

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

**REPORT AND FINANCIAL STATEMENTS**

**31st December 2015**

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**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. Resigned 4th June 2015  
S.A. WALKER Appointed 30th June 2015  
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**

### **Strategic report for the year ended 31 December 2015**

The directors present their strategic report for the year ended 31 December 2015.

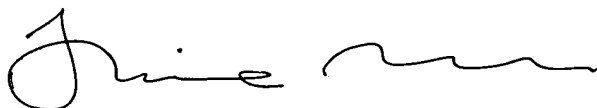
#### **Business review and future developments**

The company continues to operate as a grower and manufacturer of tea in Bangladesh. The results for the year and the financial position of the company are as shown in the annexed financial statements.

#### **Principal risks and uncertainties and key performance indicators**

The company is a Bangladeshi tea operating company within the Camellia Plc group and as such the principal risks and uncertainties, key performance indicators, strategy and business model are in line with those of the group as a whole. A review of the principal risks and uncertainties, strategy and business model of the Camellia Plc group can be found in Camellia Plc's annual report on pages 6 to 7.

This report was approved by the board on 15th August 2016.

A handwritten signature in black ink, appearing to read 'J. Morton', followed by a long, horizontal, wavy line.

J.A. Morton  
Secretary

## THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

### REPORT OF THE DIRECTORS

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The directors present their report together with the audited financial statements for the year ended 31 December 2015.

#### Principal Activities

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

#### Results and dividends

The loss for the year amounted to £538,624 (2014 Profit: £952,068). A dividend of £459,000 (2014: £796,000) was paid during the year.

#### Directors

The directors of the company, are as listed on page one. Mrs S.A. Walker was appointed as a director on 30th June 2015 and Mr A.K. Mathur resigned as a director on 4th June 2015.

#### Review of business

The company is part of the Camellia Plc group and undertakes its principal activities through a branch in Bangladesh. Recently enacted legislation in Bangladesh requires companies to make a payment on retirement or other events terminating employment, based upon compensation and length of service. This resulted in a charge relating to prior years of £836,030. Details are set out in note 18.

#### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 15th August 2016.



J.A. Morton  
Company Secretary

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

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LUNGLA (SYLHET) TEA COMPANY, LIMITED**

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#### **Report on financial statements**

##### **Our opinion**

In our opinion, The Lungla (Sylhet) Tea Company, Limited financial statements (the “financial statements”):

- give a true and fair view of the state of the company’s affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### **What we have audited**

The financial statements included within the Report and financial statements comprise:

- the balance sheet as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

##### **Other matters on which we are required to report by exception**

###### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors’ remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors’ remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

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#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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) ("ISAs (UK & 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.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

Date 15th August 2016

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

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31st December 2015

	Note	2015 £	2014 £
Revenue - continuing operations	2	5,330,636	4,897,134
Cost of sales		<u>(4,384,774)</u>	<u>(3,727,649)</u>
Gross profit		945,862	1,169,485
Net operating expenses	4	<u>(2,232,832)</u>	<u>(318,805)</u>
Operating (loss)/profit - continuing operations	3	(1,286,970)	850,680
Gains arising from changes in fair value of biological assets	11	237,807	310,313
Investment income	5	20,242	18,546
Finance income	6	34,102	56,636
Finance costs	6	(50,514)	(20,708)
Pension scheme net finance income	6	<u>38,434</u>	<u>51,084</u>
(Loss)/profit on ordinary activities before taxation		(1,006,899)	1,266,552
Taxation	9	<u>468,275</u>	<u>(314,484)</u>
(Loss)/profit for the year		(538,624)	952,068
Other comprehensive income/(expense)			
Foreign exchange translation differences		605,224	657,800
Actuarial movement on defined benefit pension scheme		(1,105,127)	(171,903)
Movement on deferred tax relating to pension scheme		<u>414,422</u>	<u>64,463</u>
Total comprehensive (expense)/income for the year		<u>(624,105)</u>	<u>1,502,428</u>

