

**THE LUNGLA (SYLHET) TEA COMPANY, LIMITED**

**REPORT AND ACCOUNTS**

**31st December 2011**

TUESDAY



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24/07/2012

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COMPANIES HOUSE

**THE LUNGLA (SYLHET) TEA COMPANY, LIMITED**

Incorporated 1895

**SHARE CAPITAL**

Authorised  
£ 900,000

In ordinary shares of £1 each

Issued  
£ 900,000

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**Directors**

P J FIELD  
A K MATHUR, F C A  
A R BHUIYA  
I AHMED

**Company Secretary**

J A MORTON

**Independent Auditors**

PRICEWATERHOUSECOOPERS LLP  
CHARTERED ACCOUNTANTS AND  
STATUTORY AUDITORS  
1 EMBANKMENT PLACE  
LONDON WC2N 6RH

**Registered Office**

LINTON PARK  
LINTON  
MAIDSTONE  
KENT ME17 4AB

**Registered Number**

44242

## **THE LUNGLA (SYLHET) TEA COMPANY, LIMITED**

### **REPORT OF THE DIRECTORS**

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The directors present their report together with the audited accounts for the year ended 31 December 2011

#### **Principal Activities**

The principal activity of the company is the growing and manufacturing of tea in Bangladesh

#### **Results and dividends**

The profit for the year amounted to £1,503,511 (2010 £3,137,073) A dividend of £1,000,000 (2010 £890,000) was paid during the year

#### **Directors**

The directors of the company, who are listed on page one, were all directors for the year and remain in office

#### **Secretary**

Mr M D Conway resigned as company secretary on 29th March 2011 and Mr A K Mathur was appointed in his place On 1st September 2011 Mrs J A Morton was appointed and Mr A K Mathur resigned as company secretary

#### **Review of business and changes in corporate structure**

The company is part of the Camellia Plc group and undertakes its principal activities through a branch in Bangladesh

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

#### **Disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are not aware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information and to establish that the company's auditors are aware of that information

#### **Independent Auditors**

PricewaterhouseCoopers LLP have indicated that they will be seeking re-appointment as auditor at the forthcoming annual general meeting

This report was approved by order of the board on 13th July 2012



J A Morton

**Company Secretary**

## THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

### Independent auditors' report to the members of Lungla (Sylhet) Tea Company, Limited

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We have audited the financial statements of Lungla (Sylhet) Tea Company, Limited for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash flow statement, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

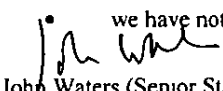
#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

  
John Waters (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date 19 July 2012

**THE LUNGLA (SYLHET) TEA COMPANY, LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31st December 2011

	Note	2011 £	2010 £
Revenue - continuing operations	2	4,814,519	7,039,473
Cost of sales		<u>(2,968,540)</u>	<u>(3,205,810)</u>
Gross profit		1,845,979	3,833,663
Net operating expenses	4	<u>(184,584)</u>	<u>(282,623)</u>
Operating profit - continuing operations	3	1,661,395	3,551,040
Gains arising from changes in fair value of biological assets	10	622,478	1,383,403
Investment income	5	14,520	12,661
Finance income	6	69,426	45,607
Finance costs	6	(46,276)	(65,980)
Pension scheme net financing costs	6	<u>(13,838)</u>	<u>(13,001)</u>
Profit on ordinary activities before taxation		2,307,705	4,913,730
Taxation	8	<u>(804,194)</u>	<u>(1,776,657)</u>
Retained profit for the year		1,503,511	3,137,073
Other comprehensive income			
Foreign exchange translation differences		(1,312,776)	83,743
Actuarial movement on defined benefit pension scheme		(210,087)	68,944
Movement on deferred tax relating to pension scheme		<u>78,782</u>	<u>(25,854)</u>
Total comprehensive income for the period		<u>59,430</u>	<u>3,263,906</u>

