

DEUNDI TEA COMPANY LIMITED

ANNUAL REPORT

2001



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31/05/02

The company's registered number is 150515

DEUNDI TEA COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report on the affairs of the company, together with the financial statements and independent auditors' report, for the year ended 31 December 2001.

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 shown in the financial statements.

DIRECTORS

The directors holding office throughout the year were Mr N E Newby and Mr J J Robinow. Mr J C Oakley resigned from the board on 22 June 2001. Mr M W Haque was appointed to the board on 1 July 2001.

FIXED ASSETS

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

3rd Floor
40-42 Osnaburgh Street
London NW1 3ND

13 May 2002

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



Secretaries

DEUNDI TEA COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

To the shareholders of DEUNDI TEA COMPANY LIMITED

We have audited the financial statements of Deundi Tea Company Limited on pages 4 to 12 for the year ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

Respective responsibilities of directors and auditors

Company law requires the directors to prepare financial statements for each financial year, in accordance with applicable United Kingdom law and accounting standards, 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 financial statements, 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 financial statements; and 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 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 financial statements 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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.

DEUNDI TEA COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

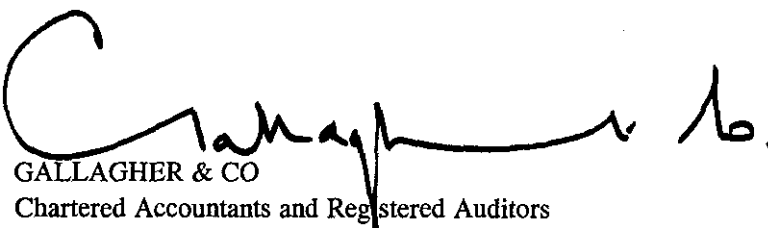
Basis of our opinion

We conducted our audit in accordance with United Kingdom 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 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

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 of the state of affairs of the company at 31 December 2001 and of its profits and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GALLAGHER & CO
Chartered Accountants and Registered Auditors
2nd Floor, Titchfield House
69/85 Tabernacle Street
London EC2A 4RR

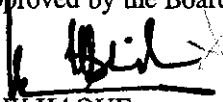
13 May 2002

DEUNDI TEA COMPANY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	1	<u>3,585,193</u>	<u>3,523,794</u>
CURRENT ASSETS			
Stocks	2	749,802	533,842
Debtors	3	576,075	355,887
Cash		<u>246,565</u>	<u>140,942</u>
		1,572,442	1,030,671
CREDITORS UP TO ONE YEAR	4	<u>(3,113,161)</u>	<u>(2,521,433)</u>
NET CURRENT LIABILITIES		<u>(1,540,719)</u>	<u>(1,490,762)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,044,474	2,033,032
CREDITORS OVER ONE YEAR	5	<u>(1,022,663)</u>	<u>(1,114,519)</u>
NET ASSETS		<u>1,021,811</u>	<u>918,512</u>
CAPITAL AND RESERVES			
Called-up share capital	6	2,300,000	2,300,000
Other reserves	6	(1,280,432)	(1,245,744)
Profit and loss account	6	<u>2,243</u>	<u>(135,744)</u>
TOTAL EQUITY CAPITAL EMPLOYED		<u>1,021,811</u>	<u>918,512</u>

Approved by the Board on 13 May 2002


M W HAQUE
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 2001

	Notes	2001 £	2000 £
TURNOVER	7	1,990,457	1,790,054
Cost of sales		<u>(1,516,182)</u>	<u>(1,367,459)</u>
GROSS PROFIT		474,275	422,595
Other income and expenses	8	<u>(169,315)</u>	<u>(246,379)</u>
OPERATING PROFIT		304,960	176,216
Interest payable	10	(171,456)	(203,114)
Gain/(loss) on disposal of asset		4,483	80
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	9	<u>137,987</u>	<u>(26,818)</u>
Tax on profit/(loss) on ordinary activities	11	-	14,769
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>137,987</u>	<u>(12,049)</u>
Dividends	12	-	-
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u>137,987</u>	<u>(12,049)</u>

All turnover, operating profit and profit/(loss) before taxation arises from continuing activities

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

DEUNDI TEA COMPANY LIMITED

TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £	2000 £
Profit/(loss) on ordinary activities after taxation	137,987	(12,049)
Currency translation movement on foreign currency investments	(34,688)	25,208
Total recognised gains relating to the year	<u>103,299</u>	<u>13,158</u>

DEUNDI TEA COMPANY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £	2000 £
Operating profit	304,960	176,216
Interest receivable	(11,893)	(11,502)
Depreciation	102,177	98,648
Increase/(decrease) in stock	(228,032)	300,779
Increase/(decrease) in debtors	(221,257)	68,646
Increase/(decrease) in creditors	165,264	(19,404)
Exchange	55,684	9,649
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>166,903</u>	<u>623,032</u>
Interest received	11,893	11,502
Interest paid	(171,456)	(203,114)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(159,563)</u>	<u>(191,612)</u>
TAXATION	<u>-</u>	<u>14,769</u>
Purchase of tangible assets	(206,713)	(273,840)
Sale of tangible assets	4,647	188
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	<u>(202,066)</u>	<u>(273,652)</u>
EQUITY DIVIDENDS PAID	<u>-</u>	<u>-</u>
Net issue/(repayment) of debt up to one year	1,169,618	(860,712)
Net (repayment)/issue of debt over one year	(868,379)	685,851
FINANCING	<u>301,239</u>	<u>(174,861)</u>
NET INCREASE/(DECREASE) IN CASH	<u>106,513</u>	<u>(2,324)</u>