BALANCE SHEET  
as at 31st December 2015

	Note	2015	2014
		£	£
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,767,394	1,753,258
Biological assets	11	11,957,823	10,959,111
Investments	12	126,889	120,914
Retirement benefit assets	18	67,195	643,183
		<u>13,919,301</u>	<u>13,476,466</u>
<b>CURRENT ASSETS</b>			
Inventories	13	1,263,799	1,381,228
Trade and other receivables	14	969,471	1,129,105
Cash at bank and in hand		<u>2,893,376</u>	<u>1,142,753</u>
		<u>5,126,646</u>	<u>3,653,086</u>
<b>CURRENT LIABILITIES</b>			
Borrowings	15	1,096,837	8,697
Trade and other payables	16	1,095,327	725,170
Corporation tax		<u>394,309</u>	<u>560,655</u>
		<u>2,586,473</u>	<u>1,294,522</u>
<b>NET CURRENT ASSETS</b>		<u>2,540,173</u>	<u>2,358,564</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>16,459,474</u>	<u>15,835,030</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15	10,165	11,308
Deferred tax liabilities	17	2,157,694	2,954,901
Post employment & retirement benefit liabilities	18	3,011,682	505,987
Other non-current liabilities		<u>4,318</u>	<u>4,115</u>
		<u>5,183,859</u>	<u>3,476,311</u>
<b>NET ASSETS</b>		<u>11,275,615</u>	<u>12,358,719</u>
<b>EQUITY</b>			
Share capital	19	900,000	900,000
Reserves		<u>10,375,614</u>	<u>11,458,719</u>
<b>TOTAL EQUITY</b>		<u>11,275,614</u>	<u>12,358,719</u>

The notes on pages 10 to 25 form part of the financial statements.

The Financial statements on pages 6 to 25 were approved on 15th August 2016  
directors and signed on their behalf by:

*Susan Walker*

S. WALKER  
Director



**THE LUNGLA (SYLHET) TEA COMPANY, LIMITED****STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31st December 2015

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	Share Capital £	Reserves £	Total Equity £
At 1 January 2014	900,000	10,752,291	11,652,291
Total comprehensive income for the year	-	1,502,428	1,502,428
Dividend paid	-	(796,000)	(796,000)
	<hr/>	<hr/>	<hr/>
At 1 January 2015	900,000	11,458,719	12,358,719
Dividend paid	-	(459,000)	(459,000)
Total comprehensive expense for the year	-	(624,105)	(624,105)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	900,000	10,375,614	11,275,614

The distribution of retained profits is subject to exchange control permission for remittances from Bangladesh. Withholding tax at the rate of 15% (2014: 15%) is charged when profits are remitted. Cumulative exchange gains amount to £332,037 (2014: losses £273,187).

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

**CASH FLOW STATEMENT**

for the year ended 31st December 2015

	Note	2015 £	2014 £
<b>CASH (USED IN) /GENERATED FROM OPERATIONS</b>			
Cash flows from operating activities	20	1,532,867	776,181
Interest paid		(3,716)	(46,918)
Interest received		32,887	73,852
Income taxes paid		(219,577)	(680,395)
Net cash flows from continuing operating activities		1,342,461	122,720
<b>CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(111,271)	(178,324)
Purchases of biological assets		(207,380)	(187,505)
Proceeds from sale of property, plant and equipment		7,173	-
Dividends received from associates		20,242	18,546
Net cash flows from investing activities		(291,236)	(347,283)
<b>CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>			
Loan repayments		(5,389)	(13,651)
Finance lease repayments		(3,500)	(14,848)
Dividend paid		(459,000)	(796,000)
Net cash flows from financing activities		(467,889)	(824,499)
Net increase/(decrease) in cash and cash equivalents		583,336	(1,049,062)
Cash and cash equivalents at beginning of year		1,142,753	2,121,500
Exchange gains on cash and cash equivalents		72,149	70,315
Cash and cash equivalents at end of year		1,798,238	1,142,753
Cash and cash equivalents included in the cash flow statement comprise the following:-			
Cash at bank and in hand		2,893,376	1,142,753
Bank Overdraft		(1,095,138)	-
		1,798,238	1,142,753

## THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

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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. 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 company 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 company 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 FINANCIAL STATEMENTS

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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 fellow subsidiaries and associated companies of the ultimate parent are included at cost or fair value.

##### 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 included within inventory largely comprises stock of "black" tea. This is valued at the lower of cost and net realisable value. Cost includes the growing costs of 'green leaf' up to the date of harvest and factory costs incurred to bring the tea to its manufactured state.

