

DEUNDI TEA COMPANY LIMITED

ANNUAL REPORT - 1995

The company's registered number is 150515



DEUNDI TEA COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1995

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1995.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company continues to be the cultivation of tea in Bangladesh. The directors expect the present scale and scope of the company's operations to continue unchanged for the foreseeable future.

RESULTS AND DIVIDENDS

These are as shown in the accounts.

DIRECTORS

The directors who served during the year were

Mr N E Newby (Chairman)
Mr J C Oakley
Mr J J Robinow
Mr M Sythes

No director had any interest in the capital of the company at any time during the year. All directors were interested in the securities of R.E.A. Holdings plc ("REA"), the company's holding company. In the cases of Mr Newby, Mr Oakley, and Mr Sythes, such interests will be disclosed in the directors' report of REA for the year ended 31 December 1995. In the case of Mr Robinow, at 01 January 1995 he was interested in 13,975 ordinary shares and 913 warrants of REA, and at 31 December 1995 in 13,975 ordinary shares and Nil warrants.

FIXED ASSETS

In the opinion of the directors, the current value of interests in land and buildings is significantly higher than book value.

7 Bedford Square
London WC1B 3RA
23 April 1996

P. E. Haylock
By order of the board
R.E.A. SERVICES LIMITED
Secretaries

DEUNDI TEA COMPANY LIMITED

AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1995

To the shareholders of DEUNDI TEA COMPANY LIMITED

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors.

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

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

DEUNDI TEA COMPANY LIMITED

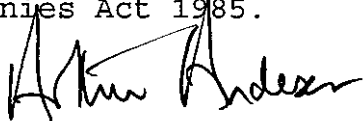
AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1995

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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street, London WC2

23 April 1996

DEUNDI TEA COMPANY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

		1995	1994
	Notes	£	£
FIXED ASSETS			
Tangible assets	1	3,457,343	3,171,987
		-----	-----
CURRENT ASSETS			
Stocks	2	715,533	517,256
Debtors	3	235,468	414,101
Investment	4	-	369
Cash		44,581	67,514
		-----	-----
		995,582	999,240
CREDITORS UP TO ONE YEAR	5	(1,488,651)	(2,442,219)
		-----	-----
NET CURRENT LIABILITIES		(493,069)	(1,442,979)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		2,964,274	1,729,008
CREDITORS OVER ONE YEAR	6	(1,592,326)	(1,499,016)
		-----	-----
NET ASSETS		1,371,948	229,992
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	7	2,300,000	519,750
Other reserves	7	(790,173)	(768,123)
Profit and loss account	7	(137,879)	478,365
		-----	-----
TOTAL CAPITAL EMPLOYED	7	1,371,948	229,992
		=====	=====

APPROVED BY THE BOARD ON 23 April 1996

J J ROBINOW
Director



The accompanying notes are an integral part of this balance sheet.

DEUNDI TEA COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

		1995	1994
	Notes	£	£
TURNOVER	9	1,699,252	1,692,998
Cost of sales		(1,297,584)	(1,316,013)
GROSS PROFIT		401,668	376,985
Other income and expenses	10	(229,489)	(255,875)
OPERATING PROFIT		172,179	121,110
Interest payable	12	(314,488)	(221,626)
Gain on disposal of asset		4,430	147
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	11	(137,879)	(100,369)
Tax on loss on ordinary activities	13	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(137,879)	(100,369)
Dividends	14	(478,365)	-
RETAINED LOSS FOR THE YEAR	7	(616,244)	(100,369)
		=====	=====

All turnover and loss before taxation arises from continuing activities.

The accompanying notes are an integral part of this profit and loss account.

DEUNDI TEA COMPANY LIMITED

TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 1995

	1995	1994
	£	£
Loss for the year	(616,244)	(100,369)
Currency translation movement on foreign currency net investments	(22,050)	(99,298)
Total recognised losses relating to the year.	----- (638,294) =====	----- (199,667) =====

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention and conform with applicable accounting standards, except as stated below in the accounting policy for stocks.

TANGIBLE FIXED ASSETS

Assets are shown at cost, less accumulated depreciation.

Depreciation has been provided by the reducing balance method at rates which the directors consider will reduce the assets to their disposal values at the end of their estimated useful lives.

The effective rates used are:

Land and buildings	2 per cent per annum
Plant and machinery	5 to 20 per cent per annum

STOCKS

Raw materials and consumables are stated at the lower of cost and net realisable value. Finished goods and goods for resale which are unsold at the balance sheet date are stated at net prices subsequently realised or at estimated net realisable value. This method does not conform with SSAP 9 but its use enables sales and costs to be matched in respect of each year's crop.

TAXATION

Both UK and foreign tax, payable on taxable profits, are provided at the current rate.

Deferred tax is calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rate of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. Deferred tax not provided is shown in note 12.

FOREIGN EXCHANGE

The results and year end balances of foreign operations are translated using the average and closing rates respectively. Exchange adjustments arising from this translation are taken to reserves.

Remittances from Bangladesh are subject to exchange control.

TURNOVER

Turnover is the total amount receivable in the ordinary course of business for goods supplied and services rendered to third parties.

