

Camellia Plc

2004

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Directors and Advisers

Chairman Emeritus

H. K. FitzGerald

Directors

M. C. Perkins, FCA,

Chairman†

P. A. Leggatt, MBE,

A. K. Mathur, FCA,

Finance director

D. A. Reeves, MSc,

Independent non executive director†

A. S. M. O. Subhan, MPhil,

C. P. T. Vaughan-Johnson, FCIB,

Independent non executive director†

† Member of audit committee

Secretary

M. D. Conway, FCIS

Registered Office

Linton Park

Linton

Near Maidstone

Kent ME17 4AB

(Registered No. 29559)

Registrars

Capita Registrars

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

Auditors

Moore Stephens

Chartered Accountants

St. Paul's House

Warwick Lane

London EC4P 4BN

Notice of Meeting

Notice is hereby given that the annual general meeting of Camellia Plc will be held at The Goring Hotel, Beeston Place, Grosvenor Gardens, London SW1W 0JW on Tuesday 7 June 2005 at 12.30 p.m. for the following purposes:

1. To receive and consider the report of the directors and the statement of accounts for the year ended 31 December 2004.
2. To approve the directors' remuneration report for the year ended 31 December 2004.
3. To declare a final dividend.
4. To re-elect the following directors who, in accordance with the company's articles of association, will retire at this annual general meeting:
 - A. Mr M C Perkins
 - B. Mr P A Leggatt
 - C. Mr A K Mathur
 - D. Mr D A Reeves
 - E. Mr A S M O Subhan
 - F. Mr C P T Vaughan-Johnson
5. To re-appoint Moore Stephens as auditors and authorise the directors to agree their remuneration.
6. As special business, to consider, and if thought fit, to pass the following resolution, which will be proposed as a special resolution.

That the company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) on the London Stock Exchange of ordinary shares of 10p each of the company ("ordinary shares") provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 259,500 representing 10 per cent. of the issued ordinary share capital;
- (b) the minimum price which may be paid for such shares is 10p per share (exclusive of expenses);
- (c) the company does not pay more than 5 per cent. above the average of the middle market quotations for the ordinary shares of the company derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the shares are contracted to be purchased;
- (d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the company next following the meeting at which this resolution is passed or fifteen months thereafter, whichever is the earlier; and
- (e) the company may, under the authority hereby conferred and prior to the expiry of that authority, make a contract to purchase its own shares which will or may be executed wholly or partly after the expiry of that authority and may make a purchase of its own shares in pursuance of any such contract.

By order of the board

M D Conway

Secretary

28 April 2005

Notes:

- 1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the company.
- 2 In the case of a corporation, the form of proxy must be executed under its common seal or under the hand of a duly authorised officer or attorney.
- 3 If the form of proxy is returned without any indication as to how the person(s) appointed shall vote on the resolution, such person(s) will exercise his/her/their discretion as to how to vote or whether to abstain from voting.
- 4 For the purposes of determining who is entitled to vote (whether on a poll or otherwise) at the meeting a person must be entered in the register of members not later than forty-eight hours before the time of the meeting (or any adjournment thereof).
- 5 The instrument appointing a proxy must be lodged at the office of the company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than forty-eight hours before the meeting.

Chairman's Statement

Pre-tax profit for the year ended 31 December 2004 was £8.21 million compared with £27.52 million in 2003. The previous year did, of course, include an exceptional profit of £21.20 million in respect of the sale of the group's warehouse complex at Banbury. The underlying profitability can therefore be considered to be satisfactory, notwithstanding restructuring costs in respect of the group's tea operations in South Africa. The profit attributable to shareholders was £3.38 million compared with £25.98 million in 2003 and earnings decreased from 999.18p per share to 130.47p per share.

Dividend

The board is recommending a final dividend of 68p per share, which, together with the interim dividend already paid of 20p per share, brings the total distribution for the year to 88p per share compared with 87p per share in 2003.

Agriculture and horticulture

Tea

India

Weather conditions at the start of the season were unfavourable and this, coupled with the group's policy of producing only quality tea, resulted in a crop of 25.21 million kgs. compared with 28.24 million kgs. in the previous year and produced a profit before tax of £990,000 compared with a loss of £496,000 in 2003. It is encouraging to report that prices have shown a considerable improvement and all the group's twelve Dooars gardens were included in the top twenty of the regional averages. Similar satisfactory prices were obtained in Assam.

In Darjeeling it is most encouraging to report that the group's gardens have returned to marginal profitability and this again reflects the emphasis on quality.

Useful orders continued to be obtained for the instant tea plant at Aibheel Tea Garden and additional machinery is being installed to increase capacity for what is now a much sought after product. The law and order situation in Assam has become relatively satisfactory and there have been no major incidents affecting the group's gardens.

Bangladesh

Weather conditions were unfavourable at the start of the season and the ten Longbourne gardens have produced a crop of 10.74 million kgs. compared with 11.16 million kgs. in the previous year. Prices have been satisfactory although at the year end they were 4% lower than in 2003.

Africa

Climatic conditions in 2004 were generally favourable and subsidiary companies produced 41.5 million kgs.. Our operations in Kenya and Malawi performed well and produced satisfactory profits, maintaining good quality with increased yield. Our involvement in the smallholder sector in both countries also expanded during the year and now forms a meaningful part of our business on which we hope to build further in the future.

The situation in respect of tea production in South Africa deteriorated further in 2004 due to the continuing strength of the rand, the imposition of a comparatively high minimum wage and the withdrawal of duty protection against tea imports. As foreshadowed in my statements made to shareholders last year, the potential losses that were likely to be incurred in continuing to run our operations were of such a magnitude that the board was left with no alternative but to cease production. The closure costs included in the 2004 accounts amount to a net figure of £2,032,000.

Nepal

Himalaya Goodricke Private Limited produced a record crop of 333,000 kgs. but will only show a marginal profit of £5,000. The political situation in Nepal gives great cause for concern but fortunately the workings of the garden have been unaffected.

Chairman's Statement

Citrus

Yandilla Park enjoyed an improved year in Australia with good production and prices. The packing and marketing operations also benefited from increased demand. In October, Yandilla Park entered into a contract to sell the majority of its orchards to an agricultural investment company but will retain the management of the properties under a fifteen-year agreement. Co-incidentally, an offer was received in 2005 for all the share capital of East African Coffee Plantations Limited which was considered to fully value the underlying operations and the group decided to accept this offer, which has now been declared unconditional, in respect of its 70.5% holding.

The citrus orchards in California are progressing well and will shortly provide a useful diversification from the effects of the biennial bearing pattern of the pistachios. Production in South Africa and Chile is satisfactory and moving towards maturity although, as in tea, the strength of the South African rand has reduced returns in that country.

Edible nuts

2004 was a very good year for the pistachio operations in California with good yields combining with a strong market price.

Our macadamia orchards in both Malawi and South Africa also experienced a good year. Drought conditions caused a reduction in yield in South Africa but prices remain strong and the prospects for this crop are encouraging. We intend to develop our interests in macadamia and plant further hectareage in South Africa and Malawi.

Other horticulture

The pineapple joint venture in Kenya with Del Monte made a valuable contribution to Kakuzi's earnings with production and profits exceeding expected levels. Current arrangements with Del Monte expire in 2008 and we are at present negotiating a new agreement that may also encompass further areas of land previously utilised by the coffee operations. Avocados made a significant contribution to Kakuzi's earnings and expansion of the avocado orchards is ongoing.

Wine grape production in Australia was good but the market has been flooded with surplus wine, which is a worldwide phenomenon affecting also the market in Chile and South Africa. The strength of the South African rand has also contributed to the difficulty in exporting wine profitably into European markets. Our South African reserve merlot 2001 has however recently been awarded a Grand Gold Medal at the prestigious Concours Mondial de Bruxelles 2005.

The rubber operation in Bangladesh continued to be satisfactory and a total of 681 tonnes was produced. Prices were also some 24% higher than in 2003.

Brazil again enjoyed a good year with excellent yields and with soya prices continuing to benefit from demand from China. Drought will affect production in the current year and prices have moved downwards particularly as a result of the increased crop in North America in 2004.

Food storage and distribution

2004 was another disappointing year for Associated Cold Stores and Transport. The market remains very competitive with rates continuing their downward path as a result of further cost pressure on suppliers from the major retailers. Additional cost reduction measures have taken place and the management team has been restructured.

Affish performed well in 2004 although Wylax suffered from lack of demand from the Dutch restaurant sector.

Engineering

The poor results for 2004 relate particularly to AKD at Lowestoft where capacity far exceeded the demand from a depressed oil and gas sector resulting in low margins. The effect of the increase in the price of oil is now filtering through with a greatly increased rate of enquiries and a fuller order book.

Chairman's Statement

Our Scottish engineering operations have been consolidated under one management structure that is already proving to be beneficial.

Abbey Metal Finishing, British Metal Treatments (Galvanising) and General Utilities all produced satisfactory results for the year. Abbey continues to gradually regain business lost following the fire in 2000 and the prospects are now more encouraging.

Property leasing and philately

Property leasing reflects the very substantial reductions in rents receivable on account of the aforementioned sale of our warehouse complex situated at Banbury. Property leasing will henceforth cease to form a meaningful part of the group's operations. The task of rationalising the philately stock is proving more time consuming than originally thought and this will continue through the current year.

Banking

Duncan Lawrie Limited increased its profits further in 2004 and during 2005 has acquired Douglas Deakin Young, an investment management business which brings Duncan Lawrie's funds under management to in excess of £400 million. This acquisition should enable the bank to offer a considerably enhanced service to its investment management clients.

Pharmaceuticals

The Siegfried Group experienced a difficult year in 2004 with sales declining 12% to SFr. 321.4 million resulting in profit after tax of SFr. 16.4 million compared with SFr. 53.3 million in 2003.

Excess capacity in the active pharmaceutical ingredients business was the principal cause of the decline. The generics and biologics businesses performed to expectations. Cost reduction measures have been implemented over the last few months but it will take a little time for the benefits to show through in the results of the company.

Other associated undertakings and investments

The United Leasing Company Limited in Bangladesh had another good year and generated a profit before tax of £2.04 million compared with £2.25 million in 2003. The group has, over the last few months, rationalised its shareholding in this company with the result that, whilst it still remains our associate, more shares have been offered to the general public.

United Insurance Company Limited was affected by continuing pressure on margins because of local competition and produced a profit of £263,000 compared with £307,000 in 2003.

The Surmah Valley Tea Company Limited, which is wholly owned by United Insurance, had a satisfactory year.

Development

We continue to invest in the planting of further areas of edible nuts, citrus and wine grapes. Kakuzi is actively involved in planning for the development of areas taken out of coffee production in 2003. This will include avocados, pineapples and edible nuts as well as increased areas of forestry. Production facilities are being increased in the macadamia processing plant in Malawi. The on-going improvement of the general infrastructure on our plantations remains a priority.

Chairman's Statement

Goodbye to an old friend

This is the last year that accounts will be presented to you in their present format. In future, accounts will have to comply with International Financial Reporting Standards, a significant thrust of which is to account on the basis of so-called 'fair value'. Movements in the market value of our biological assets will be required to be included in the profit and loss account. Changes in the market value of other investments will be adjusted in reserves. To me, this seems yet another example of short term thinking and has little relevance to an operation such as ours where investments are held for the long term. To account for the fluctuations of such 'market values' will in my view be confusing and not allow shareholders to really understand the underlying profitability and worth of the company.

Inter alia, the standards require:

- a) Leasehold lands to be re-designated as operating leases and not form part of fixed assets even if they have up to 900 years until expiry and even though the buildings situated thereon are still to be classified as fixed assets.
- b) The valuation of 'biological assets' separately from the land on which they sit. This valuation is again to be related to market value but in the absence of a readily established market price, the required value will be derived from the estimated future earnings of the asset discounted to reflect the risk attached to such asset. The necessary valuation will therefore have regard to the likely changes over the following ten years of weather patterns, yield assumptions, commodity prices, country risk and discount factors. This must surely be much more subjective than the historic cost convention and does it really provide a better basis for the valuation of tea bushes or other growing plants? I doubt it, and to provide for the changes in such valuations through the accounts and thereby suggest that any increase in value is part of the earnings of that year, and thus available for distribution, seems to me to be misleading.
- c) The provision for deferred capital gains tax on the perceived value of biological assets even when capital gains tax would not be payable as, for example, in Kenya.

There are many other aspects of the standards that will henceforth have to be incorporated in the accounts. We will do our best to make the accounts as intelligible as possible. Further consideration will need to be given to the manner in which the accounts are presented so that they give a 'true and fair view'.

Staff

In thanking our staff throughout the world for their contribution in 2004, I would particularly like to mention the following: Firstly, those that have been required to implement the closure of our tea operations in South Africa. This has been a traumatic and distressing event for all concerned and has been handled by our executives with much fortitude and skill. Secondly, all those that have contributed so positively to the success of our Australian operations that have now been sold. These operations have been built up over the last 15 years to become a leading part of the citrus industry in Australia. I wish Andrew Weigall, Clifford Ashby and their team every success in the future.

M C Perkins

Chairman
28 April 2005

Report of the Directors

The directors present their report together with the audited accounts for the year ended 31 December 2004.

Principal activities

The company is a holding company and the principal activities of its subsidiary and associated undertakings comprise:

Agriculture and horticulture – the production of tea, citrus, edible nuts, grapes, other horticultural produce, general farming, milling paprika and extracting oleoresin.

