

TEA PLANTATIONS
INVESTMENT TRUST PLC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

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Financial Calendar

| | |
|------------------|--|
| 21 December 2006 | Preliminary announcement of results for the year ended 30 September 2006 |
| 9 February 2007 | Report and financial statements sent out to shareholders |
| 6 March 2007 | Annual General Meeting |

Directors, Manager and Advisers

D.E.H. Panter (*Chairman*)*

D.J.M. Blackler O.B.E.

J.C. Colvile*

C.W. Kingsnorth

A. Boyd* C.M.G.

A.J.R. Collins

* Member of Audit Committee

Secretary and Registered Office

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London EC2Y 5AB

Investment Manager

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Poultry & Princes Street Branch

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London EC2P 2BX

Company Number 03268761

Chairman's Statement

INTRODUCTION

I have pleasure in presenting my report for the year ended 30 September 2006, the Company's ninth financial year.

RESULTS

The Company had gross revenue of £363,919 (2005: £221,930); after deducting management expenses, interest and taxation, the revenue return on ordinary activities was a surplus of £53,652 (2005: loss of £34,325). There was also a capital surplus of £238,885 (2005: £3,284,603). The combined revenue and capital returns resulted in a profit for the year ended 30 September 2006 of £292,537 (2005: £3,250,278). The net asset value has increased to 97.65p on 30 September 2006, up from 94.88p on 30 September 2005.

TRADING BACKGROUND AND OUTLOOK

There has been a worrying escalation of the Tamil conflict over the year, with a large number of bombs and incidents reported. Despite this backdrop, the stock market is close to an all time high. The value of the Rupee, however, has continued to decline, moving from Rs 178.8 to £ sterling at 30 September 2005 to Rs 193.82 a year later and this, with the escalating cost of oil imports and the heavy expenditure on armaments has fuelled inflation. One significant consequence for the agricultural sector is that Plantation Unions, approximately 90% Tamil, are demanding unrealistic wage increases of over 50%, which threatens the viability of this labour intensive industry, the largest employer on the island. This has been a constant pattern and one we have had to address on many occasions. Improvements through investment in field and factory have been negated by the increased wages, which we see as an effective transfer in ownership.

The net result of the powerful Union lobby has been to increase the cost of production beyond that of the industry's competitors in India, Kenya, Indonesia and more recently Vietnam. This aggravates the ability of the plantation companies to reduce their indebtedness and seriously affects their financial viability. Most commodity businesses require a price increase to generate cash but for Sri Lankan Tea companies any price move has to be co-ordinated with wage reviews for the Companies to reduce their debts. These happen every two years and so far the stars have not aligned.

Ceylon tea is special, it is also orthodox. In the first half of this year Ceylon tea lost ground to Kenya as the graph on page 5 illustrates. This is because Africa produces only CTC (cut, tear and curl) tea of which there has been some shortage, whereas there has been an increase in orthodox production in India. Additionally, Vietnam will probably make about 130 million kgs this year, whereas production ten years ago was less than 50 million kgs.

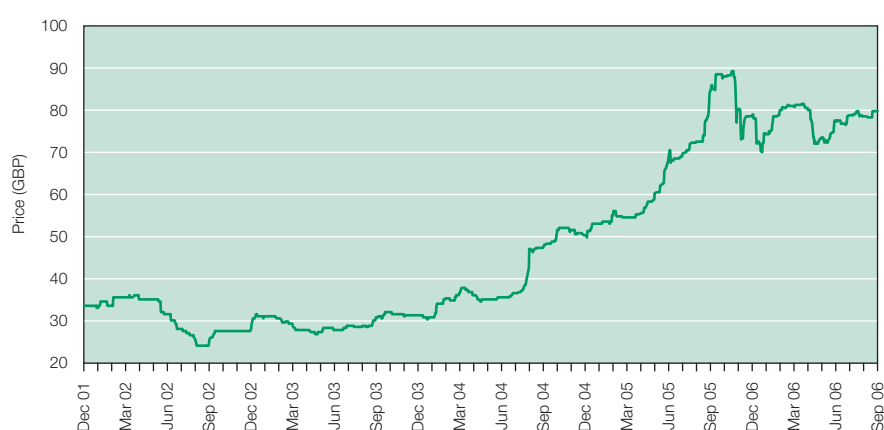
Nevertheless the market has been comparatively buoyant, and as mentioned in our half yearly report, results are now more encouraging. This has been helped by the rubber market which peaked earlier in the year but which has been a strong feature within commodity markets over the last two years.

If it were not for the labour wage settlement more investment within the sector might be anticipated and a more secure future envisaged. However, we see the current trend continuing. This has resulted in a steady spread of investments within our portfolio which today is some 70% outside the risk area of plantations. Your Company's most successful investments have all been outside the direct plantation sector including packaging, marketing, infrastructure, conglomerates or plantations that have developed hydro-electricity.

At the date of this report, there has been little further change on the political front, and confrontation rather than conciliation continues to be the attitude adopted by both Government and the L.T.T.E. The strikes on the plantations ceased with a wage settlement which again was above what the industry can afford. The more indebted groups will add further losses to accumulated debt. In contrast the stock market has remained quiet, but buoyant against the backdrop of a declining rupee, which at 25 January stood at Rs 108.6 to the US dollar.

A graph below demonstrates that the share price has made steady progress from 30 September 2002, when it stood at an all time low of 24p, to 80p, as quoted on 30 September 2006. At 25 January it stood at 82.5p.

**Tea Plantation Investment Trust Share Price
January 2002 – September 2006**



FUTURE OF THE COMPANY

Background

In the listing particulars published by the Company on 5 February 1997, it was stated that a resolution would be put to Shareholders at the annual general meeting of the Company to be held in 2007 proposing that the Company continue as an investment trust company for a further specified period of not more than three years. Following consultation with its advisers and certain Shareholders, the Board has decided to put forward proposals to continue the life of the Company for a fixed period of two years from the date of the Extraordinary General Meeting.

A detailed Circular stating these proposals is enclosed with this report. Ahead of its release, a brief summary of the proposals is as follows:

- The Board intend to realign the Company's portfolio by realising the existing investments in companies that manage the regional tea plantations in Sri Lanka and its direct investments in the regional tea plantation companies and re-investing the proceeds in accordance with a proposed new investment objective and strategy.
- The proposed investment objective of the Company will be to provide Shareholders with a combination of capital growth and regular dividend income by making investments with the aim of profiting through the reduction of the discount at which these investments trade to their underlying value, where the Board and the Investment Manager consider there is scope for value enhancement. Examples of target entities include asset rich businesses such as closed-end funds and property/cash rich entities.

- It is the intention of the Investment Manager to identify and invest in entities around the world. The Investment Manager, with the support of other shareholders, will then engage with management to realise this existing "value gap". This is the central investment policy pursued by all clients of Laxey Partners and it is envisaged that the Company will participate in Laxey's active value approach.
- Assuming the Continuation Proposals are approved by Shareholders, they will be given the opportunity to receive their money back at or close to Net Asset Value or, subject to raising additional funds, continue on with the new strategy at the end of two years.
- The Board believes that the best outcome for all Shareholders is to keep the Company going as a going concern and change the investment policy to one that is Laxey's typical active value approach. Laxey is currently closed to new investors.
- From time to time, the Company, through the Investment Manager will seek to establish a dialogue with the investee company management in order to establish support for its proposals. In some situations, the Company will seek, through the requisitioning of appropriate resolutions at general meetings to, for example, change the composition of investee boards, introduce share buy-back schemes or tender offers, liquidate funds or propose the partial sale of assets and convert funds from closed-ended to open-ended status. The Company will not, however, take legal or management control of an investee company.
- The Company will seek to enhance returns through the selective use of gearing and may use derivative products and instruments for the purposes of efficient portfolio management.
- The Investment Manager will continue to act as manager of the Company under the terms of the New Management Agreement, which will enable it to implement the new investment objective, strategy and policy. The Investment Manager's remuneration will remain unchanged at 1 per cent. per annum of the average monthly Net Asset Value, which shall accrue and be paid monthly.
- It is proposed that the Company's borrowing powers will be increased to enable it to increase its gearing up to 200 per cent. of its Net Asset Value. The Company will not have any fixed or long-term borrowings.
- The Change of Name Resolution proposes to change the name of the Company to "The Laxey Investment Trust PLC".

Benefits of the Continuation Proposals

The Directors believe that the Continuation Proposals:

- provide exposure to a sector offering significant growth prospects through a fund managed by a manager with excellent investment credentials and strong institutional support;
- offer the prospect of new demand for, improved liquidity in and enhanced rating of the Shares; and
- are a constructive and cost-effective alternative to liquidation, which the Directors believe would produce poor returns on the Company's unlisted and illiquid assets.

Mr D.E.H. Panter

Chairman

2 February 2007

Investment Manager's Report

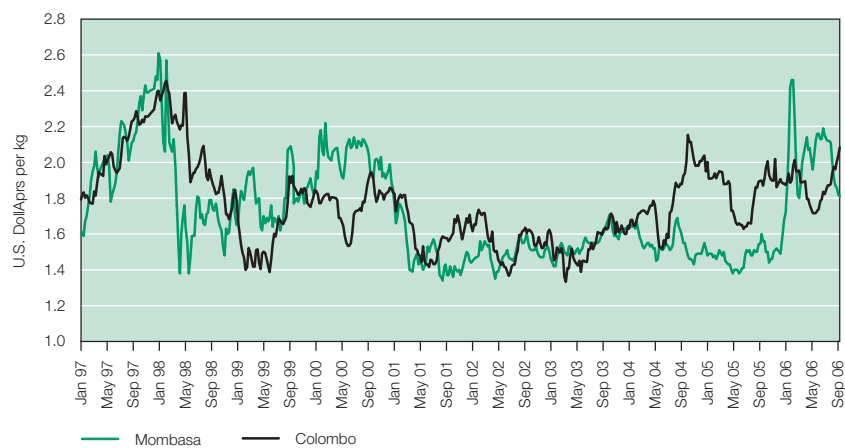
INVESTMENT MANAGER'S REPORT

The October suicide attacks by the Tamil Tigers on government forces that killed over 100 people marked a new low for a year that has seen over 1,700 people die despite a supposed ceasefire. With commentators observing that a further escalation in hostilities could lead to a return to civil war and the international community stumped as to what to suggest next, we, like everyone else, can only hope that the brinkmanship of 2006 subsides and both sides return to the peace process.

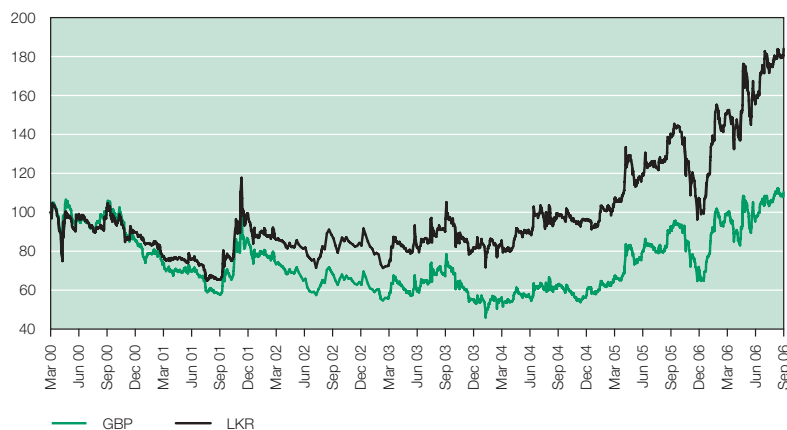
For Sri Lanka, strong economic performance and increased foreign investment levels depend largely on how well the peace process is doing. Whilst The Economist Intelligence Unit estimates that the Sri Lankan economy grew by 7.3% in 2006 (EIU Views Wire, 17 October, 2006), it notes that the escalation in violence in the north and east of the country since 2005 has cost both regions in investment and growth.