BALANCE SHEET  
as at 31st December 2011

	Note	2011	2010
		£	£
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,404,534	1,151,689
Biological assets	10	7,884,505	8,265,479
Investments	11	115,526	133,150
Retirement benefit Assets	17	313,748	371,672
		<u>9,718,313</u>	<u>9,921,990</u>
<b>CURRENT ASSETS</b>			
Inventories	12	842,993	704,490
Trade and other receivables	13	1,297,890	1,573,049
Cash at bank and in hand		<u>1,313,899</u>	<u>2,733,084</u>
		<u>3,454,782</u>	<u>5,010,623</u>
<b>CURRENT LIABILITIES</b>			
Borrowings	14	508,049	975,468
Trade and other payables	15	832,601	547,610
Corporation tax		<u>513,045</u>	<u>1,163,553</u>
		<u>1,853,695</u>	<u>2,686,631</u>
<b>NET CURRENT ASSETS</b>		<u>1,601,087</u>	<u>2,323,992</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>11,319,400</u>	<u>12,245,982</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	14	77,123	128,141
Deferred tax liabilities	16	1,849,547	1,919,092
Retirement benefit liabilities	17	721,291	586,500
Other non-current liabilities		<u>1,573</u>	<u>1,813</u>
		<u>2,649,534</u>	<u>2,635,546</u>
<b>NET ASSETS</b>		<u>8,669,866</u>	<u>9,610,436</u>
<b>EQUITY</b>			
Called up share capital	18	900,000	900,000
Reserves		<u>7,769,866</u>	<u>8,710,436</u>
<b>TOTAL EQUITY</b>		<u>8,669,866</u>	<u>9,610,436</u>

The notes on pages 8 to 24 form part of the financial statements

Approved on 13th July 2012 by the board of  
directors and signed on their behalf by

  
A K MATHUR  
Director

**THE LUNGLA (SYLHET) TEA COMPANY, LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31st December 2011

	Called up Share Capital £	Reserves £	Total Equity £
At 1 January 2010	900,000	6,336,530	7,236,530
Comprehensive income for the period	-	3,263,906	3,263,906
Dividend payable	-	(890,000)	(890,000)
At 1 January 2011	900,000	8,710,436	9,610,436
Dividend paid	-	(1,000,000)	(1,000,000)
Comprehensive income for the period	-	59,430	59,430
At 31 December 2011	900,000	7,769,866	8,669,866

The distribution of retained profits is subject to exchange control permission for remittances from Bangladesh. Withholding tax at the rate of 15% (2010: 15%) is charged when profits are remitted. Cumulative exchange (losses)/gains amount to £(861,483) (2010: £437,995).

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## CASH FLOW STATEMENT for the year ended 31st December 2011

	Note	2011 £	2010 £
<b>CASH GENERATED FROM OPERATIONS</b>			
Cash flows from operating activities	19	2,018,087	3,281,375
Interest paid		(46,474)	(66,925)
Interest received		73,902	40,803
Income taxes paid		(1,073,715)	(619,236)
Net cash flow from continuing operating activities		971,800	2,636,017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(579,232)	(287,084)
Purchases of biological assets		(138,372)	(139,989)
Proceeds from sale of property, plant and equipment		325	5,318
Dividends received from associates		14,520	12,661
Net cash flow from investing activities		(702,759)	(409,094)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance Leases received		-	52,397
Loan repayments		(10,744)	(12,408)
Finance lease repayments		(36,935)	(42,203)
Dividend Paid		(1,000,000)	(890,000)
Net cash flow from financing activities		(1,047,679)	(892,214)
Net increase in cash and cash equivalents		(778,638)	1,334,709
Cash and cash equivalents at beginning of period		1,808,353	497,212
Exchange losses on cash		(190,472)	(23,568)
Cash and cash equivalents at end of period		839,243	1,808,353
Cash and cash equivalents included in the cash flow statement comprise the following -			
Cash at bank and in hand		1,313,899	2,733,084
Bank Overdraft		(474,656)	(924,731)
		839,243	1,808,353



# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

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### 1 ACCOUNTING POLICIES

The principal accounting policies in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### a) Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The company has a registered branch in Bangladesh, the trading results of which are consolidated and presented in these financial statements.