Engineering – metal finishing, heat treatment, fabrication and precision engineering.

Food storage and distribution.

Trading and agency.

Pharmaceuticals.

Property leasing.

Private banking services.

The holding of investments.

Further details of the group's activities are included in the chairman's statement on pages 4 to 7.

| Results and dividends | £'000 | £'000 |
|---|-------|-------|
| The profit for the year amounted to | | 3,386 |
| From which the following dividends are deducted: | | |
| Interim paid on 8 November 2004 of 20.0p per share | 519 | |
| Proposed final dividend payable on 5 July 2005 of 68.0p per share | 1,765 | 2,284 |
| | <hr/> | <hr/> |
| Balance transferred to reserves | | 1,102 |

The board has proposed a final dividend for the year of 68.0p per share. The total dividend for 2004 is therefore 88.0p per share (*2003: 87.0p per share*).

Directors

The directors of the company are listed on page 2. The following directors had beneficial interests in the share capital of the company and Linton Park Plc as set out below:

| | 31 December 2004 | 1 January 2004 |
|--|---------------------|-------------------|
| Camellia Plc ordinary shares of 10p each: | | |
| M C Perkins | 200 | 200 |
| C P T Vaughan-Johnson | 700 | 700 |
| Linton Park Plc ordinary shares of 50p each: | | |
| M C Perkins | 13,500 | 13,500 |

There have been no changes in the interests of directors between 31 December 2004 and the date of this report.

Report of the Directors

Under the company's articles of association all the directors are required to retire annually. Accordingly, Mr M C Perkins, Mr P A Leggatt, Mr A K Mathur, Mr D A Reeves, Mr A S M O Subhan and Mr C P T Vaughan-Johnson retire and being eligible seek re-election.

None of the directors or their families had a material interest in any contract of significance with the company or any subsidiary during, or at the end of the financial year.

Executive directors

M C Perkins was appointed a director in 1999 and chairman in 2001. He is a chartered accountant and is a member of the audit committee. Mr Perkins is also chairman of Linton Park Plc, having joined Eastern Produce (Holdings) Limited (now Linton Park Plc) in 1972. Aged 60.

P A Leggatt is chairman of Goodricke Group Limited and a director of Linton Park Plc. He was appointed a director in 1999, having joined the group in 1988. Aged 62.

A K Mathur is a chartered accountant and joined the group in 1981. He was appointed finance director in 1999 and is also a director of Linton Park Plc. Aged 57.

A S M O Subhan was appointed a director in 2001 and is chief executive of the Bangladesh group. Mr Subhan joined the group in 1983. Aged 63.

Non executive directors

D A Reeves was appointed a director in 2001 and was formerly managing director of Duncan Lawrie Limited, having joined the group in 1998. He became a non executive director of the company in 2002 and is a member of the audit committee. Aged 58.

C P T Vaughan-Johnson, who was formerly president and chief executive officer of the Bank of Bermuda, was appointed a director in 1999. He is a member of the audit committee and is also a non executive director of Linton Park Plc and Duncan Lawrie Limited. Aged 71.

Subsequent events

In February 2005, Duncan Lawrie Holdings Limited acquired the entire issued share capital of Douglas Deakin Young Limited.

In March 2005 an offer was made by Chiquita Brands South Pacific Limited for East African Coffee Plantations Limited, owned 70.5 per cent. by Bordure Limited, a wholly owned subsidiary of Linton Park Plc. Bordure Limited has accepted the offer which became unconditional on 11 April 2005.

On 21 March 2005 Linton Park Plc's subsidiary, John Ingham & Sons Limited, entered into an agreement to sell to Kaitet Tea Estates (1977) Limited 1,673,000 ordinary shares (8 per cent.) in Eastern Produce Kenya Limited which will be completed upon receipt of the cash consideration of £1,673,000.

In March 2005, as a result of an offer for Teather & Greenwood Limited, the company sold its investment in that company for a cash consideration of £2,288,000.

Substantial shareholdings

As at 25 April 2005 the company had been advised of the following interests in the share capital of the company:

Camellia Holding AG held 1,421,000 ordinary shares (54.76 per cent.).

Alcatel Bell Pensioenfonds VZW held 131,000 ordinary shares (5.05 per cent.).

St. James's Place Capital Plc held (through one of its subsidiaries) 91,002 ordinary shares (3.51 per cent.).

Report of the Directors

Charitable contributions

During the year the group made charitable donations of £16,811 (2003: £20,895). Of this amount £7,126 was paid to overseas charities, £6,000 was paid to arts and other charities and £2,137 was paid to local hospitals and health related charities.

Employees

It is group policy to keep employees informed, through internal publications and other communications, on the performance of the group and on matters affecting them as employees and arrangements to that end are made by the management of individual subsidiary undertakings.

It is also group policy that proper consideration is given to applications for employment received from disabled persons, and to give employees who become disabled every opportunity to continue their employment.

Payment of creditors

It is group policy to agree payment terms with suppliers when negotiating business transactions and to pay suppliers in accordance with contractual or other legal obligations. The company has no trade creditors. Group trade creditors at 31 December 2004 represented 29 days of annual purchases.

Purchase of own shares

At the annual general meeting in 2004 shareholders gave authority for the company to purchase up to 259,532 of its own shares. This authority expires on 7 June 2005. During the year the company purchased for cancellation 323 ordinary shares representing 0.01 per cent. of its issued share capital at a total cost of £16,000.

Auditors

A resolution to re-appoint Moore Stephens as auditors will be proposed at the annual general meeting.

Annual general meeting

The annual general meeting will be held on 7 June 2005 and the notice of meeting appears on page 3. The directors are seeking renewal of the authority for the company to purchase its own shares in order to retain the option of making such purchases should the price, opportunity or value occur and coincide with liquidity. The authority being sought is for up to 259,500 ordinary shares (representing ten per cent. of the present issued share capital) at a price which is not more than five per cent. above the average of the middle market quotations of ordinary shares in the company on the London Stock Exchange on the five business days prior to the date of purchase and, in any event, no lower than the nominal value of each share (in each case exclusive of any expenses). This authority is being taken for general use rather than for a specific purchase and your board will exercise this power only when satisfied that it is in the interest of the company to do so. Any shares purchased in this way will be cancelled.

The authority given in Resolution 6 will expire at the conclusion of the 2006 annual general meeting or 6 September 2006 if earlier.

By order of the board

M D Conway

Secretary

28 April 2005

Corporate Governance

Statement of compliance

This statement describes how the company applies the provisions of the revised Combined Code on Corporate Governance issued in 2003 (“the Code”). In implementing the Code, the directors have taken account of the company’s size and structure and the fact that there is a controlling shareholder.

The following are those areas of the Code that have not been implemented:

- (i) the roles of the chairman and the chief executive are combined;
- (ii) the functions of the remuneration committee are undertaken by the board as a whole and were not carried out by a separate committee comprising non executive directors;
- (iii) the audit committee comprised one executive and two non executive directors;
- (iv) new board appointments are considered by the full board as a nominations committee has not been established;
- (v) there is no senior independent director;
- (vi) formal evaluation procedures for the board, its committees and directors have not been established.

The board comprises six directors of whom two are non executive directors and the remaining are executive directors, including the executive chairman. Mr Reeves, a non executive director, is considered by the board to be independent notwithstanding that he was formerly managing director of Duncan Lawrie Limited.

The directors believe that given the size and structure of the board and that there is a controlling shareholder and that the entire board participates in all major decisions, the combination of the roles of chairman and chief executive is appropriate. For the same reasons the formation of separate remuneration and nomination committees is not considered necessary.

Mr Perkins and Mr Mathur are executive directors of Linton Park Plc and together with Mr Leggatt are, for administrative purposes and in common with all central management personnel, employees of that company. The Linton Park Plc remuneration committee determines the terms and conditions, including remuneration, of each of its executive directors. A procedure has been established whereby any decision made by the remuneration committee of Linton Park Plc, so far as it relates to a director of Camellia Plc, will be referred to the Camellia Plc board subject to the relevant executive director withdrawing from any meeting at which his own terms and conditions are considered.

The board has a formal schedule of matters reserved for its decision and is also responsible for setting strategy, approving budgets, capital expenditure, investment and disinvestment. The board also undertakes the functions of the nomination and remuneration committees. A report summarising the group’s financial and operational performance is sent to directors each month. Each director is provided with sufficient information in advance of board meetings to enable the directors to make informed judgements on matters referred to the board. The board met ten times in 2004.

The board has established an audit committee which is chaired by Mr Perkins. The other members of the committee are Mr Reeves and Mr Vaughan-Johnson. During the year, new terms of reference for the audit committee were established and which adopted most of the recommendations contained in the Code. The committee regularly reviews the effectiveness of internal audit activities carried out by the company’s group accounting function and senior management. The committee also reviews non-audit services provided by the company’s auditors and ensures that the independence of the auditors is maintained.

Corporate Governance

Attendance by directors at board and committee meetings held during the year was as follows:

| | Board | Audit |
|--------------------------|-------|-------|
| No of meetings held | 10 | 2 |
| Mr M C Perkins | 10 | 2 |
| Mr A K Mathur | 9 | 2* |
| Mr P A Leggatt | 9 | - |
| Mr D A Reeves | 9 | 2 |
| Mr A S M O Subhan | 2 | - |
| Mr C P T Vaughan-Johnson | 8 | 2 |

* Mr Mathur attends meetings of the audit committee by invitation in his capacity as finance director.

The board has not established formal performance evaluation procedures of itself, the directors or its committees but during the forthcoming year it will consider whether implementation of such procedures is appropriate.

The statement of directors' responsibilities in relation to the financial statements is set out below.

Internal control

The directors acknowledge that they are responsible for maintaining a sound system of internal control. During the year, the audit committee, on behalf of the board, reviewed the effectiveness of the framework of the group's system of internal control, the principal features of which are described below.

Decentralisation is a key management philosophy with responsibility for efficient day to day operations delegated to local management. Accountability and delegation of authority are clearly defined with regular communication between group head office and local management. The performance of each company is continually monitored centrally including a critical review of annual budgets, revised forecasts and monthly sales, profits and cash reports. Financial results and key business statistics and variances from approved plans are carefully monitored. Senior management regularly visit and review the group's operating units. However, any system of internal control can provide only reasonable, and not absolute, assurances against material mis-statement or loss.

Going concern

After reviewing the group's budget for 2005 and other forecasts the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' Responsibilities

The directors are required by the Companies Act 1985 to prepare accounts which give a true and fair view of the state of affairs of the group as at the end of its financial year, and of the profit or loss for the financial year. The directors are also required to maintain adequate accounting records.

Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts. Applicable accounting standards have been followed and the accounts have been prepared on a going concern basis.

The directors are also responsible to the company for taking reasonable steps to safeguard its assets and to prevent and detect fraud and other irregularities.

Remuneration Report

Policy on directors' remuneration

In determining the remuneration of directors, full consideration has been given to the relevant provisions of the Combined Code. The directors consider that, given the relatively small size of the board, the functions of the remuneration committee should continue to be undertaken by the board as a whole. This matter is referred to in the report on Corporate Governance on page 11. In framing its remuneration policy the board has otherwise given full consideration to all of the matters referred to in the Combined Code. The board seeks to provide remuneration packages that will attract, retain and motivate the best possible person for each position.

The board also wishes to align the interests of executives with shareholders. The group's activities are based largely on agriculture and horticulture, which are highly dependent on factors outside management control (e.g. weather, commodity prices, etc.), and is a significant consideration as to why the company does not operate profit related bonus, share option or share incentive schemes for directors.

Service contracts

Messrs Perkins, Leggatt and Mathur are each employed by Linton Park Plc on rolling service contracts. Mr Perkins' service contract is dated 25 April 2002, Mr Mathur's service contract is dated 1 December 2003 and Mr Leggatt's service contract is dated 1 January 2004. The service contracts are terminable at any time by a one year period of notice from the company or the director. Following their initial appointment non executive directors may seek re-election by shareholders at each subsequent annual general meeting. Non executive directors do not have service agreements. There are no specific contractual provisions for compensation upon early termination of a director's employment. The board reviews salaries annually and will seek independent professional advice when appropriate.

Directors' remuneration

| | <i>Basic Salary</i> 2004 | <i>Benefits in Kind</i> 2004 | <i>Total</i> 2004 | <i>Total</i> 2003 |
|-----------------------|-----------------------------|---------------------------------|----------------------|----------------------|
| | £ | £ | £ | £ |
| Executive | | | | |
| M C Perkins | 267,844 | 22,835 | 290,679 | 290,071 |
| P A Leggatt | 110,712 | 16,856 | 127,568 | 124,712 |
| A K Mathur | 125,004 | 21,939 | 146,943 | 123,497 |
| A S M O Subhan | 19,000 | 28,220 | 47,220 | 40,009 |
| Non executive | | | | |
| D A Reeves | 10,000 | - | 10,000 | 10,000 |
| C P T Vaughan-Johnson | 35,000 | - | 35,000 | 35,000 |
| | <u>567,560</u> | <u>89,850</u> | <u>657,410</u> | <u>623,289</u> |

Benefits in kind include the value attributed to benefits such as medical insurance, accommodation and cash alternatives to company cars.