On a positive note, the agricultural sector has had a good 2006 following the aftermath of the Boxing Day 2004 tsunami, which depressed the sector massively in 2005. The communications, ports, trading and financial services sectors are also tipped for continued growth into 2007. Consequently, real GDP is expected to expand by an average of 5.8% into 2007-2008 (source: EIU Views Wire, 17 October, 2006).

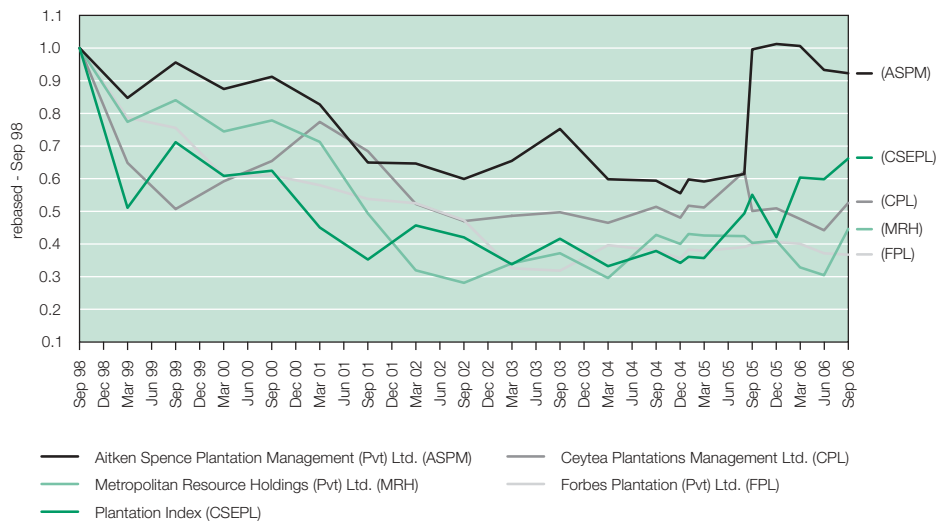
Tea prices per kg Mombasa versus Colombo January 1997 – September 2006



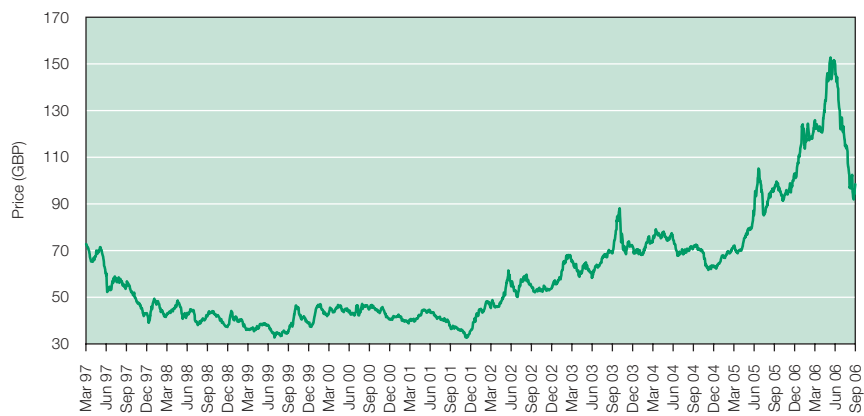
Sri Lanka Plantations Index March 2000 – September 2006



Plantation Management Companies vs Plantation Index September 1998 – September 2006



Monthly rubber prices March 1997 – September 2006



Laxey Partners (UK) Limited
2 February 2007

Investments as at 30 September 2006

| Holding | Country of Operation | Market Value £ | 30 September 2006 % of Net Assets | 30 September 2005 % of Net Assets |
|------------------------------|---|--------------------------|---|---|
| Listed investments | | | | |
| 2,142,856 | Ceylon Tea Services Limited | 3,308,506 | 32.09 | 29.66 |
| 14,567,500 | Sri Lanka Telecom | 1,578,371 | 15.31 | 0.99 |
| 1,331,263 | Treasury 4.5%, 2007 | UK 1,328,721 | 12.89 | 20.89 |
| 1,395,418 | James Finlay & Co (Colombo) Limited | Sri Lanka 1,187,936 | 11.52 | 17.48 |
| 2,425,000 | Kegalle Plantations Limited | Sri Lanka 588,050 | 5.71 | 5.84 |
| 2,481,027 | Metropolitan Resource Holdings Limited | Sri Lanka 256,015 | 2.48 | 2.78 |
| 197,600 | Kelani Valley Plantations Limited | Sri Lanka 50,721 | 0.49 | 0.54 |
| 309,400 | Maskeliya Plantations Limited | Sri Lanka 37,913 | 0.37 | 0.54 |
| 90,700 | Hapugastenne Plantations Limited | Sri Lanka 7,604 | 0.07 | 0.08 |
| 700 | Horana Plantations Limited | Sri Lanka 83 | 0.00 | 0.05 |
| | | <u>8,343,920</u> | <u>80.93</u> | |
| Unlisted investments* | | | | |
| 3,136,500 | Ceytea Plantation Management Limited | Sri Lanka 587,754 | 5.70 | 5.58 |
| 12,500,000 | Forbes Plantations (Pvt) Limited | Sri Lanka 552,063 | 5.36 | 4.98 |
| 2,500,000 | Aitken Spence Plantation Managements Limited | Sri Lanka 496,083 | 4.81 | 5.43 |
| | | <u>1,635,900</u> | <u>15.87</u> | |
| | Investments | <u>9,979,820</u> | <u>96.80</u> | |
| | Net current assets | <u>330,038</u> | <u>3.20</u> | |
| | Net assets | <u><u>10,309,858</u></u> | <u><u>100.00</u></u> | |

The total number of investments at 30 September 2006 was 13. All of the investments held were Ordinary shares, with the exception of the 4.5% Treasury Stock.

* Unquoted investments value provided by an independent valuer (see pages 8 to 14).

Valuation of Shares of Unquoted Investments

Tea Plantations Investment Trust PLC (TPIT) has invested in the following unquoted Plantation Management Companies (PMCs) which hold controlling interests in the corresponding Regional Plantation Companies (RPCs):

| Plantation Management Company | Regional Plantation Company |
|--|----------------------------------|
| Ceytea Plantation Management Ltd. (CPL) | Horana Plantations Ltd. (HPL) |
| Forbes Plantations (Pvt) Ltd. (FPL) | Kahawatte Plantations Ltd. (KPL) |
| Aitken Spence Plantation Managements Ltd. (ASPM) | Elpitiya Plantations Ltd. (EPL) |

This report presents valuations (per share) for the above mentioned PMCs as at 30 September 2006.

1. VALUATION METHODOLOGY

The methodology used in the valuations of the PMCs is as follows:

1. The overall value of each PMC is first estimated as the sum of the following two components:
 - a) The net asset value of the company as per its end September 2006 unaudited accounts after making the following two adjustments:
 - Valuing the shares of the respective RPCs owned by each PMC (these shares are the largest investments by far of each PMC) at their market value. The books of most PMCs presently show these shares at their cost of acquisition.
 - Making any further adjustments to the assets/liabilities of each PMC as shown in the balance sheet that need to be made because of specific circumstances.
 - b) The present value of the “free cash flow” of each of the PMCs resulting from their contracts to manage their respective RPCs.¹
2. The total estimated overall value of each PMC is then divided by its number of issued shares to estimate the value per share of the PMC.

In general, a conservative approach is used in making the estimates. To this extent, the estimated values per share of the PMCs can be considered as lower bound estimates.

¹ All three PMCs have entered into management contracts with their respective RPCs, where the RPCs pay management fees to the PMCs as a percentage of earnings before interest depreciation and taxes (EBIDTA) of their respective RPCs.

2. REAL DISCOUNT RATE USED IN VALUATIONS

In his valuation report dated May 2003 the author argued that the appropriate discount rate to be used to calculate the present value of expected future management fees based on EBIDTA should be 8%. The same basis will be continued in this valuation report.

3. VALUATIONS OF PMCs

3.1 Ceytea Plantation Management Ltd. (CPL)

Adjusted Net Asset Value

Table 3.1.1 shows CPL's balance sheet as at 30 September 2006. In this balance sheet investment by CPL in 12.75 million ordinary shares of HPL have been valued at the cost of acquisition (Rs 10.00 per share plus stamp duties and other related costs).

Table 3.1.1: CPL Balance Sheet as at 30 September 2006 (in Rs 1000s)

| | |
|---|-----------------|
| Fixed Assets | 6,198 |
| Investments in HPL shares | 149,415 |
| Investment in Uni-Dil Packaging | 161,992 |
| | <u>317,605</u> |
| Current assets | 39,916 |
| Current liabilities | <u>(15,657)</u> |
| Net current assets | 24,259 |
| Long term liabilities | <u>(12,194)</u> |
| Net assets employed | 329,670 |
| Financed by: | |
| Share capital (13.6 million Rs 10 shares) | 136,000 |
| Revaluation reserve | 53,900 |
| Retained profit | <u>139,770</u> |
| | 329,670 |

CPL has, several years ago, taken up 100% of the issued share capital in Uni-Dil Packaging, an unquoted printing company. This investment is shown at cost (Rs. 161.992 million) in the balance sheet. Uni-Dil has continued to make profits in excess of Rs 30 million per year over the past several years and the net asset value of the company as at end September 2006 was Rs 285.025 million. Under the circumstances the cost of the investment in Uni-Dil as shown in the balance sheet is conservatively used as the value of this investment to CPL.

HPL is a company quoted on the Colombo Stock Exchange (CSE) and its shares were trading at Rs 23.00 per share on 30 September 2006. This price is therefore used to value the 12.75 million HPL shares owned by CPL for the purpose of the present valuation exercise which results in CPL's interest in HPL being valued at Rs 293.250 million rather than the Rs 149.415 million shown in the balance sheet. This would increase the net asset value of CPL to Rs 473.505 million.

Net Present Value of Free Cash Flow from Management Agreement

In the prior year CPL decided that management fees that CPL would charge from HPL would be changed from a turnover basis to a percentage of HPL's EBIDTA and be capped each year. Furthermore, no management fees would be charged after 2007/08. The relevant percentage rates and caps are shown in Table 3.1.2.

Table 3.1.2: CPL Management Fees as a Percentage of EBIDTA

| Year | Management fee (as a % of HPL EBIDTA) | Fee cap (Rs millions) |
|--------|---|--------------------------|
| 2004/5 | 30% | 30.0 |
| 2005/6 | 25% | 25.0 |
| 2006/7 | 20% | 20.0 |
| 2007/8 | 10% | 10.0 |

The end September 2005 valuation report and earlier reports showed that HPL's EBIDTA has exceeded Rs 100 million each year during the past three years, with consistent increases over the years. Under the circumstances the cap on fees shown in Table 3.1.2 will be the determining factor on management fees in 2006/07 and 2007/08. In particular, it is estimated that CPL will earn management fees of Rs 20 million in 2006/07 and Rs 10 million in 2007/08. As in the case of most other PMCs, with the move to EBIDTA based management fees almost all of the direct costs incurred by CPL in providing management services to HPL will be passed on to HPL, which will result in the EBIDTA based management fee being "net of direct cost" revenue to CPL. Using a tax rate of 30% and a discount rate of 8% per annum, the net present value of the two year stream of management fees will be Rs 20.481 million. This amount is a free cash flow earned by CPL from its management fees above and beyond the net asset value per share of HPL owned by CPL.