#### 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 statement of comprehensive income 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 pass to the customer.

#### d) Property, plant and equipment

Property, plant and equipment 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 statement of comprehensive income 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	3% to 20%
Plant and machinery	7% to 13%
Vehicles	7% to 13%
Fixtures, fittings, tools and equipment	5% to 10%

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 statement of comprehensive income.

Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

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### 1 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income.

#### 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.

## THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

### NOTES TO THE ACCOUNTS

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#### 1 ACCOUNTING POLICIES (continued)

##### 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 statement of comprehensive income 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 company 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.

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

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### 1 ACCOUNTING POLICIES (continued)

#### 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 statement of comprehensive income 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.

#### Changes in accounting policy and disclosures

#### o) New and amended standards adopted by the company

The company has adopted the following new and amended IFRSs as of 1 January 2011:

IAS 24 (revised) - Related party disclosures - effective from 1 January 2011

It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and it clarifies and simplifies the definition of a related party.

IFRIC 14 (amendment) - Prepayments of a minimum funding requirement - effective from 1 January 2011

The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this.

#### p) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

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### 1 ACCOUNTING POLICIES (continued)

q) Retirement benefit obligation

Pension accounting requires certain assumptions to be made in order to value obligations and to determine the impact on the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality, inflation rates and expected long-term rates of return on assets. Details of assumptions made are given in note 17.

r) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2012 or later periods, but the company has not early adopted them.

IFRS 9 Financial instruments - effective from 1 January 2013

This standard is the first step in the process to replace IAS 39, 'Financial instruments recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. This standard has not yet been endorsed by the EU.

IFRS 12 Disclosures of interests in other entities - effective from 1 January 2013

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This standard has not yet been endorsed by the EU.

IFRS 13 Fair value measurement - effective from 1 January 2013

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard has not yet been endorsed by the EU.

IAS 1 Financial statement presentation - effective from 1 July 2012  
(amendment)

The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments do not address which items are presented in other comprehensive income. This amendment has not yet been endorsed by the EU.

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

	2011	2010
	£	£
2 REVENUE		
Bangladesh		
Tea Sales	3,782,303	5,938,056
Rubber Sales	<u>1,032,216</u>	<u>1,101,417</u>
	<u>4,814,519</u>	<u>7,039,473</u>
	2011	2010
	£	£
3 OPERATING PROFIT		
Is stated after charging		
Depreciation of tangible assets	146,793	186,798
Remuneration of the auditors	2,349	2,597
Land rent	18,052	13,936
Employee costs	<u>1,300,077</u>	<u>1,362,736</u>
	2011	2010
	£	£
4 NET OPERATING EXPENSES		
Administrative expenses	255,786	316,587
Exchange gain	(35,901)	(4,928)
Sundry receipts	<u>(35,301)</u>	<u>(29,036)</u>
	<u>184,584</u>	<u>282,623</u>
	2011	2010
	£	£
5 INVESTMENT INCOME		
Income from listed investments	<u>14,520</u>	<u>12,661</u>
	2011	2010
	£	£
6 FINANCE COSTS		
Interest payable		
Bank loans and overdrafts	34,645	48,366
Finance leases	<u>11,631</u>	<u>17,614</u>
	<u>46,276</u>	<u>65,980</u>
Pension liability interest cost	199,512	203,023
Expected return on pension asset	<u>(185,674)</u>	<u>(190,022)</u>
	<u>13,838</u>	<u>13,001</u>
Bank interest receivable	<u>(69,426)</u>	<u>(45,607)</u>
Net financing costs	<u>(9,312)</u>	<u>33,374</u>

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

7	EMPLOYEES AND DIRECTORS	2011	2010
	Staff costs -	£	£
	Wages and salaries	1,194,494	1,257,972
	Pension costs	105,582	104,764
		<u>1,300,077</u>	<u>1,362,736</u>
	The monthly average number of persons employed by the company was	Number 6,405	Number 6,398