Remuneration Report

Directors' pensions

Most UK employees, including executive directors, are eligible to join defined benefit pension schemes operated within the group. Mr Perkins is a member of the Linton Park Group Pension Scheme. Messrs Leggatt and Mathur are members of the Lawrie Group Pension Scheme. Members of the Linton Park Group Pension Scheme contribute 6 per cent. of basic salary. Members of the Lawrie Group Pension Scheme contribute 1 per cent. of basic salary up to 31 March 2004, 3.5 per cent. from 1 April 2004 rising to 6 per cent. from 1 April 2005. Pension accrues at the rate of 1/60th of basic final salary per year of service for Messrs Perkins, Leggatt and Mathur. Under the Linton Park Group Pension Scheme the normal retirement age was 63, in respect of service up until 31 December 2003. With effect from 1 January 2004 the normal retirement age was increased to 65.

Under the Lawrie Group Pension Scheme pensions are payable at 63 but early retirement pensions can in certain cases be paid from age 60 without actuarial reduction. Both schemes provide for a lump sum death in service benefit of four times basic salary and a spouse's pension of half of the member's pension, based on prospective service.

All benefits are subject to Inland Revenue limits. Post retirement pension increases are based on the annual increase in the retail price index, subject to a maximum of 5 per cent.. Under the Linton Park Group Pension Scheme there is a minimum increase of 3 per cent. per annum in respect of service before 1 January 2002. Under the Lawrie Group Pension Scheme pension earned prior to 1 April 2003 is subject to a 5 per cent. increase. In respect of service before 1 March 1999 Mr Perkins was a member of a group defined contribution pension scheme.

Further information on pension arrangements:

Defined benefit pension schemes

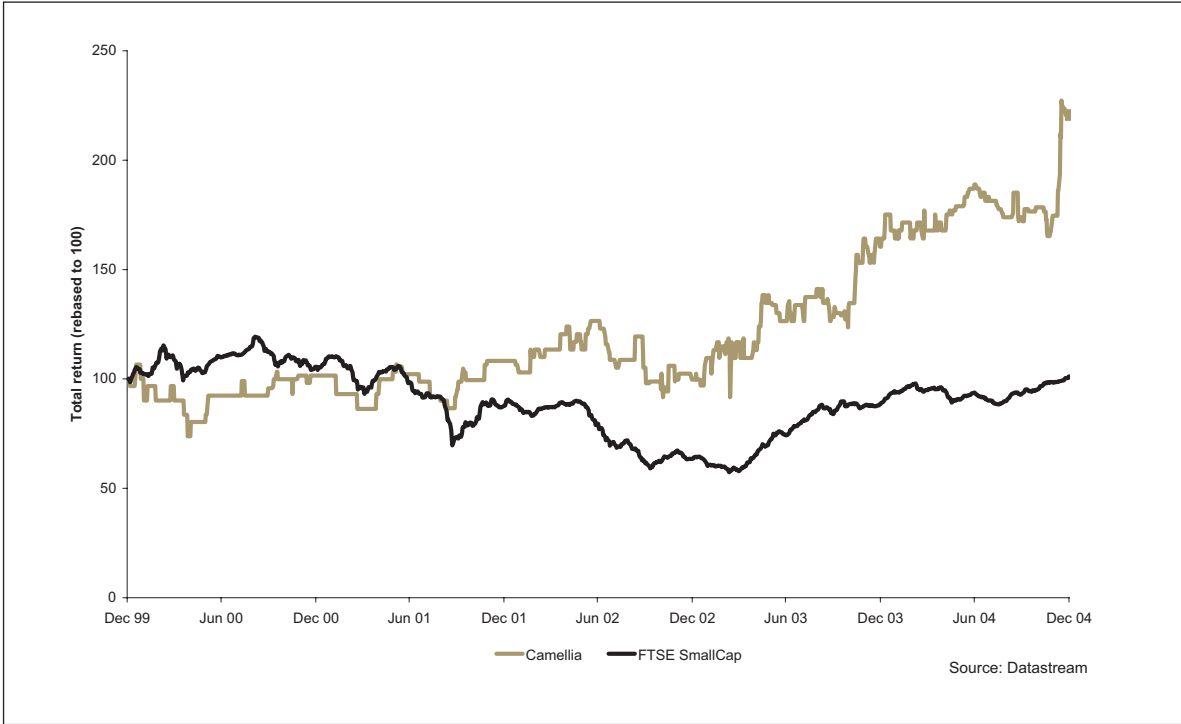
| | <i>Pension accrued in the year</i> | <i>Pension accrued in the year net of inflation</i> | <i>Pension accrued to 31 Dec 2004</i> | <i>Transfer value of pension accrued in the year net of inflation</i> | <i>Transfer value of pension accrued at 31 Dec 2003</i> | <i>Transfer value of pension accrued at 31 Dec 2004</i> | <i>Increase in transfer value in the year</i> |
|----------------|------------------------------------|---|---------------------------------------|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| M C Perkins | 6,821 | 6,644 | 25,440 | 85,341 | 200,232 | 356,331 | 140,029 |
| P A Leggatt | 3,657 | 1,926 | 60,044 | 35,298 | 946,539 | 1,100,340 | 150,618 |
| A K Mathur | 10,102 | 8,888 | 49,654 | 149,165 | 618,924 | 833,314 | 210,796 |
| A S M O Subhan | 1,262 | 1,262 | 8,754 | 10,400 | 55,031 | 63,835 | 8,804 |

Except in respect of Mr Subhan, the transfer values are calculated in accordance with the actuarial guidance note GN11. The increase in transfer value and the transfer value of pension accrued in the year are stated net of directors' contributions.

Remuneration Report

Performance review

The following graph shows the total return on an investment in the company's shares over the 5 years ended 31 December 2004 compared with the return achieved by the FTSE SmallCap index. This index has been selected as there is no specific index that is comparable to the activities of the company.



By order of the board

M D Conway

Secretary

28 April 2005

Consolidated Profit and Loss Account
for the year ended 31 December 2004

| | Note | 2004 £000 | 2003 £000 |
|--|------|--------------|--------------|
| Turnover – continuing operations | 1 | 178,587 | 170,758 |
| – discontinued operations | 1 | 187 | 3,927 |
| | | <hr/> | <hr/> |
| Cost of sales | | 178,774 | 174,685 |
| | | <hr/> | <hr/> |
| Gross profit | | 41,187 | 37,741 |
| Net operating expenses – normal activities | | 33,814 | 37,146 |
| – impairment of assets | 3 | 933 | 3,304 |
| | 2 | <hr/> | <hr/> |
| | | 34,747 | 40,450 |
| Operating profit/(loss) – continuing operations | | 6,457 | (1,105) |
| – discontinued operations | 1 | (17) | (1,604) |
| | | <hr/> | <hr/> |
| Share of associates' results before interest | 1 | 6,440 | (2,709) |
| | | <hr/> | <hr/> |
| Operating profit including associates | | 4,217 | 10,278 |
| | | <hr/> | <hr/> |
| Investment income | | 10,657 | 7,569 |
| Profit on disposal of fixed asset investments | | 1,378 | 1,255 |
| Profit on disposal of fixed assets | 4 | 695 | 668 |
| Restructuring costs | 5 | 1,283 | 21,799 |
| Profit on disposal of associated undertakings | 6 | (2,689) | – |
| Disposal of a subsidiary and businesses | 7 | 121 | – |
| | | <hr/> | <hr/> |
| | | – | 65 |
| Profit on ordinary activities before interest | | <hr/> | <hr/> |
| | | 11,445 | 31,356 |
| Net finance costs | 8 | 3,233 | 3,834 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 8,212 | 27,522 |
| Taxation on profit on ordinary activities | 9 | 4,851 | 1,192 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation | | 3,361 | 26,330 |
| Minority interests | | (25) | 348 |
| | | <hr/> | <hr/> |
| Profit for the year | 10 | 3,386 | 25,982 |
| Equity dividends | 11 | 2,284 | 2,258 |
| | | <hr/> | <hr/> |
| Profit transferred to reserves | 25 | 1,102 | 23,724 |
| | | <hr/> | <hr/> |
| Earnings per share – basic and diluted | 12 | 130.47p | 999.18p |

Consolidated Balance Sheet
at 31 December 2004

| | Note | 2004 £000 | 2003 £000 |
|---|------|--------------|--------------|
| Fixed assets | | | |
| Intangible assets | | | |
| Goodwill: | | | |
| Positive | | 936 | 1,157 |
| Negative | | (2,393) | (3,038) |
| | | <hr/> | <hr/> |
| | 15 | (1,457) | (1,881) |
| Tangible assets | 16 | 135,607 | 155,946 |
| Investments | 17 | 83,215 | 83,965 |
| | | <hr/> | <hr/> |
| | | 217,365 | 238,030 |
| Current assets | | | |
| Stocks | 18 | 24,936 | 25,053 |
| Debtors | 19 | 53,803 | 47,412 |
| Assets held for resale | 16 | 11,157 | – |
| Cash and deposits | 20 | 155,550 | 162,657 |
| | | <hr/> | <hr/> |
| | | 245,446 | 235,122 |
| Creditors: due within one year | 21 | 204,139 | 198,964 |
| | | <hr/> | <hr/> |
| Net current assets | | 41,307 | 36,158 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 258,672 | 274,188 |
| Creditors: due after one year | 22 | 22,046 | 27,970 |
| Provisions for liabilities and charges | 23 | 4,651 | 4,158 |
| | | <hr/> | <hr/> |
| | | 26,697 | 32,128 |
| | | <hr/> | <hr/> |
| | | 231,975 | 242,060 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Capital and reserves | | | |
| Called up share capital | 24 | 260 | 260 |
| Share premium account | 25 | 423 | 423 |
| Revaluation reserve | 25 | 34,257 | 35,092 |
| Merger reserve | 25 | 242 | 242 |
| Profit and loss account | 25 | 146,768 | 150,465 |
| | | <hr/> | <hr/> |
| Equity shareholders' funds | | 181,950 | 186,482 |
| Equity minority interests | | 50,025 | 55,578 |
| | | <hr/> | <hr/> |
| | | 231,975 | 242,060 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Camellia Plc

Balance Sheet at 31 December 2004

| | Note | 2004 £000 | 2003 £000 |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Investments | 17 | 185,144 | 188,653 |
| Current assets | | | |
| Debtors | 19 | 16,506 | 18,290 |
| Cash and deposits | 12 | 12 | 39 |
| | | <u>16,518</u> | <u>18,329</u> |
| Creditors: due within one year | 21 | <u>19,351</u> | <u>20,139</u> |
| Net current liabilities | | (2,833) | (1,810) |
| Total assets less current liabilities | | <u>182,311</u> | <u>186,843</u> |
| Provisions for liabilities and charges | 23 | <u>361</u> | <u>361</u> |
| | | <u>181,950</u> | <u>186,482</u> |
| Capital and reserves | | | |
| Called up share capital | 24 | 260 | 260 |
| Share premium account | 25 | 423 | 423 |
| Revaluation reserve | 25 | 167,054 | 172,135 |
| Profit and loss account | 25 | 14,213 | 13,664 |
| Equity shareholders' funds | | <u>181,950</u> | <u>186,482</u> |

Approved on 28 April 2005 by the board of directors and signed on their behalf by:

M C Perkins

Director

Consolidated Cash Flow Statement
for the year ended 31 December 2004

| | Note | 2004 £000 | 2003 £000 |
|--|------|----------------|-----------------|
| Cash flow from operating activities | 26 | 19,444 | 5,419 |
| Dividends received from associates | | 2,149 | 2,371 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 363 | 415 |
| Interest paid | | (3,205) | (4,360) |
| Income from investments | | 1,378 | 1,285 |
| Dividends paid to minority shareholders | | (1,871) | (1,866) |
| | | <u>(3,335)</u> | <u>(4,526)</u> |
| Taxation paid | | | |
| UK taxation | | – | (167) |
| Overseas taxation | | (2,484) | (2,030) |
| | | <u>(2,484)</u> | <u>(2,197)</u> |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (7,644) | (8,200) |
| Sale of tangible fixed assets | | 2,320 | 23,051 |
| Purchase of investments | | (3,579) | (1,396) |
| Sale of investments | | 2,589 | 942 |
| | | <u>(6,314)</u> | <u>14,397</u> |
| Acquisitions and disposals | | | |
| Purchase of minority interests | | (482) | (349) |
| Acquisition of subsidiary | | (108) | – |
| Sale of shares in associated undertakings | | 1,075 | – |
| Disposal of businesses | 27 | 540 | 1,902 |
| | | <u>1,025</u> | <u>1,553</u> |
| Equity dividends paid | | <u>(2,258)</u> | <u>(2,261)</u> |
| Cash inflow before financing | | 8,227 | 14,756 |
| Financing | | | |
| New loans | | 195 | 4,107 |
| Loan repayments | | (8,759) | (14,660) |
| Finance lease repayments | | (643) | (467) |
| Purchase of own shares | | (16) | (1,229) |
| | | <u>(9,223)</u> | <u>(12,249)</u> |
| (Decrease)/increase in cash in period | 29 | <u>(996)</u> | <u>2,507</u> |

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2004

| | 2004 £000 | 2003 £000 |
|--|----------------|---------------|
| Profit for the year – includes associates £2,922,000 (2003: £8,289,000) | 3,386 | 25,982 |
| Impairments of previously revalued fixed assets | (254) | (1,112) |
| Release of negative goodwill on impairment of fixed assets | – | (462) |
| Release of negative goodwill on disposal of a business | – | (308) |
| Exchange differences – including associates £1,365,000 loss (2003: £1,562,000 loss) | (5,364) | (4,530) |
| Total recognised gains and losses | <u>(2,232)</u> | <u>19,570</u> |

Reconciliation of Movement in Shareholders' Funds
for the year ended 31 December 2004

| | 2004 £000 | 2003 £000 |
|--|-----------------------|-----------------------|
| Profit for the year | 3,386 | 25,982 |
| Dividends | (2,284) | (2,258) |
| Retained profit for the year | <u>1,102</u> | <u>23,724</u> |
| Exchange differences | (5,364) | (4,530) |
| Purchase of own shares | (16) | (1,229) |
| Impairments of previously revalued fixed assets | (254) | (1,112) |
| Release of negative goodwill on impairment of fixed assets | – | (462) |
| Release of negative goodwill on disposal of a business | – | (308) |
| Net (reduction)/addition to shareholders' funds | <u>(4,532)</u> | <u>16,083</u> |
| Opening equity shareholders' funds | 186,482 | 170,399 |
| Closing equity shareholders' funds | <u><u>181,950</u></u> | <u><u>186,482</u></u> |

Accounting Policies

Accounting policies

Accounting convention

Group accounts are prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention modified to include the previous revaluation of certain tangible fixed assets.

