SURMAH VALLEY TEA COMPANY LIMITED

REPORT AND ACCOUNTS

2006

SURMAH VALLEY TEA COMPANY LIMITED

Incorporated 1897

SHARE CAPITAL

Authorised		Issued
£500,000	In ordinary shares of £1 each	£500,000

Directors	P.A. LEGGATT, M.B.E. (Chairman) S.A. AHMAD M.M. ISLAM A.S.M.O. SUBHAN M.D. CONWAY
Secretary	M.D. CONWAY
Auditors	MOORE STEPHENS LLP, ST. PAUL'S HOUSE, WARWICK LANE, LONDON EC4M 7BP
Registered Office	LINTON PARK, LINTON, MAIDSTONE, KENT, ME17 4AB
Registered Number	53615

SURMAH VALLEY TEA COMPANY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the one hundred and tenth annual general meeting of the Surmah Valley Tea Company Limited will be held at Linton Park, Linton, Maidstone, Kent, ME17 4AB on Friday, 16th March 2007 at 4.10 p.m. for the following purposes:-

1. To receive and adopt the directors' report and statement of accounts for the year ended 31st December 2006

2. To re-appoint the auditors and authorise the directors to fix their remuneration.

By Order of the Board

M.D. CONWAY

Secretary

Linton Park,
Linton,
Maidstone,
Kent, ME17 4AB

16th March 2007

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him and such proxy need not be a member of the company.

SURMAH VALLEY TEA COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors submit to the members their report together with the accounts for the year ended 31st December 2006.

ACCOUNTS	2006	2005
	£	£
Profit for year before taxation	355,845	412,672
Profit for the year after taxation	221,827	298,429
Interim dividend	(110,000)	(100,000)
Retained profit for the year	111,827	198,429

During the year under review the board declared an interim dividend of 22% (2005: 20%).

REVIEW OF ACTIVITIES

The principal activity of the company is the growing and manufacturing of tea and it is the intention to continue this policy.

DIRECTORS

Board

The present board is shown on page one.

SHAREHOLDINGS

Neither at the end of the year, nor at any time during the year, has any director held a beneficial interest in any shares of the company.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

Moore Stephens LLP have expressed their willingness to continue as auditors of the company and a resolution proposing their re-appointment and empowering the directors to fix their remuneration will be put before the annual general meeting.

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

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

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

By Order of the Board

M.D. CONWAY
Secretary

16th March 2007

SURMAH VALLEY TEA COMPANY LIMITED

INCOME STATEMENT
for the year ended 31st December 2006

	Notes	2006 £	2005 £
Revenue - continuing operations	3	1,283,549	1,377,306
Cost of sales		(755,258)	(917,016)
Gross profit		528,291	460,290
Net operating expenses	5	(41,967)	(33,053)
Operating profit - continuing operations	4	486,324	427,237
(Losses)/gains arising from changes in fair value of biological assets	12	(72,505)	50,405
Investment income	6	29,336	29,928
		443,155	507,570
Net interest payable and similar charges	8	(87,310)	(94,898)
Profit on ordinary activities before taxation		355,845	412,672
Tax on ordinary activities	9	(134,018)	(114,243)
Profit on ordinary activities for the financial year		221,827	298,429
Interim dividend	10	(110,000)	(100,000)
Retained profit for year	21	£ 111,827	£ 198,429

