44242

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

REPORT AND ACCOUNTS

2005

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

Incorporated 1895

SHARE CAPITAL

Authorised		Issued
£900,000	In ordinary shares of £1 each	£900,000

Directors	P.A. LEGGATT, M.B.E. (Chairman) A.S.M.O. SUBHAN A.K. MATHUR, F.C.A. A.R. BHUIYA M.D. CONWAY, F.C.I.S.
Secretary	M.D. CONWAY, F.C.I.S.
Auditors	MOORE STEPHENS LLP ST. PAUL'S HOUSE, WARWICK LANE, LONDON EC4M 7BP
Bankers	DUNCAN LAWRIE LIMITED
Registered Office	LINTON PARK, LINTON, MAIDSTONE, KENT ME17 4AB
Registered Number	44242

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the one hundred and eleventh annual general meeting of The Lungla (Sylhet) Tea Company, Limited will be held at Linton Park, Linton, Maidstone, Kent ME17 4AB on Thursday, 22nd June 2006 at 3.10 p.m. for the following purposes:-

1. To receive and adopt the directors' report and statement of accounts for the year ended 31st December 2005

2. To re-elect directors

3. To re-appoint the auditors and authorise the directors to fix their remuneration.

By Order of the Board

M.D. CONWAY

Secretary

Linton Park,
Linton,
Maidstone,
Kent, ME17 4AB

22nd June 2006

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 LUNGLA (SYLHET) 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 2005.

ACCOUNTS	2005	2004
Profit on ordinary activities before taxation	£652,650	£208,058
Profit on ordinary activities after taxation	£505,499	£161,719
Retained profit for year	£505,499	£161,719

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.

DIRECTORS

Board

The present board is shown on page one.

Mr. M.D. Conway and Mr. P.A. Leggatt 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.

AUDITORS

On 3rd October 2005, Moore Stephens, the company's auditor, transferred its entire business to Moore Stephens LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Moore Stephens as extending to Moore Stephens LLP with effect from 3rd October 2005. Moore Stephens LLP 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

M.D.CONWAY
Secretary

22nd June 2006

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

INCOME STATEMENT
for the year ended 31st December 2005

	Notes	2005 £	2004 £
Revenue - continuing operations	3	2,673,936	2,529,192
Cost of sales		(1,734,658)	(1,927,511)
Gross profit		939,278	601,681
Net operating expenses	5	(201,894)	(227,236)
Operating profit - continuing operations	4	737,384	374,445
Gains/(losses) arising from changes in fair value of biological assets	12	87,511	(15,924)
Investment income	6	9,273	21,435
Profit on disposal of associated undertaking	7	-	68,112
Net finance costs	8	(181,518)	(240,010)
Profit on ordinary activities before taxation		652,650	208,058
Taxation on ordinary activities	10	(147,151)	(46,339)
Retained profit for the year	22	505,499	161,719

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

BALANCE SHEET
as at 31st December 2005

	Notes	2005		2004	
		£	£	£	£
NON-CURRENT ASSETS					
Property, plant and equipment	11		1,039,759		1,004,569
Biological assets	12		4,473,542		4,116,869
Investments	13		129,223		128,212
Deferred tax asset	18		46,000		94,000
Trade and other receivables	15		157,934		156,019
			5,846,458		5,499,669
CURRENT ASSETS					
Inventories	14	577,407		433,563	
Trade and other receivables	15	465,838		348,385	
Cash at bank and in hand		106,370		183,001	
		1,149,615		964,949	
CURRENT LIABILITIES					
Borrowings	17	(1,738,008)		(1,568,239)	
Trade and other payables	16	(808,916)		(1,102,180)	
		(2,546,924)		(2,670,419)	
NET CURRENT (LIABILITIES)			(1,397,309)		(1,705,470)
TOTAL ASSETS LESS CURRENT LIABILITIES			4,449,149		3,794,199
NON-CURRENT LIABILITIES					
Borrowings	17	(210,631)		(225,713)	
Deferred tax liabilities	18	(650,787)		(484,716)	
Retirement benefit obligations	19	(152,000)		(250,000)	
Other non-current liabilities		(1,759)		(9,029)	
			(1,015,177)		(969,458)
NET ASSETS			£3,433,972		£2,824,741
EQUITY					
Called up share capital	20		900,000		900,000
Reserves	22		2,533,972		1,924,741
			£3,433,972		£2,824,741