In accordance with IAS 41, on initial recognition, agricultural produce is required to be measured at fair value less estimated point of sale costs. Given that there is no open market for green leaf, this is recognised in inventory at the lower of cost or net realisable value.

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 FINANCIAL STATEMENTS

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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 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 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 finance its operations by a mixture of retained profits, bank borrowings and long term loans. The objective for the company is to maintain a balance between continuity of funding and flexibility through the use of borrowings which are regularly reviewed.

#### n) Employee benefits

##### (i) Pension obligations

The company operates a pension scheme. The scheme is funded through payments to insurance companies. 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 arising from experience adjustments and changes in actuarial adjustments are recognised in full in the period in which they occur, they are not recognised in the income statement and are presented in the statement of comprehensive income. Past service costs are recognised directly in the income statement.

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

**NOTES TO THE FINANCIAL STATEMENTS**

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**I. ACCOUNTING POLICIES (continued)**

**n) Employee benefits (continued)**

**(ii) Other post-employment benefit obligations**

The company has unfunded obligations to pay terminal gratuities to employees. Provisions are made for the estimated liability for gratuities as a result of services rendered by employees up to the balance sheet date and any movement in the provision is recognised in the income statement.

**o) Changes in accounting policy and disclosures**

**(i) New and amended standards adopted by the group**

There are no new standards, amendments or interpretations with a material impact on the group for the year ended 31 December 2015.

**(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IAS 16 and IAS 41 (amendments)	<p>Reporting for bearer plants- effective from 1 January 2016</p> <p>These amendments change the reporting for bearer plants, such as tea bushes, avocados, macadamia and rubber trees. Bearer plants should be accounted for under IAS 16 in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The produce on bearer plants will remain in the scope of IAS 41. This standard has been endorsed by the EU with an effective date of 1 January 2016. This will have a material impact on the results of the company.</p>
IFRS 15	<p>Revenue from contracts with customers - effective from 1 January 2018</p> <p>This standard will replace IAS 18 which covers contracts for good and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2018), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. At this stage, the company is not able to estimate the impact of the new rules on the financial statements. This standard has not yet been endorsed by the EU.</p>

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

**NOTES TO THE FINANCIAL STATEMENTS**

	2015	2014
	£	£
2. REVENUE		
Bangladesh		
Tea Sales	4,757,223	4,520,258
Rubber Sales	573,413	376,876
	<u>5,330,636</u>	<u>4,897,134</u>
	2015	2014
	£	£
3. OPERATING (LOSS)/PROFIT		
Is stated after charging:		
Depreciation of tangible assets	174,704	168,814
Remuneration of the auditors	3,078	2,864
Land rent	83,444	151,269
Employee costs	<u>1,840,162</u>	<u>1,652,095</u>
	2015	2014
	£	£
4. NET OPERATING EXPENSES		
Administrative expenses	267,643	360,545
Prior year gratuity charge	2,017,994	-
Exchange gain	(1,093)	(153)
Sundry receipts	<u>(51,712)</u>	<u>(41,587)</u>
	<u>2,232,832</u>	<u>318,805</u>
	2015	2014
	£	£
5. INVESTMENT INCOME		
Income from listed investments	<u>20,242</u>	<u>18,546</u>
	2015	2014
	£	£
6. FINANCE COSTS AND INCOME		
Interest payable:		
Bank loans and overdrafts	49,007	18,362
Finance leases	<u>1,507</u>	<u>2,346</u>
	50,514	20,708
Employee benefit income (note 18)	(38,434)	(51,084)
Bank interest receivable	<u>(34,102)</u>	<u>(56,636)</u>
Net finance income	<u>(22,022)</u>	<u>(87,012)</u>
	2015	2014
	£	£
7. DIVIDENDS		

Amounts recognised as distributions to equity holders in the year:

Interim dividend for the year ended 31 December 2015 of  
£0.51p (2014:£0.88p) per share

<u>459,000</u>	<u>796,000</u>
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# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

8. EMPLOYEES AND DIRECTORS	2015	2014
Staff costs:	£	£
Wages and salaries	1,705,742	1,532,942
Other pension costs	<u>134,420</u>	<u>119,153</u>
	<u>1,840,162</u>	<u>1,652,095</u>
The monthly average number of persons employed by the company was:	Number	Number
	<u>6,625</u>	<u>6,383</u>

Total remuneration paid to Mr. I. Ahmed and Mr A.R. Bhuiyan amounted to £148,240 (2014: £139,528).

