to eliminate any potential problems. The total costs of ensuring Year 2000 compliance have not yet been quantified, but are not expected to be significant.

THE MAZDEHEE TEA COMPANY, LIMITED

REPORT OF THE DIRECTORS

AUDITORS

Moore Stephens have expressed their willingness to continue as auditors of the company and a resolution proposing their re-appointment and empowering the directors to fix their remuneration will be put before the annual general meeting.

By Order of the Board
K. Mayes
K. MAYES
Secretary

18th May 1999

THE MAZDEHEE TEA COMPANY, LIMITED**PROFIT AND LOSS ACCOUNT**for the year ended 31st December 1998

	Notes	1998 £	1997 £
Turnover - continuing operations	2	875,113	896,991
Cost of sales		<u>500,319</u>	<u>542,656</u>
Gross profit		374,794	354,335
Net operating expenses	4	<u>75,585</u>	<u>56,086</u>
Operating profit - continuing operations		299,209	298,249
Investment income	5	373	392
Bank interest receivable		<u>1,230</u>	<u>236</u>
Profit on ordinary activities before taxation	3	300,812	298,877
Taxation on ordinary activities	7	<u>92,263</u>	<u>89,158</u>
Profit on ordinary activities after taxation		208,549	209,719
Dividend - proposed		<u>173,000</u>	<u>142,000</u>
Retained profit for year	15	<u><u>£35,549</u></u>	<u><u>£67,719</u></u>

THE MAZDEHEE TEA COMPANY, LIMITED

BALANCE SHEET

as at 31st December 1998

	Notes	1998	1997
		£	£
FIXED ASSETS			
Tangible assets	8	1,215,742	1,249,444
Investments	9	6,129	6,614
		<u>1,221,871</u>	<u>1,256,058</u>
CURRENT ASSETS			
Stocks	10	302,896	297,655
Debtors	11	285,361	313,989
Cash at bank and in hand		<u>43,186</u>	<u>33,806</u>
		631,443	645,450
LESS CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	12	<u>733,293</u>	<u>705,546</u>
NET CURRENT (LIABILITIES)		<u>(101,850)</u>	<u>(60,096)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,120,021	1,195,962
CREDITORS: Amounts falling due after more than one year	13	<u>143,791</u>	<u>173,428</u>
NET ASSETS		<u><u>£976,230</u></u>	<u><u>£1,022,534</u></u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	14	150,000	150,000
Revaluation reserve	15	597,685	653,824
Profit and Loss account	15	228,545	218,710
		<u><u>£976,230</u></u>	<u><u>£1,022,534</u></u>

Approved on 18th May 1999 by the board of directors and signed on their behalf by:



P.A. LEGGATT
Director

THE MAZDEHEE TEA COMPANY, LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
for the year ended 31st December 1998

	1998 £	1997 £
Profit on ordinary activities after taxation	208,549	209,719
Currency translation differences on foreign currency net investments	(81,853)	(29,111)
Total recognised gains (losses) since last annual report	<u>£126,696</u>	<u>£180,608</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the year ended 31st December 1998

	1998 £	1997 £
Profit on ordinary activities after taxation	208,549	209,719
Dividend	(173,000)	(142,000)
Retained profit for the year	35,549	67,719
Currency translation differences on foreign currency net investments	(81,853)	(29,111)
Net (reduction) to shareholders' funds	(46,304)	38,608
Opening shareholders' funds	1,022,534	983,926
Closing shareholders' funds	<u>£976,230</u>	<u>£1,022,534</u>

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The company's accounting policies are disclosed below:-

a) Basis of Accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of the company's plantation and are in accordance with applicable accounting standards.

b) Foreign Currencies

The operations of the Bangladesh branch are funded by local finance. Consequently the net assets and results of the branch have been translated using the closing rate method at the rate of Takas 80.69 = £1 (1997 Takas 74.78 = £1). Exchange differences arising on the translation of revalued Planted Tea have been taken to revaluation reserve. Exchange differences arising on other fixed assets and net current assets are taken to profit and loss reserve. Exchange differences arising from trading transactions are included in the results for the year. Realised exchange differences on remittances are dealt with in the profit and loss account net of amounts previously provided in the reserves.

c) Depreciation

Depreciation of tea estates development is provided for by charging the cost of replacement of tea bushes to profit and loss account. Depreciation of other fixed assets has been provided so as to write off the cost over their expected useful lives at the following annual rates on written down values.

	<u>Annual</u>
Rubber	5%
Buildings	10% to 20%
Plant and Machinery	15%
Vehicles	20%
Fixtures and Fittings	10% to 15%

d) Stocks

(i) Tea and Rubber

Stocks of tea and rubber have been valued at the lower of cost or net realisable value.

(ii) Estate Stores

Estate stores have been valued at the lower of cost or net realisable value.

e) Deferred Taxation

Deferred taxation is provided in respect of material timing differences, using the liability method, where, in the opinion of the directors, the liability will arise in the foreseeable future.

f) Operating Leases

Costs in respect of operating leases are charged in the year in which they are incurred.

