THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

REPORT AND ACCOUNTS

2008

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. I. AHMED
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 thirteenth annual general meeting of The Lungla (Sylhet) Tea Company, Limited will be held at Linton Park, Linton, Maidstone, Kent ME17 4AB on Thursday, 28th May 2009 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 2008

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

28th May 2009

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 2008.

ACCOUNTS	2008	2007
Profit on ordinary activities before taxation	£2,086,076	£834,382
Profit on ordinary activities after taxation	£1,354,796	£436,324
Retained profit for year	£1,354,796	£436,324

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.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

28th May 2009

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

INCOME STATEMENT
for the year ended 31st December 2008

	Notes	2008 £	2007 £
Revenue - continuing operations	3	3,438,329	2,520,046
Cost of sales		(2,190,374)	(1,800,176)
Gross profit		1,247,955	719,870
Net operating expenses	5	(187,927)	(160,849)
Operating profit - continuing operations	4	1,060,028	559,021
Gains/(losses) arising from changes in fair value of biological assets	11	1,058,713	369,377
Investment income	6	1,927	1,764
Interest receivable	7	15,747	348
Interest payable	7	(101,399)	(131,488)
Pension scheme net financing income	7	51,060	35,360
Profit on ordinary activities before taxation		2,086,076	834,382
Taxation on ordinary activities	9	(731,280)	(398,058)
Retained profit for the year	21	£ 1,354,796	£ 436,324

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

BALANCE SHEET
as at 31st December 2008

	Notes	2008		2007	
		£	£	£	£
NON-CURRENT ASSETS					
Property, plant and equipment	10		1,192,838		935,929
Biological assets	11		7,235,954		4,120,813
Investments	12		148,288		106,110
Retirement benefit obligations	18		763,055		539,810
			9,340,135		5,702,662
CURRENT ASSETS					
Inventories	13	935,157		496,171	
Trade and other receivables	14	871,073		571,399	
Cash at bank and in hand		2,040,877		354,124	
		3,847,107		1,421,694	
CURRENT LIABILITIES					
Borrowings	16	2,275,899		1,110,945	
Trade and other payables	15	990,088		651,055	
Corporation tax		458,320		150,606	
		3,724,307		1,912,606	
NET CURRENT (LIABILITIES)			122,800		(490,912)
TOTAL ASSETS LESS CURRENT LIABILITIES			9,462,935		5,211,750
NON-CURRENT LIABILITIES					
Borrowings	16	138,827		133,163	
Deferred tax liabilities	17	1,644,200		809,510	
Retirement benefit obligations	18	347,930		219,268	
Other non-current liabilities		2,019		1,448	
			2,132,976		1,163,389
NET ASSETS			£ 7,329,959		£ 4,048,361
EQUITY					
Called up share capital	19		900,000		900,000
Reserves	21		6,429,959		3,148,361
			£ 7,329,959		£ 4,048,361

Approved on 28th May 2009 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 2008

	2008 £	2007 £
Actuarial movement on defined benefit scheme	(103,024)	(38,446)
Movement on deferred tax relating to defined benefit pension scheme	7,747	11,533
Exchange gains (losses)	2,022,079	(76,468)
Net income recognised directly in equity	1,926,802	(103,381)
Profit for the year	1,354,796	436,324
Total recognised income and expense for the year	£ 3,281,598	£ 332,943

STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2008

	2008 £	2007 £
Actuarial movement on defined benefit scheme	(103,024)	(38,446)
Movement on deferred tax relating to defined benefit pension scheme	7,747	11,533
Exchange losses	2,022,079	(76,468)
Net income recognised directly in equity	1,926,802	(103,381)
Profit for the year	1,354,796	436,324
Net movement in shareholders' funds	3,281,598	332,943
Opening shareholders' funds	4,048,361	3,715,418
Closing shareholders' funds	£ 7,329,959	£ 4,048,361