Total remuneration paid to Mr I Ahmed and Mr A R Bhuya amounted to £119,933 (2010 £107,333)  
The emoluments of the other directors are disclosed in the accounts of the ultimate holding company, Camellia Plc

8	TAXATION	2011	2010
	(a) Current tax	£	£
	UK Corporation tax at 26.5% (2010 28%)	348,695	888,228
	Double tax relief	<u>(348,695)</u>	<u>(888,228)</u>
		-	-
	Foreign corporation tax	<u>528,580</u>	<u>1,214,880</u>
	Total current tax	528,580	1,214,880
	Deferred tax		
	Overseas	<u>275,614</u>	<u>561,777</u>
	Tax on profit on ordinary activities	<u>804,194</u>	<u>1,776,657</u>
	(b) Factors affecting tax charge for period		
	The differences between tax calculated at the standard rate of taxation in the UK of 26.5% (2010 28%) and that charged in the accounts are explained below		
	Profit on ordinary activities before tax	<u>2,307,705</u>	<u>4,913,730</u>
	Tax on ordinary activities at 26.5% (2010 28%)	611,543	1,375,844
	Effects of		
	Expenditure not deductible for tax purposes	38,269	24,861
	Income not subject to taxation	(96,923)	(88,637)
	Higher tax rates on overseas earnings	<u>251,305</u>	<u>464,589</u>
		<u>804,194</u>	<u>1,776,657</u>

(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.

**THE LUNGLA (SYLHET) TEA COMPANY, LIMITED**

**NOTES TO THE ACCOUNTS**

**9 PROPERTY, PLANT AND EQUIPMENT**

	Buildings £	Plant and Machinery £	Vehicles £	Fixtures Fittings Tools and Equipment £	Total £
<b>Cost</b>					
At 1st January 2010	1,604,402	801,558	624,025	612,495	3,642,480
Currency retranslation	20,558	7,302	7,457	8,165	43,482
Additions	58,904	159,979	59,631	8,570	287,084
Disposals	-	-	(12,983)	-	(12,983)
At 1st January 2011	1,683,864	968,839	678,130	629,230	3,960,063
Currency retranslation	(232,054)	(140,043)	(99,001)	(89,120)	(560,218)
Additions	146,065	188,013	152,259	92,895	579,232
Disposals	-	-	(5,093)	-	(5,093)
At 31st December 2011	1,597,875	1,016,809	726,295	633,005	3,973,984
<b>Accumulated depreciation</b>					
At 1st January 2010	898,122	775,353	454,931	469,451	2,597,857
Currency retranslation	10,791	9,913	4,686	5,994	31,384
On disposals	-	-	(7,665)	-	(7,665)
Provision for the year	64,584	29,427	74,635	18,152	186,798
At 1st January 2011	973,497	814,693	526,587	493,597	2,808,374
Currency retranslation	(130,653)	(109,870)	(73,642)	(66,459)	(380,624)
On disposals	-	-	(5,093)	-	(5,093)
Provision for the year	28,625	32,401	67,848	17,919	146,793
At 31st December 2011	871,469	737,224	515,700	445,057	2,569,450
<b>Net book value</b>					
At 31st December 2011	726,406	279,585	210,595	187,948	1,404,534
<b>Net book value</b>					
At 31st December 2010	710,367	154,146	151,543	135,633	1,151,689



# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

10 BIOLOGICAL ASSETS	Tea £	Other horticulture £	Total £
Fair value			
At 1st January 2010	4,011,291	2,674,193	6,685,484
Exchange differences	35,088	21,515	56,603
Increases due to purchases	117,748	22,241	139,989
Gains arising from changes in fair value less estimated point-of-sale costs	746,764	636,639	1,383,403
At 1st January 2011	4,910,891	3,354,588	8,265,479
Exchange differences	(669,359)	(472,465)	(1,141,824)
Increases due to purchases	124,021	14,351	138,372
Gains arising from changes in fair value less estimated point-of-sale costs	183,902	438,576	622,478
At 31st December 2011	£ 4,549,455	£ 3,335,050	£ 7,884,505