Other than stated above, no other directors received emoluments during the year from the company (2014: £nil). As they are remunerated by other group companies the value of their service to this company was negligible.

9. TAXATION	2015	2014
(a) Current tax	£	£
UK Corporation tax at 20.25% (2014: 21.5%)	-	228,880
Double tax relief	<u>-</u>	<u>(228,880)</u>
	-	-
Foreign corporation tax:	<u>35,844</u>	<u>248,987</u>
Total current tax	35,844	248,987
Deferred tax:		
Temporary timing differences	<u>(504,119)</u>	<u>65,497</u>
Total tax on (loss)/profit on ordinary activities	<u>(468,275)</u>	<u>314,484</u>

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax applicable to profits of the company as follows:

### (b) Factors affecting tax charge for year

The differences between tax calculated at the standard rate of taxation in the UK of 20.25% (2014 : 21.5%) and that charged in the financial statements are explained below:

(Loss)/profit on ordinary activities before taxation	<u>(1,006,899)</u>	<u>1,266,552</u>
Tax on ordinary activities at 20.25% (2014: 21.5%)	(203,897)	272,309
Effects of:		
Adjustment to tax in respect of prior years	(132,943)	(32,757)
Expenditure not deductible for tax purposes	769,015	54,697
Income not subject to taxation	(77,969)	(32,104)
Higher tax rates on overseas earnings	(174,168)	193,193
Movement in other timing differences	<u>(648,313)</u>	<u>(140,854)</u>
Total tax (credit)/charge	<u>(468,275)</u>	<u>314,484</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 FINANCIAL STATEMENTS**

**10. PROPERTY, PLANT AND EQUIPMENT**

	Buildings £	Plant and machinery £	Vehicles £	Fixtures fittings tools and equipment £	Total £
<b>Cost</b>					
At 1st January 2014	1,754,653	988,088	921,673	788,952	4,453,366
Currency retranslation	109,397	57,552	54,062	48,511	269,522
Additions	125,201	9,889	70	43,164	178,324
Disposals	-	(17,908)	(189)	-	(18,097)
At 31st December 2014	1,989,251	1,037,621	975,616	880,627	4,883,115
Currency retranslation	100,737	51,276	47,589	44,072	243,674
Additions	90,597	-	45	20,628	111,270
Disposals	-	-	(23,188)	-	(23,188)
At 31st December 2015	<u>2,180,585</u>	<u>1,088,897</u>	<u>1,000,062</u>	<u>945,327</u>	<u>5,214,871</u>
<b>Accumulated depreciation</b>					
At 1st January 2014	926,963	751,355	636,015	492,374	2,806,707
Currency retranslation	56,390	44,793	40,535	30,714	172,432
On disposals	-	(17,907)	(189)	-	(18,096)
Provision for the year	38,958	31,767	62,646	35,443	168,814
At 1st January 2015	1,022,311	810,008	739,007	558,531	3,129,857
Currency retranslation	51,836	40,927	37,547	28,621	158,931
On disposals	-	-	(16,015)	-	(16,015)
Provision for the year	49,011	33,460	54,231	38,002	174,704
At 31st December 2015	<u>1,123,158</u>	<u>884,395</u>	<u>814,770</u>	<u>625,154</u>	<u>3,447,477</u>
<b>Net book value</b>					
At 31st December 2015	<u>1,057,427</u>	<u>204,502</u>	<u>185,292</u>	<u>320,173</u>	<u>1,767,394</u>
<b>Net book value</b>					
At 31st December 2014	<u>966,940</u>	<u>227,613</u>	<u>236,609</u>	<u>322,096</u>	<u>1,753,258</u>

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

11. BIOLOGICAL ASSETS	Tea £	Other horticulture £	Total £
Fair value			
At 1st January 2014	5,370,444	4,486,885	9,857,329
Exchange differences	374,339	229,625	603,964
Increases due to purchases	173,890	13,615	187,505
Gains arising from changes in fair value less estimated point-of-sale costs	974,899	(664,586)	310,313
At 1st January 2015	6,893,572	4,065,539	10,959,111
Exchange differences	350,714	202,811	553,525
Increases due to purchases	195,314	12,066	207,380
Gains arising from changes in fair value less estimated point-of-sale costs	178,912	58,895	237,807
At 31st December 2015	7,618,512	4,339,311	11,957,823