Approved on 22nd June 2006 by the board of directors and signed on their behalf by:

A.K. MATHUR
Director

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 31st December 2005

	2005	2004
	£	£
Actuarial movement on defined benefit scheme	125,000	(70,000)
Movement on deferred tax relating to defined benefit pension scheme	(66,920)	57,106
Net income/(expense) recognised directly in equity	58,080	(12,894)
Profit for the year	505,499	161,719
Exchange gains/(losses)	45,652	(267,585)
Total recognised income and expense for the year	609,231	(118,760)

STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2005

	2005	2004
	£	£
Actuarial movement on defined benefit scheme	125,000	(70,000)
Movement on deferred tax relating to defined benefit pension scheme	(66,920)	57,106
Net income/(expense) recognised directly in equity	58,080	(12,894)
Profit for the year	505,499	161,719
Exchange gains/(losses)	45,652	(267,585)
Net movement in shareholders' funds	609,231	(118,760)
Opening shareholders' funds	2,824,741	2,943,501
Closing shareholders' funds	3,433,972	2,824,741

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

CASH FLOW STATEMENT
for the year ended 31st December 2005

	Notes	2005	2004
		£	£
CASH GENERATED FROM OPERATIONS			
Cash flows from operating activities	21	395,972	968,220
Interest paid		(204,182)	(235,030)
Interest received		460	240
Income taxes paid		(5,729)	(6,145)
Dividends received from associates		8,515	20,620
Dividends received from group companies		758	815
Net cash flow from continuing operating activities		195,794	748,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(121,733)	(75,457)
Purchases of biological assets		(228,409)	(157,086)
Proceeds from sale of property, plant and equipment		117	4,238
Proceeds from sale of investments		-	211,144
Net cash flow from investing activities		(350,025)	(17,161)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayments		(48,504)	(62,006)
Finance lease repayments		(14,221)	(7,129)
Net cash flow from financing activities		(62,725)	(69,135)
Net (decrease)/increase in cash and cash equivalents		(216,956)	662,424
Cash and cash equivalents at beginning of period		(1,331,781)	(2,168,167)
Exchange (losses)/gains on cash		(10,507)	173,962
Cash and cash equivalents at end of period		£ (1,559,244)	£ (1,331,781)

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION

   The Lungla (Sylhet) Tea Company Limited is a company incorporated in the United Kingdom under the Companies Act 1985.

2. ACCOUNTING POLICIES

   The company's accounting policies are disclosed below:-

   a) Basis of Preparation
   The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and therefore comply with Article 4 of the EU IAS Regulation.

   b) Transition to IFRS
   The company's transition date is 1 January 2004. The company prepared its opening IFRS balance sheet at that date and the company's IFRS adoption date is 1 January 2005. The company has applied IFRS 1 in preparing these financial statements.
   In preparing these financial statements in accordance with IFRS 1, the company has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

   The company has elected to apply the following optional exemptions from full retrospective application:

   Fair value or revaluation as deemed cost exemption: Certain items of property, plant and equipment have been elected to be measured at fair value at 1 January 2004. The company has also elected to use previous UK GAAP revaluations of property, plant and equipment as deemed cost.

   Cumulative translation differences exemption: All previously accumulated translation differences have been set to zero as at 1 January 2004.

   c) Basis of accounting
   The financial statements have been prepared in accordance with IFRS for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 26. The financial statements have been prepared on the historical cost basis as modified by the revaluation of property, plant and equipment.

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

   e) Revenue recognition
   Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes and after eliminating intra-group sales.
   Invoices are raised when goods are despatched or when the risks and rewards of ownership otherwise irrevocably passes to the customer.

2. ACCOUNTING POLICIES (continued)

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

Rates of depreciation are:

Buildings	10% to 20%
Plant, machinery and vehicles	20%
Fixtures and Fittings	10% to 18%

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

g) Biological assets
Biological assets are measured on initial recognition and at each balance sheet date at fair value. Any changes in fair value are recognised in the income statement in the year in which they arise. All costs of planting, upkeep and maintenance of biological assets are set against the fair value movement.

h) Investments
Investments in group and associated companies are included at cost.