Estimated Value per Share of CPL

Adding the Rs 473.505 million adjusted net asset value of CPL to the value of CPL's free cash flow from its agreement to manage HPL, the overall value of CPL is estimated to be Rs 493.986 million. The value per share of CPL's 13.6 million total shares as at September 30, 2006 is therefore Rs 36.32.

3.2 Forbes Plantations (Pvt) Limited (FPL)

Adjusted Net Asset Value

Table 3.2.1 shows the FPL's balance sheet as at September 30, 2006. In this balance sheet, the Rs 690.772 million investment by FPL in 50.0925 million shares of KPL has been written down by Rs 440.316 million to account for diminution in value of these shares.

Valuation of Shares of Unquoted Investments (continued)

Table 3.2.1: FPL Balance Sheet as at 30 September 2006 (in Rs 1000s)

| | |
|--|------------------|
| Fixed assets | |
| Investments in KPL shares | 690,772 |
| Less: Provision for diminution in value of investments | <u>(440,316)</u> |
| | 250,456 |
| | |
| Current assets | 77,116 |
| Current liabilities | <u>(105,448)</u> |
| Net current liabilities | (28,332) |
| | |
| Term loan from Sampath Bank | (8,750) |
| | <hr/> |
| Net assets employed | 213,374 |
| | |
| Share capital (62.5 million Rs 10 shares) | 625,000 |
| Share discount account | (125,000) |
| Loss brought forward | (297,840) |
| Net profit for current year | <u>11,214</u> |
| | 213,374 |

The quoted price of KPL shares on the CSE was Rs 9.25 per share as at September 30, 2006. Using this price to value the 50.0925 million KPL shares owned by FPL results in these shares having a value of Rs 463.356 million as opposed to the Rs 250.456 million shown in the balance sheet and will result in an adjusted net asset value of FPL of Rs 426.274 million compared with the net asset value of Rs 213.374 shown in the balance sheet.

Net Present Value of Free Cash Flow from Management Agreement

In terms of the management agreement between FPL and KPL, KPL is required to pay FPL management fees each year, starting in 2003, calculated as a percentage of KPL's EBIDTA. The agreement specified that the percentages applicable would be reduced gradually starting at a high of 25% for 2003 down to 17% from 2007 onwards. However, in September 2005 the Boards of FPL and KPL decided that the management fees should be reduced to 10% of EBIDTA for the period July to December 2005 and the fees charged in later years should be reviewed on an annual basis. Under the above circumstances it is assumed that management fees to be charged by FPL from KPL will be reduced to a flat 10% per year from 2006 onwards.

Starting in 2004, FPL passed on virtually the entirety of direct administrative expenses incurred in providing management services to KPL directly to KPL. Therefore the management fees earned by FPL from its management of KPL can for all intents and purposes be considered profit net of all costs.

In order to estimate what future management fees would be under the above mentioned fee structure, Table 3.2.2 shows what KPL's EBIDTA was during each of the latest three full fiscal (calendar) years, 2003, 2004 and 2005.

Table 3.2.2: Historic KPL EBIDTA (in Rs 1000s)

| Year | Management Fees (as a % of EBIDTA) |
|------|---------------------------------------|
| 2003 | 155,572 |
| 2004 | 96,384 |
| 2005 | 121,529 |

From Tables 3.2.2 KPL's average annual EBIDTA during the three year period was Rs 124.495 million. This average value is assumed to represent future EBIDTA (in 2006 Rupees) for the present valuation exercise. Using a corporate tax rate of 30% and the above mentioned 10% of EBIDTA fee rate, FPL will earn Rs 8.715 million per year after tax from management fees. This amount is a free cash flow earned by FPL from management fees above and beyond the net asset value per share of KPL owned by FPL. Using a real discount rate of 8% per annum, the present value of the future stream of net after tax management fees would be Rs 108.938 million.

Value per Share of FPL

Adding the Rs 426.274 million adjusted net asset value of FPL to the total present value of the free cash flow of the company (from EBIDTA based management fees), the overall value of FPL is estimated to be Rs 535.212 million. The value per share of FPL's 62.5 million total shares on 30 September 2006 is therefore Rs 8.56.

3.3 Aitken Spence Plantation Managements Limited (ASPM)

Adjusted Net Asset Value

Table 3.3.1 shows ASPM's balance sheet as at 30 September 2006. In this balance sheet investments in 15.1856 million EPL ordinary shares have been valued at their cost of acquisition (Rs 30.25 per share plus related direct costs of Rs 0.75 per share).

Table 3.3.1: ASPM Balance Sheet as at 30 September 2006 (in Rs 1000s)

| | |
|---|----------|
| Investment in EPL shares | 466,109 |
| Current assets | 260,951 |
| Current liabilities | (68,589) |
| Net current assets | 192,362 |
| Long term liabilities | (2,205) |
| Net assets employed | 656,266 |
| Share capital (21.3 million Rs 10 shares) | 213,000 |
| Share premium | 208,666 |
| Accumulated profits | 234,600 |
| | 656,266 |

Valuation of Shares of Unquoted Investments (continued)

The quoted price of EPL shares on the CSE was Rs 28.00 per share as at 30 September 2006. Using this Rs 28.00 per share to value the 15.1856 million EPL shares owned by ASPM results in these shares being worth Rs 425.197 million as opposed to the Rs 466.109 million that they are valued in the balance sheet. Adjusting for this diminution of value results in adjusted net assets employed by ASPM as at 30 September 2006 of Rs 615.354 million.

Net Present Value of Free Cash Flow from Management Agreement

In terms of the management agreement between ASPM and EPL, EPL is required to pay ASPM management fees each year calculated as a percentage of EPL's EBIDTA. The specific percentages applicable start from a high of 27.6% in 2003/04 and decline to 17.5% from 2007/08 onwards. Table 3.3.2 shows the management fee percentages applicable from the coming year, 2006/07, onwards.

Table 3.3.2: ASPM Management Fees as a Percentage of EBIDTA

| Year | Management Fee (as a % of EBIDTA) |
|-------------------------|--------------------------------------|
| 2006/07 | 20.1% |
| 2007/08 and later years | 17.5% |

To estimate what future management fees would be under the new fee structure, Table 3.3.3 shows what EPL's EBIDTA was during each of the last three fiscal years. The last row in the same table also shows what ASPM's direct costs were in providing management services in each of these years.

Table 3.3.3: EPL EBIDTA and Direct Costs of ASPM in Providing Management Services (in Rs 1000s)

| | Apr 2005 – Mar 2006 | Apr 2004 – Mar 2005 | Apr 2003 – Mar 2004 |
|---|------------------------|------------------------|------------------------|
| EPL EBIDTA | 119,054 | 197,373 | 97,100 |
| Direct costs incurred by ASPM in providing management services | 1,031 | 1,415 | 1,267 |

EPL's average annual EBIDTA during the three year period was Rs 137.842 million and the average direct costs incurred by ASPM to provide management services to EPL was Rs 1.238 million. Column 4 of Table 3.3.4 assumes that these averages reflect future EPL EBIDTA in 2006 Rupees and uses the percentages of EBIDTA that ASPM will charge as management fees as specified above to calculate the expected future earnings from management fees by ASPM. Column 6 of the same table calculates the annual management fees less direct costs incurred by ASPM in the provision of management services over the same years on the basis that the direct cost to ASPM of the provision of management services is Rs 1.238 million each year in 2006 Rupees. The last column in the table calculates the after tax revenues earned by ASPM in each of the relevant years, assuming a corporate tax rate of 30%.

Table 3.3.4 Projections of Future Management Fees Less Direct Costs Incurred by ASPM in the Provision of Management Services (in 2006 Rs 1000s)

| Year | EBIDTA | Management Fee Rate (EBIDTA %) | Management Fee | Direct ASPM Costs | Management Fee Less Direct Costs | After Tax Management Fee Less Direct Costs |
|-----------------|---------|--------------------------------|----------------|-------------------|----------------------------------|--|
| 2006/07 | 137,842 | 20.1 | 27,706 | 1,238 | 26,468 | 18,528 |
| 2007/08 Onwards | 137,842 | 17.5 | 24,122 | 1,238 | 22,884 | 16,019 |

Using a real discount rate of 8% per annum, the present value of the future stream of net after tax management fees (after deducting direct costs incurred in providing the management services) shown in Table 3.3.4 is Rs 203.933 million. This amount is a free cash flow earned by ASPM from its management fees above and beyond the net asset value per share of EPL owned by ASPM.

Value per Share of ASPM

Adding the Rs 615.354 million adjusted net asset value of ASPM to the total present value of the free cash flow of the company (from EBIDTA based management fees), the overall value of the company is estimated to be Rs 819.287 million. The value per share of ASPM's 21.3 million shares on 30 September 2006 is therefore Rs 38.46.

4. SUMMARY

In summary, the estimated values per share as at 30 September 2006 of the PMCs in which TPIT has a stake are as follows:

| PMC | Value per Share (Rs) |
|--|----------------------|
| Ceytea Plantation Management Ltd. (CPL) | 36.32 |
| Forbes Plantations (Pvt) Ltd. (FPL) | 8.56 |
| Aitken Spence Plantation Managements Ltd. (ASPM) | 38.46 |

Romesh Dias Bandaranaike Ph.D
November 2006

Portfolio Review

Unlisted Investments

CEYTEA PLANTATION MANAGEMENT LTD (CPL)

| | | | |
|-------------------------|------------|-----------------------|------------|
| Valuation of CPL | Rs 493.99m | Value of Investment | Rs 113.91m |
| Net Assets | Rs 473.51m | Market Capitalisation | Rs 493.99m |
| Cost of Investment | Rs 125m | Share Price | Rs 36.32 |
| % of Equity Held | 23.06 | Cost per share | Rs 129 |
| Percentage of Portfolio | 5.89% | Earnings per share | Rs 1.70* |

* for the 12 months ended 31 March 2006

CPL is the managing agent and majority shareholder of Horana Plantations, a CSE quoted company. On the 30 September, 2006 the share price of Horana Plantations was Rs23 per share; this compares to a share price of Rs18 per share as at 30 September, 2005.

Additionally, CPL owns 100% of Uni-Dil Packaging (an unquoted packaging company). Although at the time of investment several years ago a number of questions were raised regarding the suitability and value of such an investment, Uni-Dil remains a very profitable investment for Ceytea. Profits continue to exceed Rs30m a year.

CPL has performed well over the last twelve months. Its unquoted share price has increased by 14% since 30 September, 2005; from Rs31.84 per share on the 30 September, 2005 to Rs36.32 per share as at 30 September, 2006.

FORBES PLANTATIONS (PVT) LIMITED (FPL)

| | | | |
|-------------------------|------------|-----------------------|------------|
| Valuation of FPL | Rs 535.21m | Value of Investment | Rs 107.00m |
| Net Assets | Rs 426.27m | Market Capitalisation | Rs 535.21m |
| Cost of Investment | Rs 125.7m | Share Price | Rs 8.56 |
| % of Equity Held | 20.00 | Cost per share | Rs 10 |
| Percentage of Portfolio | 5.53% | Earnings per share | Rs 4.48* |

* annualised, Rs3.36 for the 9 months ended 30 September, 2006

Forbes Plantation (Pvt) Limited is the majority shareholder of Kahawatte Plantations Ltd (KPL); KPL is involved in the cultivation and processing of tea and rubber.