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:

	2015 Hectares	2014 Hectares
Tea	2,891	2,915
Rubber	1,164	1,164

	2015 Metric tonnes	2014 Metric tonnes
Output of agricultural produce during the year was:		
Tea	2,950	3,164
Rubber	392	366

	2015 £	2014 £
Fair value of agricultural output from tea operations after deducting estimated point-of-sale costs	1,761,000	2,702,363

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	£	£
12. INVESTMENTS		
Cost at 1st January	125,007	118,080
Currency fluctuation	6,177	6,927
At 31st December	131,184	125,007
Provision for diminution in value at 1st January	(4,093)	(3,866)
Currency fluctuation	(202)	(227)
At 31st December	(4,295)	(4,093)
Net book value at 31st December	126,889	120,914
Investments at cost include:		
Listed on Dhaka Stock Exchange	126,889	120,914
Market value	609,756	756,850
Investments at cost consist of:		
Fellow subsidiaries of Camellia group	17,158	16,351
Investment in Associates of Camellia group	109,731	104,563
	126,889	120,914
	2015	2014
13. INVENTORIES	£	£
Stock of tea	689,601	610,189
Stock of rubber	205,407	326,545
Estate stores	368,791	444,494
	1,263,799	1,381,228
There was no material difference between the replacement cost and value shown in stocks.		
	2015	2014
14. TRADE AND OTHER RECEIVABLES	£	£
Due within one year		
Trade debtors	176,936	416,875
Other debtors	116,071	106,057
Amounts owed by group companies	444,418	365,794
Prepayments and accrued income	30,122	31,542
Interest receivable	18,596	16,531
	786,143	936,799
Due in more than one year		
Other debtors	183,328	192,306
	969,471	1,129,105

No provision for bad debts was made at 31 December 2015 (2014: £nil). No trade debtors were past their due date at 31 December 2015 (2014: £nil).

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	2015 £	2014 £
15. BORROWINGS		
Current:		
Bank overdraft (secured against hypothecation of crop)	1,095,138	-
Term loans secured	1,699	5,273
Finance leases	-	3,424
	<u>1,096,837</u>	<u>8,697</u>
Non-current:		
Bank loans (secured against property, plant and equipment and biological assets)	10,165	11,308
Finance leases	-	-
	<u>1,107,002</u>	<u>20,005</u>
Bank loans include the following amounts repayable over more than five years by instalments		
Aggregate amount of loans	1,107,002	16,581
Amount due beyond five years	6,029	6,731
The repayments of bank loans and overdrafts fall due as follows:		
Within 12 months or on demand	1,096,837	5,273
Between 1 - 2 years	1,034	1,621
Between 2 - 5 years	3,102	2,956
After 5 years	6,029	6,731
	<u>1,107,002</u>	<u>16,581</u>
The repayments of minimum finance leases payments fall due as follows:		
Within 12 months or on demand	-	3,424
Between 1 - 2 years	-	-
Between 2 - 5 years	-	-
	-	3,424
Future finance charges on finance leases	-	(77)
Present value of finance lease liabilities	<u>-</u>	<u>3,347</u>
The present value of finance lease liabilities fall due as follows:		
Within 12 months or on demand	-	3,424
Between 1 - 2 years	-	-
Between 2 - 5 years	-	-
	<u>-</u>	<u>3,424</u>
Interest rates vary from 9% per annum to 11% per annum.		
16. TRADE AND OTHER PAYABLES	2015 £	2014 £
Amounts falling due within one year		
Trade and other creditors	903,113	721,250
Amounts owed to group companies	183,690	2,725
Interest payable	8,524	1,195
	<u>1,095,327</u>	<u>725,170</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