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

j) Inventories
Agricultural produce at the point of harvest is measured at fair value less estimated point-of-sale costs. Any changes arising on initial recognition of agricultural produce at fair value less

2. ACCOUNTING POLICIES (continued)

j) Inventories (continued)
estimated point-of-sale costs. Any changes arising on initial recognition of agricultural produce at fair value less estimated point-of sale costs are recognised in the income statement in the year in which they arise. Other inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and selling expenses.

k) Trade receivables
Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the income statement.

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

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

n) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than in a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related tax asset is realised or the tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

o) Financial instruments
Financial risk management policies are set by the Board of the ultimate parent company, Camellia Plc. Given the nature and diversity of the Group's operations, the Board does not believe a highly complex use of financial instruments would be of significant benefit to the Group. However, various financial instruments arise directly from the company's operations, for example cash, trade debtors, trade creditors and accruals, in addition to the company using financial instruments to finance its operations. The company finances its operations by a mixture of retained profits, bank borrowings and long term loans.

2. ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)
The objective for the company is to maintain a balance between continuity of funding and flexibility through the use of borrowings, which are regularly reviewed.

p) Employee benefits
The company operates a defined benefit pension scheme on behalf of its own employees and those of certain group companies. The net deficit in respect of the whole scheme is recorded in the accounts of this company. The scheme is funded through payments to a trustee-administered fund.
A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension cost for defined benefit schemes is assessed in accordance with the advice of qualified independent actuaries using the "projected unit" funding method.
The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Independent actuaries calculate the obligation annually using the "projected unit" funding method. Actuarial gains and losses are recognised in full in the period in which they occur. They are not recognised in the income statement and are presented in the statement of changes in shareholders' equity. As permitted under IFRS 1 all actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, were recognised for the plan.

q) New standards and interpretations not in force
The following standards and interpretations are in issue but not in force at 31 December 2005:

New standards and interpretations

IFRS 6 Exploration and evaluation of mineral resources
IFRS 7 Financial instruments: disclosure
IFRIC 4 Determining whether an arrangement contains a lease
IFRIC 5 Rights to interests arising from decommissioning, restoration and environment rehabilitation funds
IFRIC 6 Liabilities arising from participating in a specific market - waste electrical and electronic equipment
IFRIC 7 Applying the restatement approach under IAS 29

Revisions to existing standards

IAS 39 Changes re the fair value option
IAS 1 Changes re capital disclosures

The directors do not expect the new standards and interpretations, or the revisions to existing standards, to have any impact on the primary financial statements. However:

IFRS 7 This standard will require additional disclosures concerning the company's financial instruments, to enable users of the financial statements to appreciate the financial risks to which the company is subject. This standard is effective for accounting periods beginning on or after 1 January 2007.

IAS 1 The revisions to this standard will require additional disclosures, both qualitative and quantitative, concerning the capital of the company. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2007.

		2005 £	2004 £
3.	REVENUE		
	Tea Sales		
	Bangladesh	2,349,328	2,253,062
	Rubber Sales		
	Bangladesh	324,608	276,130
		£ 2,673,936	£ 2,529,192
4.	OPERATING PROFIT		
	Is stated after charging:		
	Depreciation of tangible assets	£118,298	£109,509
	Hire of plant and machinery	£18,825	£25,160
	Remuneration of the auditors	£2,057	£1,797
	Directors' remuneration	£50,465	£47,220
	Land rent	£13,233	£14,224
	Employee benefit expenditure	£799,344	£762,878
5.	NET OPERATING EXPENSES		
	Administrative expenses	233,323	258,268
	(Loss)/profit on disposal of property, plant and equipment	54	(1,977)
	Exchange gain	(3,399)	(1,750)
	Sundry receipts	(28,084)	(27,305)
		201,894	227,236
6.	INVESTMENT INCOME		
	Income from listed investments	8,515	20,620
	Income from unlisted investments	758	815
		£ 9,273	£ 21,435
7.	PROFIT ON DISPOSAL OF ASSOCIATED UNDERTAKING		
	Profit on disposal of shares in associated undertaking	£ -	£ 68,112

The company sold 23,000 shares and realised a net profit of £68,112 on the part disposal of its interest in United Leasing Company Limited, reducing its shareholding to 1% from 4%.