Basis of consolidation

The consolidated accounts incorporate accounts of the company and all subsidiary undertakings for accounting periods ending 31 December, with the exception of Horizon Farms, which operates in the USA and has an accounting period ending on 30 September, but is included on the basis of interim accounts to 31 December.

For companies acquired or disposed of during the year, results are included from the date of acquisition or to the date of disposal.

No profit and loss account is presented for the company, in accordance with the exemption allowed by Section 230 of the Companies Act 1985.

Overseas currencies

The results and cash flows of overseas subsidiaries and associates are translated into sterling at average exchange rates.

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the retranslation of the opening net assets are taken directly to reserves. Exchange differences arising from trading transactions are included in the results for the year.

Turnover

Turnover comprises produce proceeds, agency income and sales at invoiced values excluding value added tax. Invoices are raised when goods are despatched or when the risks and rewards of ownership otherwise irrevocably passes to the customer.

Tangible fixed assets

Fixed assets are stated at cost or valuation. The costs (excluding interest) of planting new areas are capitalised. The costs of upkeep and maintenance of mature areas including replanting costs are charged to revenue.

On adoption of FRS 15 in 2000, the group has followed the transitional provisions and retained the book value of land and buildings but has not adopted a policy of future revaluations. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Depreciation of fixed assets is calculated to write off their cost or valuation on a straight-line basis over their expected useful lives.

The rates of depreciation used are as follows:

| | |
|--|-----------------------------|
| Long and short leasehold estates | unexpired term of the lease |
| Freehold and long leasehold buildings | 2 to 10 per cent. per annum |
| Other short leasehold land and buildings | unexpired term of the lease |
| Plant, machinery, fixtures, fittings and equipment | 4 to 33 per cent. per annum |

Goodwill

Purchased goodwill arising prior to 1 January 1998 was written off directly to reserves and remains eliminated against reserves. It is transferred to the profit and loss account on the disposal or closure of the related businesses. Subsequent to that date, and in accordance with FRS 10, where businesses or associates are acquired, any difference between the cost of acquisition and the fair value of the net assets acquired is capitalised as goodwill and written off on a straight-line basis over the estimated useful economic life of up to 20 years.

Accounting Policies

Accounting policies *continued*

Fixed asset investments

- (i) In the company's accounts, shares in subsidiaries are stated at directors' valuation being the net asset value attributable to the company. Net surpluses or deficits on revaluation are taken to the revaluation reserve.
- (ii) Associated undertakings are entities in which the group has a long-term investment and is in a position to exercise significant influence over the undertaking in which the investment is made. The group's interest in the net assets of associated undertakings is included as an investment in the consolidated balance sheet at the group's share of net assets, after attributing fair values at the date of acquisition, plus the group's share of retained profits. The group's share of the profits less losses of associated undertakings is included in the consolidated profit and loss account.
- (iii) Shares of listed and unlisted companies are stated at cost less provision for permanent diminution in value.
- (iv) Documents and manuscripts, antiques and objets d'art held as investments are stated at cost less provision for permanent diminution in value.

Leasing

Assets held under finance leases are included as tangible fixed assets and the capital element of future lease payments is included in creditors. Such assets are depreciated in accordance with the group's accounting policy. The interest element of rental payments is charged to the profit and loss account over the life of the lease. Rental payments on all other leases are charged to the profit and loss account as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost, where appropriate, includes a proportion of production and administrative overheads.

Deferred taxation

Deferred taxation is recognised as an asset or liability, at appropriate rates, in respect of transactions and events recognised in the financial statements of the current and previous periods which gives a right to pay less, or an obligation to pay more, tax in future periods. Deferred tax assets are only recognised to the extent it is probable that there will be suitable taxable profits from which they can be recovered.

No provision is made for any taxation on capital gains that could arise from the future disposal of any fixed assets shown in the accounts at valuation, except to the extent gains or losses expected to arise on the sale of such assets have been recognised in the profit and loss account.

Long term deferred tax balances are not discounted.

Pension costs

The cost of providing pensions is charged to the profit and loss account systematically over the periods benefiting from the employees' services. The transitional arrangements of FRS 17 – Retirement benefits, have also been adopted. Pension arrangements are detailed in note 33.

Financial instruments

Financial assets are recognised when the group has rights, or other access, to economic benefits. Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or other financial assets.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and the group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

International Financial Reporting Standards (IFRS)

The group accounts will be prepared in accordance with IFRS with effect from 1 January 2005 and IFRS will be first reflected in the consolidated financial statements for the half-year ending 30 June 2005 and year ending 31 December 2005.

By complying with IFRS for the first time the group will be required to restate the comparative financial statements to amounts reflecting the application of IFRS. Adjustments required on transition to IFRS will be made, retrospectively, against opening reserves.

Notes to the Accounts

1 Analysis of turnover, profit and net operating assets

| | <i>Turnover</i> | | <i>Profit</i> | | <i>Net operating assets</i> | |
|--|-----------------|----------------|---------------|----------------|-----------------------------|----------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| By activity | | | | | | |
| Agriculture and horticulture | 121,561 | 110,962 | 11,701 | 5,511 | 108,464 | 121,484 |
| Engineering | 13,683 | 15,802 | (261) | 5 | 10,416 | 11,052 |
| Food storage and distribution | 42,008 | 40,826 | (712) | (340) | 23,256 | 24,863 |
| Trading and agency | 1,103 | 1,208 | 412 | 565 | 476 | 657 |
| Philately | 33 | – | (54) | (47) | 2,510 | 2,002 |
| Property leasing | 199 | 1,960 | 120 | 1,900 | 1,655 | 1,375 |
| | <u>178,587</u> | <u>170,758</u> | <u>11,206</u> | <u>7,594</u> | <u>146,777</u> | <u>161,433</u> |
| Discontinued | | | | | | |
| Agriculture and horticulture | – | 1,366 | – | (1,047) | – | 208 |
| Food storage and distribution | 187 | 2,561 | (17) | (557) | – | 405 |
| | <u>178,774</u> | <u>174,685</u> | <u>11,189</u> | <u>5,990</u> | <u>146,777</u> | <u>162,046</u> |
| Impairment of assets | | | | | | |
| Agriculture and horticulture | | | (933) | (2,962) | | |
| Engineering | | | – | (342) | | |
| | | | <u>10,256</u> | <u>2,686</u> | | |
| Banking | | | 721 | 402 | 22,023 | 21,741 |
| | | | <u>10,977</u> | <u>3,088</u> | <u>168,800</u> | <u>183,787</u> |
| Net unallocated expenses | | | (4,875) | (5,802) | | |
| Net interest receivable by group companies from banking subsidiary | | | 338 | 5 | | |
| Operating profit/(loss) | | | <u>6,440</u> | <u>(2,709)</u> | | |
| Associated undertakings | | | | | | |
| Pharmaceutical | | | 3,139 | 9,099 | | |
| Agriculture and horticulture | | | 50 | 12 | | |
| Insurance and leasing | | | 1,028 | 1,167 | | |
| | | | <u>10,657</u> | <u>7,569</u> | | |

Notes to the Accounts

1 Analysis of turnover, profit and net operating assets *continued*

| | <i>Turnover</i> | | <i>Profit</i> | | <i>Net operating assets</i> | |
|--|-----------------|----------------|---------------|--------------|-----------------------------|----------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| By country of origin | | | | | | |
| United Kingdom | 46,763 | 48,799 | 177 | 2,330 | 55,262 | 55,983 |
| Continental Europe | 9,932 | 10,417 | (8) | 194 | 2,577 | 2,918 |
| India | 32,159 | 32,732 | 1,293 | (11) | 15,757 | 13,695 |
| Kenya | 22,790 | 19,925 | 3,578 | 3,224 | 27,924 | 31,056 |
| Malawi | 11,438 | 10,032 | 3,325 | 2,057 | 17,785 | 19,291 |
| Bangladesh | 7,656 | 7,875 | 1,668 | 1,436 | 13,961 | 15,320 |
| North America | 1,468 | 314 | 963 | (238) | 3,048 | 1,504 |
| Australia | 29,044 | 24,558 | 2,318 | 1,132 | 13,422 | 17,943 |
| South Africa | 14,025 | 13,718 | (2,218) | (2,629) | 11,831 | 18,708 |
| South America | 3,312 | 2,388 | 831 | 501 | 7,233 | 6,756 |
| | <u>178,587</u> | <u>170,758</u> | <u>11,927</u> | <u>7,996</u> | <u>168,800</u> | <u>183,174</u> |
| Discontinued | | | | | | |
| United Kingdom | 187 | 2,561 | (17) | (557) | – | 405 |
| Kenya | – | 1,366 | – | (1,047) | – | 208 |
| | <u>178,774</u> | <u>174,685</u> | <u>11,910</u> | <u>6,392</u> | <u>168,800</u> | <u>183,787</u> |
| Impairment of fixed assets | | | | | | |
| United Kingdom | | | – | (240) | | |
| Kenya | | | – | (1,065) | | |
| India | | | – | (1,897) | | |
| Bangladesh | | | – | (102) | | |
| South Africa | | | (933) | – | | |
| | | | <u>10,977</u> | <u>3,088</u> | | |
| By geographical market supplied | | | | | | |
| United Kingdom | 56,553 | 60,856 | | | | |
| Continental Europe | 19,729 | 19,043 | | | | |
| India | 28,873 | 28,920 | | | | |
| Bangladesh | 7,750 | 7,894 | | | | |
| Africa | 27,219 | 22,752 | | | | |
| Australasia | 15,670 | 15,747 | | | | |
| Other Asia | 9,462 | 10,598 | | | | |
| North and South America | 13,518 | 8,875 | | | | |
| | <u>178,774</u> | <u>174,685</u> | | | | |

Notes to the Accounts

1 Analysis of turnover, profit and net operating assets *continued*

| | 2004 | 2003 |
|---|----------------|----------------|
| | £000 | £000 |
| Net operating assets are reconciled to shareholders' funds: | | |
| Shareholders' funds | 181,950 | 186,482 |
| Minority interests | 50,025 | 55,578 |
| Dividends payable | 1,765 | 1,739 |
| Net borrowings | 36,128 | 43,760 |
| Investments | (83,215) | (83,637) |
| Other net non-operating assets | (11,789) | (10,485) |
| Balances with banking subsidiaries | (6,064) | (9,650) |
| Net operating assets | <u>168,800</u> | <u>183,787</u> |

Profit of banking subsidiaries

| | 2004 | 2003 |
|-------------------------------------|------------|------------|
| | £000 | £000 |
| Interest receivable – third parties | 6,989 | 5,812 |
| – group companies | 22 | 41 |
| Interest payable – third parties | 7,011 | 5,853 |
| – group companies | 3,939 | 3,287 |
| Net interest income | 2,712 | 2,520 |
| Other operating income | 3,710 | 3,479 |
| Operating expenses | 5,701 | 5,597 |
| Operating profit | <u>721</u> | <u>402</u> |

2 Net operating expenses

| | 2004 | 2003 |
|---|---------------|---------------|
| | £000 | £000 |
| Distribution costs | 7,343 | 7,277 |
| Administrative expenses | 30,060 | 36,080 |
| Other operating income | (2,656) | (2,907) |
| | <u>34,747</u> | <u>40,450</u> |
| Net operating expenses include the following charges/(credits): | | |
| Depreciation of tangible fixed assets | 8,646 | 8,735 |
| Impairment of tangible fixed assets | 933 | 3,304 |
| Amortisation of intangible fixed assets – negative goodwill | (308) | (459) |
| Amortisation of intangible fixed assets – positive goodwill | 101 | 108 |
| (Profit)/loss on disposal of tangible fixed assets | (72) | 367 |
| Hire of plant and machinery | 667 | 548 |
| Rental on other operating leases | 2,089 | 2,079 |
| Auditors' remuneration | | |
| | 143 | 154 |
| | 623 | 425 |
| | <u>623</u> | <u>425</u> |

Moore Stephens
Other firms

Notes to the Accounts

2 Net operating expenses *continued*

Other fees paid to Moore Stephens of £10,000 (2003: £51,000) were mainly for taxation and other advisory services.