	2015 £	2014 £
<b>17. DEFERRED TAX LIABILITIES</b>		
The net movement on the deferred tax account is set out below:		
At 1 January	2,954,901	2,790,135
Exchange differences	121,334	163,732
(Credited)/charged to statement of comprehensive income	(504,119)	65,497
Credited to equity	<u>(414,422)</u>	<u>(64,463)</u>
At 31 December	<u>2,157,694</u>	<u>2,954,901</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 2014	(208,704)	(2,753,023)	(2,961,727)
Exchange differences	(13,237)	(160,959)	(174,196)
Charged to statement of comprehensive income	(35,394)	10,530	(24,864)
Credited to equity	<u>16,141</u>	<u>-</u>	<u>16,141</u>
At 1st January 2015	(241,194)	(2,903,452)	(3,144,646)
Exchange differences	(5,953)	(149,106)	(155,059)
Charged to statement of comprehensive income	(35,893)	(209,319)	(245,212)
Credited to equity	<u>257,842</u>	<u>-</u>	<u>257,842</u>
At 31 December 2015	(25,198)	(3,261,877)	(3,287,075)
Deferred tax asset offset			<u>1,129,381</u>
Net deferred tax liability after offset			<u>(2,157,694)</u>

	Pension Scheme asset £	Total £
Deferred tax assets:		
At 1 January 2014	171,592	171,592
Exchange differences	10,464	10,464
Charged to statement of comprehensive income	(40,633)	(40,633)
Credited to equity	<u>48,322</u>	<u>48,322</u>
At 1 January 2015	189,745	189,745
Exchange differences	33,725	33,725
Credited to statement of comprehensive income	749,331	749,331
Credited to equity	<u>156,580</u>	<u>156,580</u>
At 31 December 2015	1,129,381	1,129,381
Offset against deferred tax liabilities	<u>(1,129,381)</u>	<u>(1,129,381)</u>
Net deferred tax asset after offset	<u>-</u>	<u>-</u>

# THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 18. EMPLOYEE BENEFIT OBLIGATIONS

#### (i) Pensions

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 2015 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:

	2015 per annum	2014 per annum
Rate of increase in salaries	7.0%	7.0%
Discount rate applied to scheme liabilities	9.0%	11.5%
Pension increase rate	5.0%	5.0%

#### (ii) Post-employment benefits

The company has an obligation to make compensation payments on retirement or other events terminating employment, based on years of service and to pay medical benefits. These obligations are estimated annually using the projected unit method by qualified independent actuaries and are combined with pension obligations below.

#### Assumptions

The major assumptions used in the valuation to determine the present value of the post-employment benefit obligations were as follows:

	2015 per annum	2014 per annum
Rate of increase in salaries	7.0% to 9.0%	7.00%
Discount rate applied to scheme liabilities	8.0% to 11.0%	11.00%
Inflation assumption	7.00%	7.00%

#### (iii) Actuarial valuations

	2015 £	2014 £
Debt securities	742,616	996,152
Cash	3,836,538	2,978,252
Total fair value of plan assets	4,579,154	3,974,404
Present value of defined benefit obligations	(7,523,641)	(3,837,208)
Total (deficit)/surplus in the scheme	(2,944,487)	137,196
Amount recognised as asset in the balance sheet	67,195	643,183
Amount recognised as liability in the balance sheet	(3,011,682)	(505,987)
	(2,944,487)	137,196
Related deferred tax asset - see note 16	1,129,381	189,745
Related deferred tax liability - see note 16	(25,198)	(241,194)
Net (deficit)/surplus	(1,840,304)	85,747

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

	2015	2014
At 1 January	3,974,404	3,267,902
Expected return on plan assets	445,350	392,250
Employer contributions	272,088	243,943
Contributions paid by plan participants	20,859	18,235
Benefit payments	(227,679)	(204,186)
Actuarial (loss)/gain	(112,957)	39,288
Exchange movement	207,089	216,972
At 31 December	4,579,154	3,974,404

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

**NOTES TO THE FINANCIAL STATEMENTS**

**18. RETIREMENT BENEFIT OBLIGATIONS (continued)**

Movements in the present value of defined benefit obligations were as follows:	2015 £	2014 £
At 1 January	(3,837,208)	(3,168,937)
Current service cost	(210,171)	(106,000)
Past service cost	(2,017,994)	-
Contributions paid by plan participants	(20,859)	(18,235)
Interest cost	(406,916)	(341,166)
Benefit payments	242,819	217,898
Actuarial loss	(992,170)	(211,191)
Exchange movement	(281,142)	(209,577)
At 31 December	<u>(7,523,641)</u>	<u>(3,837,208)</u>