		2005 £	2004 £
8.	NET FINANCE COSTS		
	Interest payable on bank loans and overdrafts	153,732	219,335
	Interest payable on finance leases	8,867	6,916
	Pension liability interest cost	113,484	105,000
	Expected return on pension asset	(94,113)	(91,000)
	Bank interest receivable	(452)	(241)
		£ 181,518	£ 240,010

9. EMPLOYEES

	2005	2004
	£	£
Staff costs:		
Wages and salaries	738,145	704,878
Pension costs - see note 19	61,199	58,000
	£ 799,344	£ 762,878
The average number of persons employed by the company was:	6,363	6,346

None of the directors received remuneration during the year (2004: £nil).

10. TAXATION

	2005	2004
(a) Current tax	£	£
UK Corporation tax:		
U.K. Corporation tax at 30% (2004: 30%)	474,238	56,462
Group relief	(474,238)	(56,462)
	-	-
Foreign corporation tax	-	-
Total current tax	-	-
Deferred tax:		
Overseas	147,151	46,339
Tax on profit on ordinary activities	£147,151	£46,339

(b) Factors affecting tax charge for period

The differences between tax calculated at the standard rate of taxation in the UK of 30% and that charged in the accounts are explained below:

	2005	2004
	£	£
Profit on ordinary activities before tax	£652,650	£208,058
Profit on ordinary activities multiplied by 30%	195,795	62,417
Effects of:		
Expenditure not deductible for tax purposes	-	(23,051)
Income not subject to taxation	(26,253)	(20,434)
Fixed asset timing differences	446,412	68,264
Higher tax rates on overseas earnings	5,435	15,605
Group relief utilised	(474,238)	(56,462)
	£ 147,151	£ 46,339

(c) The results of the company's branch in Bangladesh are subject to local taxation at rates in excess of those charged in the UK. Tax losses in Bangladesh can be carried forward and offset against future profits generated by the branch.

The results of the company are subject to taxation in the UK. Where profits arise UK tax arising can be offset through double tax relief against tax payable in Bangladesh and by losses surrendered by other UK companies. It is group practice to pay for all losses surrendered at the tax rate prevailing in the year of transfer. There are no UK losses carried forward.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and Machinery	Vehicles	Fixtures Fittings Tools and Equipment	Total
Cost					
At 1st January 2004	1,423,409	650,237	265,582	552,443	2,891,671
Currency retranslation	(115,345)	(52,580)	(24,264)	(44,676)	(236,865)
Additions	35,148	11,070	56,931	6,645	109,794
Disposals	(13,569)	(3,312)	(926)	-	(17,807)
At 31st December 2004	1,329,643	605,415	297,323	514,412	2,746,793
Currency retranslation	11,054	5,514	4,457	4,285	25,310
Additions	47,221	28,162	86,690	8,688	170,761
Disposals	(25,722)	-	(6,065)	-	(31,787)
At 31st December 2005	£ 1,362,196	£ 639,091	£ 382,405	£ 527,385	£ 2,911,077
Depreciation provision					
At 1st January 2004	638,039	529,172	197,878	418,372	1,783,461
Currency retranslation	(53,272)	(44,032)	(17,251)	(34,214)	(148,769)
Disposals	-	(1,574)	(403)	-	(1,977)
Provision for the year	39,399	31,401	26,464	12,245	109,509
At 31st December 2004	624,166	514,967	206,688	396,403	1,742,224
Currency retranslation	5,889	4,820	2,521	3,460	16,690
Disposals	-	-	(5,894)	-	
Provision for the year	36,827	28,912	39,865	12,694	118,298
At 31st December 2005	£ 666,882	£ 548,699	£ 243,180	£ 412,557	£ 1,877,212
Net book value					
At 31st December 2005	£ 695,314	£ 90,392	£ 139,225	£ 114,828	£ 1,039,759
Net book value					
At 31st December 2004	£ 705,477	£ 90,448	£ 90,635	£ 118,009	£ 1,004,569

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

12. BIOLOGICAL ASSETS

	Tea	Other horticulture	Total
Fair value			
At 1 January 2004	2,182,570	2,148,052	4,330,622
Exchange differences	(181,297)	(173,618)	(354,915)
Increases due to purchases	120,546	36,540	157,086
Losses arising from changes in fair value less estimated point-of-sale costs	(3,445)	(12,479)	(15,924)
At 1 January 2005	2,118,374	1,998,495	4,116,869
Exchange differences	25,593	15,160	40,753
Increases due to purchases	145,773	82,636	228,409
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	193,389	(105,878)	87,511
At 31 December 2005	2,483,129	1,990,413	4,473,542

Other horticulture comprises rubber production.