Other horticulture comprises rubber production

Biological assets are carried at fair value obtained by professional valuations at the year end

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

	2011 Hectares	2010 Hectares
Tea	2,927	2,927
Rubber	1,160	1,150

Output of agricultural produce during the year was	2011 Metric tonnes	2010 Metric tonnes
Tea	2,936	3,362
Rubber	411	496

	2011 £	2010 £
Fair value of agricultural output after deducting estimated point-of-sale costs	4,668,110	6,428,520

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

	2011	2010
	£	£
11 INVESTMENTS		
Cost at 1st January	137,657	135,803
Currency fluctuation	(18,221)	1,854
At 31st December	<u>119,436</u>	<u>137,657</u>
Provision for diminution in value at 1st January	(4,507)	(4,446)
Currency fluctuation	597	(61)
At 31st December	<u>(3,910)</u>	<u>(4,507)</u>
Net book value at 31st December	<u>115,526</u>	<u>133,150</u>
Investments at cost include		
Listed on Dhaka Stock Exchange	<u>99,904</u>	<u>115,145</u>
Market value	<u>1,089,671</u>	<u>2,895,052</u>
Investments at cost consist of		
Subsidiaries of group	15,622	18,005
Associates of group	<u>99,904</u>	<u>115,145</u>
	<u>115,526</u>	<u>133,150</u>
	2011	2010
12 INVENTORIES	£	£
Stock of tea	507,104	472,807
Stock of rubber	109,545	89,536
Estate stores	<u>226,344</u>	<u>142,147</u>
	<u>842,993</u>	<u>704,490</u>
There was no material difference between the replacement cost and value shown in stocks		
	2011	2010
13 TRADE AND OTHER RECEIVABLES	£	£
Due within one year		
Trade debtors	216,709	463,879
Other debtors	152,017	213,116
Amounts owed by group companies	761,720	673,127
Prepayments and accrued income	25,266	28,614
Interest receivable	<u>6,077</u>	<u>11,839</u>
	<u>1,161,789</u>	<u>1,390,575</u>
Due in more than one year		
Other debtors	<u>136,101</u>	<u>182,474</u>
	<u>1,297,890</u>	<u>1,573,049</u>

No provision for bad debts was made at 31 December 2011 (2010 £nil) No trade debtors were past their due date at 31 December 2011 (2010 £nil)

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

	2011	2010
	£	£
<b>14 BORROWINGS</b>		
Current		
Bank overdraft (secured against hypothecation of crop)	474,656	924,731
Term loans secured	10,049	10,840
Finance leases	23,344	39,897
	<u>508,049</u>	<u>975,468</u>
Non-current		
Bank loans (secured against property, plant and equipment and biological assets)	39,278	57,618
Finance leases	37,845	70,523
	<u>585,172</u>	<u>1,103,609</u>
Bank loans include the following amounts repayable over more than five years by instalments		
Aggregate amount of loans	49,327	68,458
Amount due beyond five years	11,312	16,744
The repayments of bank loans and overdrafts fall due as follows		
Within 12 months or on demand	484,705	935,571
Between 1 - 2 years	10,814	11,973
Between 2 - 5 years	17,152	28,901
After 5 years	11,312	16,744
	<u>523,983</u>	<u>993,189</u>
The repayments of minimum finance leases payments fall due as follows		
Within 12 months or on demand	25,026	52,460
Between 1 - 2 years	21,071	34,389
Between 2 - 5 years	19,501	48,700
	<u>65,598</u>	<u>135,549</u>
Future finance charges on finance leases	(4,410)	(25,129)
Present value of finance lease liabilities	<u>61,188</u>	<u>110,420</u>
The present value of finance lease liabilities fall due as follows		
Within 12 months or on demand	23,344	39,897
Between 1 - 2 years	19,654	36,181
Between 2 - 5 years	18,190	34,342
	<u>61,188</u>	<u>110,420</u>
Interest rates vary from 9% per annum to 11% per annum		
	2011	2010
	£	£
<b>15 TRADE AND OTHER PAYABLES</b>		
Amounts falling due within one year		
Trade and other creditors	433,486	504,531
Amounts owed to group companies	395,819	39,066
Interest payable	3,296	4,013
	<u>832,601</u>	<u>547,610</u>

