44242

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## REPORT AND ACCOUNTS

## 31st December 2012

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

Incorporated 1895

SHARE CAPITAL

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

| | |
|---|---|
| Directors | P J FIELD<br>A K MATHUR, F C.A.<br>A R BHUIYA<br>I AHMED |
| Company Secretary | J.A MORTON |
| Independent Auditors | PRICEWATERHOUSECOOPERS LLP<br>CHARTERED ACCOUNTANTS AND<br>STATUTORY AUDITORS<br>1 EMBANKMENT PLACE<br>LONDON WC2N 6RH |
| Registered Office | LINTON PARK<br>LINTON<br>MAIDSTONE<br>KENT ME17 4AB |
| Registered Number | 44242 |

## THE LUNGLA (SYLHET) TEA COMPANY, LIMITED
## REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts for the year ended 31 December 2012

**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 £2,216,346 (2011 £1,503,511) A dividend of £335,000 (2011 £1,000,000) 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

**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 30th August 2013

J A Morton
**Company Secretary**

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

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

We have audited the financial statements of The Lungla (Sylhet) Tea Company, Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity, the Cash flow statement 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 two, 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 report and accounts**
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 2012 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

Richard Porter

Richard Porter (Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 2 September 2013

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st December 2012

| | Note | 2012 £ | 2011 £ |
|---|---|---|---|
| Revenue - continuing operations | 2 | 6,118,824 | 4,814,519 |
| Cost of sales | | (2,658,189) | (2,968,540) |
| Gross profit | | 3,460,635 | 1,845,979 |
| Net operating expenses | 4 | (401,872) | (184,584) |
| Operating profit - continuing operations | 3 | 3,058,763 | 1,661,395 |
| Gains arising from changes in fair value of biological assets | 10 | 483,063 | 622,478 |
| Investment income | 5 | 15,788 | 14,520 |
| Finance income | 6 | 33,330 | 69,426 |
| Finance costs | 6 | (46,778) | (46,276) |
| Pension scheme net finance costs | 6 | (21,451) | (13,838) |
| Profit on ordinary activities before taxation | | 3,522,715 | 2,307,705 |
| Taxation | 8 | (1,306,369) | (804,194) |
| Retained profit for the year | | 2,216,346 | 1,503,511 |
| Other comprehensive income | | | |
| Foreign exchange translation differences | | (167,640) | (1,312,776) |
| Actuarial movement on defined benefit pension scheme | | 336,451 | (210,087) |
| Movement on deferred tax relating to pension scheme | | (126,169) | 78,782 |
| Total comprehensive income for the period | | 2,258,988 | 59,430 |

BALANCE SHEET
as at 31st December 2012

| | Note | 2012 | | 2011 | |
|---|---|---|---|---|---|
| NON-CURRENT ASSETS | | £ | £ | £ | £ |
| Property, plant and equipment | 9 | | 1,461,408 | | 1,404,534 |
| Biological assets | 10 | | 8,345,797 | | 7,884,505 |
| Investments | 11 | | 113,297 | | 115,526 |
| Retirement benefit Assets | 17 | | 580,995 | | 313,748 |
| | | | 10,501,497 | | 9,718,313 |
| CURRENT ASSETS | | | | | |
| Inventories | 12 | 998,556 | | 842,993 | |
| Trade and other receivables | 13 | 1,764,295 | | 1,297,890 | |
| Cash at bank and in hand | | 1,523,303 | | 1,313,899 | |
| | | 4,286,154 | | 3,454,782 | |
| CURRENT LIABILITIES | | | | | |
| Borrowings | 14 | 28,810 | | 508,049 | |
| Trade and other payables | 15 | 662,135 | | 832,601 | |
| Corporation tax | | 930,005 | | 513,045 | |
| | | 1,620,950 | | 1,853,695 | |
| NET CURRENT ASSETS | | | 2,665,204 | | 1,601,087 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 13,166,701 | | 11,319,400 |
| NON-CURRENT LIABILITIES | | | | | |
| Borrowings | 14 | 46,825 | | 77,123 | |
| Deferred tax liabilities | 16 | 2,345,333 | | 1,849,547 | |
| Retirement benefit liabilities | 17 | 176,834 | | 721,291 | |
| Other non-current liabilities | | 3,855 | | 1,573 | |
| | | | 2,572,847 | | 2,649,534 |
| NET ASSETS | | | 10,593,854 | | 8,669,866 |
| EQUITY | | | | | |
| Called up share capital | 18 | | 900,000 | | 900,000 |
| Reserves | | | 9,693,854 | | 7,769,866 |
| TOTAL EQUITY | | | 10,593,854 | | 8,669,866 |