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

CASH FLOW STATEMENT
for the year ended 31st December 2008

	Notes	2008	2007
		£	£
CASH GENERATED FROM OPERATIONS			
Cash flows from operating activities	20	1,086,190	530,793
Interest paid		(160,681)	(98,608)
Interest received		13,992	348
Income taxes paid		(91,757)	(25,498)
Dividends received from associates		1,927	1,764
Net cash flow from continuing operating activities		849,671	408,799
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(77,996)	(96,521)
Purchases of biological assets		(93,362)	(77,115)
Proceeds from sale of property, plant and equipment		119	-
Net cash flow from investing activities		(171,239)	(173,636)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayments		(11,812)	(32,037)
Finance lease repayments		(29,166)	(24,019)
Net cash flow from financing activities		(40,978)	(56,056)
Net increase in cash and cash equivalents		637,454	179,107
Cash and cash equivalents at beginning of period		(719,224)	(919,897)
Exchange (losses)/gains on cash		(105,986)	21,566
Cash and cash equivalents at end of period		£ (187,756)	£ (719,224)

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. Invoices are raised when goods are despatched or when the risks and rewards of ownership otherwise irrevocably passes to the customer.

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.

2. ACCOUNTING POLICIES (continued)

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 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.

2. ACCOUNTING POLICIES (continued)

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. 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. 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 2008:
New standards and interpretations

IFRIC 14 / IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction.

IFRIC 14 is effective for accounting periods beginning on or after 1 January 2009. However the company has elected to adopt this early.

IFRIC 15	Agreements on the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of non-cash assets to owners
IFRS 8	Operating Segments

These pronouncements are unlikely to have a material impact on the financial statements.

2. ACCOUNTING POLICIES (continued)

o) New standards and interpretations not in force (continued)

A large number of existing standards and interpretations were revised during the year, many as a result of the IASB's annual improvement project for 2007, published in May 2008. Most of the new standards and interpretations and changes to existing standards will have no impact on the financial statements. However the following should be noted:

IAS 1 Presentation of financial statements
The revisions to this standard will prohibit the presentation of items of income and expenditure within the statement of changes in equity. All items of income and expenditure will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the 'statement of comprehensive income') or two statements (the 'income statement' and 'statement of comprehensive income'). Also, where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and the comparative period. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

IAS 19 Employee benefits
The principal effect of the amendment is to clarify that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

IAS 23 Borrowing costs
The revisions to this standard will require capitalisation of borrowing costs incurred on qualifying assets together with transitional provisions for companies who have previously written off such costs. The group's current accounting policy is to expense all borrowing costs as they are incurred. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

IAS 41 Agriculture
The revisions to this standard allow the use of either pre or post tax discount rates when measuring fair values. The IASB has also clarified that the impact of additional biological transformation or harvest may be taken into account in determining cash flows for the purpose of estimating fair values.The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

The changes to IAS 19, IAS 23 and IAS 41 are not retrospective and the impact on future financial statements is not reasonably estimable.

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS

		2008	2007
3.	REVENUE	£	£
	Bangladesh		
	Tea Sales	3,058,616	2,189,378
	Rubber Sales	379,713	330,668
		£ 3,438,329	£ 2,520,046
4.	OPERATING PROFIT		
	Is stated after charging:		
	Depreciation of tangible assets	£ 167,648	£ 128,488
	Hire of plant and machinery	£ -	£ 4,738
	Remuneration of the auditors	£ 1,889	£ 1,739
	Land rent	£ 15,162	£ 10,854
	Employee benefit expenditure	£ 705,738	£ 671,117
5.	NET OPERATING EXPENSES		
	Administrative expenses	209,431	184,312
	(Profit)/loss on disposal of property, plant and equipment	(119)	-
	Exchange gain	1,016	1,550
	Sundry receipts	(22,401)	(25,013)
		£ 187,927	£ 160,849
6.	INVESTMENT INCOME		
	Income from listed investments	£ 1,927	£ 1,764
7.	FINANCE COSTS		
	Interest payable:		
	Bank loans and overdrafts	90,880	117,452
	Finance leases	10,519	14,036
		101,399	131,488
	Pension financing (income)/costs:		
	Pension liability interest cost	127,789	110,972
	Expected return on pension asset	(178,849)	(146,332)
		(51,060)	(35,360)
	Bank interest receivable	(15,747)	(348)
	Net financing costs	£ 34,592	£ 95,780

8. EMPLOYEES - Staff costs:

	2008	2007
	£	£
Wages and salaries	721,104	633,065
Pension costs - see note 18	41,805	38,052
	£ 762,909	£ 671,117
The average number of persons employed by the company was:	6,406	6,406

Total remuneration paid to the directors and key management of the company amounted to £70,880 (2007: £58,000).