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

	1998 £	1997 £
2. TURNOVER		
Tea Sales		
Bangladesh	771,538	807,617
U.K.	91,532	79,082
Rubber Sales		
Bangladesh	12,043	10,292
	<u>£875,113</u>	<u>£896,991</u>
3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Is stated after charging:		
Depreciation of tangible assets	£23,463	£20,648
Remuneration of the auditors	£2,560	£2,490
Interest on bank loans and overdrafts	£43,226	£66,731
Land rent	£4,090	£3,701
4. NET OPERATING EXPENSES		
Administrative expenses	74,534	59,415
Loss on disposal of fixed assets	-	281
Sundry receipts	(297)	(3)
Exchange loss on remittances	6,020	4,043
Other exchange gains	(2,158)	(3,345)
	<u>78,099</u>	<u>60,391</u>
Exchange (loss) previously provided in reserves	(2,514)	(4,305)
	<u>£75,585</u>	<u>£56,086</u>
5. INVESTMENT INCOME		
Income from listed investments	124	123
Income from unlisted investments	249	269
	<u>£373</u>	<u>£392</u>

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

	1998 £	1997 £
6. EMPLOYEES		
Staff costs:		
Wages and salaries	155,454	193,048
Pension costs	<u>7,770</u>	<u>10,486</u>
	<u>£163,224</u>	<u>£203,534</u>

	No.	No.
The average number of persons employed by the company was	<u>1,049</u>	<u>1,025</u>

7. TAXATION

	£	£
On profits for the year		
U.K. Corporation tax	99,746	99,481
Bangladesh taxation	<u>105,342</u>	<u>106,981</u>
	205,088	206,462
Less double taxation relief	<u>99,746</u>	<u>99,481</u>
	105,342	106,981
Taxation adjustments in respect of previous years - Bangladesh	<u>(13,079)</u>	<u>(17,823)</u>
	<u>£92,263</u>	<u>£89,158</u>

Deferred taxation

There is no potential deferred taxation liability (1997 - Nil).

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

8. TANGIBLE FIXED ASSETS

	Planted Tea and Rubber	Buildings	Plant and Machinery	Vehicles	Fixtures Fittings Tools and Equipment	Assets in Course of Construction	Total
Balance at beginning of year	816,801	198,401	124,655	26,425	106,152	325,789	1,598,223
Currency retranslation	(59,825)	(14,532)	(9,130)	(1,935)	(7,775)	(23,862)	(117,059)
Assets brought into use	18,216	-	761	-	-	(18,977)	-
Additions	3,545	9,407	19,857	86	2,039	47,462	82,396
Cost of assets sold and written off	-	-	-	-	(1,320)	-	(1,320)
At end of year	<u>778,737</u>	<u>193,276</u>	<u>136,143</u>	<u>24,576</u>	<u>99,096</u>	<u>330,412</u>	<u>1,562,240</u>
Depreciation at beginning of year	5,397	144,338	95,897	25,369	77,778	-	348,779
Currency retranslation	(395)	(10,572)	(7,024)	(1,858)	(5,697)	-	(25,546)
Provision for the year	3,420	8,720	7,996	210	3,117	-	23,463
Adjustment in respect of assets sold and written off	-	-	-	-	(198)	-	(198)
At end of year	<u>8,422</u>	<u>142,486</u>	<u>96,869</u>	<u>23,721</u>	<u>75,000</u>	<u>-</u>	<u>346,498</u>
Net book value at 31 st December 1998	<u>£770,315</u>	<u>£50,790</u>	<u>£39,274</u>	<u>£855</u>	<u>£24,096</u>	<u>£330,412</u>	<u>£1,215,742</u>
at 31 st December 1997	<u>£811,404</u>	<u>£54,063</u>	<u>£28,758</u>	<u>£1,056</u>	<u>£28,374</u>	<u>£325,789</u>	<u>£1,249,444</u>

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

8. TANGIBLE FIXED ASSETS (continued)

	Planted Tea and Rubber	Buildings	Plant and Machinery	Vehicles	Fittings Tools and Equipment	Assets in Course of Construction	Total
Fixed assets comprise the following:-							
Valuation 1970 less assets sold and written off	-	68,490	2,081	484	5,633	-	76,688
Valuation 1991	773,156	-	-	-	-	-	773,156
Cost less assets sold and written off	100,431	334,257	191,823	50,923	139,807	330,412	1,147,653
Exchange adjustments on retranslations	(94,850)	(209,471)	(57,761)	(26,831)	(46,344)	-	(435,257)
Total valuation or cost	778,737	193,276	136,143	24,576	99,096	330,412	1,562,240
Aggregate depreciation	(8,422)	(142,486)	(96,869)	(23,721)	(75,000)	-	(346,498)
Net book value at end of year	<u>£770,315</u>	<u>£50,790</u>	<u>£39,274</u>	<u>£855</u>	<u>£24,096</u>	<u>£330,412</u>	<u>£1,215,742</u>
Net book value at beginning of year	<u>£811,404</u>	<u>£54,063</u>	<u>£28,758</u>	<u>£1,056</u>	<u>£28,374</u>	<u>£325,789</u>	<u>£1,249,444</u>

The lease of the land is for a term of 35 years commencing 15th August 1972 with a right to negotiate renewal for a further term. The directors are of the opinion that the company will be granted a renewal by the Government of Bangladesh.