Biological assets are carried at fair value less estimated point-of-sale costs. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value has been determined based on the net present value of expected future cash flows from those assets, discounted at appropriate pre-tax rates. In determining the fair value of biological assets where the discounting of expected future cash flows has been used, the directors have made certain assumptions about expected life-span of the plantings, yields, selling prices and costs.

The discount rates used reflect the cost of capital, an assessment of country risk and the risks associated with individual crops. The discount rates used are:

	Tea	Rubber
2005	12.50%	12.00%
2004	12.50%	12.00%

12. BIOLOGICAL ASSETS (continued)

The areas planted to the various crop types at the end of the year were:

	2005 Hectares	2004 Hectares
Tea	2,925	2,899
Rubber	949	921

Output of agricultural produce during the year was:

	2005 Metric tonnes	2004 Metric tonnes
Tea	3,883	3,720
Rubber	488	410

	2005 £	2004 £
Fair value of agricultural output after deducting estimated point-of-sale costs	2,976,690	2,471,626

	2005 £	2004 £
13. INVESTMENTS		
Cost at 1st January	132,551	291,417
Currency fluctuation	1,046	(23,382)
Disposals - see note 7	-	(135,484)
At 31st December	£ 133,597	£ 132,551
Provision for dimunition in value at 1st January	(4,339)	(4,718)
Currency fluctuation	(35)	379
At 31st December	£ (4,374)	£ (4,339)
Net book value at 31st December	£ 129,223	£ 128,212
Investments at cost include:		
Listed on Dhaka Stock Exchange	£ 111,749	£ 110,875
Market value	£ 230,979	£ 259,731
Investments at cost consist of:		
Subsidiaries of group	21,848	21,676
Associates of group	111,749	110,875
	£ 133,597	£ 132,551
14. INVENTORIES		
Stock of tea	425,820	296,577
Stock of rubber	21,625	22,337
Estate stores	129,962	114,649
	£ 577,407	£ 433,563

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

	2005 £	2004 £
15. TRADE AND OTHER RECEIVABLES		
Due within one year		
Trade debtors	155,076	100,458
Other debtors	159,960	146,156
Amounts owed by group companies	90,498	48,888
Prepayments and accrued income	29,055	27,355
Taxation recoverable	31,245	25,516
Interest receivable	4	12
	465,838	348,385
Due in more than one year		
Other debtors	157,934	156,019
	£ 623,772	£ 504,404

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

	2005 £	2004 £
16. TRADE AND OTHER PAYABLES		
Amounts falling due within one year		
Other creditors	273,123	191,557
Amounts owed to group companies	490,209	830,740
Interest payable	45,584	79,883
	£ 808,916	£1,102,180
17. BORROWINGS		
Current:		
Bank overdraft (secured against hypothecation of crop)	1,665,614	1,514,782
Term loans secured	50,535	48,608
Finance leases	21,859	4,849
	1,738,008	1,568,239
Non-current:		
Bank loans (secured against property, plant and equipment and biological assets)	144,720	193,243
Finance leases	65,911	32,470
	£1,948,639	£1,793,952
Bank loans include the following amounts repayable over more than five years by instalments		
Aggregate amount of loans	£195,255	£241,851
Amount due beyond five years	£61,719	£74,374
The repayments of bank loans and overdrafts fall due as follows:		
Within 12 months or on demand (included in Creditors: due within one year)	1,716,149	1,563,390
Between 1 - 2 years	40,236	49,656
Between 2 - 5 years	42,765	69,213
After 5 years	61,719	74,374
	£1,860,869	£1,756,633
The repayments of finance leases fall due as follows:		
Within 12 months or on demand (included in Creditors: due within one year)	21,859	4,849
Between 1 - 2 years	25,637	9,261
Between 2 - 5 years	40,274	13,673
After 5 years	-	9,536
	£ 87,770	£ 37,319

Interest rates vary from 9% per annum to 9.5% per annum.