As at 30 September, 2006 the quoted price of the KPL shares was Rs9.25 per share, an increase of just over 23% on the year (Rs7.50 per share as at 30 September, 2005). The uplift in KPL's share price is reflected in the value of Forbes: up by over 20% on the year to 30 September, 2006 (from Rs445.14 million as at 30 September, 2005 to Rs535.21 million).

AITKEN SPENCE PLANTATION MANagements LTD (ASPM)

| | | | |
|-------------------------|------------|-----------------------|------------|
| Valuation of ASPM | Rs 819.29m | Value of Investment | Rs 96.15m |
| Net Assets | Rs 615.35m | Market Capitalisation | Rs 819.29m |
| Cost of Investment | Rs 49.7m | Share Price | Rs 38.46 |
| % of Equity Held | 11.74 | Cost per share | Rs 20 |
| Percentage of Portfolio | 4.97% | Earnings per share | Rs 1.48* |

* for the year ended 30 September, 2006 and after tax; Rs1.85 pre-tax

Aitken Spence Plantation Management is the managing agent and majority shareholder of Elpitiya Plantations Ltd (EPL), a tea, palm oil and rubber producer quoted on the CSE.

The value of ASPM over the twelve months to the 30 September, 2006 is down slightly by 1% (from Rs827.61 million as at 30 September, 2005 to Rs819.29 million as at 30 September, 2006).

Despite the poor weather of October and November and dip in tea prices, ASPM report that auction prices for its low grown and high grown tea have picked up. A new tea dryer installed in one of their estates should aid production and quality and result in higher prices at the auctions.

Rubber has fared well and is making ASPM a profit; although the high prices at auction for rubber have now come off and stabilised somewhat. From December, oil palm production is expected to increase when a joint venture mill comes into operation.

Unfortunately, the hydropower project that ASPM have been developing is on hold due to the duty levied by Sri Lankan customs on all imported machinery. ASPM are working hard to have this duty waived and still believe that as conventional power costs continue to rise a hydropower plant will save them money and deliver a good return on investment.

From January next year ASPM will begin marketing their eco real estate project: eighteen luxury villas for sale on the islands of the Talgaswella estate.

Listed Investments

METROPOLITAN RESOURCE HOLDINGS LIMITED (MRH)

| | | | |
|-------------------------|------------|-----------------------|------------|
| Value of Investment | Rs 49.62m | Market Capitalisation | Rs 345.30m |
| Net Assets | Rs 607.87m | Share Price | Rs 20 |
| Cost of Investment | Rs 100.4m | Cost per share | Rs 20 |
| % of Equity Held | 14.37 | Earnings per share | Rs 1.42* |
| Percentage of Portfolio | 2.57% | | |

* annualised, Rs0.71 for the 6 months to 30 September, 2006

The principal activity of Metropolitan Resource Holdings Limited is the management of plantations. The Company manages Bogawantalawa Plantations Ltd (BPL), which cultivates and processes tea, rubber and coconut. MRH has been one of TPIT's most successful investments, principally because we have supported a non-tea company within it.

MRH has performed consistently over the last twelve months. Its share price as at 30 September, 2006 is unchanged from its share prices of Rs20 on the 30 September, 2005.

CEYLON TEA SERVICES LIMITED (CTS)

| | | | |
|---------------------|--------------|-------------------------|-----------|
| Value of Investment | Rs 641.25m | Percentage of Portfolio | 33.15% |
| Net Assets | Rs 3,488.20m | Market Capitalisation | Rs 5,985m |
| Share Price | Rs 299.25 | Cost per share | Rs 129 |
| Cost of Investment | Rs 96.5m | Earnings per share | Rs 40.50* |
| % of Equity Held | 10.71 | | |

* annualised, Rs20.25 for the 6 months to 30 September, 2006

Ceylon Tea Services is part of the MJF group, one of Sri Lanka's most highly regarded tea exporters. CTS manufactures and exports value added teas.

JAMES FINLAY COLOMBO LIMITED (JFCL)

| | | | |
|---------------------|--------------|-------------------------|-----------|
| Value of Investment | Rs 230.24m | Percentage of Portfolio | 11.90% |
| Net Assets | Rs 3,627.66m | Market Capitalisation | Rs 5,775m |
| Share Price | Rs 165 | Cost per share | Rs 58m |
| Cost of Investment | Rs 83m | Earnings per share | Rs 15.86* |
| % of Equity Held | 3.99 | | |

* annualised, Rs11.90 for the 9 months ended 30 September, 2006

James Finlay Colombo Limited has been associated with Ceylon Tea for over a century. One of the pioneers in obtaining state concessions for clearing land and planting tea, JFCL continues to produce and package black and green tea for export in bulk and value added form.

Over the twelve months to 30 September, 2006 JFCL has also been one of the worst performers for your Company. A share price of Rs165 as at 30 September, 2006 represents a fall of 26.34% on the year to the 30 September, 2005 (Rs224 per share).

KEGALLE PLANTATIONS LIMITED (KPL)

* annualised, Rs7.46 for the 6 months ended 30 September, 2006

Kegalle Plantations is owned and managed by RPK Plantations Ltd, a member of John Keells Holdings Group. Kegalle is comprised mainly of rubber estates.

| | | | |
|---------------------|------------|-------------------------|-----------|
| Value of Investment | Rs 113.97m | Percentage of Portfolio | 5.89% |
| Net Assets | Rs 816.17m | Market Capitalisation | Rs 1,175m |
| Share Price | Rs 47 | Cost per share | Rs 20 |
| Cost of Investment | Rs 72.9m | Earnings per share | Rs 14.92* |
| % of Equity Held | 9.70 | | |

Over the twelve months to 30 September, 2006 KPL has been one of the better performers for your Company. A share price of Rs47 as at 30 September, 2006 represents an increase of 54.10% on the 12 months to the 30 September, 2005 (Rs30.5 per share).

Directors

Details of the Directors, all of whom are non-executive, are set out below.

David Panter,* Chairman, aged 72, has spent over 40 years in the tea industry. He retired in 1996 as a consultant to Thompson Lloyd & Ewart, one of the largest and oldest tea broking firms in London. Prior to this he was the chairman of Geo. White & Company Limited, which was merged into Thompson Lloyd & Ewart Limited in 1993. He spent 25 years as a tea broker in London and as a consultant to the World Bank, Overseas Development Authority, and to various plantation projects. Previously he had 16 years service in India where he was chairman of Carritt Moran & Company Limited and a director of a number of tea plantation companies.

David Blackler O.B.E., aged 77, has been connected with the tea industry for most of his working life. In the 1950s he was employed by the Colombo Commercial Company as a tea buyer and became a tea broker in 1965. For 25 years he was a director of John Keells Holdings Limited, one of the largest conglomerates in Sri Lanka, retiring as the chairman, and is now a consultant to that company.

Jonathan Colvile,* aged 49, has been a stockbroker for 20 years. He is currently a specialist in natural resource shares for Mirabaud Securities. From 1985 to 1995 he was a senior stockbroker for James Capel & Co.

Colin Kingsnorth, aged 43, is a director of Laxey Partners (UK) Limited the Investment Manager to the Company and was chief executive officer of Regent Fund Management (UK) Ltd, the Company's previous investment manager, from 1995 to January 1999. He holds a BSc in Economics and is an associate member of the Institute of Investment Management and Research. He started his career with Robert Fleming Asset Management Limited in London where he worked with investment trusts, particularly the Fleming Enterprise Investment Trust and the Fleming Technology Investment Trust. He became head of investment trust research at Olliff & Partners PLC in 1988, where he developed expertise in corporate finance and corporate restructuring. In 1991 he joined Buchanan Partners Limited where he managed emerging market funds. In 1995 he joined Regent Fund Management (UK) Ltd and was one of the founding shareholders where he was chief executive and fund manager.

Alistair Boyd,* CMG, aged 72, was an adviser to the CDC Group plc (CDC) with particular reference to CDC's activities in sub-Saharan Africa. Until 1994 he was deputy chief executive of CDC and had before then undertaken a variety of assignments for CDC, residing in Malaysia, Tanzania, Kenya and Zambia. He is chairman of the Southern Africa Business Association which supports trade and investment links between the European Union and Southern Africa. His connections with Africa include vice-chairman of the Royal African Society, chairman of G2G (Gateway to Growth) and chairman of the African Medical Research Foundation (UK).

Adrian Collins, aged 52, is a director of Strand Partners Limited and has worked in the fund management business for over 30 years, a large part of which was spent at Gartmore Investment Management, where latterly he was managing director. He currently is on the board of a number of public and private companies in the United Kingdom and overseas. These include New City High Yield Trust plc, Raven Russia plc, City Natural Resources High Yield Trust plc, Windsor plc and The Sri Lanka Fund Limited.

* Member of Audit Committee

Directors' Report and Business Review

The Directors present their report and audited financial statements together with their business review for the year ended 30 September 2006.

BUSINESS REVIEW

In keeping with regulations which came into force on 12 January 2006, the Directors' Report now includes a Business Review intended to present a balanced and comprehensive analysis of the development and performance of the business of the Company during the financial year and the position of the Company at the year end, together with a description of the principal risks and uncertainties facing the Company and an indication of the likely future developments in its business. The Directors also include an analysis using key performance indicators to aid understanding of the above.

COMPANY'S BUSINESS AND STATUS

The Company, is an investment company within the meaning of Section 266 of the Companies Act 1985, and has received approval as an investment trust from HM Revenue & Customs under Section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 30 September 2005 and in the opinion of the Directors has subsequently directed its affairs to enable it to continue to obtain approval for the year ended 30 September 2006.

INVESTMENT OBJECTIVE AND POLICY

The Company's investment objective is to achieve long term capital and income growth by investing principally in the management companies for the regional plantation companies in Sri Lanka. In addition the Company invests directly in the regional plantation companies, and may also invest in other direct investments in Sri Lanka.

As referred to in the Chairman's Statement on pages 3 and 4, under proposals due to be put before Shareholders, the Board's intention is to realise the existing investments and re-invest the proceeds in accordance with a proposed new investment objective and policy.

RESULTS AND DIVIDEND

The gross revenue for the year ended 30 September 2006 was £363,919 (2005: £221,930) and after deducting management expenses, interest and taxation the revenue return on ordinary activities of the Company, was £53,652 (2005: loss of £34,325). There was also a capital return of £238,885 (2005: £3,284,603). The combined revenue and capital returns resulted in a profit for the year ended 30 September 2006 of £292,537 (2005: £3,250,278).

The Directors do not recommend the payment of a dividend.

At the close of business on 30 September 2006, the net asset value per Ordinary share of 25p was 97.65p (2005: 94.88p).

KEY PERFORMANCE INDICATORS

The key measures of performance by which the Directors judge the success of the Company are the growth in the share price and the Net Asset Value. These are referred to in the Chairman's Statement on pages 2 and 3. The Company does not have a stated benchmark index to which its performance is compared.

PRINCIPAL RISKS AND UNCERTAINTIES

Certain principal risks and uncertainties have been identified by the Directors. These are confirmed below together with cross-references to other parts of the Report where they are commented upon in more detail including how the Company seeks to control such risks and uncertainties.

1. Investment Related Risks

The principal risks the Company faces in its investment management activities are set out in Note 18 to the Financial Statements on pages 42 and 43 together with the policies for managing these risks, which have been applied throughout the year.

2. Political Conflict in Sri Lanka

As referred to in both the Chairman's Statement and the Investment Manager's Report, political conflict in Sri Lanka with the possibility of a further escalation in hostilities has been a cause of uncertainty for the Company. The Directors have monitored and continue to monitor this situation carefully.

3. Financial and Regulatory Risks

There is also a principal risk that arises from poor company and market performance in general. The overall financial situation of the Company and the market performance is reviewed in detail at each Board Meeting.