SURMAH VALLEY TEA COMPANY LIMITED

BALANCE SHEET
as at 31st December 2006

	Notes	2006		2005	
		£	£	£	£
NON-CURRENT ASSETS					
Property, plant and equipment	11		1,213,149		1,422,010
Biological assets	12		1,430,912		1,735,791
Investments	13		715,869		869,188
			3,359,930		4,026,989
CURRENT ASSETS					
Inventories	14	289,480		263,815	
Trade and other receivables	15	162,613		171,493	
Cash at bank and in hand		78,191		93,972	
		530,284		529,280	
CURRENT LIABILITIES					
Borrowings	17	(627,486)		(811,086)	
Trade and other payables	16	(153,578)		(174,928)	
Current income tax liabilities		(140,648)		(70,366)	
		(921,712)		(1,056,380)	
NET CURRENT (LIABILITIES)			(391,428)		(527,100)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,968,502		3,499,889
NON-CURRENT LIABILITIES					
Borrowings	17	(171,515)		(261,899)	
Deferred tax liabilities	18	(166,138)		(211,205)	
			(337,653)		(473,104)
NET ASSETS			£ 2,630,849		£3,026,785
EQUITY					
Called up share capital	19		500,000		500,000
Reserves	21		2,130,849		2,526,785
			£ 2,630,849		£3,026,785

Approved on 16th March 2007 by the board of directors and signed on their behalf by:

M.D. CONWAY
Director

SURMAH VALLEY TEA COMPANY LIMITED

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

	2006 £	2005 £
Retained profit for the year	111,827	198,429
Available-for-sale investments:		
Valuation loss taken to equity	(14,992)	(137,414)
Exchange (losses)/gains	(492,771)	28,399
Net movement in shareholders' funds	(395,936)	89,414
Opening shareholders' funds	3,026,785	2,937,371
Closing shareholders' funds	£ 2,630,849	£ 3,026,785

There are no recognised gains or losses other than those included in the above.

SURMAH VALLEY TEA COMPANY LIMITED

CASH FLOW STATEMENT
for the year ended 31st December 2006

	Notes	2006 £	2005 £
CASH GENERATED FROM OPERATIONS			
Cash flows from operating activities	20	458,627	464,888
Interest paid		(87,905)	(117,337)
Income taxes paid		(75,939)	-
Dividends received from listed investments		29,204	29,785
Dividends received from group companies		132	143
Net cash flow from continuing operating activities		324,119	377,479
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(98,497)	(27,372)
Purchases of biological assets		(41,998)	(37,087)
Proceeds from disposal of non-current assets		28,774	-
Net cash flow from investing activities		(111,721)	(64,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to group companies		(110,000)	(100,000)
Loan repayments		(50,116)	(59,412)
Net cash flow from financing activities		(160,116)	(159,412)
Net increase in cash and cash equivalents		52,282	153,608
Cash and cash equivalents at beginning of period		(657,513)	(804,772)
Exchange gains/(losses) on cash		104,640	(6,349)
Cash and cash equivalents at end of period		£ (500,591)	£ (657,513)

1. *GENERAL INFORMATION*

Surmah Valley Tea Company Limited is a company incorporated in the United Kingdom under the Companies Act 1985.

2. ACCOUNTING POLICIES

The company's accounting policies are disclosed below:-

a) *Basis of Preparation*
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and therefore comply with Article 4 of the EU IAS Regulation.

b) Transition to IFRS
The company's transition date is 1 January 2005. The company prepared its opening IFRS balance sheet at that date and the company's IFRS adoption date is 1 January 2006. The company has applied IFRS 1 in preparing these financial statements.
In preparing these financial statements in accordance with IFRS 1, the company has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

The company has elected to apply the following optional exemptions from full retrospective application:

Fair value or revaluation as deemed cost exemption: Certain items of property, plant and equipment have been elected to be measured at fair value at 1 January 2005. The company has also elected to use previous UK GAAP revaluations of property, plant and equipment as deemed cost.