18. DEFERRED TAX

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

	2005 £	2004 £
At 1 January	(390,716)	(401,483)
Charged to the income statement	(147,151)	(46,339)
(Charged)/credited to equity	(66,920)	57,106
At 31 December	£ (604,787)	£ (390,716)

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

Deferred tax liabilities:

	Accelerated tax depreciation £	Total £
At 1 January 2005	(484,716)	(484,716)
Exchange differences	(7,965)	(7,965)
Charged to the income statement	(158,106)	(158,106)
At 31 December 2005	(650,787)	(650,787)

Deferred tax assets:

	Pension scheme asset £	Total £
At 1 January 2005	94,000	94,000
Exchange differences	7,965	7,965
Credited to the income statement	10,955	10,955
Charged to equity	(66,920)	(66,920)
At 31 December 2005	46,000	46,000

19. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit scheme

The company operates a funded defined benefit pension scheme on behalf of itself and its associated companies. The assets of this scheme are administered by trustees and are kept separate from those of the company. The latest full actuarial valuation of the scheme was undertaken as at 1 January 2003 and has been updated to 31 December 2005 by qualified independent actuaries.

Assumptions

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

	2005 per annum	2004 per annum
Rate of increase in salaries	7.00%	7.00%
Discount rate applied to scheme liabilities	9.00%	9.00%

Assumptions regarding future mortality experience are based on advice in accordance with published statistics. The current mortality table used is PMA92 with a 0.25% deduction from the discount rate pre and post retirement.

The major assumptions used to determine the expected future return on the scheme's assets were as follows:

	2005 per annum	2004 per annum
Debt securities	7.00%	7.00%
Cash	9.00%	9.00%

Actuarial valuations	2005 £	2004 £
Debt securities	1,009,000	1,056,000
Cash	225,000	-
Total fair value of plan assets	1,234,000	1,056,000
Present value of defined benefit obligations	(1,386,000)	(1,306,000)
Total deficit in the scheme	(152,000)	(250,000)
Amount recognised as liability in the balance sheet	(152,000)	(250,000)
	(152,000)	(250,000)
Related deferred tax asset - see note 18	46,000	94,000
Net deficit	(106,000)	(156,000)

Movements in the fair value of scheme assets were as follows:	2005 £	2004 £
At 1 January	1,056,000	1,036,000
Expected return on plan assets	90,000	90,000
Employer contributions	50,000	60,000
Contributions paid by plan participants	10,000	10,000
Benefit payments	(40,000)	(40,000)
Actuarial gains/(losses)	60,000	(10,000)
Exchange movement	8,000	(90,000)
At 31 December	1,234,000	1,056,000

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	2005	2004
	£	£
At 1 January	(1,306,000)	(1,226,000)
Current service cost	(60,000)	(60,000)
Contributions paid by plan participants	(10,000)	(10,000)
Interest cost	(110,000)	(100,000)
Benefit payments	40,000	40,000
Actuarial gains/(losses)	70,000	(60,000)
Exchange movement	(10,000)	110,000
At 31 December	(1,386,000)	(1,306,000)

Income statement

The amounts recognised in the income statement are as follows:

	£	£
Amounts charged to operating profit:		
Current service cost	(61,199)	(64,000)
Past service cost	-	6,000
Total operating charge	(61,199)	(58,000)
Amounts charged/(credited) to other finance costs:		
Expected return on pension scheme assets	94,113	91,000
Interest on pension scheme liabilities	(113,484)	(105,000)
Net financing cost	(19,371)	(14,000)
Total charged to income statement	(80,570)	(72,000)

Actuarial gains and losses recognised in the statement of recognised income and expense (SORIE)

The amounts included in the statement of recognised income and expense were:

	£	£
Actual return less expected return on pension scheme assets	55,000	(6,000)
Experience losses arising on scheme liabilities	70,000	(64,000)
Actuarial gain/(loss) recognised in the SORIE	125,000	(70,000)
Taxation on actuarial movement in the SORIE	(66,920)	57,106
Net actuarial gain/(loss) recognised in the SORIE	58,080	(12,894)

History of experience gains and losses

Difference between expected and actual return on scheme assets:		
Amount (£)	55,000	(6,000)
Percentage of scheme assets	4.49%	(0.53%)
Experience gains and losses on scheme liabilities:		
Amount (£)	70,000	(64,000)
Percentage of present value of scheme liabilities	4.99%	(4.92%)
Total amount recognised in the SORIE:		
Amount (£)	125,000	(70,000)
Percentage of present value of scheme liabilities	8.99%	(5.35%)