9. TAXATION

(a) Current tax

	2008	2007
UK Corporation tax:		
UK Corporation tax at 28% (2007: 30%)	233,525	94,364
Group relief	(233,525)	(94,364)
Prior year adjustment	-	108,879
	-	108,879
Foreign corporation tax:		
Current corporation tax	318,810	95,670
Total current tax	318,810	204,549
Deferred tax:		
Overseas	412,470	193,509
Tax on profit on ordinary activities	£731,280	£398,058

(b) Factors affecting tax charge for period

The differences between tax calculated at the standard rate of taxation in the UK of 28% (2007 : 30%) and that charged in the accounts are explained below:

	2008	2007
Profit on ordinary activities before tax	£2,008,651	£834,382
Profit on ordinary activities multiplied by 28% (2007:30%)	562,422	250,315
Effects of:		
Expenditure not deductible for tax purposes	7,413	4,309
Income not subject to taxation	(8,591)	(1,813)
Higher tax rates on overseas earnings	170,036	68,058
Losses utilised	-	(31,690)
Prior year adjustment	-	108,879
	£ 731,280	£ 398,058

(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 2007	1,214,330	649,119	409,925	452,679	2,726,053
Currency retranslation	(28,632)	(15,225)	(9,663)	(10,727)	(64,247)
Additions	46,917	1,666	15,116	32,822	96,521
At 31st December 2007	1,232,615	635,560	415,378	474,774	2,758,327
Currency retranslation	502,723	252,723	170,686	192,199	1,118,331
Additions	45,293	354	19,999	12,350	77,996
Disposals	-	-	(220)	-	(220)
At 31st December 2008	£ 1,780,631	£ 888,637	£ 605,843	£ 679,323	£ 3,954,434
Depreciation provision					
At 1st January 2007	600,646	536,756	242,990	354;642	1,735,034
Currency retranslation	(14,247)	(12,676)	(5,856)	(8,345)	(41,124)
Provision for the year	47,299	26,492	45,666	9,031	128,488
At 31st December 2007	633,698	550,572	282,800	355,328	1,822,398
Currency retranslation	267,493	235,410	123,804	144,944	771,651
On disposals	-	-	(101)	-	(101)
Provision for the year	55,315	58,709	40,484	13,140	167,648
At 31st December 2008	£ 956,506	£ 844,691	£ 446,987	£ 513,412	£ 2,761,596
Net book value					
At 31st December 2008	£ 824,125	£ 43,946	£ 158,856	£ 165,911	£ 1,192,838
Net book value					
At 31st December 2007	£ 598,917	£ 84,988	£ 132,578	£ 119,446	£ 935,929

11. BIOLOGICAL ASSETS

	Tea	Other horticulture	Total
Fair value			
At 1st January 2007	2,026,569	1,737,553	3,764,122
Exchange differences	(47,915)	(41,886)	(89,801)
Increases due to purchases	49,042	28,073	77,115
Gains arising from changes in fair value less estimated point-of-sale costs	66,947	302,430	369,377
At 1st January 2008	2,094,643	2,026,170	4,120,813
Exchange differences	1,156,431	806,635	1,963,066
Increases due to purchases	66,524	26,838	93,362
Gains arising from changes in fair value less estimated point-of-sale costs	1,081,049	(22,336)	1,058,713
At 31st December 2008	£ 4,398,647	£ 2,837,307	£ 7,235,954

Other horticulture comprises rubber production.

