THE BRITISH NEW GUINEA DEVELOPMENT LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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The directors present their report on the affairs of The British New Guinea Development Limited (the Company), together with the financial statements and auditors' report, for the year ended 31 December 2009

PRINCIPAL ACTIVITY AND BUSINESS REVIEW
The principal activity of the Company continues to be the cultivation and marketing of rubber in Papua New Guinea The directors expect the present scale and scope of the operations of the Company to continue unchanged for the foreseeable future

The registered office of the Company is
First floor
32-36 Great Portland Street
London W1W 8QX

PRINCIPAL RISKS AND UNCERTAINTIES
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Galley Reach Holdings Limited Group (the Group) and are not managed separately Accordingly the principal risks and uncertainties of Galley Reach Holdings Limited, which include those of the Company, are discussed on page 10 of the Group's annual report which does not form part of this report

KEY PERFORMANCE INDICATORS (KPIs)
Given the straightforward nature of the business, the Company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

RESULTS AND DIVIDENDS
The net result of operations of the Company after applicable income tax expense was a profit of K392,014 (2008 K942,126) The Company's net assets at year end were K2,961,882 (2008 K2,569,868) The directors do not recommend the payment of a dividend (2008 K Nil)

EMPLOYEE RELATIONS
The aim of The British New Guinea Development Limited is to secure good relations between management and all employees, to promote a better understanding of the issues influencing the Company's business, to improve productivity, to enhance the quality of working life and to gain the commitment of all concerned to the Company's business objectives Disabled persons are considered for employment, training and career development and promotions on the basis of their aptitudes and abilities, in common with all employees in the Group

DIRECTORS
The following persons served as directors during the period between the start of the year and the date of signature of the accounts

Baron T J C V Bracht
Mr F J Van Hoydonk
Mr R M Robinow
Mr Julius Yeoh

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 UK Accounting Standards 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

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that

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

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

INDEPENDENT AUDITORS
A resolution has been passed to dispense with the appointment of an auditor annually and the holding of an annual general meeting The auditors continue to be PricewaterhouseCoopers LLP

By order of the board

Richard M Robinow
Director

27 September 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH NEW GUINEA DEVELOPMENT LIMITED

We have audited the financial statements of The British New Guinea Development Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

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 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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

JMEllis

John Ellis (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place London, WC2N 6RH
27 September 2010

THE BRITISH NEW GUINEA DEVELOPMENT LIMITED
Income Statement
For the Year Ended 31 December 2009

		2009 K	2008 K
Turnover	2	3,016,524	3,502,472
Cost of sales		(2,025,124)	(1,974,285)
Gross profit		991,400	1,528,187
Distribution costs		(206,074)	(216,751)
Administration expenses		(211,528)	(220,494)
		(417,602)	(437,245)
Profit on ordinary activities before tax		573,798	1,090,942
Income tax on profit on ordinary activities	4	(181,784)	(148,816)
Profit on ordinary activities after tax		392,014	942,126
Accumulated profits/(losses) at the beginning of the year		902,628	(39,498)
Accumulated profits at the end of the year		1,294,642	902,628

All activities are continuing

The Company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before tax and the profit for the year stated above, and their historical cost equivalents

This statement is to be read in conjunction with the Notes set out on pages 8 to 14

THE BRITISH NEW GUINEA DEVELOPMENT LIMITED
(COMPANY REGISTRATION NO. 183184)
Balance Sheet
As at 31 December 2009

		2009 K	2008 K
ASSETS			
Non-current assets			
Property, plant and equipment	6	83,473	90,010
Deferred income tax asset	4	209,400	209,430
Total non-current assets		292,873	299,440
Current assets			
Amounts due from group companies	7	3,239,542	3,120,662
Total current assets		3,239,542	3,120,662
Total Assets		3,532,415	3,420,102
LIABILITIES			
Non Current Liabilities			
Amounts due to group companies	7	(538,719)	(538,719)
Total non-current liabilities		(538,719)	(538,719)
Current liabilities			
Income tax payable	4	(31,814)	(311,515)
Total current liabilities		(31,814)	(311,515)
Total Liabilities		(570,533)	(850,234)
Net Assets		2,961,882	2,569,868
Equity			
Share capital	8	1,035,450	1,035,450
Accumulated profits		1,294,642	902,628
Revaluation reserve		631,790	631,790
Shareholders' Funds		2,961,882	2,569,868

These financial statements were approved by the Board of Directors on 27 September 2010 and are signed on its behalf by