Cumulative translation differences exemption: All previously accumulated translation differences have been set to zero as at 1 January 2005.

c) Basis of accounting
The financial statements have been prepared in accordance with IFRS for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 26. The financial statements have been prepared on the historical cost basis as modified by the revaluation of property, plant and equipment.

d) Foreign currency translation
The presentation currency of the company is pounds sterling, the currency of the country in which the company is incorporated. The operations of the company are based in Bangladesh and the functional currency is Bangladesh takas. The income statement and cash flows are translated into pounds sterling at average exchange rates for the year and balance sheet items are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from translation of the net investment in the foreign operation are taken to shareholders' equity.

e) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes and after eliminating intra-group sales.
Invoices are raised when goods are despatched or when the risks and rewards of ownership otherwise irrevocably passes to the customer.

f) Property, plant and equipment
Property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of these assets. On transition to IFRS, the group has followed the transitional provisions and elected that previous UK GAAP revaluations be treated as deemed cost.
Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation of assets is calculated to write off their cost less residual value on a straight-line basis over their expected useful lives.

2. ACCOUNTING POLICIES (continued)

Rates of depreciation are:

Buildings	5%
Plant, machinery and vehicles	5% to 20%
Fixtures and Fittings	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in the income statement.

g) Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value. Any changes in fair value are recognised in the income statement in the year in which they arise. All costs of planting, upkeep and maintenance of biological assets are set against the fair value movement.

h) Investments

Investments in group companies are included at cost, whilst shares of listed companies are measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

i) 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).

j) Inventories

Agricultural produce at the point of harvest is measured at fair value less estimated point-of-sale costs. Any changes arising on initial recognition of agricultural produce at fair value less estimated point-of sale costs are recognised in the income statement in the year in which they arise.

Other inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and selling expenses.

k) Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the income statement.

l) 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.

m) Borrowings
Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

n) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than in a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related tax asset is realised or the tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

o) Financial instruments
Financial risk management policies are set by the Board. Various financial instruments arise directly from the company's operations, for example cash, trade debtors, trade creditors and accruals, in addition to the company using financial instruments to finance its operations. The company finances its operations by a mixture of retained profits, bank borrowings and long term loans. The objective for the company is to maintain a balance between continuity of funding and flexibility through the use of borrowings, which are regularly reviewed.

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

New Standards and Interpretations

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

Revisions to existing standards

IAS 1 Changes re capital disclosures.

The directors do not expect the new standards and interpretations, or the revisions to existing standards, to have any impact on the primary financial statements. However:

IFRS 7 This standard will require additional disclosures concerning the company's financial instruments, to enable users of the financial statements to appreciate the financial risks to which the company is subject. This standard is effective for accounting periods beginning on or after 1 January 2007.

IAS 1 The revisions to this standard will require additional disclosures, both qualitative and quantitative, concerning the capital of the company. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2007.

		2006 £	2005 £
3.	REVENUE		
	Tea Sales		
	Bangladesh Auction Sales	1,281,027	1,337,233
	Bangladesh Private Sales	-	39,189
	Rubber sales	2,522	884
		£ 1,283,549	£ 1,377,306
4.	OPERATING PROFIT		
	Operating profit is stated after charging:		
	Depreciation of tangible assets	£ 51,140	£ 54,033
	Remuneration of the auditors	£ 3,100	£ 3,000
	Land rent	£ 6,343	£ 6,900
	Hire of equipment	£ 3,222	£ 3,533
	Employee benefit expenditure	£ 381,826	£ 412,334
5.	NET OPERATING EXPENSES		
	Administrative expenses	41,967	33,470
	E.E.C. Grant	-	(417)
		£ 41,967	£ 33,053
6.	INVESTMENT INCOME		
	Dividend received from listed investments	29,204	29,785
	Dividend received from unlisted companies	132	143
		£ 29,336	£ 29,928
7.	EMPLOYEES		
	Staff costs:		
	Wages and salaries	359,931	391,339
	Pension costs	21,895	20,995
		£ 381,826	£ 412,334
	The average number of persons employed by the company was	3,152	3,137

7. EMPLOYEES (Continued)

None of the directors received remuneration during the year (2005: £nil).
The company makes contributions on behalf of its employees into the Lungla (Sylhet) Tea Company Limited Bangladesh Superannuation Fund. This fund provides pensions to the company's employees and employees of related companies operating in Bangladesh on a defined benefit basis. Disclosures relating to the defined benefit scheme can be found in the accounts of The Lungla (Sylhet) Tea Company Limited.