Biological assets are carried at fair value. At 31st December 2008 professional valuations were obtained for all biological assets. Prior to this, biological assets were valued using the net present value of expected future cashflows.

11. BIOLOGICAL ASSETS (continued)

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

	2008 Hectares	2007 Hectares
Tea	2,866	2,927
Rubber	1,079	1,086

Output of agricultural produce during the year was:

	Metric tonnes	Metric tonnes
Tea	3,359	3,351
Rubber	411	409

	£	£
Fair value of agricultural output after deducting estimated point-of-sale costs	£ 3,411,369	£ 2,389,851

12. INVESTMENTS

	2008 £	2007 £
Cost at 1st January	109,702	112,336
Currency fluctuation	43,605	(2,634)
At 31st December	£ 153,307	£ 109,702
Provision for diminution in value at 1st January	(3,592)	(3,678)
Currency fluctuation	(1,427)	86
At 31st December	£ (5,019)	£ (3,592)
Net book value at 31st December	£ 148,288	£ 106,110
Investments at cost include:		
Listed on Dhaka Stock Exchange	£ 128,236	£ 91,762
Market value	£ 992,239	£ 294,423
Investments at cost consist of:		
Subsidiaries of group	20,052	14,348
Associates of group	128,236	91,762
	£ 148,288	£ 106,110

13. INVENTORIES

	2008 £	2007 £
Stock of tea	553,821	310,674
Stock of rubber	106,465	56,572
Estate stores	274,871	128,925
	£ 935,157	£ 496,171

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

14. TRADE AND OTHER RECEIVABLES

	2008 £	2007 £
Due within one year		
Trade debtors	302,598	120,171
Other debtors	205,660	220,962
Amounts owed by group companies	139,576	36,102
Prepayments and accrued income	29,230	23,739
Interest receivable	2,309	42
	679,373	401,016
Due in more than one year		
Other debtors	191,699	170,383
	£ 871,072	£ 571,399

No provision for bad debts was made at 31 December 2008 (2007: £nil). No trade debtors were past their due date at 31 December 2008 (2007: £nil).

	2008	2007
15. TRADE AND OTHER PAYABLES	£	£
Amounts falling due within one year		
Other creditors	487,487	186,017
Amounts owed to group companies	496,429	406,230
Interest payable	6,172	58,808
	£ 990,088	£ 651,055

	2008	2007
16. BORROWINGS		
Current:		
Bank overdraft (secured against hypothecation of crop)	2,228,633	1,073,348
Term loans secured	15,008	10,837
Finance leases	32,258	26,760
	2,275,899	1,110,945
Non-current:		
Bank loans (secured against property, plant and equipment and biological assets)	89,746	74,959
Finance leases	49,081	58,204
	£ 2,414,726	£ 1,244,108
Bank loans include the following amounts repayable over more than five years by instalments		
Aggregate amount of loans	£104,754	£85,796
Amount due beyond five years	£32,615	£31,582
The repayments of bank loans and overdrafts fall due as follows:		
Within 12 months or on demand	2,243,641	1,084,185
Between 1 - 2 years	14,911	11,742
Between 2 - 5 years	42,220	31,635
After 5 years	32,615	31,582
	£ 2,333,387	£ 1,159,144
The repayments of minimum finance leases payments fall due as follows:		
Within 12 months or on demand	32,258	36,411
Between 1 - 2 years	30,631	29,112
Between 2 - 5 years	32,615	38,904
	95,504	104,427
Future finance charges on finance leases	(14,165)	(19,463)
Present value of finance lease liabilities	£ 81,339	£ 84,964
The present value of finance lease liabilities fall due as follows:		
Within 12 months or on demand	32,258	26,760
Between 1 - 2 years	30,631	23,083
Between 2 - 5 years	18,450	35,121
	£ 81,339	£ 84,964

Interest rates vary from 9% per annum to 11% per annum.

