44242

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

REPORT AND ACCOUNTS

2006

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 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, 21st June 2007 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 2006

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

21st June 2007

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 2006

ACCOUNTS	2006	2005
Profit on ordinary activities before taxation	£432,961	£652,650
Profit on ordinary activities after taxation	£437,937	£505,499
Retained profit for year	£437,937	£505,499

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 A S M O Subhan retired from the board on 28th February 2007

Mr A K Mathur and Mr A R Bhuiya 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

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

Each of the persons who are directors at the time when this report is approved confirms that

(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and of the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

By Order of the Board

M D CONWAY
Secretary

21st June 2007

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

INCOME STATEMENT
for the year ended 31st December 2006

	Notes	2006 £	2005 £
Revenue - continuing operations	3	2,661,349	2,673,936
Cost of sales		(1,659,134)	(1,734,658)
Gross profit		1,002,215	939,278
Net operating expenses	5	(249,017)	(201,894)
Operating profit - continuing operations	4	753,198	737,384
(Losses)/gains arising from changes in fair value of biological assets	11	(152,924)	87,511
Investment income	6	8,888	9,273
Interest receivable	7	50	452
Interest payable	7	(166,718)	(162,599)
Pension scheme net financing cost	7	(9,533)	(19,371)
Profit on ordinary activities before taxation		432,961	652,650
Taxation on ordinary activities	9	4,976	(147,151)
Retained profit for the year	21	437,937	505,499

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

BALANCE SHEET
as at 31st December 2006

	Notes	2006		2005	
		£	£	£	£
NON-CURRENT ASSETS					
Property, plant and equipment	10		991,019		1,039,759
Biological assets	11		3,764,122		4,473,542
Investments	12		108,658		129,223
Retirement benefit obligations	18		426,226		-
Deferred tax asset	17		-		46,000
			5,290,025		5,688,524
CURRENT ASSETS					
Inventories	13	583,256		577,407	
Trade and other receivables	14	464,619		623,772	
Cash at bank and in hand		316,237		106,370	
		1,364,112		1,307,549	
CURRENT LIABILITIES					
Borrowings	16	(1,293,536)		(1,738,008)	
Trade and other payables	15	(714,989)		(808,916)	
		(2,008,525)		(2,546,924)	
NET CURRENT (LIABILITIES)			(644,413)		(1,239,375)
TOTAL ASSETS LESS CURRENT LIABILITIES			4,645,612		4,449,149
NON-CURRENT LIABILITIES					
Borrowings	16	(174,860)		(210,631)	
Deferred tax liabilities	17	(642,768)		(650,787)	
Retirement benefit obligations	18	(111,087)		(152,000)	
Other non-current liabilities		(1,479)		(1,759)	
			(930,194)		(1,015,177)
NET ASSETS			£3,715,418		£3,433,972
EQUITY					
Called up share capital	19		900,000		900,000
Reserves	21		2,815,418		2,533,972
			£3,715,418		£3,433,972

Approved on 21st June 2007 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 2006

	2006 £	2005 £
Actuarial movement on defined benefit scheme	493,379	125,000
Movement on deferred tax relating to defined benefit pension scheme	(148,014)	(66,920)
Exchange (losses)/gains	(501,856)	45,652
Net income recognised directly in equity	(156,491)	103,732
Profit for the year	437,937	505,499
Total recognised income and expense for the year	281,446	609,231

STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2006

	2006 £	2005 £
Actuarial movement on defined benefit scheme	493,379	125,000
Movement on deferred tax relating to defined benefit pension scheme	(148,014)	(66,920)
Exchange (losses)/gains	(501,856)	45,652
Net income recognised directly in equity	(156,491)	103,732
Profit for the year	437,937	505,499
Net movement in shareholders' funds	281,446	609,231
Opening shareholders' funds	3,433,972	2,824,741
Closing shareholders' funds	3,715,418	3,433,972