Cost of sales include £144,000 (2003: £4,246,000), distribution costs include £nil (2003: £241,000), administrative expenses include £60,000 (2003: £1,094,000) and other operating income includes £nil (2003: £50,000) relating to discontinued operations.

3 Impairment of assets

| | 2004 £000 | 2003 £000 |
|---|--------------|--------------|
| Impairment of fixed assets | 933 | 1,968 |
| Impairment of current assets | – | 1,897 |
| Negative goodwill transferred from reserves | – | (462) |
| Negative goodwill transferred from fixed assets | – | (99) |
| | <u>933</u> | <u>3,304</u> |

An impairment of £933,000 has been charged in relation to the fixed assets associated with the group's paprika milling and oleoresin extraction operations in South Africa. A decision was taken to close these operations on 31 March 2005. The amount attributable to minority interests is £392,000.

4 Profit on disposal of fixed assets

| | 2004 £000 | 2003 £000 |
|---|--------------|---------------|
| Profit on disposal of Banbury warehouse | – | 21,201 |
| Profit on disposal of other land and property | 1,110 | 598 |
| Profit on disposal of fixed assets associated with the production of coffee | 173 | – |
| | <u>1,283</u> | <u>21,799</u> |

5 Restructuring costs

The charge of £2,689,000 comprises the following:

- Redundancy costs of £1,211,000 and an impairment charge of £2,440,000 have been incurred following the decision to close the group's tea operations in South Africa. The tea operations of Sapekoe (Pty) Limited were closed on 10 December 2004. These closure costs have been partially offset by a £1,619,000 write back of negative goodwill relating to these operations. The amount attributable to minority interests is £1,197,000.
- Closure costs of £657,000 have been incurred following the closure of the Birmingham division of British Metal Treatments Limited in 2004. The amount attributable to minority interests is £137,000.

Notes to the Accounts

6 Profit on disposal of associated undertakings

| | 2004 | 2003 |
|---|------------|----------|
| | £000 | £000 |
| Profit on disposal of shares in associated undertakings | 248 | – |
| Positive goodwill transferred from fixed assets | (127) | – |
| | <u>121</u> | <u>–</u> |

In the year the group realised a net profit of £94,000 on the part disposal of its associate interest in United Leasing Company Limited, reducing its shareholding to 33.61 per cent. from 48.92 per cent..

In addition, the group realised a profit of £27,000 on the disposal of its associate interest in Gorkha Lawrie Private Limited.

7 Disposal of a subsidiary and businesses

| | 2004 | 2003 |
|--|----------|-----------|
| | £000 | £000 |
| Profit on disposal of shares in subsidiary undertaking | – | 288 |
| Loss on disposal of a business | – | (138) |
| Provision for loss on disposal of a business | – | (445) |
| Negative goodwill transferred from reserves | – | 308 |
| Negative goodwill transferred from fixed assets | – | 52 |
| | <u>–</u> | <u>65</u> |

Profit on disposal of a subsidiary and a business in 2003 relates to British Traders & Shippers Limited and SWF Citrus Inc. respectively. The provision for loss on disposal of a business and negative goodwill release in 2003 related to the sale of the business of W. G. White Limited (now known as Feltham One Limited).

8 Net finance costs

| | 2004 | 2003 |
|---|--------------|--------------|
| | £000 | £000 |
| Bank loans, overdrafts and other loans | 3,112 | 3,922 |
| Finance leases | 111 | 93 |
| Net exchange gains on foreign currency borrowings | (61) | (362) |
| | <u>3,162</u> | <u>3,653</u> |
| Share of interest of associates | 551 | 599 |
| Interest payable | 3,713 | 4,252 |
| Less: Interest receivable, including £44,000 (2003: £48,000) for associates | 480 | 418 |
| | <u>3,233</u> | <u>3,834</u> |

The above figures do not include any amounts relating to the banking subsidiaries.

Notes to the Accounts

9 Taxation on profit on ordinary activities

| | 2004 | | 2003 |
|---|---------|-------|---------|
| | £000 | £000 | £000 |
| Analysis of charge in the year | | | |
| Current tax | | | |
| UK corporation tax | | | |
| UK corporation tax at 30.0 per cent. (2003: 30.0 per cent.) | 2,743 | | 2,011 |
| Adjustment in respect of prior years | 29 | | (5) |
| Double tax relief | (2,646) | | (1,947) |
| | | 126 | 59 |
| Foreign tax | | | |
| Corporation tax | 3,760 | | 2,349 |
| Adjustment in respect of prior years | – | | (3) |
| | | 3,760 | 2,346 |
| Total current tax | | 3,886 | 2,405 |
| Deferred tax | | | |
| Origination and reversal of timing differences | | | |
| United Kingdom | (1,267) | | (1,154) |
| Overseas | 1,444 | | (1,498) |
| Total deferred tax | | 177 | (2,652) |
| Share of associated undertakings tax | | 788 | 1,439 |
| Tax on profit on ordinary activities | | 4,851 | 1,192 |
| Factors affecting tax charge for the year | | | |
| Profit on ordinary activities before tax | | 8,212 | 27,522 |
| Less: share of associated undertakings profit before tax | | 3,710 | 9,727 |
| Group profit on ordinary activities before tax | | 4,502 | 17,795 |
| Tax on ordinary activities at the standard rate of corporation tax in the UK of 30.0 per cent. (2003: 30.0 per cent.) | | 1,351 | 5,339 |
| Effects of: | | | |
| Adjustment to tax in respect of prior years | | 29 | (8) |
| Expenses not deductible for tax purposes | | 435 | 1,050 |
| Tax effect of difference between functional and local currency profits | | – | 39 |
| Adjustment in respect of foreign tax rates | | (269) | 469 |
| Additional tax arising on dividends from overseas companies | | 414 | 400 |
| Profit on disposal of non taxable assets | | (640) | (6,735) |
| Other income not charged to tax | | (485) | (78) |
| Depreciation in excess of capital allowances | | 1,264 | 1,323 |
| Increase in tax losses carried forward | | 1,950 | 792 |
| Negative goodwill write back not taxable | | (486) | – |
| Movement in other timing differences | | 323 | (186) |
| Current tax charge for the year | | 3,886 | 2,405 |

Notes to the Accounts

10 Profit for the year

| | 2004 | 2003 |
|--|-------|-------|
| | £000 | £000 |
| The amount dealt with in the accounts of the company was | 2,322 | 2,340 |

11 Equity dividends

| | 2004 | 2003 |
|---|--------------|--------------|
| | £000 | £000 |
| Interim dividend paid 20.00p (2003: 20.00p) per share | 519 | 519 |
| Final proposed dividend 68.00p (2003: 67.00p) per share | 1,765 | 1,739 |
| | <u>2,284</u> | <u>2,258</u> |

12 Earnings per share

Earnings per share have been calculated by dividing the weighted average number of ordinary shares in issue for the year of 2,595,153 (2003: 2,600,345) into the profit for the year of £3,386,000 (2003: £25,982,000).

13 Employees

| | 2004 | 2003 |
|--|---------------|---------------|
| | Number | Number |
| Average number of employees by activity: | | |
| Agriculture and horticulture | 82,074 | 84,494 |
| Engineering | 312 | 374 |
| Food storage and distribution | 628 | 660 |
| Banking | 67 | 66 |
| Central management | 58 | 54 |
| | <u>83,139</u> | <u>85,648</u> |

| | 2004 | 2003 |
|-----------------------|---------------|---------------|
| | £000 | £000 |
| Employment costs: | | |
| Wages and salaries | 56,040 | 56,347 |
| Social security costs | 2,618 | 2,545 |
| Pension costs – UK | 3,252 | 3,546 |
| – Overseas | 1,813 | 2,597 |
| | <u>63,723</u> | <u>65,035</u> |

14 Emoluments of the directors

| | 2004 | 2003 |
|--|------|------|
| | £000 | £000 |
| Aggregate emoluments excluding pension contributions | 657 | 623 |

Emoluments of the highest paid director excluding pension contributions were £291,000 (2003: £290,000). Further details of directors' emoluments are set out on pages 13 and 14.

Notes to the Accounts

15 Goodwill

| <i>Group</i> | Positive goodwill £000 | Negative goodwill £000 | Total £000 |
|------------------------------------|------------------------------|------------------------------|----------------|
| Cost | | | |
| At 1 January 2004 | 1,604 | (4,806) | (3,202) |
| Addition | 7 | (1,282) | (1,275) |
| Release for the year | (127) | – | (127) |
| | <u>1,484</u> | <u>(6,088)</u> | <u>(4,604)</u> |
| Amortisation | | | |
| At 1 January 2004 | (447) | 1,768 | 1,321 |
| Impairment (see note 5) | – | 1,619 | 1,619 |
| (Charge)/release for the year | (101) | 308 | 207 |
| | <u>(548)</u> | <u>3,695</u> | <u>3,147</u> |
| Net book value at 31 December 2004 | <u>936</u> | <u>(2,393)</u> | <u>(1,457)</u> |
| Net book value at 31 December 2003 | <u>1,157</u> | <u>(3,038)</u> | <u>(1,881)</u> |

In 2001 the group entered into an agreement whereby it acquired a 70.0 per cent. controlling interest in Sapekoe (Pty) Limited in exchange for a 30.0 per cent. minority interest in Eastern Produce Malawi Limited. The agreement envisaged title to certain land in South Africa passing to the group. This did not occur and consequently in accordance with the agreement the group's controlling interest in both Sapekoe (Pty) Limited and Eastern Produce Malawi Limited increased to 73.2 per cent., creating further negative goodwill of £1,105,000 in Linton Park Plc. The remaining goodwill has arisen on the purchase of shares in subsidiary undertakings.

Notes to the Accounts

16 Tangible fixed assets

| <i>Group</i> | Land and buildings £000 | Plant and machinery £000 | Fixtures, fittings and equipment £000 | Total £000 |
|---|-------------------------------|--------------------------------|--|---------------|
| Cost or valuation | | | | |
| At 1 January 2004 | 143,178 | 83,370 | 19,867 | 246,415 |
| Exchange differences | (4,850) | (556) | (185) | (5,591) |
| Additions | 3,210 | 4,564 | 1,203 | 8,977 |
| Fair value adjustment on acquisition of minority interest | 89 | 37 | – | 126 |
| Acquisitions | 17 | 520 | 19 | 556 |
| Transfer to assets held for resale * | (11,379) | (2,202) | (2) | (13,583) |
| Disposals | (1,639) | (2,729) | (1,201) | (5,569) |
| At 31 December 2004 | 128,626 | 83,004 | 19,701 | 231,331 |
| Depreciation | | | | |
| At 1 January 2004 | 30,085 | 51,137 | 9,247 | 90,469 |
| Exchange differences | (144) | (29) | (116) | (289) |
| Acquisitions | 5 | 211 | 16 | 232 |
| Impairment | 2,003 | 1,691 | – | 3,694 |
| Charge for the year | 2,555 | 4,746 | 1,345 | 8,646 |
| Transfer to assets held for resale * | (1,355) | (1,070) | (1) | (2,426) |
| Disposals | (981) | (2,475) | (1,146) | (4,602) |
| At 31 December 2004 | 32,168 | 54,211 | 9,345 | 95,724 |
| Net book value at 31 December 2004 | 96,458 | 28,793 | 10,356 | 135,607 |
| Net book value at 31 December 2003 | 113,093 | 32,233 | 10,620 | 155,946 |
| Cost or valuation at 31 December 2004 is represented by: | | | | |
| Cost | 84,674 | 81,107 | 19,493 | 185,274 |
| Valuation in 1988 | 3,113 | – | – | 3,113 |
| Valuation in 1991 | 6,246 | – | – | 6,246 |
| Valuation in 1993 | 1,206 | – | – | 1,206 |
| Valuation in 1997 | 19,955 | – | – | 19,955 |
| Valuation in 1999 | 13,432 | 1,897 | 208 | 15,537 |
| | 128,626 | 83,004 | 19,701 | 231,331 |

* In October 2004 subsidiaries of East African Coffee Plantations Limited entered into an agreement with SAITeysMcMahon to sell the majority of its horticultural properties in Australia, with the first sale taking place in November 2004 and the last sale in August 2005. Under the agreement, SAITeysMcMahon is required to purchase all the properties, otherwise the group has the option of unwinding all previous property transfers. In accordance with accounting standards, the sale of the properties will only be recognised on SAITeysMcMahon completing the transaction. These assets have been reclassified as current assets under the heading assets held for resale.

Notes to the Accounts

16 Tangible fixed assets *continued*

Land and buildings at net book value, which include agricultural land and plantations of £56,282,000 (2003: £63,988,000) comprise:

| | 2004 £000 | 2003 £000 |
|-----------------|---------------|----------------|
| Freehold | 50,460 | 66,026 |
| Long leasehold | 42,373 | 43,513 |
| Short leasehold | 3,625 | 3,554 |
| | <u>96,458</u> | <u>113,093</u> |

Plant and machinery includes assets held under finance leases. The depreciation charge for the year in respect of these assets was £399,000 (2003: £372,000) and their net book value was £2,065,000 (2003: £1,431,000).

The historical cost of assets included at valuation amounts to £15,645,000 (2003: £17,605,000) and the accumulated depreciation thereon would have been £4,495,000 (2003: £3,897,000).