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

Approved on 30th August 2013 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 2012

| | Called up Share Capital £ | Reserves £ | Total Equity £ |
|---|---|---|---|
| At 1 January 2011 | 900,000 | 8,710,436 | 9,610,436 |
| Comprehensive income for the year | - | 59,430 | 59,430 |
| Dividend paid | - | (1,000,000) | (1,000,000) |
| At 1 January 2012 | 900,000 | 7,769,866 | 8,669,866 |
| Dividend paid | - | (335,000) | (335,000) |
| Comprehensive income for the year | - | 2,258,988 | 2,258,988 |
| At 31 December 2012 | 900,000 | 9,693,854 | 10,593,854 |

The distribution of retained profits is subject to exchange control permission for remittances from Bangladesh Withholding tax at the rate of 15% (2011. 15%) is charged when profits are remitted Cumulative exchange losses amount to £1,029,123 (2011: £861,483)

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

CASH FLOW STATEMENT
for the year ended 31st December 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | £ | £ |
| CASH GENERATED FROM OPERATIONS | | | |
| Cash flows from operating activities | 19 | 1,912,264 | 2,018,087 |
| Interest paid | | (47,160) | (46,474) |
| Interest received | | 23,156 | 73,902 |
| Income taxes paid | | (478,449) | (1,073,715) |
| Net cash flow from continuing operating activities | | 1,409,811 | 971,800 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (230,257) | (579,232) |
| Purchases of biological assets | | (128,982) | (138,372) |
| Proceeds from sale of property, plant and equipment | | - | 325 |
| Dividends received from associates | | 15,788 | 14,520 |
| Net cash flow from investing activities | | (343,451) | (702,759) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Finance Leases received | | - | - |
| Loan repayments | | (9,833) | (10,744) |
| Finance lease repayments | | (22,842) | (36,935) |
| Dividend Paid | | (335,000) | (1,000,000) |
| Net cash flow from financing activities | | (367,675) | (1,047,679) |
| Net increase in cash and cash equivalents | | 698,685 | (778,638) |
| Cash and cash equivalents at beginning of year | | 839,243 | 1,808,353 |
| Exchange losses on cash and cash equivalents | | (14,624) | (190,472) |
| Cash and cash equivalents at end of year | | 1,523,304 | 839,243 |

Cash and cash equivalents included in the cash flow statement comprise the following -

| | 2012 | 2011 |
|---|---|---|
| Cash at bank and in hand | 1,523,303 | 1,313,899 |
| Bank Overdraft | - | (474,656) |
| | 1,523,303 | 839,243 |

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

NOTES TO THE ACCOUNTS

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 The financial statements have been prepared on the historical cost and going concern basis

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 passes 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 Deprecation 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

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

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 statement of comprehensive income 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 is 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 finance is 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