In addition a breach of Company law and other regulatory rules may result in the Company being fined or suspended from the London Stock Exchange. The Board, with its advisers, monitor the Company's regulatory obligations on an ongoing basis.

Further details concerning the ongoing process for identifying, evaluation and managing all significant risks faced by the Company are contained in the section headed 'Internal Controls' on pages 24 and 25.

Finally, it should be noted that the future of the Company should be considerably clarified following the Extraordinary General Meeting at which Continuation Proposals will be put to Shareholders. The Chairman's Statement provides further details in this regard including the benefits of such Proposals.

DIRECTORS

The Directors of the Company in office at 30 September 2006 and their interests in its shares and warrants are listed below. All the Directors served throughout the year.

Directors' interests

| Name | 30 September 2006 | 1 October 2005 |
|-----------------|-------------------|-----------------|
| | Ordinary Shares | Ordinary Shares |
| D.E.H. Panter | 80,000 | 80,000 |
| D.J.M. Blackler | 16,857 | 16,857 |
| J. Colvile | 20,000 | 20,000 |
| C.W. Kingsnorth | 356,457 | 356,457 |
| A. Boyd | 7,000 | 7,000 |
| A.J.R. Collins | — | — |

There were no changes in Directors interests up to the date of this report.

None of the Directors has an existing or proposed service contract with the Company.

In accordance with the Articles of Association and the Board's policy concerning Directors aged 70 years and over, Messrs Panter, Blackler, Boyd and Colvile retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. It is the Board's unanimous view that all the aforementioned Directors should be re-elected in view of their expertise and experience relevant to the role together with the commitment demonstrated since their initial appointment.

USE OF FINANCIAL INSTRUMENTS

The policy and practice of the Company with regard to financial instruments is set out in note 18 to the financial statements.

SUPPLIER PAYMENT POLICY

The Company does not follow any code or standard on payment practice however it is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. There were no amounts owed to suppliers in respect of invoices received but unpaid at 30 September 2006.

DURATION OF THE COMPANY

The Company's Articles of Association provide that at the Annual General Meeting of the Company to be held in 2007, a resolution will be put to the Shareholders proposing that the Company continue to operate as an investment trust company for a specified period (not exceeding three years) prior to the end of which a similar resolution will be proposed to Shareholders. If such a resolution is defeated, the Directors shall draw up proposals to liquidate the Company by no later than the date of the next Annual General Meeting.

Following consultation with advisers and certain shareholders, the Directors have decided to put forward proposals to continue the life of the Company for a fixed period of two years from the date of the Extraordinary General Meeting. A detailed circular stating these proposals will be sent to shareholders in due course, but a brief summary of the proposals is contained within the Chairman's statement on pages 3 and 4.

SUBSTANTIAL SHAREHOLDERS

As at the date of this report, the Company had been notified of the following interests requiring disclosure under Sections 198 to 202 of the Companies Act of 1985:

| Holder | Number of Ordinary Shares | Percentage |
|---|------------------------------|------------|
| Laxey Partners | 1,735,615 | 16.44 |
| Overseas Asset Management (Cayman) Ltd | 1,695,000 | 16.05 |
| C F Miton Special Situation Fund | 1,150,000 | 10.89 |
| HSBC International Trustee | 603,569 | 5.72 |
| Citigroup Global Markets UK Equity Ltd | 589,705 | 5.59 |
| New Star Pacific Growth Fund | 550,000 | 5.21 |
| Credit Agricole Cheuvreux International Ltd | 411,000 | 3.89 |
| iimia Investment Group | 740,000 | 3.65 |
| Colin Kingsnorth | 356,457 | 3.37 |
| South Yorkshire Pension Authority | 345,000 | 3.27 |

DONATIONS

The Company made no political or charitable donations during the year.

INVESTMENT MANAGEMENT AND ADMINISTRATION

Under the terms of a variation to the agreement below, from 1 October 2003 Laxey Partners (UK) Limited replaced Blakeney Management as the Investment Manager under the same terms as below, except that from that date administrative services are provided by Capita Sinclair Henderson Limited (formerly Sinclair Henderson Limited).

Under the terms of the management agreement dated 1 April 2000, between the Company and Blakeney Management Limited, the Company appointed Blakeney Management to provide investment management and administrative services to the Company. The fees for this service are charged at the rate equivalent to 1.0% per annum (exclusive of value added tax or any similar tax thereon) on the average monthly net asset value of the Company and are payable monthly in arrears. In addition, the Investment Manager has agreed that no performance fee will be charged to the Company during the proposed two year continuation period of the Company's life.

In the opinion of the Company's Directors the continuing appointment of the Investment Manager on the terms agreed is in the interest of the shareholders as a whole, particularly in view of the Investment Manager's specialised experience.

The management agreement is subject to termination by not less than six months notice by either party. The Investment Manager will be entitled to fees accrued up to the date of any such termination of the agreement. There are no provisions relating to compensation payable to the Investment Manager in the event of the termination of its appointment.

CONVERGENCE OF UK GENERALLY ACCEPTED ACCOUNTING PRACTICE

This Annual Report is the first in which the Financial Statements are prepared under the revised version of UK Generally Accepted Accounting Practice (UK GAAP) following their convergence with International Financial Reporting Standards. The main difference resulting from this change is that the quoted portfolio is valued at closing bid prices or last traded prices. Previously quoted investments were valued at closing mid market prices. Further details are provided in note 1 on pages 35 and 36.

DISCLOSURE OF INFORMATION TO AUDITORS

As far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

RE-APPOINTMENT OF AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office as Auditor and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board
Maclay Murray & Spens LLP
Company Secretary
2 February 2007

Corporate Governance

Arrangements have been put in place by the Board which it believes are appropriate to an investment trust company and enable the Company to apply Principles of Good Corporate Governance and comply with the provisions as set out in Section 1 of the Combined code of best practice (the Combined Code) as required by the Listing Rules of the Financial Services Authority.

STATEMENT OF COMPLIANCE WITH THE PROVISIONS OF THE 2003 COMBINED CODE

The Directors have reviewed the principles outlined in the Combined Code as published in July 2003 by the Financial Reporting Council and believe that, insofar as they are relevant to the Company's business, they have complied with the provisions of the Code during the year to 30 September 2006, subject to the exceptions explained below.

THE BOARD AND COMMITTEES

The Board is responsible for all matters of control and direction of the Company, including its investment policy which is managed by Laxey Partners (UK) Limited. The Board Directors possess a wide range of expertise and experience relevant to the direction of the Company and consider that they commit sufficient time to the Company's affairs.

The Board wholly comprises non-executive directors and meets regularly throughout the year to review the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. As all the Directors are non-executive, the Chairman, Mr D.E.H. Panter, is the senior non-executive Director. With the exception of Mr C. Kingsnorth, the Board considers that all the Directors are independent in character and judgement. A schedule of matters specifically reserved for the decision of the Board was adopted on 15 January 2002 for application at all meetings. On the same date a procedure was adopted for Directors in the furtherance of their duties, to take independent professional advice, if necessary at the Company's expense. Directors are selected and appointed by the Board as a whole. The Directors have access to independent advice from the Company Secretary. To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. The Directors do not have service contracts with the Company. However, under the Articles of Association, they are required to retire by rotation and their re-appointment is subject to Shareholders' approval. Each Director must submit himself for re-election at intervals of no more than three years. In accordance with current corporate governance, the Board has agreed as a policy that all Directors of the Company aged 70 years and over will offer themselves for re-election at each Annual General Meeting (AGM). There is no chief executive position within the Company. Being an externally managed investment trust the Company has no employees and therefore has no requirement for a chief executive. An Audit Committee comprising the Chairman, Mr D.E.H. Panter, Mr J.C. Colvile and Mr A. Boyd supports the Board. The committee has written terms of reference, which deal with its authorities and duties. The Company does not have a formal Nomination Committee to consider new appointments to the Board which is not in accordance with A4.1 of the Code. The reason for this is that the Board as a whole would consider any such appointments.

The Company holds Board meetings once a quarter and additional meetings are arranged as necessary. During the year to 30 September 2006 there were five scheduled Board meetings and individual details of attendance by the Directors are shown below:

| Director name | Attendance at Board meetings during the year to 30 September 2006 |
|-----------------|---|
| D.E.H. Panter | 5 |
| D.J.M. Blackler | 2 |
| J. Colvile | 4 |
| C.W. Kingsnorth | 5 |
| A. Boyd | 5 |
| A.J.R. Collins | 5 |

During the year to 30 September 2006 there was one scheduled Audit Committee meeting and this was attended by all the members of that Committee (as shown on page 18 and confirmed above).

In exercising and discharging its responsibilities, the Company's Audit Committee meets with representatives of the Investment Manager and receives reports upon the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. It reviews the annual financial statements and reviews the nature and scope of the statutory audit and the findings thereon. In addition, the Audit Committee reviews and monitors the external auditor's independence and objectivity together with the effectiveness of the audit process. The Audit Committee is attended by the auditors who provide a formal statement of independence each year. The terms of reference of the Audit Committee are available as required. It is intended that these will be reviewed during the year ending 30 September 2007 and updated as necessary.

Given the comments above and notwithstanding A.6 of the Combined Code, the Board has not established a formal process for the annual evaluation of the performance of the Board, its Audit Committee and the individual Directors. The Directors have informally evaluated performance, both individually and as a Board. During the year ending 30 September 2007, the Board will be seeking to further review and evaluate its own collective effectiveness.

INTERNAL CONTROLS

The Directors acknowledge that they are responsible for the Company's system of internal controls and for monitoring its effectiveness. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and by their very nature can provide reasonable but not absolute assurance against material misstatement or loss. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. The Directors have reviewed the effectiveness of the system of internal controls, including financial, operational and compliance controls and risk management.

Throughout the year under review, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process accords with the guidance in the document "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance) and will remain in place throughout the Company's life. This process is reviewed on a regular basis by the whole Board in accordance with the Turnbull guidance. The process involves reports to the full Board from the Company Secretary on compliance, in conjunction with the Investment Manager's regular reports which cover investment performance and compliance issues.

Internal controls aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. These controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. In addition, the Investment Manager and the Custodian of the Company's assets, HSBC Bank plc, maintain their own system of internal controls. The Board has contractually delegated to external agencies, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of assets), the day to day administration and Company secretarial requirements. Each of these contracts were entered into after full and proper consideration by the Board of the quality and cost of services offered including the internal control systems in operation in so far as they relate to the affairs of the Company. The Board is responsible for setting the overall investment policy and monitors the activity of the Investment Manager at regular Board meetings. The Investment Manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal controls operated on behalf of its clients. The Investment Manager's compliance department assesses the effectiveness of the internal controls on a continuing basis.

All of the Company's management functions are delegated to third parties whose controls are reviewed by the Board. It is therefore felt that there is no need for the Company to have an internal audit function, although this is reviewed annually.

DIRECTORS' REMUNERATION

Details of Directors' fees are set in the Directors' Remuneration report on pages 26 and 27. There is a formal procedure for fixing the level of Directors' fees, which are set at a level sufficient to attract and retain directors of the calibre required to direct the Company successfully. The Board as a whole fulfils the function of a Remuneration Committee. The reason for this is that the Company does not have any executive directors. The Board considers remuneration matters in accordance with the appropriate principles of the Code.

RELATIONS WITH SHAREHOLDERS

The Board welcomes dialogue with all Shareholders and encourages measures to enhance Shareholder communication. Any such dialogue with Shareholders is communicated to the Board as a whole by the Chairman or appropriate Director at the regular Board meetings of the Company. The views of these shareholders are considered by the Board and taken into account in formulating policy. The Board particularly welcomes the participation of Shareholders in the Annual General Meeting.