17 Fixed asset investments

| <i>Group</i> | Associated undertakings £000 | Other investments £000 | Total £000 |
|------------------------------------|------------------------------------|------------------------------|---------------|
| Cost or valuation | | | |
| At 1 January 2004 | 63,185 | 21,592 | 84,777 |
| Additions | – | 3,579 | 3,579 |
| Disposals | (791) | (2,044) | (2,835) |
| Transfer on becoming a subsidiary | – | (58) | (58) |
| Share of retained profits | 772 | – | 772 |
| Exchange differences | (1,365) | (1,090) | (2,455) |
| At 31 December 2004 | <u>61,801</u> | <u>21,979</u> | <u>83,780</u> |
| Provision for diminution in value | | | |
| At 1 January 2004 | 6 | 806 | 812 |
| Amounts written off in year | – | 64 | 64 |
| Disposals | – | (306) | (306) |
| Exchange differences | – | (5) | (5) |
| At 31 December 2004 | <u>6</u> | <u>559</u> | <u>565</u> |
| Net book value | | | |
| At 31 December 2004 | <u>61,795</u> | <u>21,420</u> | <u>83,215</u> |
| At 31 December 2003 | <u>63,179</u> | <u>20,786</u> | <u>83,965</u> |
| | Associated undertakings | Other investments | |
| | 2004 | 2003 | 2004 |
| | £000 | £000 | £000 |
| Cost comprises: | | | |
| Listed investments | 32,054 | 32,058 | 17,431 |
| Unlisted investments | 96 | 143 | 474 |
| Collections | – | – | 4,074 |
| | <u>32,150</u> | <u>32,201</u> | <u>21,979</u> |
| Market value of listed investments | <u>63,665</u> | <u>68,042</u> | <u>29,372</u> |

Notes to the Accounts

17 Fixed asset investments *continued*

Collections comprise the group's and company's investment in fine art, stamps, documents and manuscripts.

Other investments include the following companies in which the group has a significant equity interest:

| | Principal country of origin | % held |
|------------------------|-----------------------------|--------|
| Bermuda Bakery Limited | Bermuda | 26.50 |
| B.F. & M. Limited | Bermuda | 22.33 |

At 31 December 2003 Bermuda Bakery Limited's aggregate capital and reserves amounted to £2,453,703 and its loss for the year then ended was £846,288.

At 31 December 2003 B.F. & M. Limited's aggregate capital and reserves amounted to £34,535,613 and its profit for the year then ended was £4,883,587.

Financial statements to 31 December 2004 are not yet available for these two companies.

Associated undertakings include Siegfried Holding AG, a listed company incorporated in Switzerland.

On 1 January and 31 December 2004 the group held 903,680 registered shares, representing 32.3 per cent. of the issued shares.

The consolidated capital and reserves of Siegfried Holding AG on 31 December 2004 drawn up in accordance with International Financial Reporting Standards were £182,665,000 (2003: £184,770,000) and consolidated profit after tax for the year ended 31 December 2004 was £7,220,000 (2003: £24,091,000).

The group's share of the results and balance sheet of Siegfried Holding AG for 2004 are:

| | 2004 £000 | 2003 £000 | |
|-------------------------------------|-----------------------|----------------------|---------|
| Profit and loss account: | | | |
| Turnover | 45,682 | 53,392 | |
| Operating profit | 3,138 | 9,099 | |
| Net interest payable | (470) | (501) | |
| Profit before taxation | 2,668 | 8,598 | |
| Taxation | (338) | (823) | |
| Profit after taxation | 2,330 | 7,775 | |
| Balance sheet: | | | |
| Fixed assets | 54,583 | 56,074 | |
| Other non-current assets | 3,528 | 4,297 | |
| Current assets | 29,795 | 35,054 | |
| Liabilities due within one year | (8,035) | (12,944) | |
| Liabilities due between 2 – 5 years | (20,917) | (22,848) | |
| Group share of net assets | 58,954 | 59,633 | |
| | Group undertakings | Other investments | Total |
| <i>Company</i> | £000 | £000 | £000 |
| Cost/valuation and net book value | | | |
| At 1 January 2004 | 185,438 | 3,215 | 188,653 |
| Additions | 561 | 1,448 | 2,009 |
| Disposals | (877) | (87) | (964) |
| Revaluation of subsidiaries | (4,554) | – | (4,554) |
| At 31 December 2004 | 180,568 | 4,576 | 185,144 |

Notes to the Accounts

17 Fixed asset investments *continued*

| | 2004 | 2003 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Other investments comprise: | | |
| Listed investments | 577 | 577 |
| Unlisted investments | 88 | 176 |
| Collections | 3,911 | 2,462 |
| | <u>4,576</u> | <u>3,215</u> |
| Market value of listed investments | <u>1,710</u> | <u>1,374</u> |

18 Stocks

| | 2004 | 2003 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Raw materials and consumables | 5,813 | 6,385 |
| Work in progress and growing crops | 4,822 | 3,765 |
| Produce on hand | 9,236 | 9,437 |
| Finished goods | 2,745 | 3,559 |
| Philatelic items | 2,320 | 1,907 |
| | <u>24,936</u> | <u>25,053</u> |

As stocks of philatelic items are largely unique the directors consider the determination of replacement values inappropriate. In respect of other stocks there was no material difference between the replacement cost and the values shown above.

19 Debtors

| | <i>Group</i> | | <i>Company</i> | |
|--|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £000 | £000 | £000 | £000 |
| Due within one year: | | | | |
| Amounts due from customers of banking subsidiaries | 21,923 | 17,738 | – | – |
| Trade debtors | 20,639 | 17,806 | 16 | – |
| Amounts owed by group undertakings | – | – | 16,484 | 18,265 |
| Amounts owed by associated undertakings | 44 | 51 | – | – |
| Amounts due on sale of subsidiary | 600 | – | – | – |
| Other debtors | 4,662 | 5,799 | – | 19 |
| Taxation | 2,707 | 1,820 | – | – |
| Prepayments and accrued income | 2,575 | 2,948 | 6 | 6 |
| | <u>53,150</u> | <u>46,162</u> | <u>16,506</u> | <u>18,290</u> |
| Due after one year: | | | | |
| Amounts due on sale of subsidiary | – | 600 | – | – |
| Other debtors | 653 | 650 | – | – |
| | <u>53,803</u> | <u>47,412</u> | <u>16,506</u> | <u>18,290</u> |

20 Cash and deposits

Included in cash and deposits of £155,550,000 (2003: £162,657,000) are cash and short term funds, time deposits with banks and building societies and certificates of deposit amounting to £142,855,000 (2003: £151,638,000) which are held by banking subsidiaries and which are an integral part of the banking operations of the group.

Notes to the Accounts

21 Creditors: due within one year

| | <i>Group</i> | | <i>Company</i> | |
|---|----------------|----------------|----------------|---------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Amounts due to customers of banking subsidiaries | 139,681 | 140,682 | – | – |
| Bank loans and overdrafts | 27,614 | 27,889 | – | – |
| Other loans | 5 | 5 | – | – |
| Finance leases | 663 | 457 | – | – |
| Deferred income from anticipated sale (see note 16) | 3,591 | – | – | – |
| Trade creditors | 13,794 | 12,280 | – | – |
| Amounts owed to group undertakings | – | – | 17,410 | 18,224 |
| Amounts owed to associated undertakings | 11 | – | – | – |
| Dividends | 1,765 | 1,739 | 1,765 | 1,739 |
| Corporate taxation | 3,244 | 998 | – | – |
| Other taxation and social security | 1,700 | 1,714 | – | – |
| Other creditors | 5,785 | 6,649 | 20 | 36 |
| Accruals | 6,286 | 6,551 | 156 | 140 |
| | <u>204,139</u> | <u>198,964</u> | <u>19,351</u> | <u>20,139</u> |
| Creditors: due within one year include the following amounts secured on certain group assets: | | | | |
| Bank loans and overdrafts | 15,665 | 16,920 | – | – |
| Finance leases | 663 | 457 | – | – |
| | <u>16,328</u> | <u>17,377</u> | <u>–</u> | <u>–</u> |

22 Creditors: due after one year

| | <i>Group</i> | |
|--|---------------|---------------|
| | 2004 £000 | 2003 £000 |
| Bank loans | 19,187 | 25,563 |
| Other loans | 7 | 19 |
| Finance leases | 1,347 | 846 |
| Accruals | 1,505 | 1,542 |
| | <u>22,046</u> | <u>27,970</u> |
| Creditors: due after one year include the following amounts secured on certain group assets: | | |
| Bank loans | 4,022 | 8,898 |
| Finance leases | 1,347 | 846 |
| | <u>5,369</u> | <u>9,744</u> |
| Bank loans include the following amounts repayable over more than five years by instalments: | | |
| Aggregate amount of loans | 10,908 | 12,046 |
| Amount due beyond five years | 6,769 | 7,798 |
| | <u>17,677</u> | <u>19,844</u> |

Notes to the Accounts

22 Creditors: due after one year *continued*

| | <i>Group</i> | |
|---|---------------|---------------|
| | 2004 | 2003 |
| | £000 | £000 |
| The repayment of bank loans and overdrafts fall due as follows: | | |
| Within one year or on demand (included in Creditors: due within one year) | 27,614 | 27,889 |
| Between 1 – 2 years | 9,478 | 4,412 |
| Between 2 – 5 years | 2,940 | 13,353 |
| After 5 years | 6,769 | 7,798 |
| | <u>46,801</u> | <u>53,452</u> |
| The repayments of other loans and finance leases fall due as follows: | | |
| Within one year or on demand (included in Creditors: due within one year) | 668 | 462 |
| Between 1 – 2 years | 580 | 328 |
| Between 2 – 5 years | 765 | 526 |
| After 5 years | 9 | 11 |
| | <u>2,022</u> | <u>1,327</u> |

The rates of interest payable at 31 December 2004 vary between 2 per cent. and 25 per cent..

23 Provisions for liabilities and charges

| | Restructuring £000 | Onerous lease £000 | Deferred tax £000 | Total £000 |
|------------------------|-----------------------|--------------------------|-------------------------|---------------|
| <i>Group</i> | | | | |
| At 1 January 2004 | – | – | 4,158 | 4,158 |
| Exchange differences | 33 | – | (216) | (183) |
| Provided in the period | 1,211 | 113 | 177 | 1,501 |
| Utilised in the period | (825) | – | – | (825) |
| At 31 December 2004 | <u>419</u> | <u>113</u> | <u>4,119</u> | <u>4,651</u> |
| <i>Company</i> | | | | |
| At 1 January 2004 | – | – | 361 | 361 |
| Provided in the period | – | – | – | – |
| At 31 December 2004 | <u>–</u> | <u>–</u> | <u>361</u> | <u>361</u> |

The provision for restructuring relates to the redundancy costs in respect of the group's tea operations in South Africa.

The provision for the onerous lease relates to warehouse premises operated by Associated Cold Stores & Transport Limited and relates to nine months rental which is the expected period of vacancy. The lease expires in 2016.

Notes to the Accounts

23 Provisions for liabilities and charges *continued*

The amount provided in respect of deferred taxation comprises:

| | <i>Group</i> | | <i>Company</i> | |
|--------------------------------|--------------|--------------|----------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Accelerated capital allowances | 6,563 | 8,635 | – | – |
| Other timing differences | (93) | 87 | 361 | 361 |
| Tax losses carried forward | (2,351) | (4,564) | – | – |
| | <u>4,119</u> | <u>4,158</u> | <u>361</u> | <u>361</u> |

Deferred tax is provided on the unremitted earnings of overseas subsidiaries and associates only to the extent that it is likely that profits will be remitted in the foreseeable future.

A deferred tax asset of £6,737,000 (2003: £8,665,000) in respect of tax losses recorded has not been recognised as it is considered unlikely that there will be suitable taxable profits arising in the foreseeable future from which these losses can be deducted.

Deferred tax is provided on a non-discounted basis at the tax rates expected to apply in the periods in which timing differences reverse.

No provision has been made for deferred tax on gains arising from the revaluation of fixed assets or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would only become payable if the assets were sold without it being possible to claim rollover relief or offset against existing capital losses. The total amount unprovided is £2,009,000 (2003: £2,318,000) but it is not envisaged that any tax will become payable in the foreseeable future.

24 Share capital

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| Authorised: 3,000,000 ordinary shares of 10p each | 300 | 300 |
| Allotted, called up and fully paid: ordinary shares of 10p each: | | |
| At 1 January – 2,595,323 (2003: 2,638,820) shares | 260 | 264 |
| Purchase of own shares – 323 (2003: 43,497) shares | – | 4 |
| At 31 December – 2,595,000 (2003: 2,595,323) shares | <u>260</u> | <u>260</u> |

Notes to the Accounts

25 Reserves

| | Share premium account £000 | Revaluation £000 | Merger reserve £000 | Profit and loss account £000 |
|--|-------------------------------------|---------------------|---------------------------|---------------------------------------|
| <i>Group</i> | | | | |
| At 1 January 2004 | 423 | 35,092 | 242 | 150,465 |
| Exchange differences | – | (581) | – | (4,783) |
| Impairments on previously revalued tangible fixed assets | – | (254) | – | – |
| Purchase of own shares | – | – | – | (16) |
| Retained profit for the year | – | – | – | 1,102 |
| | <u>423</u> | <u>34,257</u> | <u>242</u> | <u>146,768</u> |
| <i>Company</i> | | | | |
| At 1 January 2004 | 423 | 172,135 | – | 13,664 |
| Reclassification | – | (527) | – | 527 |
| Revaluation of shares in subsidiaries to net asset value | – | (4,554) | – | – |
| Purchase of own shares | – | – | – | (16) |
| Retained profit for the year | – | – | – | 38 |
| | <u>423</u> | <u>167,054</u> | <u>–</u> | <u>14,213</u> |

The profit and loss account of the group and company includes a £31,000 (2003: £31,000) capital redemption reserve.