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

CASH FLOW STATEMENT
for the year ended 31st December 2006

	Notes	2006	2005
		£	£
CASH GENERATED FROM OPERATIONS			
Cash flows from operating activities	20	1,042,096	395,972
Interest paid		(186,373)	(204,182)
Interest received		11	460
Income taxes paid		(2,514)	(5,729)
Dividends received from associates		8,191	8,515
Dividends received from group companies		697	758
Net cash flow from continuing operating activities		862,108	195,794
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(313,650)	(121,733)
Purchases of biological assets		(155,611)	(228,409)
Proceeds from sale of property, plant and equipment		4,075	117
Net cash flow from investing activities		(465,186)	(350,025)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayments		(43,519)	(48,504)
Proceeds from new borrowings		73,959	-
Finance lease repayments		(36,161)	(14,221)
Net cash flow from financing activities		(5,721)	(62,725)
Net increase/(decrease) in cash and cash equivalents		391,201	(216,956)
Cash and cash equivalents at beginning of period		(1,559,244)	(1,331,781)
Exchange gains/ (losses) on cash		248,146	(10,507)
Cash and cash equivalents at end of period		£ (919,897)	£ (1,559,244)

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) 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

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

d) 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

e) 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

f) Investments
Investments in group and associated companies are included at cost

g) 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)

h) 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)

h) 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

i) 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

j) 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

k) 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

l) 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

m) 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)

m) 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

n) 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 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

o) New standards and interpretations not in force
The following standards and interpretations are in issue but not in force at 31 December 2006

New standards and interpretations

IFRS 7	Financial instruments disclosure
IFRS 8	Operating segments
IFRIC 7	Applying the restatement approach under IAS 29
IFRIC 8	Scope of IFRS 2 Share-based payment
IFRIC 9	Reassessment of embedded derivatives
IFRIC 10	Interim financial reporting and impairment
IFRIC 11	Group and treasury share transactions
IFRIC 12	Service concession arrangements

Revisions to existing standards

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

		2006	2005
		£	£
3	REVENUE		
	Tea Sales		
	Bangladesh	2,310,729	2,349,328
	Rubber Sales		
	Bangladesh	350,620	324,608
		£ 2,661,349	£ 2,673,936
4	OPERATING PROFIT		
	Is stated after charging		
	Depreciation of tangible assets	£180,649	£118,298
	Hire of plant and machinery	£15,452	£18,825
	Remuneration of the auditors	£1,891	£2,057
	Land rent	£11,799	£13,233
	Employee benefit expenditure	£725,892	£799,344
5	NET OPERATING EXPENSES		
	Administrative expenses	289,791	233,323
	(Profit)/loss on disposal of property, plant and equipment	(3,876)	54
	Exchange loss/(gain)	679	(3,399)
	Sundry receipts	(37,577)	(28,084)
		249,017	201,894
6	INVESTMENT INCOME		
	Income from listed investments	8,191	8,515
	Income from unlisted investments	697	758
		£ 8,888	£ 9,273
7	FINANCE COSTS		
	Interest payable		
	Bank loans and overdrafts	151,907	153,732
	Finance leases	14,811	8,867
		166,718	162,599
	Pension financing costs/(income)		
	Pension liability interest cost	110,226	113,484
	Expected return on pension asset	(100,693)	(94,113)
		9,533	19,371
	Bank interest receivable	(50)	(452)
	Net financing costs	£ 176,201	£ 181,518

8 EMPLOYEES

	2006	2005
	£	£
Staff costs		
Wages and salaries	673,140	738,145
Pension costs - see note 18	58,541	61,199
	£ 731,681	£ 799,344
The average number of persons employed by the company was	6,362	6,363

None of the directors received remuneration during the year (2005 £nil)

9 TAXATION

	2006	2005
(a) Current tax	£	£
UK Corporation tax		
UK Corporation tax at 30% (2005 30%)	1,333	474,238
Group relief	(1,333)	(474,238)
	-	-
Foreign corporation tax	-	-
Total current tax	-	-
Deferred tax		
Overseas	(4,976)	147,151
Tax on profit on ordinary activities	(£4,976)	£147,151