GOING CONCERN

The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements as they have proposals in place for the continuation of the Company which they are confident will be approved by shareholders, and in addition the Company has adequate financial resources to continue in operational existence for the foreseeable future. Nevertheless, as set out in the Chairman's statement, the valuations of both the quoted and unquoted portfolios should be viewed with caution and shareholders should recognise that the values disclosed may vary significantly from prices which may ultimately be realised.

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the Members at the forthcoming Annual General Meeting.

The law requires your Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 29 and 30.

REMUNERATION COMMITTEE

The Company has six non-executive Directors. The Board as a whole fulfils the function of a Remuneration Committee. The Board has appointed the Company Secretary, Maclay Murray & Spens LLP, to provide advice when the Directors consider the level of Directors' fees.

POLICY ON DIRECTORS' FEES

The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. It is intended that this policy will continue for the year ending 30 September 2007. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

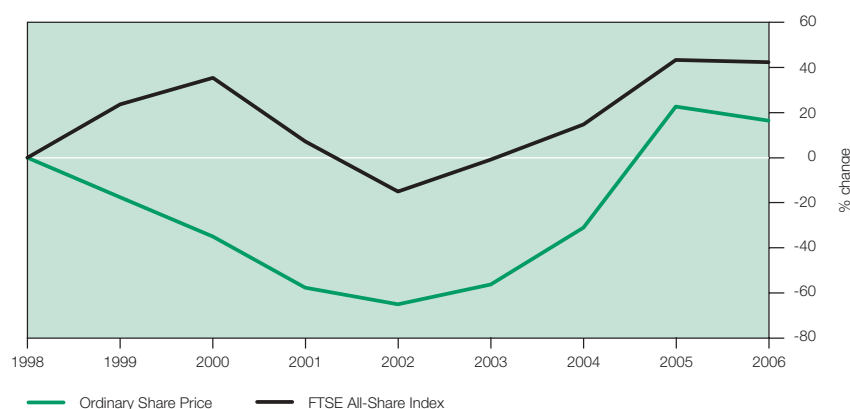
DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his appointment, and at least every three years after that. The terms also provide that a Director may be removed with three months notice and that compensation will not be due on leaving office. In addition once a Director reaches the age of 70 he shall also be subject to re-election on an annual basis.

YOUR COMPANY'S PERFORMANCE

The graph below compares the share price total return to Ordinary shareholders, compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Index is calculated.

The FTSE All-Share Index has been selected as it is considered to represent a broad equity market index against which the performance of the Company's assets may be adequately assessed.



DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

The Directors who served in the year received the following emoluments in the form of fees, as detailed in note 6 to the accounts:

| Name | Fees 2006 £'000 | Fees 2005 £'000 |
|-----------------|-----------------------|-----------------------|
| D.E.H. Panter | 27,000 | 27,000 |
| D.J.M. Blackler | 9,000 | 9,000 |
| J. Colvile | 9,000 | 9,000 |
| C.W. Kingsnorth | 9,000 | 9,000 |
| A. Boyd | 9,000 | 9,000 |
| A.J.R. Collins | 9,000 | 9,000 |
| | <u>72,000</u> | <u>72,000</u> |

APPROVAL

The Directors' Remuneration Report was approved by the Board of Directors and authorised for issue on 2 February 2007 and signed on its behalf by D.E.H. Panter.

Mr D.E.H. Panter
Chairman
2 February 2007

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable company law and United Kingdom Generally Accepted Accounting Practice ('UK GAAP').

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the net return of the Company for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and disclose particulars of any material departures from those standards and the reasons for it; and
- prepare the financial statements on an ongoing basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which 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 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.

Report of the Independent Auditors

to the members of Tea Plantations Investment Trust PLC

We have audited the financial statements of Tea Plantations Investment Trust plc for the year ended 30 September 2006 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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 auditors' 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 are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited 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, the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with the financial statements.

We also 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 review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors, Manager and Advisers, Chairman's Statement, Investment Manager's Report, Investments as at 30 September 2006, Valuation of Shares of Unquoted Investments, Portfolio Review, Directors', Director's Report and Business Review, Corporate Governance, the unaudited part of the Directors' Remuneration Report, and the Notice of Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its net return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP,
Registered Auditor
London
2 February 2007

Income Statement

For the year ended 30 September 2006

| | Notes | Revenue £ | 2006 Capital £ | Total £ | Revenue £ | Restated* 2005 Capital £ | Total £ |
|---|-------|----------------|----------------------|----------------|-----------------|-----------------------------------|------------------|
| Gains on investments at fair value | | | | | | | |
| | 9 | – | 287,040 | 287,040 | – | 3,324,468 | 3,324,468 |
| Income from investments | 3 | 358,049 | – | 358,049 | 199,702 | – | 199,702 |
| Interest receivable and other income | 3 | 5,870 | – | 5,870 | 22,228 | – | 22,228 |
| | | <u>363,919</u> | <u>287,040</u> | <u>650,959</u> | <u>221,930</u> | <u>3,324,468</u> | <u>3,546,398</u> |
| Investment management fee | 4 | (48,154) | (48,155) | (96,309) | (39,866) | (39,865) | (79,731) |
| Other administrative expenses | 5 | (233,339) | – | (233,339) | (201,974) | – | (201,974) |
| Return on ordinary activities before finance cost and taxation | | | | | | | |
| | | 82,426 | 238,885 | 321,311 | (19,910) | 3,284,603 | 3,264,693 |
| Interest payable and similar charges | | (51) | – | (51) | (86) | – | (86) |
| Return on ordinary activities before taxation | | | | | | | |
| | | 82,375 | 238,885 | 321,260 | (19,996) | 3,284,603 | 3,264,607 |
| Taxation | 7 | (28,723) | – | (28,723) | (14,329) | – | (14,329) |
| Return on ordinary activities after taxation | | | | | | | |
| | | <u>53,652</u> | <u>238,885</u> | <u>292,537</u> | <u>(34,325)</u> | <u>3,284,603</u> | <u>3,250,278</u> |
| Return per Ordinary share | 8 | <u>0.51</u> | <u>2.26</u> | <u>2.77</u> | <u>(0.33)</u> | <u>31.11</u> | <u>30.78</u> |

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year.

A separate statement of total recognised gains and losses has not been prepared as all such gains and losses are included in the income statement.

* These values have been restated to reflect the changes in accounting policies set out in note 1.

The notes on pages 35 to 44 form part of these financial statements.

Balance Sheet

At 30 September 2006

| | Notes | 2006 £ | Restated* 2005 £ |
|---|-------|--------------------------|--------------------------|
| Fixed asset investments | | | |
| Investments at fair value | 9 | <u>9,979,820</u> | <u>9,945,748</u> |
| Current assets | | | |
| Debtors | 11 | 21,571 | 68,727 |
| Cash at bank | 16 | <u>368,509</u> | <u>64,138</u> |
| | | 390,080 | 132,865 |
| Creditors: amounts falling due within one year | 12 | <u>60,042</u> | <u>61,292</u> |
| Net current assets | | <u>330,038</u> | <u>71,573</u> |
| Net assets | | <u><u>10,309,858</u></u> | <u><u>10,017,321</u></u> |
| Capital and reserves | | | |
| Called-up share capital | 13 | 2,639,429 | 2,639,429 |
| Share premium account | 14 | 5,662,800 | 5,662,800 |
| Capital reserve | | | |
| – realised | | 1,110,644 | 967,513 |
| – unrealised | | 1,228,188 | 1,132,434 |
| Revenue reserve | | <u>(331,203)</u> | <u>(384,855)</u> |
| Shareholders' funds | | <u><u>10,309,858</u></u> | <u><u>10,017,321</u></u> |
| Net asset value per Ordinary share: | 2 | 97.65p | 94.88p |

* These comparatives have been restated to reflect the change in accounting policies as required under the revision to UK GAAP.

The financial statements on pages 31 to 44 were approved by the Board of Directors and authorised for issue on 2 February 2007 and were signed on its behalf by:

Mr D.E.H. Panter
Chairman

The notes on pages 35 to 44 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

| | Share Capital £ | Share Premium £ | Capital Reserve Realised £ | Capital Reserve Unrealised £ | Revenue Reserve £ | Total £ |
|---|-----------------------|-----------------------|-------------------------------------|---------------------------------------|-------------------------|-------------------|
| Year ended 30 September 2006 | | | | | | |
| At 1 October 2005 | | | | | | |
| (as originally stated) | 2,639,429 | 5,662,800 | 967,513 | 1,137,434 | (384,855) | 10,022,321 |
| Restatement* | — | — | — | (5,000) | — | (5,000) |
| At 1 October 2005 (restated) | 2,639,429 | 5,662,800 | 967,513 | 1,132,434 | (384,855) | 10,017,321 |
| Net return after taxation for the year | — | — | 143,131 | 95,754 | 53,652 | 292,537 |
| At 30 September 2006 | <u>2,639,429</u> | <u>5,662,800</u> | <u>1,110,644</u> | <u>1,228,188</u> | <u>(331,203)</u> | <u>10,309,858</u> |
| Year ended 30 September 2005 | | | | | | |
| At 1 October 2004 | 2,639,429 | 5,662,800 | 1,013,728 | (2,193,384) | (350,530) | 6,772,043 |
| Restatement* | — | — | — | (5,000) | — | (5,000) |
| At 1 October 2004 (restated) | 2,639,429 | 5,662,800 | 1,013,728 | (2,198,384) | (350,530) | 6,767,043 |
| Net return after taxation for the year | — | — | (46,215) | 3,330,818 | (34,325) | 3,250,278 |
| At 30 September 2005 (restated) | <u>2,639,429</u> | <u>5,662,800</u> | <u>967,513</u> | <u>1,132,434</u> | <u>(384,855)</u> | <u>10,017,321</u> |

* For details of the restatement of the Company's comparative figures, please refer to note 1.

The notes on pages 35 to 44 form part of these financial statements.

Cash Flow Statement

For the year ended 30 September 2006

| | Note | 2006 £ | 2005 £ |
|--|------|-----------------------|-------------------------|
| Net cash inflow/(outflow) from operating activities | 15 | <u>51,454</u> | <u>(109,691)</u> |
| Taxation | | | |
| Tax received | | <u>—</u> | <u>—</u> |
| Servicing of finance | | <u>(51)</u> | <u>(86)</u> |
| Capital expenditure and financial investment | | | |
| Purchase of fixed asset investments | | (1,634,766) | (3,199,755) |
| Proceeds from sale of fixed asset investments | | <u>1,887,734</u> | <u>2,900,600</u> |
| Net cash inflow/(outflow) from capital expenditure and financial investment | | <u>252,968</u> | <u>(299,155)</u> |
| Net cash inflow/(outflow) | | <u>304,371</u> | <u>(408,932)</u> |
| Increase/(decrease) in cash | 16 | <u><u>304,371</u></u> | <u><u>(408,932)</u></u> |

The notes on pages 35 to 44 form part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been consistently applied throughout the year, is set out below:

a) Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies', issued in 2003 and revised in December 2005.

b) Change in accounting policy

These accounting policies have been prepared using new accounting standards which have been issued to begin the process of converging UK standards with International Reporting Standards (IFRS). The effect on the net asset value of these changes is laid out in the table in note 2. The first change, Financial Reporting Standard (FRS) 21, is to recognise any interim dividend only after it has been paid or in the case of a final dividend approved by the shareholders in General Meeting. The second, FRS 26 is to value the portfolio at bid prices rather than at mid market prices, (see the table in note 2).