Exchange differences are stated net of exchange losses of £45,000 (2003: £140,000) on foreign currency borrowings used to provide a hedge against foreign equity investments.

Since 1989 goodwill on acquisitions written off amounts to £6,095,000 (2003: £6,036,000) and negative goodwill on acquisitions credited to reserves amounts to £20,154,000 (2003: £20,015,000). It is impractical to obtain information for earlier years.

The group profit and loss account includes £22,247,000 which would require exchange control permission for remittance as dividends (2003: £23,991,000).

Group reserves include £29,651,000 (2003: £30,984,000) of profits related to associated undertakings.

26 Reconciliation of operating profit to cash flow from operating activities

| | 2004 £000 | 2003 £000 |
|--|---------------|--------------|
| Operating profit/(loss) | 6,440 | (2,709) |
| Depreciation | 8,646 | 8,735 |
| Asset impairments | 933 | 3,304 |
| Amortisation of negative goodwill | (207) | (351) |
| (Profit)/loss on sale of fixed assets | (72) | 367 |
| Provision against investments | 64 | – |
| Restructuring costs | (1,868) | – |
| Other non cash movements | (374) | (284) |
| (Increase)/decrease in stocks | (692) | 5,902 |
| (Increase)/decrease in debtors | (6,249) | 5,380 |
| Increase/(decrease) in creditors | 4,040 | (7,726) |
| Net decrease/(increase) in funds of banking subsidiaries | 8,783 | (7,199) |
| | <u>19,444</u> | <u>5,419</u> |

Notes to the Accounts

27 Acquisition and disposal of businesses

| | Acquisition | Disposal | Disposal |
|--|-------------|------------|--------------|
| | 2004 | 2004 | 2003 |
| | £000 | £000 | £000 |
| Book value of assets and liabilities: | | | |
| Tangible fixed assets | 324 | – | 1,111 |
| Cash and deposits | 81 | – | 328 |
| Stocks | 3 | 166 | 1,032 |
| Debtors | 17 | 278 | 1,492 |
| Creditors | (61) | (4) | (1,164) |
| Net amount due from/(to) group undertaking | – | 100 | (131) |
| Short term loans and overdrafts | (25) | – | (464) |
| Accruals and deferred income | – | – | (54) |
| Deferred tax | – | – | (1) |
| | <u>339</u> | <u>540</u> | <u>2,149</u> |
| Minority interest | (150) | – | (397) |
| Profit on disposal | – | – | 150 |
| Negative goodwill | (23) | – | – |
| | <u>166</u> | <u>540</u> | <u>1,902</u> |
| Satisfied by: | | | |
| Cash consideration and costs | 108 | 540 | 1,902 |
| Transfer from other investments | 58 | – | – |
| | <u>166</u> | <u>540</u> | <u>1,902</u> |
| Net (outflow)/inflow of cash in respect of acquisition and disposal of businesses: | | | |
| Cash consideration and costs | (108) | 540 | 1,902 |
| Net cash balances of business acquired | 56 | – | – |
| Net overdraft of business sold | – | – | 136 |
| | <u>(52)</u> | <u>540</u> | <u>2,038</u> |

The fair values of assets and liabilities of Zetmac (Pty) Limited, which were acquired on 1 January 2004, are the same as the net book values.

The disposal in 2004 relates to the disposal of the business of W.G. White Limited (now known as Feltham One Limited).

The disposals in 2003 relate to British Traders & Shippers Limited and SWF Citrus Inc..

Notes to the Accounts

28 Analysis of net debt

| | 1 January 2004 £000 | Cash flow £000 | Acquisition £000 | Other non-cash changes £000 | Exchange movements £000 | 31 December 2004 £000 |
|---|---------------------------|----------------------|---------------------|--------------------------------------|-------------------------------|--------------------------------|
| Cash and deposits | 162,657 | | | | | 155,550 |
| less: held by banking subsidiaries (note 20) | (151,638) | | | | | (142,855) |
| | 11,019 | 1,917 | 81 | – | (322) | 12,695 |
| Bank overdrafts | (20,965) | (2,913) | (25) | – | 589 | (23,314) |
| | (9,946) | (996) | 56 | – | 267 | (10,619) |
| Debt due within one year | (6,929) | 2,550 | – | – | 74 | (4,305) |
| Debt due after one year | (25,582) | 6,014 | – | – | 374 | (19,194) |
| Finance leases | (1,303) | 643 | (19) | (1,332) | 1 | (2,010) |
| | (33,814) | 9,207 | (19) | (1,332) | 449 | (25,509) |
| Net debt | (43,760) | 8,211 | 37 | (1,332) | 716 | (36,128) |

29 Reconciliation of net cash flow to movement in net debt

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| (Decrease)/increase in cash in the year | (996) | 2,507 |
| Cash outflow from decrease in debt and lease financing | 9,207 | 11,020 |
| Decrease in net debt resulting from cash flows | 8,211 | 13,527 |
| Net cash balances of business acquired | 56 | – |
| Finance lease balances of business acquired | (19) | – |
| Net overdraft/(cash balances) of businesses sold | – | 136 |
| New finance leases | (1,332) | (566) |
| Exchange rate movements | 716 | 560 |
| Decrease in net debt in the year | 7,632 | 13,657 |
| Net debt at 1 January | (43,760) | (57,417) |
| Net debt at 31 December | (36,128) | (43,760) |

30 Capital commitments

| | Group | |
|--|--------------|--------------|
| | 2004 £000 | 2003 £000 |
| Contracts for capital expenditure not provided | 1,032 | 885 |

Notes to the Accounts

31 Leasing commitments

| | <i>Group</i> | |
|--|--------------|--------------|
| | 2004 | 2003 |
| | £000 | £000 |
| Annual commitments in respect of operating leases: | | |
| Land and buildings – operating leases expiring: | | |
| Within 1 year | 90 | 84 |
| Between 1 – 5 years | 250 | 261 |
| After 5 years | 920 | 1,047 |
| | <u>1,260</u> | <u>1,392</u> |
| Other assets – operating leases expiring: | | |
| Within 1 year | 593 | 454 |
| Between 1 – 5 years | 1,052 | 1,558 |
| After 5 years | – | 28 |
| | <u>1,645</u> | <u>2,040</u> |

32 Derivatives and other financial information

Given the nature and diversity of the group's operations, the board does not believe a highly complex use of financial instruments would be of significant benefit to the group. However, where appropriate, the board does authorise the use of certain financial instruments to mitigate financial risks that face the group, where it is effective to do so. This approach has remained unchanged since 1998.

Various financial instruments arise directly from the group's operations, for example cash, trade debtors, trade creditors, accruals and prepayments. In addition, the group uses financial instruments for two main reasons, namely:

- To finance its operations (to mitigate liquidity risk);
- To manage currency risks arising from its operations and arising from its sources of finance (to mitigate currency risk).

The group, including Duncan Lawrie, the group's banking subsidiary, did not, in accordance with group policy, trade in financial instruments throughout the period under review.

The group finances its operations by a mixture of retained profits, bank borrowings, long-term loans and leases. The objective is to maintain a balance between continuity of funding and flexibility, through the use of borrowings with a range of maturities. To achieve this, the maturity profile of borrowings and facilities are regularly reviewed. The group also seeks to maintain sufficient undrawn committed borrowing facilities to provide flexibility in the management of the group's liquidity.

Currency risks are primarily managed through the use of natural hedging and regularly reviewing when cash should be exchanged into either sterling or another functional currency.

While the board also recognise the existence of interest rate risk and market price risk, the group's diversity is considered the most effective way of mitigating these risks.

Notes to the Accounts

32 Derivatives and other financial information *continued*

Duncan Lawrie Limited

As a banking group most of the items making up Duncan Lawrie's balance sheet are financial instruments with the most significant ones being loans and deposits in various currencies but mainly in Sterling. Interest rates applied to loans and deposits are normally variable at the discretion of the bank and are linked to LIBOR or the base rate. The bank's interest rate exposure is summarised below in the form of an interest rate repricing table. The table reflects the repricing profile of the bank's assets and liabilities by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

| | Not more than three months £000 | Over six months but not more than one year £000 | Over one year but not more than five years £000 | More than five years £000 | Non-interest bearing £000 | Total £000 |
|--|--|--|--|------------------------------------|---------------------------------|----------------|
| Assets: | | | | | | |
| Loans and advances to banks | 121,040 | – | – | – | 2,157 | 123,197 |
| Loans and advances to customers | 21,317 | 272 | 840 | – | – | 22,429 |
| Debt and equity shares | 14,500 | – | 3,000 | 1,997 | 271 | 19,768 |
| Other assets | – | – | – | – | 3,859 | 3,859 |
| | <u>156,857</u> | <u>272</u> | <u>3,840</u> | <u>1,997</u> | <u>6,287</u> | <u>169,253</u> |
| Liabilities: | | | | | | |
| Deposits by banks | 830 | – | 521 | – | – | 1,351 |
| Deposits by customers | 140,922 | 100 | 306 | – | 2,789 | 144,117 |
| Other liabilities | – | – | – | – | 1,491 | 1,491 |
| Minority interests and shareholders funds | – | – | – | – | 22,294 | 22,294 |
| | <u>141,752</u> | <u>100</u> | <u>827</u> | <u>–</u> | <u>26,574</u> | <u>169,253</u> |
| Interest rate repricing gap at 31 December 2004 | <u>15,105</u> | <u>172</u> | <u>3,013</u> | <u>1,997</u> | <u>(20,287)</u> | <u>–</u> |
| Cumulative gap | <u>15,105</u> | <u>15,277</u> | <u>18,290</u> | <u>20,287</u> | <u>–</u> | <u>–</u> |

Duncan Lawrie's exposure to currency risk is actively monitored and managed by matching the currencies of loans with those of deposits and the net positions at 31 December 2004 were as follows:

| | £000 |
|-----------|----------|
| US Dollar | 2 |
| Euro | 1 |
| | <u>3</u> |

Notes to the Accounts

32 Derivatives and other financial information *continued*

Group – excluding Duncan Lawrie

The maturity profile of the group's financial liabilities, excluding short-term creditors such as trade creditors and accruals, at 31 December was as follows:

| | 2004 £000 | 2003 £000 |
|-----------------------------|---------------|---------------|
| Within 1 year, or on demand | 28,282 | 28,351 |
| Between 1 – 2 years | 11,563 | 6,282 |
| Between 2 – 5 years | 3,705 | 13,879 |
| After 5 years | 6,778 | 7,809 |
| | <u>50,328</u> | <u>56,321</u> |

At 31 December 2004, the group had undrawn committed facilities of £20,000,000 (2003: £18,000,000), all of which are due to be reviewed within one year.

Fair values

Set out below is a comparison by category of book values of the group's financial assets and liabilities, excluding short-term debtors and creditors as at 31 December 2004.

| | Net carrying amount 2004 £000 | Estimated fair value 2004 £000 | Net <i>carrying</i> <i>amount</i> 2003 £000 | Estimated <i>fair value</i> 2003 £000 |
|---|---|---|---|--|
| Primary financial instruments: | | | | |
| Borrowings due within one year | (28,282) | (28,282) | (28,351) | (28,351) |
| Borrowings due after one year | (20,541) | (20,541) | (26,428) | (26,428) |
| Cash at bank and in hand | 12,694 | 12,694 | 11,019 | 11,019 |
| Investments – excluding associated undertakings | 21,420 | 42,893 | 20,786 | 32,627 |
| Other: | | | | |
| Other financial liabilities | (1,505) | (1,505) | (1,542) | (1,542) |
| Other financial assets | 653 | 653 | 1,250 | 1,250 |

Notes to the Accounts

32 Derivatives and other financial information *continued*

Interest rate risk

The interest rate exposure of group financial liabilities and assets by currency, at 31 December 2004 was:

| | Financial liabilities | | Financial assets | |
|--------------------|-----------------------|---------------|------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £000 | £000 | £000 | £000 |
| Sterling | 23,474 | 24,538 | 479 | 690 |
| US Dollar | 2,708 | 2,193 | 3,956 | 4,154 |
| Kenya Shilling | 4,320 | 4,147 | 452 | 1,077 |
| Indian Rupee | 4,071 | 5,312 | 840 | 1,441 |
| Malawi Kwacha | – | – | 311 | 560 |
| Bangladesh Taka | 5,078 | 4,393 | 2,066 | 1,284 |
| Australian Dollar | 2,113 | 5,903 | 3,293 | 2,421 |
| South African Rand | 1,739 | 2,367 | 382 | 21 |
| Swiss Franc | 5,938 | 6,732 | 14 | – |
| Brazilian Real | – | – | 1,234 | 513 |
| Euro | 865 | 736 | 281 | 71 |
| Chilean Peso | 22 | – | 39 | 36 |
| Other | – | – | – | 1 |
| | <u>50,328</u> | <u>56,321</u> | <u>13,347</u> | <u>12,269</u> |

Interest accrues at floating rates on financial liabilities and assets which exclude short-term creditors and debtors.