**Statement of comprehensive income**

The amounts recognised in statement of comprehensive income are as follows:

Amounts charged to operating profit:

Current service cost	(210,171)	(106,000)
Past service cost	<u>(2,017,994)</u>	<u>-</u>
Total operating charge	(2,228,165)	(106,000)

Amounts credited/(charged) to other finance costs:

Net financing income	<u>38,434</u>	<u>51,084</u>
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Total charged to statement of comprehensive income	<u>(2,189,731)</u>	<u>(54,916)</u>
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The past service cost of £2,017,994 relates to recently enacted legislation in Bangladesh which requires companies to make a payment on retirement or other events terminating employment to all employees, based upon compensation and length of service. Current service costs includes £122,208 arising from these changes.

**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	(112,957)	39,288
Experience losses arising on scheme liabilities	(215,520)	(46,370)
Changes in assumptions underlying present value of scheme liabilities	(776,650)	(164,821)

Actuarial loss	<u>(1,105,127)</u>	<u>(171,903)</u>
Taxation on actuarial movement	<u>414,422</u>	<u>64,463</u>
Net actuarial loss recognised	<u>£ (690,705)</u>	<u>£ (107,440)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

	2015 £	2014 £
19. SHARE CAPITAL		
Authorised, allotted, and fully paid 900,000 (2014: 900,000) shares of £1 each	<u>900,000</u>	<u>900,000</u>
	2015 £	2014 £
20. RECONCILIATION OF (LOSS)/PROFIT FROM OPERATIONS TO CASH FLOW		
Operating (loss)/profit	(1,286,970)	850,680
Depreciation	174,704	168,814
Retirement benefits	1,933,831	(151,655)
Decrease in inventories	195,722	153,982
Decrease in debtors	269,971	47,108
Increase in creditors	140,140	31,146
Change in intra-group balances	128,865	(398,396)
Exchange adjustments	<u>(23,396)</u>	<u>74,502</u>
Cash flow from operating activities	<u>1,532,867</u>	<u>776,181</u>
21. COMMITMENTS		
The company leases land under non-cancellable operating lease arrangements, which have various terms and renewal rights.		
	2015 £	2014 £
Land		
Within 1 year	281,254	268,010
Between 1-5 years	428,434	408,259
After 5 years	<u>2,147,569</u>	<u>2,046,441</u>
	<u>2,857,257</u>	<u>2,722,710</u>



## THE LUNGLA (SYLHET) TEA COMPANY, LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

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

Categories of financial instruments	Carrying value	
	2015	2014
	£	£
<b>Financial assets</b>		
Cash at bank and in hand	2,893,376	1,142,753
Trade and other receivables	969,471	1,129,105
Investments	<u>126,889</u>	<u>120,914</u>
	<u>3,989,736</u>	<u>2,392,772</u>
<b>Financial liabilities</b>		
Trade and other payables	1,099,645	729,285
Borrowings	<u>1,107,002</u>	<u>20,005</u>
	<u>2,206,647</u>	<u>749,290</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 FINANCIAL STATEMENTS

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#### 23. PARENT COMPANY

The parent company is Lawrie Group Plc which is registered in England and Wales and the ultimate parent company is Camellia Plc which is also registered in England and Wales.

Copies of the Camellia Plc report and accounts prepared in accordance with International Financial Reporting Standards can be obtained from Linton Park, Linton, Maidstone, Kent ME17 4AB. Camellia Plc is the only company to consolidate the company's financial statements.

#### 24. RELATED PARTY TRANSACTIONS

There were transactions with group companies during the year of £251,093 (2014: £14,691) in respect of inter group sales and recharges which are included within revenue and cost of sales.

Company Name	Sales to £	Recharges £	Net £
The Allynugger Tea CO	84,106	(159,128)	(75,022)
Duncan Brothers	-	(14,272)	(14,272)
Mazdehee Tea Co	344,948	(4,561)	340,387
	<u>429,054</u>	<u>(177,961)</u>	<u>251,093</u>

Amounts due from / to group undertakings are unsecured, interest free and have no fixed term of repayment.

#### 26. CONTROL OF CAMELLIA PLC

Camellia Holding AG holds 1,427,000 ordinary shares of Camellia Plc (representing 51.67% 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.