Richard M Robinow
Director

This statement is to be read in conjunction with the Notes set out on pages 8 to 14

	2009 K	2008 K
Operating profit before tax	573,798	1,090,942
Depreciation	6,537	6,536
Decrease in stock	-	1,406,997
Increase in amount due from related companies	(118,880)	(2,167,538)
Cash inflow / (outflow) from operating activities	461,455	336,937
Income tax paid by related company	(461,455)	(336,937)
Net increase/(decrease) in cash for the year	-	-
Add Cash balances brought forward	-	-
Cash Carried forward	-	-

This statement is to be read in conjunction with the Notes set out on pages 8 to 14

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements are prepared on the going concern basis, under the historical cost convention, modified by the inclusion of certain fixed assets at values other than their original costs The accounting policies adopted in the preparation of the financial statements are consistent with those adopted during the previous year, and are in accordance with applicable Accounting Standards in the United Kingdom

A summary of the more important policies is detailed below

(i) Overseas Currencies

The local currency of the Company is the Papua New Guinean Kina, being the currency of the primary economic environment in which the Company operates Therefore, these financial statements are presented in Papua New Guinean Kina ("K")

Assets and liabilities denominated in overseas currencies are translated to Kina at the rate of exchange ruling at the balance sheet date Issued share capital is stated in Kina at the value at which the amounts subscribed were realised and the authorised share capital is translated to Kina by applying the same exchange rate Transactions during the year were translated at exchange rates ruling at the time of the transaction All foreign exchange differences are included in the results for the year

(ii) Fixed Assets

Fixed assets include all expenditure of a capital nature

Depreciation and amortisation is calculated so as to write off the cost of assets over their estimated useful lives on a straight-line basis at the following rates

Buildings	3%
Plant and equipment	7 5% - 10%
Motor vehicles	25%

(iii) Deferred Tax

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is more likely than not they will be recovered Deferred tax is recognised on an undiscounted basis

(iv) Employee Benefits

The amounts expected to be paid to employees for their pro-rata entitlement to long service, annual and sick leave, and leave fares are accrued annually at current pay rates having regard to period of service and statutory obligations

(v) Revaluation Reserve

Surpluses arising on revaluation are credited to a revaluation reserve (after crediting to the income statement any previous devaluation which had been charged to the income statement) Upon the disposal of assets which are at a valuation, the revaluation surpluses of those assets are transferred to the income statement

(vi) Turnover

Turnover comprises the invoiced value of sales

(vii) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year

(viii) Allocation of Income and Expenditure

Effective from year ended 31 December 2005, operating income and expenditures are allocated to the various subsidiary companies in the Group in proportion to the volume of rubber produced by the respective companies The directors believe that the basis of allocation is reasonable and fair

2. TURNOVER

Turnover comprises sales to the following region

	2009 K	2008 K
Europe	3,016,524	3,502,472
	3,016,524	3,502,472

The Company operates predominantly in the business of cultivating tropical tree crops

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit before tax is stated after charging (crediting) the following items

	2009 K	2008 K
Depreciation - own assets	6,537	6,536
Auditors' remuneration for		
- audit services	39,250	36,791
- non-audit services	6,578	5,865
Foreign exchange (gains)/losses	59,140	(16,712)

4 INCOME TAX EXPENSE

	2009 K	2008 K
a) Income tax expense		
Comprising		
Current income tax expense	181,754	299,154
Deferred income tax current year	-	15,768
Deferred income tax prior year	30	(166,106)
	181,784	148,816

The current tax expense differs from the standard rate of tax of 30% in PNG (2008 30%) due to

	2009 K	2008 K
Profit before tax	573,798	1,090,942
Prima facie tax @ 30%	172,139	327,283
Permanent difference	9,645	-
Over provision of income tax payable in prior years	-	(12,361)
Current year deferred tax movements	-	(15,768)
Current income tax expense	181,784	299,154
b) Current income tax liabilities		
Balance at beginning of the year	311,515	349,298
Current income tax provision	181,754	311,515
Income tax payments	(461,455)	(336,937)
Over provision of income tax payable in prior years	-	(12,361)
Balance at end of the year	31,814	311,515
c) Net deferred income tax asset		
Balance at beginning of the year	209,430	59,092
(Over)/under provision of deferred tax in prior years	(30)	166,106
Credit to income statement	-	(15,768)
Balance at end of the year	209,400	209,430
The balance comprises the tax effect of		
Property, plant and equipment	209,400	209,430

