

DEUNDI TEA COMPANY LIMITED

ANNUAL REPORT - 1994

The company's registered number is 150515



DEUNDI TEA COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1994

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1994.

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 1994. In the case of Mr Robinow, at 01 January 1994 he was interested in 13,000 ordinary shares and 913 warrants of REA, and at 31 December 1994 in 13,975 ordinary shares and 913 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
28 April 1995

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

DEUNDI TEA COMPANY LIMITED

AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1994

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 1994

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 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

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

28 April 1995

DEUNDI TEA COMPANY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1994

		1994	1993
	Notes	£	£
FIXED ASSETS			
Tangible assets	1	3,171,987	3,025,289
		-----	-----
CURRENT ASSETS			
Stocks	2	517,256	711,107
Debtors	3	414,101	426,708
Investment	4	369	395
Cash		67,514	107,428
		-----	-----
		999,240	1,245,638
CREDITORS UP TO ONE YEAR	5	(2,442,219)	(2,516,822)
		-----	-----
NET CURRENT LIABILITIES		(1,442,979)	(1,271,184)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		1,729,008	1,754,105
CREDITORS OVER ONE YEAR	6	(1,499,016)	(1,324,446)
		-----	-----
NET ASSETS		229,992	429,659
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	7	519,750	519,750
Other reserves	7	(768,123)	(668,825)
Profit and loss account	7	478,365	578,734
		-----	-----
TOTAL CAPITAL EMPLOYED	7	229,992	429,659
		=====	=====

APPROVED BY THE BOARD ON 28 April 1995

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 1994

		1994	1993
	Notes	£	£
TURNOVER	9	1,692,998	1,985,208
Cost of sales		(1,316,013)	(1,359,237)
GROSS PROFIT		376,985	625,971
Other income and expenses	10	(255,875)	(228,493)
OPERATING PROFIT		121,110	397,478
Interest payable	12	(221,626)	(259,243)
Gain on disposal of asset		147	3,580
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	11	(100,369)	141,815
Tax on (loss)/profit on ordinary activities	13	-	(8,987)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(100,369)	132,828
Dividends	14	-	-
(LOSS)/PROFIT FOR THE YEAR	7	(100,369)	132,828
		=====	=====

All turnover and (loss)/profit 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 1994

	1994	1993
	£	£
(Loss)/profit for the year	(100,369)	132,828
Currency translation movement on foreign currency net investments	(99,298)	25,276
Total recognised (losses)/gains relating to the year.	----- (199,667) =====	----- 158,104 =====

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	2,232,034	1,595,906	-	3,827,940
Transfer	45,576	(45,576)	-	-
Exchange	(144,000)	(102,960)	-	(246,960)
Additions	233,150	70,907	130,692	434,749
Disposals	-	(393)	-	(393)
End of year	2,366,760	1,517,884	130,692	4,015,336
Depreciation				
Beginning of year	251,457	551,194	-	802,651
Transfer	45,575	(45,575)	-	-
Exchange	(16,762)	(36,542)	-	(53,304)
Charge	33,480	60,915	-	94,395
Disposals	-	(393)	-	(393)
End of year	313,750	529,599	-	843,349
Net book value				
End of year	2,053,010	988,285	130,692	3,171,987
Beginning of year	1,980,577	1,044,712	-	3,025,289

Included in land and buildings is land of £154,520 (1993 £165,177) 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	1994 £	1993 £
	Raw materials and consumables	280,951	288,477
	Finished goods and goods for resale	236,305	422,630
		<u>517,256</u>	<u>711,107</u>
		=====	=====

3	DEBTORS	1994 £	1993 £
	Up to one year		
	Trade	73,040	120,784
	Other	328,687	278,237
	Prepayments and accrued income	12,374	27,687
		<u>414,101</u>	<u>426,708</u>
		=====	=====

4 CURRENT ASSET INVESTMENT

The current asset investment is unlisted and stated at cost.

5	CREDITORS UP TO ONE YEAR	1994 £	1993 £
	Bank loans and overdrafts	(840,682)	(890,328)
	Trade	(78,860)	(100,686)
	Group companies	(1,163,500)	(1,189,000)
	Other	(45,707)	(102,648)
	Accruals	(313,470)	(234,160)
		<u>(2,442,219)</u>	<u>(2,516,822)</u>
		=====	=====

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	1994 £	1993 £
	Bank loans and overdrafts	(1,499,016) =====	(1,324,446) =====

The aggregate amount of instalments due after more than five years is on bank loans £714,965 (1993 £872,729)

7	CAPITAL AND RESERVES	1994 £	1993 £
	(a) Capital		
	Authorised		
	520,000 ordinary shares of £1 each	520,000 =====	520,000 =====
		£	£
	Called-up		
	519,750 ordinary shares of £1 each	519,750 =====	519,750 =====
	(b) Reserves		
		Other reserve £	Profit and loss account £
	Beginning of year	(668,825)	578,734
	Foreign exchange translation	(99,298)	-
	Loss for the year	-	(100,369)
	End of year	(768,123) =====	478,365 =====

The other reserve is an exchange translation reserve.

(c) Reconciliation of shareholders' funds	£
Beginning of year	429,659
Foreign exchange translation	(99,298)
Loss for the year	(100,369)
End of year	229,992 =====

8 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At the end of the year, capital commitments were

	1994 £	1993 £
Contracted but not provided for	102,000	149,000
Authorised but not contracted for	140,000	179,000
	=====	=====

9 SEGMENT INFORMATION

By geographical area, turnover is analysed as follows

	1994 £	1993 £
Bangladesh	1,692,998	1,985,208
	=====	=====

10 OTHER INCOME AND EXPENSES

	1994 £	1993 £
Distribution costs	(53,801)	(55,618)
Administrative expenses	(218,538)	(190,265)
Other operating income	14,624	15,980
Interest receivable and similar income	1,840	1,410
	-----	-----
	(255,875)	(228,493)
	=====	=====

11 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging

	1994 £	1993 £
Depreciation	94,395	94,121
Auditors' remuneration	3,975	4,527
Hire of plant and machinery	2,545	-
	=====	=====

In respect of the operating lease, which expires in 2-5 years, the commitment within one year is £5,090

12 INTEREST PAYABLE

Interest payable and similar charges comprise interest on bank loans overdrafts and other loans of £162,526 (1993 £195,570) and interest on all other loans of £59,100 (1993 £63,673).

13 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	1994	1993
	£	£
The tax charge is based on the (loss)/profit for the year and comprises		
Corporation tax at 33 per cent	-	-
Foreign taxation	-	(8,987)
	-----	-----
	-	(8,987)
	=====	=====

Had the company been providing the full amount of potential deferred taxation the charge for the year would have been increased by £110,000 (1993 £100,000). The potential liability for deferred tax at 33 per cent not provided is £147,000 (1993 £128,000).

14 DIVIDENDS

No dividend was paid during the year (1993 £nil). No final dividend is proposed (1993 £nil).

15 RATE OF EXCHANGE

The closing rate of exchange used was £1 equals taka 62.00 (1993 taka 58.00).

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.