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

	2011 £	2010 £
16 DEFERRED TAX LIABILITIES		
The net movement on the deferred tax account is set out below		
At 1 January	1,919,092	1,326,716
Exchange differences	(266,377)	4,745
Charged to statement of comprehensive income	275,614	561,777
(Credited)/charged to equity	<u>(78,782)</u>	<u>25,854</u>
At 31 December	<u>1,849,547</u>	<u>1,919,092</u>

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

	Pension scheme liability £	Accelerated tax depreciation £	Total £
Deferred tax liabilities			
At 1 January 2010	(104,681)	(1,421,963)	(1,526,644)
Exchange differences	(665)	(6,416)	(7,081)
Charged to statement of comprehensive income	(19,879)	(571,272)	(591,151)
Credited to equity	<u>(14,154)</u>	<u>-</u>	<u>(14,154)</u>
At 1st January 2011	(139,379)	(1,999,651)	(2,139,030)
Exchange differences	18,230	-	18,230
Credited to statement of comprehensive income	(16,707)	-	(16,707)
Charged to equity	<u>20,199</u>	<u>-</u>	<u>20,199</u>
At 31 December 2011	(117,657)	(1,999,651)	(2,117,308)
Deferred tax asset offset			<u>270,485</u>
Net deferred tax liability after offset			<u>(1,846,823)</u>
	Pension Scheme asset £		Total £
Deferred tax assets			
At 1 January 2010	199,928		199,928
Exchange differences	2,336		2,336
Credited to statement of comprehensive income	29,374		29,374
Credited to equity	<u>(11,700)</u>		<u>(11,700)</u>
At 1 January 2011	219,938		219,938
Exchange differences	(34,450)		(34,450)
Credited to statement of comprehensive income	26,413		26,413
Credited to equity	<u>58,584</u>		<u>58,584</u>
At 31 December 2011	270,485		270,485
Offset against deferred tax liabilities	<u>(270,485)</u>		<u>(270,485)</u>
Net deferred tax asset after offset	<u>-</u>		<u>-</u>

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

### 17 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 2011 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:

	2011 per annum	2010 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:

	per annum	per annum
Debt securities	9.00%	9.00%
Cash	9.00%	9.00%

#### Actuarial valuations

	£	£
Debt securities	1,058,370	1,121,136
Cash	1,058,370	1,121,136
Total fair value of plan assets	2,116,740	2,242,272
Present value of defined benefit obligations	(2,524,283)	(2,457,100)
Total deficit in the scheme	(407,543)	(214,828)
Amount recognised as asset in the balance sheet	313,748	371,672
Amount recognised as liability in the balance sheet	(721,291)	(586,500)
	(407,543)	(214,828)
Related deferred tax asset - see note 16	270,485	219,938
Related deferred tax liability - see note 16	(117,657)	(139,379)
Net deficit	(254,715)	(134,269)

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

At 1 January	2,242,272	2,037,731
Expected return on plan assets	185,674	190,022
Employer contributions	73,666	80,961
Benefit payments	(99,340)	(84,949)
Actuarial loss	22,737	(5,193)
Exchange movement	(308,269)	23,700
At 31 December	2,116,740	2,242,272

**THE LUNGLA (SYLHET) TEA COMPANY, LIMITED**

**NOTES TO THE ACCOUNTS**

**17 RETIREMENT BENEFIT OBLIGATIONS (continued)**

Movements in the present value of defined benefit obligations were as follows	2011 £	2010 £
At 1 January	(2,457,100)	(2,291,725)
Current service cost	(85,709)	(93,280)
Interest cost	(199,512)	(203,023)
Benefit payments	99,340	84,949
Actuarial gain/(loss)	(232,824)	74,137
Exchange movement	351,522	(28,158)
At 31 December	(2,524,283)	(2,457,100)