Changes in accounting policy and disclosures

n) New and amended standards adopted by the company

No new or amended standards have been adopted by the company during 2012

1 ACCOUNTING POLICIES (continued)

o) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early 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 2013 or later periods, but the company has not adopted them early

| | |
|---|---|
| IAS 1 (amendment) | Financial statement presentation - effective from 1 July 2012<br>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 |
| IFRS 12 | Disclosures of interests in other entities - effective from 1 January 2013<br>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 been endorsed by the EU with an effective date of 1 January 2014 |
| IFRS 13 | Fair value measurement - effective from 1 January 2013<br>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 |
| IAS 19 (amendment) | Employee benefits - effective from 1 January 2013<br>These amendments eliminate the corridor approach and calculate finance costs on a net funding basis |
| IAS 27 (revised 2011) | Separate financial statements - effective from 1 January 2013<br>This revision includes the requirements relating to separate financial statements This revised standard has been endorsed by the EU with an effective date of 1 January 2014 |
| IFRS 9 | Financial instruments - effective from 1 January 2015<br>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 2015 but is available for early adoption This standard has not yet been endorsed by the EU |

1 ACCOUNTING POLICIES (continued)

p) 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.

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

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

| | | 2012 | 2011 |
|---|---|---|---|
| 2 | REVENUE | £ | £ |
| | Bangladesh | | |
| | Tea Sales | 5,120,320 | 3,782,303 |
| | Rubber Sales | 998,504 | 1,032,216 |
| | | 6,118,824 | 4,814,519 |

| | | 2012 | 2011 |
|---|---|---|---|
| 3 | OPERATING PROFIT | £ | £ |
| | Is stated after charging. | | |
| | Depreciation of tangible assets | 146,467 | 146,793 |
| | Remuneration of the auditors | 2,154 | 2,349 |
| | Land rent | 72,277 | 18,052 |
| | Employee costs | 1,293,864 | 1,300,077 |

| | | 2012 | 2011 |
|---|---|---|---|
| 4 | NET OPERATING EXPENSES | £ | £ |
| | Administrative expenses | 431,079 | 255,786 |
| | Exchange gain | 1,137 | (35,901) |
| | Sundry receipts | (30,344) | (35,301) |
| | | 401,872 | 184,584 |

| | | 2012 | 2011 |
|---|---|---|---|
| 5. | INVESTMENT INCOME | £ | £ |
| | Income from listed investments | 15,788 | 14,520 |

| | | 2012 | 2011 |
|---|---|---|---|
| 6. | FINANCE COSTS | £ | £ |
| | Interest payable. | | |
| | Bank loans and overdrafts | 40,424 | 34,645 |
| | Finance leases | 6,354 | 11,631 |
| | | 46,778 | 46,276 |
| | Pension liability interest cost | 215,734 | 199,512 |
| | Expected return on pension asset | (194,283) | (185,674) |
| | | 21,451 | 13,838 |
| | Bank interest receivable | (33,330) | (69,426) |
| | Net finance costs | 34,899 | (9,312) |

7 EMPLOYEES AND DIRECTORS

| | 2012 | 2011 |
|---|---|---|
| Staff costs - | £ | £ |
| Wages and salaries | 1,190,303 | 1,194,495 |
| Pension costs | 103,561 | 105,582 |
| | 1,293,864 | 1,300,077 |
| | Number | Number |
| The monthly average number of persons employed by the company was: | 6,406 | 6,405 |

Total remuneration paid to Mr I. Ahmed and Mr A R Bhuiyan amounted to £119,458 (2011. £119,933).
The emoluments of the other directors are disclosed in the accounts of the ultimate holding company, Camellia Plc

8 TAXATION

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| (a) Current tax | | |
| UK Corporation tax at 24.5% (2011· 26 5%) | 322,817 | 348,695 |
| Double tax relief | (322,817) | (348,695) |
| | - | - |
| Foreign corporation tax | 902,256 | 528,580 |
| Total current tax | 902,256 | 528,580 |
| Deferred tax | | |
| Overseas | 404,113 | 275,614 |
| Tax on profit on ordinary activities | 1,306,369 | 804,194 |