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

		2005 £	2004 £
20.	SHARE CAPITAL		
	Authorised 900,000 shares of £1 each	£ 900,000	£ 900,000
	Allotted, called up and fully paid 900,000 shares of £1 each	£ 900,000	£ 900,000
21.	RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH FLOW		
	Profit from operations	737,384	374,445
	Depreciation	118,298	109,509
	(Loss)/profit on disposal of property, plant and equipment	54	(1,977)
	(Increase)/decrease in inventories	(140,423)	76,338
	(Increase)/decrease in debtors	(74,172)	26,040
	Increase in creditors	80,055	53,549
	Change in intra-group balances	(388,310)	324,106
	Exchange adjustments on operating profits	63,086	6,210
	Cash flow from operating activities	£ 395,972	£ 968,220

		Reserves £
22.	RESERVES	
	At 1st January 2004	2,043,501
	Foreign currency translation (losses)	(267,585)
	Retained profit for year	161,719
	Actuarial loss	(70,000)
	Deferred tax on actuarial loss	57,106
	At 31st December 2004	1,924,741
	Foreign currency translation gains	45,652
	Retained profit for year	505,499
	Actuarial gain	125,000
	Deferred tax on actuarial gain	(66,920)
	At 31st December 2005	£ 2,533,972

The distribution of retained profits is subject to exchange control permission for remittances from Bangladesh. Withholding tax at the rate of 15% (2004: 15%) is charged when profits are remitted. Cumulative exchange losses amount to £221,933 (2004: £267,585).

		2005	2004
23.	CAPITAL COMMITMENTS		
	Contracted for	£ 99,787	£ 46,601
24.	LEASING COMMITMENTS		
	Total commitment in respect of operating leases are: Land and buildings - lease expires after more than five years	£ 13,233	£ 14,224
	Other assets - leases expire within one year	27,286	40,941
	- leases expires between 2 to 5 years	9,463	46,140
		£ 36,749	£ 87,081

25. PARENT COMPANY

The ultimate parent company at 31st December 2005 was Camellia Plc which is registered in England and Wales. The consolidated financial statements of Camellia Plc can be obtained from the Company's registered office at Linton Park, Linton, Maidstone, Kent, ME17 4AB.

26. CONTROL OF CAMELLIA PLC

Camellia Holding AG holds 1,426,000 ordinary shares of Camellia Plc (representing 50.17 per cent of the issued share capital). Camellia Holding AG is owned by Camellia Private Trust Company Ltd (a private trust company incorporated under the laws of Bermuda to act as trustee of the Camellia Foundation). The Camellia Foundation is a Bermudian Trust, the income of which is utilised for charitable, educational and humanitarian causes at the discretion of the Trustees.

27. RELATED PARTY TRANSACTIONS

The company received £253,790 (charged 2004: £198,627) from group companies during the year in respect of inter group sales and recharges which are included within cost of sales.

28. ADJUSTMENTS ON ADOPTION OF IFRS

On adoption of IFRS, the book value of the company's shareholders' equity decreased. The following explains the decrease of £368,341 as at 1 January 2004:

	£
Biological assets IAS 41 – Agriculture: Requires the company to fair value its biological assets	(250,341)
Pension liability IAS 19 (revised) – Employee benefits: Requires any surplus or deficit in the fair value of the company's pension scheme assets over their liabilities to be recognised in the balance sheet	(118,000)
	(368,341)