**Income statement**

The amounts recognised in statement of comprehensive income are as follows

Amounts charged to operating profit

Current service cost	(85,709)	(93,280)
Past service cost	-	-
Total operating charge	(85,709)	(93,280)
Amounts (charged)/credited to other finance costs		
Expected return on pension scheme assets	185,674	190,022
Interest on pension scheme liabilities	(199,512)	(203,023)
Net financing cost	(13,838)	(13,001)
Total charged to statement of comprehensive income	(99,547)	(106,281)

**Actuarial gains and losses recognised in the statement of other comprehensive income**

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

Actual return less expected return on pension scheme assets	22,737	(5,193)
Experience gain/(losses) arising on scheme liabilities	(232,824)	74,137
Actuarial gain/(loss)	(210,087)	68,944
Taxation on actuarial movement	78,783	(25,854)
Net actuarial gain/(loss) recognised	£ (131,304)	£ 43,090

**History of experience gains and losses**

	2011	2010	2009	2008	2007
Difference between expected and actual return on scheme assets					
Amount (£)	22,737	(5,193)	(36,416)	(1,889)	15,728
Percentage of scheme assets	1.07%	(0.23%)	(1.79%)	(0.09%)	1.19%
Experience gains and losses on scheme liabilities					
Amount (£)	(232,824)	74,137	(640,319)	(101,135)	(54,174)
Percentage of present value of scheme liabilities	(9.22%)	3.02%	(27.94%)	(6.08%)	(5.40%)
Total amount recognised					
Amount (£)	(210,087)	68,944	(676,735)	(103,024)	(38,446)
Percentage of present value of scheme liabilities	(8.32%)	2.81%	(29.53%)	(6.19%)	(3.83%)

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE ACCOUNTS

18	CALLED UP SHARE CAPITAL	2011 £	2010 £
	Authorised, allotted, and fully paid 900,000 shares of £1 each	900,000	900,000
19	RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH FLOW	2011 £	2010 £
	Profit from operations	1,661,395	3,551,040
	Depreciation	146,793	186,798
	Retirement benefits	57,539	26,553
	(Increase)/decrease in inventories	(247,278)	93,454
	Decrease/(increase) in debtors	256,545	45,297
	(Decrease)/increase in creditors	(4,549)	81,115
	Change in intra-group balances	196,576	(725,047)
	(Loss)/profit from disposal of assets	(324)	-
	Exchange adjustments	(48,610)	22,165
	Cash flow from operating activities	2,018,087	3,281,375
20	CAPITAL COMMITMENTS	2011 £	2010 £
	Contracted for	9,459	221,203
21	LEASING COMMITMENTS	2011 £	2010 £
	Total commitment in respect of operating leases are Land and buildings -		
	lease expires after more than five years	-	13,936

## THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

### NOTES TO THE ACCOUNTS

#### 22 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 14, cash and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

##### Categories of financial instruments

	Carrying value	
	2011	2010
Financial assets	£	£
Cash at bank and in hand	1,313,899	2,733,084
Trade and other receivables	1,272,624	1,544,435
Investments	115,526	133,150
	<u>2,702,049</u>	<u>4,410,669</u>
Financial liabilities		
Trade and other payables	834,174	549,423
Borrowings	585,172	1,103,609
	<u>1,419,346</u>	<u>1,653,032</u>

##### 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 commodity 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.



## **THE LUNGLA (SYLHET) TEA COMPANY, LIMITED**

### **NOTES TO THE ACCOUNTS**

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#### **23 PARENT COMPANY**

The ultimate parent company at 31st December 2011 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.

#### **24 RELATED PARTY TRANSACTIONS**

There were transactions with group companies during the year of £181,093 (2010 £16,225) in respect of inter group sales and recharges which are included within revenue and cost of sales.