(b) Factors affecting tax charge for year

The differences between tax calculated at the standard rate of taxation in the UK of 24.5% (2011 26 5%) and that charged in the accounts are explained below·

| | 2012 | 2011 |
|---|---|---|
| Profit on ordinary activities before tax | 3,522,715 | 2,307,705 |
| Tax on ordinary activities at 24 5% (2011 26 5%) | 863,065 | 611,543 |
| Effects of | | |
| Expenditure not deductible for tax purposes | - | 38,269 |
| Income not subject to taxation | (65,158) | (96,923) |
| Higher tax rates on overseas earnings | 508,462 | 251,305 |
| | 1,306,369 | 804,194 |

(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

## 9 PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Plant and Machinery | Vehicles | Fixtures Fittings Tools and Equipment | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| 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 1st January 2012 | 1,597,875 | 1,016,809 | 726,295 | 633,005 | 3,973,984 |
| Currency retranslation | (30,676) | (19,595) | (13,731) | (12,139) | (76,141) |
| Additions | 69,248 | 11,050 | 116,244 | 33,715 | 230,257 |
| Disposals | | | (10,049) | | (10,049) |
| At 31st December 2012 | 1,636,447 | 1,008,264 | 818,759 | 654,581 | 4,118,051 |
| **Accumulated depreciation** | | | | | |
| 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 1st January 2012 | 871,469 | 737,224 | 515,700 | 445,057 | 2,569,450 |
| Currency retranslation | (16,747) | (14,158) | (9,778) | (8,542) | (49,225) |
| On disposals | | | (10,049) | | (10,049) |
| Provision for the year | 30,431 | 29,578 | 66,299 | 20,159 | 146,467 |
| At 31st December 2012 | 885,153 | 752,644 | 562,172 | 456,674 | 2,656,643 |
| **Net book value** | | | | | |
| At 31st December 2012 | 751,294 | 255,620 | 256,587 | 197,907 | 1,461,408 |
| **Net book value** | | | | | |
| At 31st December 2011 | 726,406 | 279,585 | 210,595 | 187,948 | 1,404,534 |

## 10. BIOLOGICAL ASSETS

| | Tea | Other horticulture | Total |
|---|---|---|---|
| | £ | £ | £ |
| Fair value | | | |
| 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 1st January 2012 | 4,549,455 | 3,335,050 | 7,884,505 |
| Exchange differences | (87,295) | (63,458) | (150,753) |
| Increases due to purchases | 118,904 | 10,078 | 128,982 |
| Gains arising from changes in fair value less estimated point-of-sale costs | 97,038 | 386,025 | 483,063 |
| At 31st December 2012 | 4,678,102 | 3,667,695 | 8,345,797 |

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:

| | 2012 Hectares | 2011 Hectares |
|---|---|---|
| Tea | 2,908 | 2,927 |
| Rubber | 1,164 | 1,160 |

| Output of agricultural produce during the year was: | 2012 Metric tonnes | 2011 Metric tonnes |
|---|---|---|
| Tea | 3,342 | 2,936 |
| Rubber | 429 | 411 |

| | 2012 £ | 2011 £ |
|---|---|---|
| Fair value of agricultural output after deducting estimated point-of-sale costs | 5,012,817 | 4,668,110 |

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

NOTES TO THE ACCOUNTS

| | | 2012 | 2011 |
|---|---|---|---|
| 11 | INVESTMENTS | £ | £ |
| | Cost at 1st January | 119,436 | 137,657 |
| | Currency fluctuation | (2,304) | (18,221) |
| | At 31st December | 117,132 | 119,436 |
| | Provision for diminution in value at 1st January | (3,910) | (4,507) |
| | Currency fluctuation | 75 | 597 |
| | At 31st December | (3,835) | (3,910) |
| | Net book value at 31st December | 113,297 | 115,526 |
| | Investments at cost include | | |
| | Listed on Dhaka Stock Exchange | 9,904 | 99,904 |
| | Market value | - | 1,089,671 |
| | Investments at cost consist of | | |
| | Subsidiaries of group | 15,321 | 15,622 |
| | Associates of group | 97,976 | 99,904 |
| | | 113,297 | 115,526 |

| | | 2012 | 2011 |
|---|---|---|---|
| 12 | INVENTORIES | £ | £ |
| | Stock of tea | 518,994 | 507,104 |
| | Stock of rubber | 82,043 | 109,545 |
| | Estate stores | 397,519 | 226,344 |
| | | 998,556 | 842,993 |