With effect from 1 October 2005, the Company has adopted the following Financial Reporting Standards:

FRS 21 Events after the balance sheet date

Dividends paid by the Company are accounted for in the period in which the dividend has been declared. Previously, the Company recognised dividends in the period in which net revenue, to which those dividends related, was accounted for.

FRS 25 Financial Instruments: Disclosure and Presentation and

FRS 26 Financial Instruments: Measurement

All investments held by the Company are classified as 'fair value through profit and loss'. For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices or last traded prices at the close of business on the balance sheet date. Previously all listed investments were valued using closing mid market prices at the balance sheet date.

The effect of FRS 25 is that dividends are no longer presented as part of the Income Statement and that enhanced disclosure of financial instruments risk is provided.

The effect of FRS 26 is to value the portfolio at bid prices rather than mid prices. This also impacts net income via the unrealised gains on investments which are recalculated applying bid price valuations.

In addition the Company has adopted the 2003 Statement of Recommended Practice: Financial Statements of Investments Trust Companies as revised in December 2005.

The financial effects of these changes to the Company's accounting policies as at 30 September 2004 and 30 September 2005 are set out in the tables below:

| | Previously Reported £'000 | Adjustment £'000 | Restated £'000 |
|--------------------------------|------------------------------|---------------------|-------------------|
| As at 30 September 2004 | | | |
| Investments at fair value | 6,327,125 | (5,000) | 6,322,125 |
| Capital reserve – unrealised | (2,193,384) | (5,000) | (2,198,384) |

Notes to the Financial Statements (continued)

| | Previously Reported £'000 | Adjustment £'000 | Restated £'000 |
|--------------------------------|------------------------------|---------------------|-------------------|
| As at 30 September 2005 | | | |
| Investments at fair value | 9,950,748 | (5,000) | 9,945,748 |
| Capital reserve – unrealised | 1,137,434 | (5,000) | 1,132,434 |

The resulting effect of these changes on the net asset value at 30 September 2005 is laid out in the table in note 2.

These changes have no effect on the Company's revenue in the prior period.

The financial effects of these changes to the Company's results for the year ended 30 September 2006 are not material.

c) Valuation of investments

All investments are classified as 'fair value through profit or loss'. Investments are initially recognised at cost being the fair value of consideration given.

After initial recognition investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the income statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sale proceeds and cost.

Unquoted investments have been fair valued by an external valuer at the year end (pages 8 to 14). These valuations have been adopted by the Directors.

Quoted investments are valued at closing bid market prices or last traded price where bid prices are not regularly and readily available.

The Company is taking advantage of FRS9 which enables it to treat holdings over 20% of a company's share capital as a normal investment and not as an associate.

d) Foreign currency

Transactions denominated in foreign currencies are recorded at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

e) Income

Dividends receivable on investments are included in the income statement on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the company's right to receive payment is established.

Fixed returns on debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the debt security. Bank deposit interest is accounted for on an accruals basis.

f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the income statement except as follows:

- management fee has been allocated 50% to capital and 50% to revenue which represents the Directors' expectation of the split of long term returns between capital and revenue.
- expenses which are incidental to the acquisition or disposal of an investment are treated as capital and separately identified and disclosed (see note 9).

g) Taxation

The taxation charge is based on taxable income for the year. Withholding tax deducted from income received is treated as part of the taxation charge. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events result in an obligation to pay more, or right to pay less tax in the future have occurred at the balance sheet date.

This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

h) Capital reserves

Capital Reserve – Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses, together with related taxation effect, in accordance with the above policies

Capital Reserve – Unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end
- unrealised exchange differences of a capital nature

2. NET ASSET VALUE PER SHARE

These net asset values have been calculated in accordance with the revised accounting policies set out in note 1.

| | 30 September 2006 | | 30 September 2005 | |
|--|-------------------|--------------|-------------------|--------------|
| | £ | p | £ | p |
| Net asset value as announced | 10,309,858 | 97.65 | 10,022,321 | 94.93 |
| Reduction due to using bid prices | – | – | (5,000) | (0.05) |
| Net asset value per revised UK GAAP | <u>10,309,858</u> | <u>97.65</u> | <u>10,017,321</u> | <u>94.88</u> |

The net asset value has been calculated on 10,557,717 Ordinary shares being the number of shares in issue at the year end (2005: 10,557,717).

3. INCOME

| | 2006 £ | 2005 £ |
|--------------------------------|-----------------------|-----------------------|
| Income from investments | | |
| UK net dividend income | 1,000 | 5,000 |
| Unfranked investment income | 71,475 | 28,068 |
| Overseas dividends | <u>285,574</u> | <u>166,634</u> |
| | 358,049 | 199,702 |
| Other income | | |
| Deposit interest | <u>5,870</u> | <u>22,228</u> |
| Total income | <u><u>363,919</u></u> | <u><u>221,930</u></u> |
| Total income comprises: | | |
| Dividends | 286,574 | 171,634 |
| Interest | <u>77,345</u> | <u>50,296</u> |
| | <u><u>363,919</u></u> | <u><u>221,930</u></u> |
| Income from investments | | |
| Listed UK | 72,475 | 33,068 |
| Listed and unlisted overseas | <u>285,574</u> | <u>166,634</u> |
| | <u><u>358,049</u></u> | <u><u>199,702</u></u> |

4. INVESTMENT MANAGEMENT FEE

| | 2006 £ | 2005 £ |
|--------------|----------------------|----------------------|
| Revenue | 48,154 | 39,866 |
| Capital | <u>48,155</u> | <u>39,865</u> |
| Total | <u><u>96,309</u></u> | <u><u>79,731</u></u> |

Details of the Investment Management agreement are given on page 22.

5. OTHER ADMINISTRATIVE EXPENSES

| | 2006 £ | 2005 £ |
|--|-----------------------|-----------------------|
| Secretarial services | 10,000 | 10,000 |
| Directors' fees | 57,000 | 57,000 |
| Auditors' remuneration for: | | |
| – audit | 14,524 | 13,200 |
| – other services to the Company (taxation) | – | 6,000 |
| Other | <u>151,815</u> | <u>115,774</u> |
| Total | <u><u>233,339</u></u> | <u><u>201,974</u></u> |

6. DIRECTORS' EMOLUMENTS

| | 2006 £ | 2005 £ |
|-------------------|----------------------|----------------------|
| D.E.H. Panter | 27,000 | 27,000 |
| D.J.M. Blackler | 9,000 | 9,000 |
| J. Colville | 9,000 | 9,000 |
| C.W. Kingsnorth | 9,000 | 9,000 |
| A. Boyd | 9,000 | 9,000 |
| A.J.R. Collins | 9,000 | 9,000 |
| Total Fees | <u>72,000</u> | <u>72,000</u> |

Included in the above are £15,000 (2005: £15,000) consultancy fees payable to D.E.H. Panter.

7. TAXATION

| | 2006 Total £ | 2005 Total £ |
|----------------------|--------------------|--------------------|
| Foreign tax suffered | <u>28,723</u> | <u>14,329</u> |

The tax assessed for the period is higher than the standard rate of corporation tax of 30% (2005: 30%). The differences are explained below:

| | 2006 £ | 2005 £ |
|---|---------------|-----------------|
| Return on ordinary activities before taxation | <u>82,375</u> | <u>(19,996)</u> |
| Corporation tax at 30% | 24,713 | (5,999) |
| Effects of: | | |
| UK dividends not taxable | (300) | (1,500) |
| Movement in accrued income taxable on receipt | – | 12,140 |
| Allowable expenses capitalised | (14,446) | (11,960) |
| Excess expenses of current period | (9,967) | 7,319 |
| Overseas tax | <u>28,723</u> | <u>14,329</u> |
| Current tax charge | <u>28,723</u> | <u>14,329</u> |

Investment trusts are exempt from corporation tax on capital gains provided the company obtains agreement from HM Revenue & Customs that Section 842 tests have been met.

After claiming relief against accrued income taxable on receipt the Company has unrelieved excess expenses of £655,482 (2005: £689,804). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

8. RETURN PER ORDINARY SHARE

| 2006 | | | 2005 | | |
|-------------|-------------|-------------|---------------|--------------|--------------|
| Revenue | Capital | Total | Revenue | Capital | Total |
| P | P | P | P | P | P |
| <u>0.51</u> | <u>2.26</u> | <u>2.77</u> | <u>(0.33)</u> | <u>31.11</u> | <u>30.78</u> |

Basic revenue return per Ordinary share is based on the net profit on ordinary activities after taxation of £53,652 (2005: loss of £34,325) and on 10,557,717 (2005: 10,557,717) Ordinary shares, being the weighted average number of Ordinary shares in issue throughout the year.

8. RETURN PER ORDINARY SHARE (CONTINUED)

Basic capital return per Ordinary share is based on the net capital gains for the year of £238,885 (2005: £3,284,603) and on 10,557,717 (2005: 10,557,717) Ordinary shares, being the weighted average number of Ordinary shares in issue throughout the year.

Total return per Ordinary share is based on the net profit on ordinary activities after taxation of £292,537 (2005: £3,250,278) and on 10,557,717 (2005: 10,557,717) Ordinary shares, being the weighted average number of Ordinary shares in issue throughout the year.

9. FIXED ASSET INVESTMENTS

| | | | 2006 | 2005 | |
|--|------------------|-------------------------|--------------------|--------------------|--------------------|
| | | | £ | £ | |
| UK listed | | | 1,328,721 | 2,533,782 | |
| Listed overseas | | | 7,015,199 | 5,809,011 | |
| Total listed investments | | | 8,343,920 | 8,342,793 | |
| Unlisted investments at Directors' valuation | | | 1,635,900 | 1,602,955 | |
| | | | <u>9,979,820</u> | <u>9,945,748</u> | |
| | Listed in UK | Listed Overseas £ | Unlisted £ | 2006 Total £ | 2005 Total £ |
| Opening book cost | 2,415,335 | 3,550,288 | 2,847,691 | 8,813,314 | 8,520,509 |
| Opening unrealised appreciation/(depreciation) | <u>118,447</u> | <u>2,258,723</u> | <u>(1,244,736)</u> | <u>1,132,434</u> | <u>(2,198,384)</u> |
| Opening valuation | 2,533,782 | 5,809,011 | 1,602,955 | 9,945,748 | 6,322,125 |
| Movements in the year: | | | | | |
| Purchase at cost | 285,934 | 1,348,832 | – | 1,634,766 | 3,199,755 |
| Sales | | | | | |
| – proceeds | (1,502,018) | (399,096) | – | (1,901,114) | (2,911,275) |
| – realised gains on sales | 137,695 | 66,971 | – | 204,666 | 4,325 |
| (Decrease)/increase in unrealised appreciation/(depreciation) | <u>(126,672)</u> | <u>189,481</u> | <u>32,945</u> | <u>95,754</u> | <u>3,330,818</u> |
| Closing valuation | <u>1,328,721</u> | <u>7,015,199</u> | <u>1,635,900</u> | <u>9,979,820</u> | <u>9,945,748</u> |
| Closing book cost | 1,336,946 | 4,566,995 | 2,847,691 | 8,751,632 | 8,813,314 |
| Closing unrealised (depreciation) /appreciation | <u>(8,225)</u> | <u>2,448,204</u> | <u>(1,211,791)</u> | <u>1,228,188</u> | <u>1,132,434</u> |
| | <u>1,328,721</u> | <u>7,015,199</u> | <u>1,635,900</u> | <u>9,979,820</u> | <u>9,945,748</u> |
| Realised gains on sales | 137,695 | 66,971 | – | 204,666 | 4,325 |
| Realised losses on settlements | – | (13,380) | – | (13,380) | (10,675) |
| (Decrease)/increase in unrealised (depreciation)/appreciation | <u>(126,672)</u> | <u>189,481</u> | <u>32,945</u> | <u>95,754</u> | <u>3,330,818</u> |
| Gains on investments | <u>11,023</u> | <u>243,072</u> | <u>32,945</u> | <u>287,040</u> | <u>3,324,468</u> |

9. FIXED ASSET INVESTMENTS (CONTINUED)

Unlisted investments have been valued by an independent valuer and the Board has adopted this valuation for the unlisted investments. Valuations of unlisted investments have been made taking into consideration the value of the plantations and management fees received from the plantations.