5. DIRECTORS AND EMPLOYEES

(a) The average number of persons, including directors, whose services were utilised by the Company, by activity, during the year was

	2009	2008
On the plantations	154	174
Office administration	1	1
	155	175

(b) Employee costs

	2009 K '000	2008 K '000
Wages and salaries recharged by Galley Reach Holdings Limited	735	689

(c) The following directors' emoluments were recharged by Galley Reach Holdings Limited

	2009 K '000	2008 K '000
Mr J Yeoh	52	55

No other directors received emoluments during the year

6 TANGIBLE FIXED ASSETS

(a)

	Leasehold land	Plant and equipment	Motor vehicles	Total
	K	K	K	K
Valuation				
At 1 January 2009	697,759	93,265	95,879	886,903
At 31 December 2009	697,759	93,265	95,879	886,903
Depreciation				
At 1 January 2009	607,749	93,265	95,879	796,893
Charge for the year	6,537	-	-	6,537
At 31 December 2009	614,286	93,265	95,879	803,430
Net book value				
At 31 December 2009	83,473	-	-	83,473
At 31 December 2008	90,010	-	-	90,010

(b) As at 31 December 1992, the directors revalued all tangible fixed assets of the Company If that revaluation had not been carried out, fixed assets would be shown in the financial statements at the following cost

	Leasehold land	Plant and equipment	Motor vehicles	Total
	K	K	K	K
Cost				
At 1 January 2009	23,575	579,688	451,165	1,054,428
At 31 December 2009	23,575	579,688	451,165	1,054,428
Depreciation				
At 1 January 2009	23,575	579,688	451,165	1,054,428
At 31 December 2009	23,575	579,688	451,165	1,054,428
Net book value				
At 31 December 2009	-	-	-	-
At 31 December 2008	-	-	-	-

Since the detailed cost records in respect of fixed assets are not available, some of the amounts stated above are based on estimates made by the Company's directors

The 1992 valuation has not been updated as the Directors are not aware of any material change since the last valuation All subsequent additions have then been included at cost

7. GROUP BALANCES

	2009 K	2008 K
Amounts receivable from group companies		
- Galley Reach Holdings Limited	3,239,542	3,120,662
Amounts payable to group companies		
- Veimauri Plantations Limited	437,345	437,345
- Kanosia Estates Limited	101,374	101,374
	538,719	538,719

Amount Receivable
The debts due from group companies are interest free and have no fixed repayment terms

Amount Payable
The amounts payable to group companies are unsecured, interest free and will not be recalled within twelve months from the balance sheet date

8. SHARE CAPITAL

The authorised and issued share capital of the Company is as follows

	2009 K	2008 K
Authorised 8,750,000 ordinary shares of 10p each	1,548,750	1,548,750
Issued and fully paid 5,850,000 ordinary shares of 10p each	1,035,450	1,035,450

9. RECONCILIATION OF MOVEMENT OF SHAREHOLDERS' FUNDS

	2009 K	2008 K
Opening shareholders' funds	2,569,868	1,627,742
Profit for the financial year	392,014	942,126
Closing shareholders' funds	2,961,882	2,569,868

10. RELATED PARTIES

(a) Holding Company

The holding Company is Veimauri Plantations Limited, a Company incorporated in Papua New Guinea, which holds all of the issued capital The ultimate holding Company is SA Sipef NV, incorporated in Belgium

During the year the Company sold rubber to the SA Sipef NV Group for K3,016,524 (2008 K3,502,472)

(b) Security

The leasehold properties and assets of the Company are secured by interlocking equitable mortgages together with the assets of related companies, Galley Reach Holdings Limited, Veimauri Plantations Limited, Kanosia Estates Limited and Sipef Pacific Timbers Limited in respect of bank facilities to these companies A letter of support has also been provided by Galley Reach Holdings Limited

(c) Key management compensation

The following key management compensation was recharged by Galley Reach Holdings Limited

	2009 K '000	2008 K '000
Salaries and other short term employee benefits	118	143
Termination benefits	-	-
Post employment benefits	-	-
Other long term benefits	-	-
	118	143

11. RECONCILIATION OF MOVEMENT IN NET DEBT

	At 31 December 2008 K	Net Non cash movement K	At 31 December 2009 K
Cash at bank and in hand	-	-	-
Intergroup loans due after 1 year	(538,719)	-	(538,719)
Total net debt	(538,719)	-	(538,719)