29. RECONCILIATION OF EQUITY AT 1 JANUARY 2004

	Reformatted UK GAAP	Biological assets IAS 41	Pensions and post retirement benefits IAS 19	Restated in accordance with IFRS
	£	£	£	£
Non-current assets				
Property, plant and equipment	5,216,690	(4,108,480)	-	1,108,210
Biological assets	-	4,330,622	-	4,330,622
Deferred tax asset	-	-	71,000	71,000
Investments	286,699	-	-	286,699
	5,503,389	222,142	71,000	5,796,531
Current assets				
Inventories	554,382	-	-	554,382
Trade and other receivables	710,941	-	-	710,941
Cash and cash equivalents	88,092	-	-	88,092
	1,353,415	-	-	1,353,415
Current liabilities				
Borrowings	(2,320,317)	-	-	(2,320,317)
Trade and other payables	(933,347)	-	-	(933,347)
	(3,253,664)	-	-	(3,253,664)
Net current liabilities	(1,900,249)	-	-	(1,900,249)
Total assets less current liabilities	3,603,140	222,142	71,000	3,896,282
Non-current liabilities				
Borrowings	(289,401)	-	-	(289,401)
Deferred tax liability	-	(472,483)	-	(472,483)
Retirement benefit obligations	-	-	(189,000)	(189,000)
Other non-current liabilities	(1,897)	-	-	(1,897)
	(291,298)	(472,483)	(189,000)	(952,781)
Net assets	3,311,842	(250,341)	(118,000)	2,943,501
Capital and reserves				
Called up share capital	900,000	-	-	900,000
Reserves	2,411,842	(250,341)	(118,000)	2,043,501
Shareholders' funds	3,311,842	(250,341)	(118,000)	2,943,501
Total equity	3,311,842	(250,341)	(118,000)	2,943,501

30. RECONCILIATION OF EQUITY AT 31 DECEMBER 2004

	Reformatted UK GAAP	Biological assets IAS 41	Pensions and post retirement benefits IAS 19	Restated in accordance with IFRS
	£	£	£	£
Non-current assets				
Property, plant and equipment	4,932,204	(3,927,635)	-	1,004,569
Biological assets	-	4,116,869	-	4,116,869
Investments	128,212	-		128,212
Deferred tax asset	-	-	94,000	94,000
	5,060,416	189,234	94,000	5,343,650
Current assets				
Inventories	433,563	-	-	433,563
Trade and other receivables	504,404	-	-	504,404
Cash and cash equivalents	183,001	-	-	183,001
	1,120,968	-	-	1,120,968
Current liabilities				
Borrowings	(1,568,239)	-	-	(1,568,239)
Trade and other payables	(1,102,180)	-	-	(1,102,180)
	(2,670,419)	-	-	(2,670,419)
Net current liabilities	(1,549,451)	-	-	(1,549,451)
Total assets less current liabilities	3,510,965	189,234	94,000	3,794,199
Non-current liabilities				
Borrowings	(225,713)	-	-	(225,713)
Deferred tax liability	-	(484,716)	-	(484,716)
Retirement benefit obligations	-	-	(250,000)	(250,000)
Other non-current liabilities	(9,029)	-	-	(9,029)
	(234,742)	(484,716)	(250,000)	(969,458)
Net assets	3,276,223	(295,482)	(156,000)	2,824,741
Capital and reserves				
Called up share capital	900,000	-	-	900,000
Reserves	2,376,223	(295,482)	(156,000)	1,924,741
Shareholders' funds	3,276,223	(295,482)	(156,000)	2,824,741
Total equity	3,276,223	(295,482)	(156,000)	2,824,741

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS (continued)

31. RECONCILIATION OF PROFIT FOR THE YEAR ENDED 31 DECEMBER 2004

	Reformatted UK GAAP	Biological assets IAS 41	Pensions and post retirement benefits IAS 19	Restated in accordance with IFRS
	£	£	£	£
Revenue - continuing operations	2,529,192	-	-	2,529,192
Cost of sales	(1,927,511)	-	-	(1,927,511)
Gross profit	601,681	-	-	601,681
Net operating expenses	(223,644)	-	(3,592)	(227,236)
Operating profit - continuing operations	378,037	-	(3,592)	374,445
Losses arising from changes in fair value of biological assets	-	(15,924)	-	(15,924)
Investment income	21,435	-	-	21,435
Profit on disposal of associated undertaking	68,112	-	-	68,112
Net finance costs	(226,010)	-	(14,000)	(240,010)
Profit on ordinary activities before taxation	241,574	(15,924)	(17,592)	208,058
Taxation on ordinary activities	-	(52,936)	6,597	(46,339)
Retained profit for year	241,574	(68,860)	(10,995)	161,719

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

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.

INDEPENDENT AUDITORS' REPORT
to the Shareholders of The Lungla (Sylhet) Tea Company, Limited

We have audited the financial statements of The Lungla (Sylhet) Tea Company, Limited for the year ended 31st December 2005 set out on pages four to twenty-six. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages eight to eleven.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements

- give a true and fair view in accordance with IFRSs of the state of the company's affairs as at 31st December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Moore Stephens LLP

MOORE STEPHENS LLP

Chartered Accountants
and Registered Auditors

22nd June 2006