For historical cost purposes, the directors' valuation of fixed assets at 1970 is deemed to be cost, as the actual cost cannot be obtained without unreasonable expense. The planted tea was valued at £100,400 in 1970.

No provision has been made for capital gains tax on the revaluation as it is not the board's intention to sell the plantation.

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

	1998 £	1997 £
9. INVESTMENTS		
Cost at 1 st January	6,614	6,809
(Loss) on currency fluctuation	(485)	(195)
At 31 st December	<u>£6,129</u>	<u>£6,614</u>
Investments at cost include:		
Listed on Dhaka Stock Exchange	<u>£775</u>	<u>£836</u>
Market value	<u>£4,729</u>	<u>£8,885</u>

Investments also include an unlisted investment of 10,040 (1997 - 10,040) shares of Tk.10 each in Chittagong Warehouses Limited, a company incorporated and operating in Bangladesh, representing 5.56% (1997 - 5.56%) of the issued share capital.

10. STOCKS

Stocks of tea	124,651	80,603
Stock of rubber	3,733	6,733
Estate stores	<u>174,512</u>	<u>210,319</u>
	<u>£302,896</u>	<u>£297,655</u>

There was no material difference between the replacement cost and value shown in stocks.

11. DEBTORS

Due within one year		
Trade debtors	77,118	117,553
Other debtors	180,232	164,556
Amounts owed by group companies	18,052	20,540
Prepayments and accrued income	3,927	4,812
Interest receivable	237	236
Due in more than one year		
Other debtors	<u>5,795</u>	<u>6,292</u>
	<u>£285,361</u>	<u>£313,989</u>

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

	1998 £	1997 £
12. CREDITORS		
Amounts falling due within one year		
Term loans secured (see note 13)	16,934	25,729
Other creditors	128,169	107,958
Amount owed to group companies	115,776	37,797
Dividend payable	173,000	142,000
Taxation	85,398	70,284
Interest payable	8,089	10,205
Bank overdraft (secured against hypothecation of crop)	205,927	311,573
	<u>£733,293</u>	<u>£705,546</u>
13. CREDITORS		
Amounts falling due after more than one year		
Bank loans (secured against certain fixed assets)	<u>£143,791</u>	<u>£173,428</u>
Bank loans include the following amounts repayable over more than five years by instalments		
Aggregate amount of loans	£160,725	£199,157
Amounts due beyond five years	£78,717	£103,131
The repayments of bank loans and overdrafts fall due as follows:		
Within 12 months or on demand (included in Creditors: due within one year)	222,861	337,302
Between 1 - 2 years	16,725	18,273
Between 2 - 5 years	48,349	52,024
After 5 years	78,717	103,131
	<u>£366,652</u>	<u>£510,730</u>
14. SHARE CAPITAL		
Authorised		
150,000 shares of £1 each	<u>£150,000</u>	<u>£150,000</u>
Allotted, called up and fully paid		
150,000 shares of £1 each	<u>£150,000</u>	<u>£150,000</u>

THE MAZDEHEE TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

15. RESERVES

	Revaluation	Profit and Loss
	£	£
At 1 st January 1998	£653,824	£218,710
Foreign currency translation gains (losses):-		
On net current assets	-	(14,201)
On fixed assets	(56,139)	(37,059)
On depreciation	-	25,546
Retained profit for year	-	35,549
	<u> </u>	<u> </u>
At 31 st December 1998	<u>£597,685</u>	<u>£228,545</u>

The distribution of retained profits is subject to exchange control permission for remittances from Bangladesh.

16. CAPITAL COMMITMENTS

	1998	1997
Contracted for	<u>£28,566</u>	<u>£23,068</u>

17. LEASING COMMITMENTS

Annual commitment in respect of operating leases expiring after more than five years:

Land rent	<u>£4,090</u>	<u>£3,701</u>
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18. PARENT COMPANY

The parent company is Longbourne Holdings Limited, a subsidiary of Lawrie Group Plc, and the ultimate parent company is Camellia Plc. The accounts of all three companies are filed with the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.

THE MAZDEHEE TEA COMPANY, LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES AND AUDITORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the financial year. The directors consider that in preparing the accounts, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. In addition the directors confirm that the going concern basis is appropriate and all applicable accounting standards have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the company and for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

to the members of The Mazdehee Tea Company, Limited

We have audited the accounts on pages five to fifteen which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page eight.

Respective responsibilities of directors and auditors

As described above, the directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

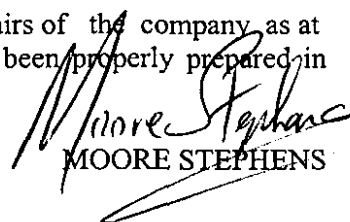
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MOORE STEPHENS

Chartered Accountants
and Registered Auditors

18th May 1999