During the year the Company incurred transaction costs of £10,660 (2005: £38) and £5,737 (2005: £9,746) on purchases and sales of investments respectively. These amounts are included in gains on investments at fair value as disclosed in the income statement.

10. SIGNIFICANT INTERESTS

Details of investments in which the Company has an investment of 20% or more of the nominal value of the allotted shares of any class, or the assets, are as follows

| Name of Undertaking | Proportion owned at 30 September 2006 | Aggregate Capital and reserves | Profit after tax |
|--------------------------------------|--|-----------------------------------|---------------------|
| Forbes Plantations Limited | 20% | 426.3Rs m | 11.2Rs m |
| Ceytea Plantation Management Limited | 23% | 473.5Rs m | 35.1Rs m |

The above investments are all in ordinary shares, the country of incorporation and operation is Sri Lanka.

11. DEBTORS

| | 2006 £ | 2005 £ |
|--------------------------------|---------------|---------------|
| Dividends receivable | – | 42,140 |
| Prepayments and accrued income | <u>21,571</u> | <u>26,587</u> |
| | <u>21,571</u> | <u>68,727</u> |

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2006 £ | 2005 £ |
|-----------------|---------------|---------------|
| Other creditors | <u>60,042</u> | <u>61,292</u> |

13. CALLED-UP SHARE CAPITAL

| | 2006 £ | 2005 £ |
|---|------------------|------------------|
| Authorised | | |
| 18,000,000 Ordinary shares of 25p each | <u>4,500,000</u> | <u>4,500,000</u> |
| Allotted, called-up and fully paid | | |
| 10,557,717 Ordinary shares of 25p each | <u>2,639,429</u> | <u>2,639,429</u> |

14. SHARE PREMIUM ACCOUNT

| | 2006 £ | 2005 £ |
|------------------------------|------------------|------------------|
| At beginning and end of year | <u>5,662,800</u> | <u>5,662,800</u> |

15. RECONCILIATION OF NET RETURN TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | 2006 £ | 2005 £ |
|--|---------------|------------------|
| Return on ordinary activities before finance cost and taxation | 321,311 | 3,264,693 |
| Net capital return before finance cost | (238,885) | (3,284,603) |
| Investment management fee charged to Capital | (48,155) | (39,865) |
| Decrease/(increase) in debtors | 47,156 | (8,431) |
| Tax on investment income included within gross income | (28,723) | (14,329) |
| Decrease in creditors | (1,250) | (27,156) |
| Net cash inflow/(outflow) from operating activities | <u>51,454</u> | <u>(109,691)</u> |

16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 2006 £ | 2005 £ |
|---|-----------------------|----------------------|
| Increase/(decrease) in cash in the year | <u>304,371</u> | <u>(408,932)</u> |
| Change in net funds | 304,371 | (408,932) |
| Net funds at beginning of the year | <u>64,138</u> | <u>473,070</u> |
| Net funds at end of year | <u>368,509</u> | <u>64,138</u> |

Analysis of changes in net funds

| | At 30 September 2005 £ | Cash flows £ | At 30 September 2006 £ |
|--------------|------------------------------|-----------------|------------------------------|
| Cash at bank | <u>64,138</u> | <u>304,371</u> | <u>368,509</u> |

17. CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (2005: nil).

18. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

The Company's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise from its operations. The Company finances its operations through its issued share capital and existing reserves.

The principal risks the Company faces in its investment management activities are:

- currency risk;
- market price risk;
- liquidity risk;
- interest rate risk; and
- credit risk.

The managers' policies for managing these risks are summarised below and have been applied throughout the year.

18. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The Company invests primarily in the ordinary shares of companies operating in Sri Lanka and therefore currency risk is inherent in a portfolio which invests in securities which are not denominated in sterling. At 30 September 2006, a total of £8,651,099 (2005: £7,411,966) of investments was denominated in Sri Lanka Rupees. In addition there were debtors at 30 September 2006 of £nil (2005: £42,140) denominated in Sri Lanka Rupees. All other assets and liabilities are in Sterling. It is not the Company's policy to hedge against movements in Sterling against overseas currencies where these arise. All of the portfolio is currently held in equities, with the exception of one holding in UK 4.5% Treasury Stock.

There is also a degree of liquidity risk inherent in the portfolio as £1,635,900 (2005: £1,602,955) is in unquoted companies.

The Company does not operate an overdraft. The only interest rate risk is a change in the rate received on cash.

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Manager on a daily basis.

The political situation in Sri Lanka as detailed in the Chairman's Statement and Investment Manager's Report means that a degree of credit risk is inherent in the Sri Lankan investments.

The Investment Manager takes account of all the above perceived risks when making investment decisions and these are continually monitored by the Directors.

At the year end, the Company's financial assets and liabilities were as follows:

| | 2006 | Fixed Interest Rate | Floating Interest Rate | 2005 | Fixed Interest Rate | Floating Interest Rate |
|---------------------------------------|-------------------|---------------------|------------------------|-------------------|---------------------|------------------------|
| | £ | % | % | £ | % | % |
| Fixed Asset Investments | | | | | | |
| Ordinary shares listed in Sri Lanka | 7,015,199 | – | – | 5,809,011 | – | – |
| Ordinary shares unlisted in Sri Lanka | 1,635,900 | – | – | 1,602,955 | – | – |
| Ordinary shares listed in UK | – | – | – | 440,000 | – | – |
| Treasury stock listed in UK | 1,328,721 | 4.50 | – | 2,093,782 | 4.50 | – |
| | <u>9,979,820</u> | | | <u>9,945,748</u> | | |
| Current Assets | | | | | | |
| Cash at bank | 368,509 | – | 4.125 | 64,138 | – | 3.85 |
| Debtors | 21,571 | – | – | 68,727 | – | – |
| | <u>10,369,900</u> | | | <u>10,078,613</u> | | |
| Liabilities | £ | | | £ | | |
| Creditors, due within one year | <u>60,042</u> | | | <u>61,292</u> | | |

All financial assets and liabilities of the Company are held at their fair value.

Floating rate financial assets comprise cash at bank, on which interest is earned at monthly rates. As at 30 September 2006, interest is earned at 4.125%, being 0.625% below the Bank of England base rate of 4.75%.

Fixed rate financial assets comprise UK Treasury stock. The weighted average period to maturity for financial assets on which fixed rate interest is paid is 0.4 years (2005: 1.4 years).

19. RELATED PARTY TRANSACTIONS

Laxey Partners (UK) Limited, the Investment Manager, of which Colin Kingsnorth is a director, is a related party.

The total investment management charge payable to Laxey Partners (UK) Limited in the Income Statement for the year was £96,309 (see note 4) of which £8,251 was outstanding at 30 September 2006 (2005: £15,485).

Notice of Meeting

Notice is hereby given that the Ninth Annual General Meeting of the members of the above named Company will be held at the offices of Laxey Partners (UK) Limited at Princes House, 38 Jermyn Street, London SW1 6DN on 6 March 2007 at 12 noon to consider and, if thought fit, pass the following resolutions of which 1 to 8 will be proposed as ordinary resolutions and resolution 9 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. To receive and adopt the Directors' report and financial statements for the year ended 30 September 2006, together with the independent auditors' report thereon.
2. To receive the Directors' remuneration report for the year ended 30 September 2006.
3. To reappoint Ernst & Young LLP as auditors and to authorise the Directors to agree their remuneration.
4. To re-elect Mr J.C. Colvile as a Director, retiring by rotation.
5. To re-elect Mr D.E.H. Panter aged 72 as a Director.
6. To re-elect Mr D.J.M. Blackler aged 77 as a Director.
7. To re-elect Mr A. Boyd aged 72 as a Director.
8. That the Directors are hereby generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £879,809.75 comprising 3,519,239 Ordinary shares of 25p each, representing one third of the Company's issued share capital, provided that this authority shall expire (unless previously renewed varied or revoked by the Company in general meeting) on the earlier of the date of the Annual General Meeting of the Company in 2007 or 31 March 2007 (the 'Section 80 period') save that the Company may prior to expiry of the Section 80 period make an offer of agreement which would or might require relevant securities to be allotted after the Section 80 period and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

SPECIAL RESOLUTION

9. That the Directors are hereby empowered to allot equity securities for cash (within the meaning of Section 94 of the Companies Act 1985 (the Act)) pursuant to Section 95 of the Act subject to their being duly authorised under Section 80 of the Act, as if Sub-Section 89(1) of the Act did not apply to any such allotment and at any time prior to the expiry of the power hereby conferred to make an offer or agreement which would or might require equity securities as aforesaid to be allotted after the expiry of such power provided that such power shall expire on the earlier of the date of the Annual General Meeting of the Company to be held in 2007 or 31 March 2007 only in respect of equity securities as aforesaid up to an aggregate amount of £131,971.46 representing 5 per cent of the present issued share capital.

2 February 2007
One London Wall
London EC2Y 5AB

BY ORDER OF THE BOARD
Maclay Murray & Spens LLP
Company Secretary

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or are notarially certified copy of that power or authority should be sent to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not less than forty eight hours before the time fixed for the meeting.
3. No Director has a service contract with the Company.
4. The Register of Directors' interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.

Notes

Proxy Tea Plantations Investment Trust PLC

Please complete in block capitals

I/We

of

being (a) Shareholder(s) of the above named Company hereby appoint the Chairman of the meeting/
.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 6 March 2007 and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions as set out in the Notice convening the Annual General Meeting as follows:-

RESOLUTIONS

| | For | Against |
|---|--------------------------|--------------------------|
| 1. Directors' and Independent Auditors reports, report and accounts | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Directors' remuneration report | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Reappointment of auditors | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Re-election of Mr J.C. Colvile | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Re-election of Mr D.E.H. Panter | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Re-election of Mr D.J.M. Blackler | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Re-election of Mr A. Boyd | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Section 80 authority | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Section 95 authority | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this day of 2007

To be valid, the form of proxy must be lodged with The Registrars of Tea Plantations Investment Trust PLC: Capita Registrars plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than forty-eight hours before the time fixed for the meeting.

Notes:

- (1) In any case of joint holders, the signature of any one holder will be sufficient. In the case of a corporation, the proxy should be executed under its common seal or under the hand of an officer/attorney, duly authorised in writing on its behalf. Alternatively, a corporation to which Section 36A of the Companies Act 1985 applies may execute this form by a director and the company secretary or by two directors of the company. Each of the officers signing the form should state under his signature the office which he holds.
- (2) If it is desired to appoint any other person as a proxy, strike out the Chairman of the Meeting, and insert the name of your choice.
- (3) Please indicate how you wish your vote to be cast by placing an X in the appropriate box. Unless otherwise indicated, the proxy will exercise his discretion both as to how to vote and as to whether or not he abstains from voting.



2nd Fold

┌ ┐
Affix
Stamp
└ ┘

Capita Registrars
Proxy Department
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

1st Fold

3rd Fold and tuck in