The charge to the profit and loss account for the year ended 31st December 2006 of £21,895 (2005: £20,995) is based upon contributions in the current year. Contributions are assessed by reference to the actuarial position of the whole scheme.

At 31st December 2006 and 2005 the fund was valued as follows:	2006	2005
	£	£
Market value of assets	1,199,024	1,234,476
Present value of liabilities	(883,884)	(1,386,905)
Net pension scheme surplus/(deficit)	£ 315,140	£ (152,429)

The valuations were completed by Watson Wyatt India PVT. Ltd.

8. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Bank loans and overdrafts	88,975	98,044
Exchange gain	(1,665)	(3,146)
	£ 87,310	£ 94,898

9. TAXATION

The company is resident for taxation purposes in Bangladesh.

	2006	2005
	£	£
(a) Current tax		
Foreign tax:		
Corporation tax at 40% (2005: 40%)	146,221	68,570
Deferred tax:		
Overseas	(12,203)	45,673
Tax on profit on ordinary activities	£ 134,018	£ 114,243

Tax was charged at 15% on dividends paid in 2006 (2005: nil).

9. TAXATION (continued)

(b) Factors affecting tax charge for period

The differences between tax calculated at the standard rate of taxation in Bangladesh of 40% and that charged in the accounts are explained below:

	2006 £	2005 £
Profit on ordinary activities before tax	£355,845	£412,672
Profit on ordinary activities multiplied by 40%	142,338	165,069
Effects of:		
Income not subject to taxation	(11,735)	(14,156)
Fixed asset timing differences	(3,861)	16,955
Higher tax rates on overseas earnings	-	(2,438)
Permanent differences	7,276	2,739
Decrease in unutilised tax losses	-	(53,926)
	£ 134,018	£ 114,243

10. DIVIDENDS	2006 £	2005 £
Interim dividend paid at 22p per share (2005: 20p)	£ 110,000	£ 100,000

11. PROPERTY, PLANT AND EQUIPMENT

	Leased Land	Buildings	Plant and Machinery	Vehicles	Fixtures Fittings Tools and Equipment	Total
Cost						
At 1st January 2005	1,021,782	440,822	552,858	76,946	72,628	2,165,036
Currency retranslation	8,061	3,709	4,515	811	700	17,796
Additions	-	8,801	5,861	7,843	4,867	27,372
At 31st December 2005	1,029,843	453,332	563,234	85,600	78,195	2,210,204
Currency retranslation	(163,894)	(72,888)	(91,398)	(14,681)	(12,716)	(355,577)
Additions	-	12,099	64,700	17,268	4,430	98,497
Disposals	-	-	(35,966)	-	-	(35,966)
At 31st December 2006	£ 865,949	£ 392,543	£ 500,570	£ 88,187	£ 69,909	£ 1,917,158
Depreciation provision						
At 1st January 2005	-	287,322	307,260	68,982	63,445	727,009
Currency retranslation	-	2,758	3,113	658	623	7,152
Provision for the year	-	18,755	26,324	4,338	4,616	54,033
At 31st December 2005	-	308,835	336,697	73,978	68,684	788,194
Currency retranslation	-	(50,184)	(54,562)	(12,169)	(11,217)	(128,132)
Disposals	-	-	(7,193)	-	-	(7,193)
Provision for the year	-	16,883	23,157	6,449	4,651	51,140
At 31st December 2006	£ -	£ 275,534	£ 298,099	£ 68,258	£ 62,118	£ 704,009
Net book value At 31st December 2006	£ 865,949	£ 117,009	£ 202,471	£ 19,929	£ 7,791	£ 1,213,149
Net book value At 31st December 2005	£ 1,029,843	£ 144,497	£ 226,537	£ 11,622	£ 9,511	£ 1,422,010