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

| | | 2012 | 2011 |
|---|---|---|---|
| 13 | TRADE AND OTHER RECEIVABLES | £ | £ |
| | Due within one year | | |
| | Trade debtors | 440,853 | 216,709 |
| | Other debtors | 266,260 | 152,017 |
| | Amounts owed by group companies | 880,615 | 761,720 |
| | Prepayments and accrued income | 26,332 | 25,266 |
| | Interest receivable | 16,157 | 6,077 |
| | | 1,630,217 | 1,161,789 |
| | Due in more than one year | | |
| | Other debtors | 134,078 | 136,101 |
| | | 1,764,295 | 1,297,890 |

No provision for bad debts was made at 31 December 2012 (2011 £nil) No trade debtors were past their due date at 31 December 2012 (2011 £nil)

| | 2012 | 2011 |
|---|---|---|
| **14 BORROWINGS** | £ | £ |
| Current | | |
| Bank overdraft (secured against hypothcation of crop) | - | 474,656 |
| Term loans secured | 9,535 | 10,049 |
| Finance leases | 19,275 | 23,344 |
| | 28,810 | 508,049 |
| Non-current | | |
| Bank loans (secured against property, plant and equipment and biological assets) | 28,986 | 39,278 |
| Finance leases | 17,839 | 37,845 |
| | 75,635 | 585,172 |
| Bank loans include the following amounts repayable over more than five years by instalments | | |
| Aggregate amount of loans | 38,521 | 49,327 |
| Amount due beyond five years | 10,171 | 11,312 |
| The repayments of bank loans and overdrafts fall due as follows | | |
| Within 12 months or on demand | 9,535 | 484,705 |
| Between 1 - 2 years | 8,223 | 10,814 |
| Between 2 - 5 years | 10,592 | 17,152 |
| After 5 years | 10,171 | 11,312 |
| | 38,521 | 523,983 |
| The repayments of minimum finance leases payments fall due as follows | | |
| Within 12 months or on demand | 21,326 | 25,026 |
| Between 1 - 2 years | 16,187 | 21,071 |
| Between 2 - 5 years | 3,551 | 19,501 |
| | 41,064 | 65,598 |
| Future finance charges on finance leases | (3,950) | (4,410) |
| Present value of finance lease liabilities | 37,114 | 61,188 |
| The present value of finance lease liabilities fall due as follows | | |
| Within 12 months or on demand | 19,275 | 23,344 |
| Between 1 - 2 years | 14,630 | 19,654 |
| Between 2 - 5 years | 3,209 | 18,190 |
| | 37,114 | 61,188 |

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

| | 2012 | 2011 |
|---|---|---|
| **15 TRADE AND OTHER PAYABLES** | £ | £ |
| Amounts falling due within one year | | |
| Trade and other creditors | 630,192 | 433,486 |
| Amounts owed to group companies | 29,093 | 395,819 |
| Interest payable | 2,850 | 3,296 |
| | 662,135 | 832,601 |

| | 2012 | 2011 |
|---|---|---|
| **16 DEFERRED TAX LIABILITIES** | £ | £ |
| The net movement on the deferred tax account is set out below | | |
| At 1 January | 1,849,547 | 1,919,092 |
| Exchange differences | (34,496) | (266,377) |
| Charged to statement of comprehensive income | 404,113 | 275,614 |
| (Credited)/charged to equity | 126,169 | (78,782) |
| At 31 December | 2,345,333 | 1,849,547 |