(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

	2006	2005
	£	£
Profit on ordinary activities before tax	£432,961	£652,650
Profit on ordinary activities multiplied by 30%	129,888	195,795
Effects of		
Expenditure not deductible for tax purposes	6,882	-
Income not subject to taxation	(2,884)	(26,253)
Fixed asset timing differences	269	446,412
Higher tax rates on overseas earnings	(1,454)	5,435
Losses utilised	(137,677)	(474,238)
	£ (4,976)	£ 147,151

(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 There are no UK losses carried forward

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and Machinery	Vehicles	Fixtures Fittings Tools and Equipment	Total
Cost					
At 1st January 2005	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
Currency retranslation	(221,289)	(109,006)	(66,630)	(84,534)	(481,459)
Additions	73,423	119,034	111,365	9,828	313,650
Disposals	-	-	(17,215)	-	(17,215)
At 31st December 2006	£ 1,214,330	£ 649,119	£ 409,925	£ 452,679	£ 2,726,053
Depreciation provision					
At 1st January 2005	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)	-	(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	1,871,318
Currency retranslation	(108,737)	(92,247)	(41,216)	(66,162)	(308,362)
Disposals	-	-	(8,571)	-	(8,571)
Provision for the year	42,501	80,304	49,597	8,247	180,649
At 31st December 2006	£ 600,646	£ 536,756	£ 242,990	£ 354,642	£ 1,735,034
Net book value					
At 31st December 2006	£ 613,684	£ 112,363	£ 166,935	£ 98,037	£ 991,019
Net book value					
At 31st December 2005	£ 695,314	£ 90,392	£ 139,225	£ 114,828	£ 1,039,759

11 BIOLOGICAL ASSETS

	Tea	Other horticulture	Total
Fair value			
At 1st 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 1st January 2006	2,483,129	1,990,413	4,473,542
Exchange differences	(391,169)	(320,938)	(712,107)
Increases due to purchases	90,457	65,154	155,611
(Losses)/gains arising from changes in fair value less estimated point-of-sale costs	(155,848)	2,924	(152,924)
At 31st December 2006	2,026,569	1,737,553	3,764,122

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
2006	12 50%	12 00%
2005	12 50%	12 00%

11 BIOLOGICAL ASSETS (continued)

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

	2006 Hectares	2005 Hectares
Tea	2,926	2,925
Rubber	1,026	949

Output of agricultural produce during the year was

	2006 Metric tonnes	2005 Metric tonnes
Tea	3,913	3,883
Rubber	573	488

	2006 £	2005 £
Fair value of agricultural output after deducting estimated point-of-sale costs	3,510,833	2,976,690

		2006 £	2005 £
12	INVESTMENTS		
	Cost at 1st January	133,597	132,551
	Currency fluctuation	(21,261)	1,046
	At 31st December	£ 112,336	£ 133,597
	Provision for diminution in value at 1st January	(4,374)	(4,339)
	Currency fluctuation	696	(35)
	At 31st December	£ (3,678)	£ (4,374)
	Net book value at 31st December	£ 108,658	£ 129,223
	Investments at cost include		
	Listed on Dhaka Stock Exchange	£ 93,965	£ 111,749
	Market value	£ 183,130	£ 230,979
	Investments at cost consist of		
	Subsidiaries of group	18,371	22,722
	Associates of group	93,965	110,875
		£ 112,336	£ 133,597
13	INVENTORIES		
	Stock of tea	448,061	425,820
	Stock of rubber	24,258	21,625
	Estate stores	110,937	129,962
		£ 583,256	£ 577,407

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

		2006 £	2005 £
14	TRADE AND OTHER RECEIVABLES		
	Due within one year		
	Trade debtors	107,343	155,076
	Other debtors	97,343	159,960
	Amounts owed by group companies	55,236	90,498
	Prepayments and accrued income	24,218	29,055
	Taxation recoverable	28,787	31,245
	Interest receivable	43	4
		312,970	465,838
	Due in more than one year		
	Other debtors	151,649	157,934
		£ 464,619	£ 623,772