17. DEFERRED TAX

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

	2008 £	2007 £
At 1 January	809,510	642,768
Exchange differences	429,967	(15,234)
Charged to the income statement	412,470	193,509
Credited to equity	(7,747)	(11,533)
At 31 December	£ 1,644,200	£ 809,510

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 2007	(127,542)	(548,226)	(675,768)
Exchange differences	1,997	13,474	15,471
(Charged) to the income statement	(17,938)	(178,597)	(196,535)
Charged to equity	(18,460)	-	(18,460)
At 1 January 2008	(161,943)	(713,349)	(875,292)
Exchange differences	(64,365)	(391,749)	(456,114)
Charged to the income statement	(43,718)	(383,436)	(427,154)
Charged to equity	(16,116)	-	(16,116)
At 31 December 2008	(286,142)	(1,488,534)	(1,774,676)
Deferred tax asset offset			130,476
Net deferred tax liability after offset			£ (1,644,200)

Deferred tax assets:	Pension Scheme asset £	Total £
At 1 January 2007	33,000	33,000
Exchange differences	(237)	(237)
Credited to the income statement	3,026	3,026
(Credited) to equity	29,993	29,993
At 1 January 2008	65,782	65,782
Exchange differences	26,147	26,147
Credited to the income statement	14,684	14,684
Credited to equity	23,863	23,863
At 31 December 2008	130,476	130,476
Offset against deferred tax liabilities		(130,476)
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. Actuarial valuation of the scheme has been updated to 31 December 2008 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:

	2008 per annum	2007 per annum
Rate of increase in salaries	7.00%	7.00%
Discount rate applied to scheme liabilities	11.70%	12.50%

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

	per annum	per annum
Debt securities	12.50%	12.39%
Cash	12.50%	12.39%

Actuarial valuations	£	£
Debt securities	291,092	317,629
Cash	1,788,133	1,005,824
Total fair value of plan assets	2,079,225	1,323,453
Present value of defined benefit obligations	(1,664,100)	(1,002,911)
Total surplus in the scheme	£ 415,125	£ 320,542
Amount recognised as asset in the balance sheet	763,055	539,810
Amount recognised as liability in the balance sheet	(347,930)	(219,268)
	415,125	320,542
Related deferred tax asset - see note 17	130,476	65,782
Related deferred tax liability - see note 17	(286,142)	(161,943)
Net surplus	£ 674,584	£ 544,923

Movements in the fair value of scheme assets were as follows:

At 1 January	1,323,453	1,199,039
Expected return on plan assets	178,849	146,322
Employer contributions	68,170	52,000
Benefit payments	(65,966)	(61,000)
Actuarial (loss)/gain	(1,889)	15,728
Exchange movement	576,608	(28,636)
At 31 December	£ 2,079,225	£ 1,323,453

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	2008 £	2007 £
At 1 January	(1,002,911)	(883,861)
Current service cost	(41,805)	(38,052)
Interest cost	(127,789)	(110,972)
Benefit payments	65,966	61,000
Actuarial loss	(101,135)	(54,174)
Exchange movement	(456,426)	23,148
At 31 December	£ (1,664,100)	£ (1,002,911)

Income statement

The amounts recognised in the income statement are as follows:

	2008	2007
Amounts charged to operating profit:		
Current service cost	(41,805)	(38,052)
Past service cost	-	-
Total operating charge	(41,805)	(38,052)
Amounts (charged)/credited to other finance costs:		
Expected return on pension scheme assets	178,849	146,332
Interest on pension scheme liabilities	(127,789)	(110,972)
Net financing cost	51,060	35,360
Total credited/(charged) to income statement	£ 9,255	£ (2,692)

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:

	2008	2007
Actual return less expected return on pension scheme assets	(1,889)	15,728
Experience losses arising on scheme liabilities	(101,135)	(54,174)
Actuarial loss recognised in the SORIE	(103,024)	(38,446)
Taxation on actuarial movement in the SORIE	7,747	(11,533)
Net actuarial loss recognised in the SORIE	£ (95,277)	£ (49,979)