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 2011 | (139,379) | (1,999,651) | (2,139,030) |
| Exchange differences | 18,230 | 282,596 | 300,826 |
| Charged to statement of comprehensive income | (16,707) | (285,319) | (302,026) |
| Credited to equity | 20,199 | - | 20,199 |
| At 1st January 2012 | (117,657) | (2,002,374) | (2,120,031) |
| Exchange differences | (2,257) | 38,120 | 35,863 |
| Credited to statement of comprehensive income | (205,584) | (229,517) | (435,101) |
| Charged to equity | 89,034 | - | 89,034 |
| At 31 December 2012 | (236,464) | (2,193,771) | (2,430,235) |
| Deferred tax asset offset | | | 84,902 |
| Net deferred tax liability after offset | | | (2,345,333) |

| Deferred tax assets | Pension Scheme asset | Total |
|---|---|---|
| | £ | £ |
| At 1 January 2011 | 219,938 | 219,938 |
| Exchange differences | (34,449) | (34,449) |
| Credited to statement of comprehensive income | 26,412 | 26,412 |
| Credited to equity | 58,583 | 58,583 |
| At 1 January 2012 | 270,484 | 270,484 |
| Exchange differences | (1,367) | (1,367) |
| Credited to statement of comprehensive income | 30,988 | 30,988 |
| Credited to equity | (215,203) | (215,203) |
| At 31 December 2012 | 84,902 | 84,902 |
| Offset against deferred tax liabilities | (84,902) | (84,902) |
| Net deferred tax asset after offset | - | - |

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 2012 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.

| | 2012<br>per annum | 2011<br>per annum |
|---|---|---|
| Rate of increase in salaries | 7 00% | 7 00% |
| Discount rate applied to scheme liabilities | 10 50% | 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**

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| Debt securities | 1,061,391 | 1,058,370 |
| Cash | 1,724,441 | 1,058,370 |
| Total fair value of plan assets | 2,785,832 | 2,116,740 |
| Present value of defined benefit obligations | (2,381,671) | (2,524,283) |
| Total surplus/(deficit) in the scheme | 404,161 | (407,543) |
| Amount recognised as asset in the balance sheet | 580,995 | 313,748 |
| Amount recognised as liability in the balance sheet | (176,834) | (721,291) |
| | 404,161 | (407,543) |
| Related deferred tax asset - see note 16 | 84,902 | 270,484 |
| Related deferred tax liability - see note 16 | (236,464) | (117,657) |
| Net surplus/(deficit) | 252,599 | (254,716) |

| Movements in the fair value of scheme assets were as follows | | |
|---|---|---|
| At 1 January | 2,116,740 | 2,242,272 |
| Expected return on plan assets | 194,283 | 185,674 |
| Employer contributions | 594,313 | 73,666 |
| Benefit payments | (98,257) | (99,340) |
| Actuarial gain | 18,005 | 22,737 |
| Exchange movement | (39,252) | (308,269) |
| At 31 December | 2,785,832 | 2,116,740 |

17 RETIREMENT BENEFIT OBLIGATIONS (continued)

| Movements in the present value of defined benefit obligations were as follows | 2012 £ | 2011 £ |
|---|---|---|
| At 1 January | (2,524,283) | (2,457,100) |
| Current service cost | (139,129) | (85,709) |
| Past service cost | 25,699 | - |
| Interest cost | (215,734) | (199,512) |
| Benefit payments | 98,257 | 99,340 |
| Actuarial gain/(loss) | 318,446 | (232,824) |
| Exchange movement | 55,073 | 351,522 |
| At 31 December | (2,381,671) | (2,524,283) |

**Income statement**

The amounts recognised in statement of comprehensive income are as follows

| | 2012 £ | 2011 £ |
|---|---|---|
| Amounts charged to operating profit | | |
| Current service cost | (139,129) | (85,709) |
| Past service cost | 25,699 | - |
| Total operating charge | (113,430) | (85,709) |
| Amounts (charged)/credited to other finance costs | | |
| Expected return on pension scheme assets | 194,283 | 185,674 |
| Interest on pension scheme liabilities | (215,734) | (199,512) |
| Net financing cost | (21,451) | (13,838) |
| Total charged to statement of comprehensive income | (134,881) | (99,547) |