		2006	2005
		£	£
15	TRADE AND OTHER PAYABLES		
	Amounts falling due within one year		
	Other creditors	170,692	273,123
	Amounts owed to group companies	518,368	490,209
	Interest payable	25,929	45,584
		£ 714,989	£ 808,916
16	BORROWINGS		
	Current		
	Bank overdraft (secured against hypothecation of crop)	1,236,134	1,665,614
	Term loans secured	32,806	50,535
	Finance leases	24,596	21,859
		1,293,536	1,738,008
	Non-current		
	Bank loans (secured against property, plant and equipment and biological assets)	87,856	144,720
	Finance leases	87,004	65,911
		£1,468,396	£1,948,639
	Bank loans include the following amounts repayable over more than five years by instalments		
	Aggregate amount of loans	£120,662	£195,255
	Amount due beyond five years	£41,080	£61,719
	The repayments of bank loans and overdrafts fall due as follows		
	Within 12 months or on demand	1,268,940	1,716,149
	Between 1 - 2 years	12,124	40,236
	Between 2 - 5 years	34,652	42,765
	After 5 years	41,080	61,719
		£1,356,796	£1,860,869
	The repayments of minimum finance leases payments fall due as follows		
	Within 12 months or on demand	38,907	31,945
	Between 1 - 2 years	37,276	31,923
	Between 2 - 5 years	68,902	45,167
	After 5 years	768	-
		145,853	109,035
	Future finance charges on finance leases	(34,253)	(21,265)
	Present value of finance lease liabilities	111,600	87,770
	The present value of finance lease liabilities fall due as follows		
	Within 12 months or on demand	24,596	21,859
	Between 1 - 2 years	27,403	25,637
	Between 2 - 5 years	58,833	40,274
	After 5 years	768	-
		£ 111,600	£ 87,770

Interest rates vary from 9% per annum to 9 5% per annum

	2006	2005
	£	£

17 DEFERRED TAX

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

	2006	2005
At 1 January	(604,787)	(390,716)
Exchange differences	105,057	-
Credited/(charged) to the income statement	4,976	(147,151)
Charged to equity	(148,014)	(66,920)
At 31 December	£ (642,768)	£ (604,787)

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

Deferred tax liabilities

	Pension scheme liability	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 1 January 2006	-	(650,787)	(650,787)
Exchange differences	2,556	103,636	106,192
Credited/(charged) to the income statement	1,536	(1,075)	461
Charged to equity	(131,634)	-	(131,634)
At 31 December 2006	(127,542)	(548,226)	(675,768)
Deferred tax asset offset			33,000
Net deferred tax liability after offset			(642,768)

Deferred tax assets

	Pension scheme asset	Total
	£	£
At 1 January 2006	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 1 January 2006	46,000	46,000
Exchange differences	(1,135)	(1,135)
Credited to the income statement	4,515	4,515
Charged to equity	(16,380)	(16,380)
At 31 December 2006	33,000	33,000
Offset against deferred tax liabilities		(33,000)
Net deferred tax asset after offset		-

18 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 2006 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

	2006 per annum	2005 per annum
Rate of increase in salaries	7 00%	7 00%
Discount rate applied to scheme liabilities	9 00%	9 00%

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

	2006 per annum	2005 per annum
Debt securities	9 00%	7 00%
Cash	9 00%	9 00%

Actuarial valuations	2006 £	2005 £
Debt securities	980,422	1,009,000
Cash	218,578	225,000
Total fair value of plan assets	1,199,000	1,234,000
Present value of defined benefit obligations	(883,861)	(1,386,000)
Total surplus/(deficit) in the scheme	315,139	(152,000)
Amount recognised as net asset/(liability) in the balance sheet	315,139	(152,000)
	315,139	(152,000)
Related deferred tax asset - see note 17	(94,542)	46,000
Net surplus/(deficit)	220,597	(106,000)

Movements in the fair value of scheme assets were as follows	2006 £	2005 £
At 1 January	1,234,000	1,056,000
Expected return on plan assets	100,000	90,000
Employer contributions	50,000	50,000
Contributions paid by plan participants	10,000	10,000
Benefit payments	(40,000)	(40,000)
Actuarial gains	40,000	60,000
Exchange movement	(194,961)	8,000
At 31 December	1,199,039	1,234,000