History of experience gains and losses

	2008	2007	2006	2005
Difference between expected and actual return on scheme assets:				
Amount (£)	(1,889)	15,728	43,000	55,000
Percentage of scheme assets	(0.09%)	1.19%	3.59%	4.49%
Experience gains and losses on scheme liabilities:				
Amount (£)	(101,135)	(54,174)	450,379	70,000
Percentage of present value of scheme liabilities	(6.08%)	(5.40%)	50.96%	4.99%
Total amount recognised in the SORIE:				
Amount (£)	(103,024)	(38,446)	493,379	125,000
Percentage of present value of scheme liabilities	(6.19%)	(3.83%)	55.82%	8.99%

	2008 £	2007 £
19. SHARE CAPITAL		
Authorised, 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	1,060,028	559,021
Depreciation	167,648	128,488
Retirement benefits	(26,365)	(14,349)
Decrease/(increase) in inventories	(188,557)	73,411
(Increase)/decrease in debtors	5,989	(135,512)
Increase/(decrease) in creditors	178,124	61,054
Change in intra-group balances	(116,401)	(82,146)
Exchange adjustments	5,724	(59,174)
Cash flow from operating activities	£ 1,086,190	£ 530,793
21. RESERVES		
At 1st January	3,148,361	2,815,418
Foreign currency translation gains/(losses)	2,022,079	(76,468)
Retained profit for year	1,354,796	436,324
Actuarial gain	(103,024)	(38,446)
Deferred tax on actuarial gain	7,747	11,533
At 31st December	£ 6,429,959	£ 3,148,361

The distribution of retained profits is subject to exchange control permission for remittances from Bangladesh. Withholding tax at the rate of 15% (2007: 15%) is charged when profits are remitted. Cumulative exchange gains amount to £1,221,822 (2007: £800,257 loss).

	2008	2007
22. CAPITAL COMMITMENTS		
Contracted for	£ Nil	£ 69,896
23. LEASING COMMITMENTS		
Total commitment in respect of operating leases are:		
Land and buildings -		
lease expires after more than five years	£ 15,162	£ 10,854
Other assets - leases expire within one year	£ Nil	£ 9,933

24. FINANCIAL INSTRUMENTS

Capital risk management

The company manages its capital to ensure it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of its debt and equity balance. The capital structure of the company consists of debt, which includes the borrowings disclosed in note 16, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Categories of financial instruments	Carrying value	
	2008	2007
Financial assets	£	£
Cash at bank and in hand	2,040,877	354,124
Trade and other receivables	841,842	547,660
Investments	148,288	106,110
	£ 3,031,007	£ 1,007,894
Financial liabilities		
Trade and other payables	1,448,408	801,661
Borrowings	2,414,726	1,244,108
	£ 3,863,134	£ 2,045,769

Financial risk management objectives

The company finances its operations by a mixture of retained profits, bank borrowings and long-term loans. The objective is to maintain a balance between continuity of funding and flexibility, through the use of borrowings. To achieve this, the borrowings and facilities are regularly reviewed. The company also seeks to maintain sufficient undrawn committed borrowing facilities to provide flexibility in the management of the company's liquidity.

(A) Market risk

(i) Foreign exchange risk

The company has no material exposure to foreign currency exchange risk on trading activities.

(ii) Price risk

The company's exposure to price risk is not significant.

(iii) Cash flow and interest rate risk

The company's interest rate risk arises from interest-bearing assets and short and long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. The company has no fixed rate exposure.

(B) Credit risk

The company has policies in place to limit its exposure to credit risk. Credit risk arises from cash at bank, as well as credit exposures to customers, including outstanding receivables and committed transactions. Management assesses the credit quality of the customer taking into account its financial position, past experience and other factors and monitors the utilisation of credit limits regularly.

(C) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. The company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

25. PARENT COMPANY

The ultimate parent company at 31st December 2008 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 1,427,000 ordinary shares of 10 pence each in Camellia Plc (representing 51.34 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.

27. RELATED PARTY TRANSACTIONS

The company was charged £38,987 (2007: £83,548) by group companies during the year in respect of inter group sales and recharges which are included within cost of sales.

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 (Sylhet) Tea Company, Limited for the year ended 31st December 2008 set out on pages four to twenty-four. 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 2008 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

3rd July 2009