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

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

| | 2012 | 2011 |
|---|---|---|
| Actual return less expected return on pension scheme assets | 18,005 | 22,737 |
| Experience gain/(losses) arising on scheme liabilities | 318,446 | (232,824) |
| Actuarial gain/(loss) | 336,451 | (210,087) |
| Taxation on actuarial movement | (126,169) | 78,783 |
| Net actuarial gain/(loss) recognised | £ 210,282 | £ (131,304) |

**History of experience gains and losses**

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Difference between expected and actual return on scheme assets | | | | | |
| Amount (£) | 18,005 | 22,737 | (5,193) | (36,416) | (1,889) |
| Percentage of scheme assets | 0 65% | 1 07% | (0 23%) | (1 79%) | (0 09%) |
| Experience gains and losses on scheme liabilities | | | | | |
| Amount (£) | 318,446 | (232,824) | 74,137 | (640,319) | (101,135) |
| Percentage of present value of scheme liabilities | 13 37% | (9 22%) | 3 02% | (27 94%) | (6 08%) |
| Total amount recognised | | | | | |
| Amount (£) | 336,451 | (210,087) | 68,944 | (676,735) | (103,024) |
| Percentage of present value of scheme liabilities | 14 13% | (8 32%) | 2 81% | (29 53%) | (6 19%) |

THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

NOTES TO THE ACCOUNTS

| | | 2012 | 2011 |
|---|---|---|---|
| 18 | CALLED UP SHARE CAPITAL | £ | £ |
| | Authorised, allotted, and fully paid<br>900,000 (2011. 900,000) shares of £1 each | 900,000 | 900,000 |

| | | 2012 | 2011 |
|---|---|---|---|
| | | £ | £ |
| 19 | RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH FLOW | | |
| | Profit from operations | 3,058,763 | 1,661,395 |
| | Depreciation | 146,467 | 146,793 |
| | Retirement benefits | (486,904) | 57,539 |
| | Increase in inventories | (171,443) | (247,278) |
| | (Increase)/(decrease) in debtors | (346,876) | 256,545 |
| | Increase/(decrease) in creditors | 206,919 | (4,549) |
| | Change in intra-group balances | (491,577) | 196,576 |
| | Loss from disposal of assets | - | (324) |
| | Exchange adjustments | (3,085) | (48,610) |
| | Cash flow from operating activities | 1,912,264 | 2,018,087 |

| | | 2012 | 2011 |
|---|---|---|---|
| 20 | CAPITAL COMMITMENTS | £ | £ |
| | Contracted for | - | 9,459 |

| | | 2012 | 2011 |
|---|---|---|---|
| 21 | LEASING COMMITMENTS | £ | £ |
| | Total commitment in respect of operating leases are:<br>Land and buildings -<br>lease expires after more than five years | - | - |

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 | |
|---|---|---|
| | 2012 | 2011 |
| **Financial assets** | £ | £ |
| Cash at bank and in hand | 1,523,303 | 1,313,899 |
| Trade and other receivables | 1,764,295 | 1,272,624 |
| Investments | 113,297 | 115,526 |
| | 3,400,895 | 2,702,049 |
| **Financial liabilities** | | |
| Trade and other payables | 665,991 | 834,174 |
| Borrowings | 75,635 | 585,172 |
| | 741,626 | 1,419,346 |

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

23 PARENT COMPANY

The ultimate parent company at 31st December 2012 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 £484,961 (2011 £181,093) in respect of inter group sales and recharges which are included within revenue and cost of sales

25 CONTROL OF CAMELLIA PLC

Camellia Holding AG holds 1,427,000 ordinary shares of Camellia Plc (representing 51.34% of 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 a 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