12. BIOLOGICAL ASSETS

	Tea	Other horticulture	Total
Fair value			
At 1 January 2005	1,572,170	60,954	1,633,124
Exchange differences	13,723	481	14,204
Increases due to purchases	33,518	4,540	38,058
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	53,178	(2,773)	50,405
At 31 December 2005	1,672,589	63,202	1,735,791
Exchange differences	(264,088)	(10,284)	(274,372)
Increases due to purchases	39,310	2,688	41,998
(Losses)/gains arising from changes in fair value less estimated point-of-sale costs	(73,498)	993	(72,505)
At 31 December 2006	1,374,313	56,599	1,430,912

Other horticulture comprises rubber production.

Biological assets are carried at fair value less estimated point-of-sale costs. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value has been determined based on the net present value of expected future cash flows from those assets, discounted at appropriate pre-tax rates. In determining the fair value of biological assets where the discounting of expected future cash flows has been used, the directors have made certain assumptions about expected life-span of the plantings, yields, selling prices and costs.

The discount rates used reflect the cost of capital, an assessment of country risk and the risks associated with individual crops. The discount rates used are:

	Tea	Rubber
2006	12.50%	12.00%
2005	12.50%	12.00%

12. BIOLOGICAL ASSETS (continued)

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

	2006 Hectares	2005 Hectares
Tea	1,563	1,561
Rubber	50	43

Output of agricultural produce during the year was:

	2006 Metric tonnes	2005 Metric tonnes
Tea	1,802	1,986
Rubber	5	2

	2006 £	2005 £
Fair value of agricultural output after deducting estimated point-of-sale costs	1,370,237	1,323,762

	2006 £	2005 £
13. INVESTMENTS		
Cost/fair value at 1st January	869,188	998,723
(Loss)/gain on currency fluctuation	(138,327)	7,879
Fair value adjustment	(14,992)	(137,414)
At 31st December	£ 715,869	£ 869,188
Cost or fair value comprises:		
Listed investments at fair value	713,830	866,763
Unlisted investments at cost	2,039	2,425
	£ 715,869	£ 869,188

14. INVENTORIES

	2006 £	2005 £
Stock of tea	212,042	165,517
Estate stores	77,438	98,298
	£ 289,480	£ 263,815

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

15. TRADE AND OTHER RECEIVABLES

	2006 £	2005 £
Due within one year		
Trade debtors	78,706	107,942
Other debtors	83,907	63,551
	£ 162,613	£ 171,493

16. TRADE AND OTHER PAYABLES

	2006 £	2005 £
Amounts falling due within one year		
Trade creditors	29,810	26,628
Other creditors	85,026	104,796
Accruals	6,444	12,277
Interest payable	32,298	31,227
	£ 153,578	£ 174,928

	2006 £	2005 £
17. BORROWINGS		
Current:		
Bank overdraft		
(secured against hypothecation of crop)	578,782	751,485
Term loans secured	48,704	59,601
	627,486	811,086
Non-current:		
Bank loans (secured against property,		
plant and equipment and biological assets)	171,515	261,899
	£ 799,001	£1,072,985
Bank loans include the following amounts repayable over more than five years by instalments		
Aggregate amount of loans	£799,001	£1,072,985
Amount due beyond five years	£59,549	£93,718
The repayments of bank loans and overdrafts fall due as follows:		
Within 12 months or on demand (included in non - current liabilities: due within one year)	627,486	811,086
Between 1 - 2 years	-	59,601
Between 2 - 5 years	111,966	108,580
After 5 years	59,549	93,718
	£ 799,001	£1,072,985

Interest rates vary from 10% per annum to 11.5% per annum.

	2006 £	2005 £
18. DEFERRED TAX		
At 1 January	211,205	163,050
Exchange differences	(32,864)	2,482
Charged in income statement	(12,203)	45,673
At 31 December	£ 166,138	£ 211,205

The deferred tax liability at the start and end of the year relates to timing differences on the fair value of biological assets.