NOTES TO ACCOUNTS -----

1 TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Payments on account £	Total £
Cost				
Beginning of year	2,366,761	1,517,884	130,692	4,015,337
Exchange	(37,567)	(24,092)	(2,074)	(63,733)
Additions	197,877	162,298	73,322	433,497
Disposals	-	(7,351)	-	(7,351)
	-----	-----	-----	-----
End of year	2,527,071	1,648,739	201,940	4,377,750
	-----	-----	-----	-----
Depreciation				
Beginning of year	313,750	529,600	-	843,350
Exchange	(4,980)	(8,406)	-	(13,386)
Charge	31,694	63,842	-	95,536
Disposals	-	(5,093)	-	(5,093)
	-----	-----	-----	-----
End of year	340,464	579,943	-	920,407
	-----	-----	-----	-----
Net book value				
End of year	2,186,607	1,068,796	201,940	3,457,343
	=====	=====	=====	=====
Beginning of year	2,053,011	988,284	130,692	3,171,987
	=====	=====	=====	=====

Included in land and buildings is land of £152,068 (1994 £154,520) which is not depreciated. The land is situated in Bangladesh and comprises tea estates on which all other fixed assets are situated. The land in Bangladesh on which the estates are situated is held on 35 year leases, expiring in 2007; the leases are renewable for a further term.

2 STOCKS	1995 £	1994 £
Raw materials and consumables	279,760	280,951
Finished goods and goods for resale	435,773	236,305
	-----	-----
	715,533	517,256
	=====	=====

3 DEBTORS	1995 £	1994 £
Up to one year		
Trade	33,315	73,040
Other	189,673	328,687
Prepayments and accrued income	12,480	12,374
	-----	-----
	235,468	414,101
	=====	=====

4 CURRENT ASSET INVESTMENT

The current asset investment was unlisted and stated at cost.

5 CREDITORS UP TO ONE YEAR	1995 £	1994 £
Bank loans and overdrafts	(953,739)	(840,682)
Trade	(59,558)	(78,860)
Group companies	0	(1,163,500)
Other	(35,854)	(45,707)
Accruals	(439,500)	(313,470)
	-----	-----
	(1,488,651)	(2,442,219)
	=====	=====

Bank loans and overdrafts are secured on land, on certain items of plant and machinery, and on certain stocks. These carry interest of 12 per cent per annum.

6 CREDITORS OVER ONE YEAR	1995 £	1994 £
Bank loans and overdrafts	(1,592,326) =====	(1,499,016) =====

The aggregate amount of instalments due after more than five years is on bank loans £1,034,000 (1994 £714,965)

7 CAPITAL AND RESERVES	1995 £	1994 £
(a) Capital		
Authorised		
Ordinary shares of £1 each	2,300,000 =====	520,000 =====
	£	£
Called-up		
Ordinary shares of £1 each	2,300,000 =====	519,750 =====

On 20 December 1995, in order to reflect present operations, the authorised share capital was increased by the creation of 1,780,000 ordinary shares of £1 each. On the same date 1,780,250 ordinary shares were issued and fully paid.

(b) Reserves	Other reserve £	Profit and loss account £
Beginning of year	(768,123)	478,365
Foreign exchange translation	(22,050)	-
Loss for the year	-	(616,244)
	-----	-----
End of year	(790,173) =====	(137,879) =====

The other reserve is an exchange translation reserve.

(c) Reconciliation of shareholders' funds	1995 £	1994 £
Beginning of year	229,992	429,659
Issue of fully paid shares	1,780,250	-
Foreign exchange translation	(22,050)	(99,298)
Loss for the year	(616,244)	(100,369)
	-----	-----
End of year	1,371,948 =====	229,992 =====

8 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At the end of the year, capital commitments were

	1995 £	1994 £
Contracted but not provided for	86,000	102,000
Authorised but not contracted for	110,000	140,000
	=====	=====

9 SEGMENT INFORMATION

By geographical area, turnover is analysed as follows

	1995 £	1994 £
Bangladesh	1,699,252	1,692,998
	=====	=====

10 OTHER INCOME AND EXPENSES

	1995 £	1994 £
Distribution costs	(47,762)	(53,801)
Administrative expenses	(197,112)	(218,538)
Other operating income	11,132	14,624
Interest receivable and similar income	4,253	1,840
	-----	-----
	(229,489)	(255,875)
	=====	=====

11 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before
taxation is stated after charging

	1995 £	1994 £
Depreciation	95,536	94,395
Auditors' remuneration	4,895	3,975
Hire of plant and machinery	-	2,545
	=====	=====

12 INTEREST PAYABLE

Interest payable and similar charges comprise interest on bank loans, overdrafts and other loans of £233,859 (1994 £162,526) and interest on all other loans of £80,629 (1994 £59,100).

13 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	1995	1994
	£	£
The tax charge is based on the loss for the year and comprises		
Corporation tax at 33 per cent	-	-
Foreign taxation	-	-
	-----	-----
	-	-
	=====	=====

Had the company been providing the full amount of potential deferred taxation the charge for the year would have been increased by £117,000 (1994 £110,000). The potential liability for deferred tax at 33 per cent not provided is £223,000 (1994 £147,000).

14 DIVIDENDS

A dividend was paid during the year of £478,365 (1994 £nil). No final dividend is proposed (1994 £nil).

15 RATE OF EXCHANGE

The closing rate of exchange used was £1 equals taka 63.00 (1994 taka 62.00).

16 ULTIMATE HOLDING COMPANY

The ultimate holding company is R.E.A. Holdings plc, incorporated in the United Kingdom and registered in England and Wales. The accounts of the company are consolidated into the group headed by that company.