ANALYSIS OF NET DEBT	Opening £	Cash flow £	Other £	Exchange £	Closing £
Cash	140,942	106,513	-	(890)	246,565
Debt up to one year	(730,845)	(1,169,618)	760,090	1,089	(1,139,284)
Debt over one year	(1,114,519)	868,379	(760,090)	(16,433)	(1,022,663)
	<u>(1,704,422)</u>	<u>(194,726)</u>	<u>-</u>	<u>(16,234)</u>	<u>(1,915,382)</u>

RECONCILIATION	2001 £	2000 £
Increase/(decrease) in cash in the year	106,513	(2,324)
Cash (inflow)/outflow from (increase)/decrease in debt	(301,239)	174,861
Exchange	(16,234)	(27,097)
	<u>(210,960)</u>	<u>145,440</u>
Net debt at beginning of year	<u>(1,704,422)</u>	<u>(1,849,862)</u>
Net debt at end of year	<u>(1,915,382)</u>	<u>(1,704,422)</u>

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention, except as stated below in the accounting policy for stocks, and in accordance with applicable accounting standards, which have been applied consistently throughout the year and the preceding year.

TANGIBLE FIXED ASSETS

Tangible fixed 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 value at the end of their estimated useful lives. The effective rates used are:

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

STOCKS

Raw materials and consumables are stated at actual landed costs or average costs. 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 taxes, 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 THE ACCOUNTS

1 TANGIBLE FIXED ASSETS

	Land and Buildings £	Plant and Machinery £	Payments on account £	TOTAL £
COST				
Beginning of year	2,635,449	1,872,116	126,943	4,634,508
Exchange	(32,140)	(22,831)	(1,548)	(56,519)
Additions	166,540	127,573	(87,400)	206,713
Disposals	(196)	(5,012)	0	(5,208)
End of year	<u>2,769,653</u>	<u>1,971,846</u>	<u>37,995</u>	<u>4,779,494</u>
DEPRECIATION				
Beginning of year	394,616	716,098	-	1,110,714
Exchange	(4,812)	(8,733)	-	(13,545)
Charge	30,481	71,695	-	102,176
Disposals	(196)	(4,848)	-	(5,044)
End of year	<u>420,089</u>	<u>774,212</u>	<u>-</u>	<u>1,194,301</u>
NET BOOK VALUE				
End of year	<u>2,349,564</u>	<u>1,197,634</u>	<u>37,995</u>	<u>3,585,193</u>
Beginning of year	<u>2,240,833</u>	<u>1,156,018</u>	<u>126,943</u>	<u>3,523,794</u>

Included in land and buildings is land of £116,833 (2000 £118,275) 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.

2 STOCKS	2001 £	2000 £
Raw materials and consumables	228,426	208,347
Finished goods and goods for resale	521,376	325,495
	<u>749,802</u>	<u>533,842</u>
3 DEBTORS	2001	2000
<i>Up to one year</i>	£	£
Trade	63,808	83,437
Other	483,738	243,940
Taxation	25,825	25,773
Prepayments and accrued income	2,704	2,737
	<u>576,075</u>	<u>355,887</u>
4 CREDITORS UP TO ONE YEAR	2001	2000
	£	£
Shareholders	(1,596,049)	(1,528,224)
Bank loans	(1,139,284)	(730,845)
Trade	(75,388)	(55,983)
Other	(89,506)	(61,695)
Accruals	(212,934)	(144,686)
	<u>(3,113,161)</u>	<u>(2,521,433)</u>

Bank loans are secured on land, on certain items of plant and machinery and on certain stocks.

5 CREDITORS OVER ONE YEAR	2001	2000
	£	£
Bank loans	<u>(1,022,663)</u>	<u>(1,114,519)</u>

The aggregate amount of instalments due after more than five years on bank loans is £538,000 (2000 £588,000).

6 CAPITAL AND RESERVES

	2001 £	2000 £
(a) Capital		
Authorised		
Ordinary shares of £1 each	<u>2,300,000</u>	<u>2,300,000</u>
Called-up		
Ordinary shares of £1 each	<u>2,300,000</u>	<u>2,300,000</u>
(b) Reserves		
	Other reserve £	Profit and loss account £
Beginning of year	(1,245,744)	(135,744)
Foreign exchange translation	(34,688)	-
Profit for the year	-	137,987
End of year	<u>(1,280,432)</u>	<u>2,243</u>

The other reserve is exchange translation reserve

(c) Reconciliation of shareholders' funds	2001 £	2000 £
Beginning of year	918,512	905,353
Foreign exchange translation	(34,688)	25,208
Profit/(loss) for the year	137,987	(12,049)
End of year	<u>1,021,811</u>	<u>918,512</u>

7 SEGMENT INFORMATION

Turnover, by origin and by destination, is all in Bangladesh.

8 OTHER INCOME AND EXPENSES	2001 £	2000 £
Distribution costs	(54,538)	(60,611)
Administrative expenses	(165,696)	(215,883)
Other operating income	39,026	18,613
Interest receivable and similar income	11,893	11,502
	<u>(169,315)</u>	<u>(246,379)</u>

9 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging	2001 £	2000 £
Depreciation	(102,176)	(98,648)
Auditors' fee	(5,144)	(5,031)
	<u></u>	<u></u>

10 INTEREST PAYABLE

Interest payable comprises interest on bank loans and other loans of £171,456 (2000 £203,114).

11 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

Had the company provided the full amount of potential deferred taxation the charge for the year would have been increased by £64,000 (2000 £55,000). The potential liability for deferred tax at 30 per cent not provided is £8,000 (2000 £59,000).

12 DIVIDENDS

No dividends were paid during the year (2000 £nil). No final dividend is proposed (2000 £nil).

13 RATE OF EXCHANGE

The closing rate of exchange used was £1 equals taka 82.00 (2000 taka 81.00).