		2006	2005
19.	SHARE CAPITAL	£	£
	Authorised 500,000 ordinary shares of £1 each	£ 500,000	£ 500,000
	Allotted, called up and fully paid 500,000 ordinary shares of £1 each	£ 500,000	£ 500,000

20.	RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH FLOW		
	Profit from operations	486,324	427,237
	Depreciation	51,140	54,033
	(Increase)/decrease in inventories	(67,650)	145
	(Increase) in debtors	(18,412)	(45,339)
	(Decrease)/increase in creditors	(963)	19,005
	Exchange adjustments on operating profits	8,188	9,807
	Cash flow from operating activities	£ 458,627	£ 464,888

		Reserves
21.	RESERVES	£
	At 1st January 2006	2,526,785
	Foreign currency differences	(492,771)
	Available-for-sale investments:	
	Valuation loss taken to equity	(14,992)
	Retained profit for year	111,827
	At 31st December 2006	2,130,849

Cumulative exchange losses amount to £464,372 (2005: gain £28,399).

		2006	2005
22.	CAPITAL COMMITMENTS		
	Contracted for	£ 39,568	£ 29,409

		2006	2005
23.	LEASING COMMITMENTS		
	Total commitment in respect of operating leases are:		
	Land and buildings - leases expires within one year	5,954	7,081
	- leases expires between 2 to 5 years	23,815	28,322
		£ 29,769	£ 35,403
	Other assets - leases expire within one year	1,512	3,625
	- leases expires between 2 to 5 years	-	9,451
		£ 1,512	£ 13,076

24. PARENT COMPANY

The ultimate holding company at 31st December 2006 was United Insurance Company Limited, a company operating and registered in Bangladesh. Copies of the parent company's accounts can be obtained from Camellia House, 22 Kazi Nazrul Islam Avenue, Dhaka - 100.

25. RELATED PARTY TRANSACTIONS

The company has undertaken transactions with companies with common directors in the normal course of its business on an arm's length basis. At the end of the year the following balances with related parties were included in other debtors and other creditors:

	Debtors £	Creditors £
Chittagong Warehouses Ltd	5,177	
Duncan Products Ltd	7,424	
United Leasing Co. Ltd	520	
The Lungla (Sylhet) Tea Co.		6,310
The Mazdehee Tea Co.		7,662
Duncan Brothers (Bangladesh) Ltd		26,039
Amo Tea Co. Ltd		6
The Allynugger Tea Co. Ltd	148	
Chandpore Tea Co. Ltd	21,344	
Eastland Camellia Ltd		549
Octavius Steel & Co of Bangladesh Ltd	1,090	

26. ADJUSTMENTS ON ADOPTION OF IFRS

On adoption of IFRS, the book value of the company's shareholders' equity increased. The following explains the increase of £798,322 as at 1 January 2005:

	£
Biological assets IAS 41 – Agriculture: Requires the company to fair value its biological assets	141,260
Available-for-sale investments IAS 39 – Financial Instruments: Requires the company to fair value its available-for-sale investments	657,062
	798,322

27. RECONCILIATION OF EQUITY AT 1 JANUARY 2005

	Reformatted UK GAAP £	Biological assets IAS 41 £	Available-for-sale investments IAS 39	Restated in accordance with IFRS £
Non-current assets				
Property, plant and equipment	2,766,839	(1,328,813)	-	1,438,026
Biological assets	-	1,633,123	-	1,633,123
Investments	341,661	-	657,062	998,723
	3,108,500	304,310	657,062	4,069,872
Current assets				
Inventories	261,894	-	-	261,894
Trade and other receivables	125,166	-	-	125,166
Cash and cash equivalents	5,348	-	-	5,348
	392,408	-	-	392,408
Current liabilities				
Borrowings	(869,672)	-	-	(869,672)
Trade and other payables	(173,809)	-	-	(173,809)
Current income tax liabilities	-	-	-	-
	(1,043,481)	-	-	(1,043,481)
Net current liabilities	(651,073)	-	-	(651,073)
Total assets less current liabilities	2,457,427	304,310	657,062	3,418,799
Non-current liabilities				
Borrowings	(318,378)	-	-	(318,378)
Deferred tax liability	-	(163,050)	-	(163,050)
	(318,378)	(163,050)		(481,428)
Net assets	2,139,049	141,260	657,062	2,937,371
Capital and reserves				
Called up share capital	500,000	-	-	500,000
Reserves	1,639,049	141,260	657,062	2,437,371
Shareholders' funds	2,139,049	141,260	657,062	2,937,371
Total equity	2,139,049	141,260	657,062	2,937,371