18 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	2006 £	2005 £
At 1 January	(1,386,000)	(1,306,000)
Current service cost	(60,000)	(60,000)
Contributions paid by plan participants	(10,000)	(10,000)
Interest cost	(110,000)	(110,000)
Benefit payments	40,000	40,000
Actuarial losses	450,000	70,000
Exchange movement	192,139	(10,000)
At 31 December	(883,861)	(1,386,000)

Income statement
The amounts recognised in the income statement are as follows

	£	£
Amounts charged to operating profit		
Current service cost	(58,541)	(61,199)
Past service cost	-	-
Total operating charge	(58,541)	(61,199)
Amounts charged/(credited) to other finance costs		
Expected return on pension scheme assets	100,693	94,113
Interest on pension scheme liabilities	(110,226)	(113,484)
Net financing cost	(9,533)	(19,371)
Total charged to income statement	(68,074)	(80,570)

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	43,000	55,000
Experience losses arising on scheme liabilities	450,379	70,000
Actuarial gain recognised in the SORIE	493,379	125,000
Taxation on actuarial movement in the SORIE	(148,014)	(66,920)
Net actuarial gain recognised in the SORIE	345,365	58,080

History of experience gains and losses

Difference between expected and actual return on scheme assets		
Amount (£)	43,000	55,000
Percentage of scheme assets	3 59%	4 49%
Experience gains and losses on scheme liabilities		
Amount (£)	450,379	70,000
Percentage of present value of scheme liabilities	50 96%	4 99%
Total amount recognised in the SORIE		
Amount (£)	493,379	125,000
Percentage of present value of scheme liabilities	55 82%	8 99%

		2006 £	2005 £
19	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
20	RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH FLOW		
	Profit from operations	753,198	737,384
	Depreciation	180,649	118,298
	(Profit)/loss on disposal of property, plant and equipment	(3,876)	54
	(Increase) in inventories	(97,740)	(140,423)
	Decrease/(increase) in debtors	41,577	(74,172)
	(Decrease)/increase in creditors	(58,965)	80,055
	Change in intra-group balances	127,033	(388,310)
	Exchange adjustments on operating profits	100,220	63,086
	Cash flow from operating activities	£ 1,042,096	£ 395,972

		Reserves £
21	RESERVES	
	At 1st January 2006	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 1st January 2006	2,533,972
	Foreign currency translation (losses)	(501,856)
	Retained profit for year	437,937
	Actuarial gain	493,379
	Deferred tax on actuarial gain	(148,014)
	At 31st December 2006	2,815,418

The distribution of retained profits is subject to exchange control permission for remittances from Bangladesh Withholding tax at the rate of 15% (2005 15%) is charged when profits are remitted Cumulative exchange losses amount to £723,789 (2005 £221,933)

		2006	2005
22	CAPITAL COMMITMENTS		
	Contracted for	£ 24,111	£ 99,787
23	LEASING COMMITMENTS		
	Total commitment in respect of operating leases are Land and buildings - lease expires after more than five years	£ 11,799	£ 13,233
	Other assets - leases expire within one year	8,773	27,286
	- leases expires between 2 to 5 years	-	9,463
		£ 8,773	£ 36,749

24 PARENT COMPANY

The ultimate parent company at 31st December 2006 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

25 CONTROL OF CAMELLIA PLC

Camellia Holding AG holds 1,426,000 ordinary shares of Camellia Plc (representing 51 30 per cent of the total voting rights) Camellia Holding AG is owned by The Camellia Private Trust Company Ltd (a private trust company incorporated under the laws of Bermuda to act as 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

26 RELATED PARTY TRANSACTIONS

The company was charged £121,456 (charged 2005 £149,139) by group companies during the year in respect of inter group sales and recharges which are included within cost of sales

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

We have audited the financial statements of The Lungla Tea Company, Limited for the year ended 31st December 2006 set out on pages four to twenty-three These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) are set out in the Statement of Directors' Responsibilities

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Moore Stephens LLP
MOORE STEPHENS LLP

Chartered Accountants
and Registered Auditors

21st June 2007