28. RECONCILIATION OF EQUITY AT 31 DECEMBER 2005

	Reformatted UK GAAP £	Biological assets IAS 41 £	Available-for-sale investments IAS 39	Restated in accordance with IFRS £
Non-current assets				
Property, plant and equipment	2,799,366	(1,377,356)	-	1,422,010
Biological assets	-	1,735,791	-	1,735,791
Investments	344,357	-	524,830	869,187
	3,143,723	358,435	524,830	4,026,988
Current assets				
Inventories	263,815	-	-	263,815
Trade and other receivables	171,493	-	-	171,493
Cash and cash equivalents	93,972	-	-	93,972
	529,280	-	-	529,280
Current liabilities				
Borrowings	(811,086)	-	-	(811,086)
Trade and other payables	(174,927)	-	-	(174,927)
Current income tax liabilities	(70,366)	-	-	(70,366)
	(1,056,379)	-	-	(1,056,379)
Net current liabilities	(527,099)	-	-	(527,099)
Total assets less current liabilities	2,616,624	358,435	524,830	3,499,889
Non-current liabilities				
Borrowings	(261,899)	-	-	(261,899)
Deferred tax liability	-	(211,205)	-	(211,205)
	(261,899)	(211,205)	-	(473,104)
Net assets	2,354,725	147,230	524,830	3,026,785
Capital and reserves				
Called up share capital	500,000	-	-	500,000
Reserves	1,854,725	147,230	524,830	2,526,785
Shareholders' funds	2,354,725	147,230	524,830	3,026,785
Total equity	2,354,725	147,230	524,830	3,026,785

29. RECONCILIATION OF PROFIT FOR THE YEAR ENDED 31 DECEMBER 2005

	Reformatted UK GAAP	Biological assets IAS 41	Restated in accordance with IFRS
	£	£	£
Revenue - continuing operations	1,377,306	-	1,377,306
Cost of sales	(917,016)	-	(917,016)
Gross profit	460,290	-	460,290
Net operating expenses	(33,053)	-	(33,053)
Operating profit - continuing operations	427,237	-	427,237
Gains arising from changes in fair value of biological assets	-	50,405	50,405
Investment income	29,928	-	29,928
Net interest payable and similar charges	(94,898)	-	(94,898)
Profit on ordinary activities before taxation	362,267	50,405	412,672
Taxation on ordinary activities	(68,570)	(45,673)	(114,243)
Profit on ordinary activities after taxation	293,697	4,732	298,429
Ordinary dividend	(100,000)	-	(100,000)
Retained profit for year	193,697	4,732	198,429

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the financial year. The directors consider that in preparing the accounts, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. In addition the directors confirm that the going concern basis is appropriate and all applicable accounting standards have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the company and for the prevention and detection of fraud and other irregularities.

SURMAH VALLEY TEA COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT
to the shareholders of Surmah Valley Tea Company Limited

We have audited the financial statements of Surmah Valley Tea Company Limited for the year ended 31st December 2006 set out on pages four to twenty-three. These financial statements have been prepared under the accounting policies set out on page eight.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practises Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Moore Stephens LLP

MOORE STEPHENS LLP

Chartered Accountants
and Registered Auditors

16th March 2007