The benchmarks for determining rates of interest on financial assets and liabilities are mainly bank base and six month inter bank rates.

Currency risk

The table below shows the group's currency exposures being those trading assets and liabilities that are not denominated in the operating or functional currency of the operating unit involved.

| Functional currency of group operation | Sterling £000 | US Dollar £000 | South African | |
|--|------------------|-------------------|---------------|--------------|
| | | | Euro £000 | Rand £000 |
| Sterling | – | 889 | (289) | – |
| Malawi Kwacha | (301) | 1,010 | (67) | (324) |
| Kenya Shilling | 206 | 717 | – | – |
| South African Rand | 397 | 782 | 34 | – |
| Chilean Peso | – | (1,314) | – | – |

The group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency.

Notes to the Accounts

33 Pensions

Certain group subsidiaries operate defined contribution and funded defined benefit pension schemes. The assets of the schemes are administered by trustees and are kept separate from those of the group. Contributions to defined contribution schemes are charged to profit when payable.

The pension cost for defined benefit schemes is assessed in accordance with the advice of qualified independent actuaries using the "projected unit" funding method. Actuarial surpluses and deficiencies are recognised over the expected average remaining service lives of the employees.

In respect of UK schemes, valuations are prepared every three years. The main growth rate assumptions used for the last valuations were:

| | |
|------------------------------------|-----------------------|
| Investment return – pre-retirement | 6.0% – 6.5% per annum |
| – post-retirement | 5.5% per annum |
| Salary inflation | 2.5% – 4.5% per annum |
| Pension increases | 0.0% – 5.0% per annum |

At the dates of the latest actuarial valuations of the UK schemes (which were carried out in the case of one scheme in 2001, and in the case of the two other schemes in 2003), the market value of the assets of the UK schemes was £73,530,000 which represented 90.4 per cent. of the benefits accrued to members allowing for expected future increases in earnings. The pension costs charged were £2,992,000 (2003: £3,346,000) in respect of defined benefit schemes and £2,073,000 (2003: £2,797,000) in respect of defined contribution schemes.

For overseas schemes the pension cost for defined benefit schemes is provided on the basis of amounts paid, based upon actuaries' recommendations.

The additional disclosures required by accounting standard FRS 17 "Retirement Benefits" are:

Full actuarial valuations of the three UK defined benefit pension schemes were last undertaken as at 31 December 2001, 1 January 2003 and 6 April 2003 respectively. These have been updated to 31 December 2004 by qualified independent actuaries. For the six overseas defined benefit pension schemes full actuarial valuations were completed as at 31 December 2001. The major assumptions used by the actuaries as at 31 December 2004 were as follows:

| | 2004 per annum | 2003 <i>per annum</i> | 2002 <i>per annum</i> |
|---|-------------------|--------------------------|--------------------------|
| UK schemes | | | |
| Rate of increase in salaries | 2.75 – 4.75% | 2.75 – 4.50% | 4.00 – 4.25% |
| Rate of increase to LPI pensions in payment | 2.75% | 2.50 – 2.75% | 2.25 – 2.50% |
| Discount rate applied to scheme liabilities | 5.30% | 5.40% | 5.50 – 5.60% |
| Inflation assumption | 2.75% | 2.50 – 2.75% | 2.25 – 2.50% |
| Overseas schemes | | | |
| Rate of increase in salaries | 5.00 – 7.00% | 5.00 – 7.00% | 5.00 – 7.00% |
| Rate of increase to LPI pensions in payment | 0.00 – 3.00% | 0.00 – 3.00% | 0.00 – 3.00% |
| Discount rate applied to scheme liabilities | 7.50 – 9.00% | 7.50 – 9.00% | 9.00 – 10.00% |
| Inflation assumption | 0.00 – 7.00% | 0.00 – 7.00% | 0.00 – 7.00% |

Allowances have also been made for any minimum level of pension increase provided under the rules of the schemes.

Notes to the Accounts

33 Pensions *continued*

If the amounts had been recognised in the financial statements, the effect on the group's net assets and profit and loss account at 31 December would be as follows:

| | 2004 £000 | 2003 £000 |
|--|----------------|----------------|
| Net assets: | | |
| Net assets prior to pension adjustments | 231,975 | 242,060 |
| SSAP 24 pension liability | 240 | 257 |
| | <u>232,215</u> | <u>242,317</u> |
| FRS 17 pension deficit | (20,655) | (14,137) |
| Net assets after pension adjustments | <u>211,560</u> | <u>228,180</u> |
| Reserves: | | |
| Profit and loss account prior to pension adjustments | 146,768 | 150,465 |
| SSAP 24 pension liability | 240 | 257 |
| | <u>147,008</u> | <u>150,722</u> |
| FRS 17 pension deficit | (20,655) | (14,137) |
| Profit and loss account after pension adjustments | <u>126,353</u> | <u>136,585</u> |

The following amounts would have been recognised in the profit and loss account and statement of total recognized gains and losses in the year ended 31 December 2004.

Overseas

Analysis of amount chargeable to profit:

| | 2004 £000 | 2003 £000 |
|----------------------|--------------|--------------|
| Current service cost | 494 | 439 |
| Past service costs | (6) | - |
| | <u>488</u> | <u>439</u> |

Analysis of the amount to be credited to other finance income:

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| Expected return on pension scheme assets | 778 | 752 |
| Interest on pension scheme liabilities | (644) | (609) |
| Net return | <u>134</u> | <u>143</u> |

Notes to the Accounts

33 Pensions *continued*

Analysis of amount recognisable in statement of total recognised gains and losses (STRGL):

| | 2004 | 2003 |
|---|--------------|--------------|
| | £000 | £000 |
| Actual return less expected return on pension scheme assets | (63) | 185 |
| Experience gains and losses arising on scheme liabilities | (415) | 312 |
| Changes in assumptions underlying present value of scheme liabilities | 295 | (871) |
| | <u>(183)</u> | <u>(374)</u> |
| Actuarial loss recognised in STRGL | <u>(183)</u> | <u>(374)</u> |

Movement in surplus during the year:

| | 2004 | 2003 |
|------------------------------|--------------|--------------|
| | £000 | £000 |
| Surplus at beginning of year | 1,377 | 1,651 |
| Exchange differences | (20) | (79) |
| Current service cost | (494) | (439) |
| Contributions | 887 | 474 |
| Past service costs | 6 | - |
| Other finance income | 134 | 144 |
| Actuarial loss | (183) | (374) |
| | <u>1,707</u> | <u>1,377</u> |
| Surplus at end of year | <u>1,707</u> | <u>1,377</u> |

UK

Analysis of amount chargeable to profit:

| | 2004 | 2003 |
|----------------------|--------------|--------------|
| | £000 | £000 |
| Current service cost | 2,257 | 2,671 |
| | <u>2,257</u> | <u>2,671</u> |

Analysis of the amount to be credited to other finance income:

| | 2004 | 2003 |
|--|------------|--------------|
| | £000 | £000 |
| Expected return on pension scheme assets | 5,555 | 4,533 |
| Interest on pension scheme liabilities | (5,275) | (5,263) |
| | <u>280</u> | <u>(730)</u> |
| Net return | <u>280</u> | <u>(730)</u> |

Analysis of amount recognisable in statement of total recognised gains and losses (STRGL):

| | 2004 | 2003 |
|---|----------------|--------------|
| | £000 | £000 |
| Actual return less expected return on pension scheme assets | 2,731 | 6,924 |
| Experience gains and losses arising on scheme liabilities | (289) | 1,925 |
| Changes in assumptions underlying present value of scheme liabilities | (8,817) | (774) |
| | <u>(6,375)</u> | <u>8,075</u> |
| Actuarial (loss)/profit recognised in STRGL | <u>(6,375)</u> | <u>8,075</u> |

Notes to the Accounts

33 Pensions *continued*

Movement in deficit during the year:

| | 2004 £000 | 2003 £000 |
|------------------------------|-----------------|-----------------|
| Deficit at beginning of year | (18,367) | (25,384) |
| Current service cost | (2,257) | (2,671) |
| Contributions | 2,400 | 2,343 |
| Other finance income | 290 | (730) |
| Actuarial (loss)/profit | (6,375) | 8,075 |
| Deficit at end of year | <u>(24,309)</u> | <u>(18,367)</u> |

History of experience gains and losses:

| | UK | | Overseas | |
|---|---------------|---------------|---------------|---------------|
| | 2004 Total | 2003 Total | 2004 Total | 2003 Total |
| Difference between expected and actual return on scheme assets: | | | | |
| Amount (£000's) | 2,731 | 6,924 | (63) | 185 |
| Percentage of scheme assets | 3.15% | 8.58% | (0.58)% | 1.81% |
| Experience gains and losses on scheme liabilities | | | | |
| Amount (£000's) | (289) | 1,925 | (415) | 312 |
| Percentage of present value of scheme liabilities | (0.26)% | 1.94% | (4.54)% | 3.53% |
| Total amount recognised in statement of total recognised gains and losses | | | | |
| Amount (£000's) | (6,375) | 8,075 | (183) | (374) |
| Percentage of present value of scheme liabilities | (5.74)% | 8.15% | (2.00)% | (4.23)% |

Notes to the Accounts

34 Principal subsidiary and associated undertakings

Subsidiary undertakings

The principal operating subsidiary undertakings of the group at 31 December 2004, which are wholly owned and incorporated in Great Britain unless otherwise stated, were:

| | <i>Principal country of operation</i> |
|---|---|
| Agriculture and horticulture | |
| Amgoorie India Limited (Incorporated in India – 99.8 per cent. holding) | India |
| Bonathaba Farms (Pty) Limited (Incorporated in South Africa) | South Africa |
| Die Baken Farms (Pty) Limited (Incorporated in South Africa) | South Africa |
| E.P. Lawrie Agropecuária e Participações Ltda. (Incorporated in Brazil) | Brazil |
| Eastern Produce Kenya Limited (Incorporated in Kenya – 78.0 per cent. holding) | Kenya |
| Eastern Produce Malawi Limited (Incorporated in Malawi – 73.2 per cent. holding) | Malawi |
| Goodricke Group Limited (Incorporated in India – 84.0 per cent. holding) | India |
| Hacienda Chada S.A. (Incorporated in Chile) | Chile |
| Horizon Farms (An United States of America general partnership – 80.0 per cent. holding) | USA |
| Kakuzi Limited (Incorporated in Kenya – 50.7 per cent. holding) | Kenya |
| Koomber Tea Company Limited (Incorporated in India – 85.0 per cent. holding) | India |
| Longbourne Holdings Limited | Bangladesh |
| Sapekoe (Pty) Limited (Incorporated in South Africa – 73.2 per cent. holding) | South Africa |
| Stewart Holl (India) Limited (Incorporated in India – 92.0 per cent. holding) | India |
| Tiru Tea Company Limited (Incorporated in India) | India |
| Yandilla Park Limited (Incorporated in Australia – 92.5 per cent. owned by East African Coffee Plantations Limited) | Australia |
| Engineering | |
| AJT Engineering Limited | UK |
| Unochrome Industries Limited | UK |
| Food storage and distribution | |
| Affish BV (Incorporated in Holland) | Holland |
| Associated Cold Stores & Transport Limited | UK |
| Wylax International BV (Incorporated in Holland) | Holland |
| Trading and agency | |
| Robertson Bois Dickson Anderson Limited | UK |
| Lawrie Plantation Services Limited | UK |
| Philately | |
| David Field Limited | UK |
| Property | |
| W.D.G. Properties Limited | UK |
| Banking and financial services | |
| Duncan Lawrie Limited | UK |
| Duncan Lawrie (IOM) Limited (Incorporated in Isle of Man) | Isle of Man |
| Duncan Lawrie Offshore Services Limited (Incorporated in Isle of Man) | Isle of Man |

Notes to the Accounts

34 Principal subsidiary and associated undertakings *continued*

Subsidiary undertakings *continued*

| | <i>Principal country of operation</i> |
|---|---|
| Investment holding | |
| Assam Dooars Holdings Limited | UK |
| Associated Fisheries Limited | UK |
| Bordure Limited | UK |
| East African Coffee Plantations Limited (Incorporated in Australia – 70.5 per cent. holding) | Australia |
| Lawrie (Bermuda) Limited (Incorporated in Bermuda) | Bermuda |
| Lawrie Group Plc | UK |
| Lawrie International Limited (Incorporated in Bermuda) | Bermuda |
| Linton Park Plc (79.16 per cent. holding) | UK |
| Sterling Industrial Securities Limited | UK |
| Walter Duncan & Goodricke Limited | UK |
| Western Dooars Tea Holdings Limited | UK |

Associated undertakings

The principal associated undertakings of the group at 31 December 2004 were:

| | <i>Principal country of operation</i> | <i>Accounting date 2004</i> | <i>Group interest in equity capital per cent.</i> |
|--|---|---------------------------------|---|
| Chemical and pharmaceutical | | | |
| Siegfried Holding AG (Incorporated in Switzerland – registered shares) | Switzerland | 31 December | 32.3 |
| Other | | | |
| United Insurance Company Limited (Incorporated in Bangladesh – ordinary shares) | Bangladesh | 31 December | 31.9 |
| United Leasing Company Limited (Incorporated in Bangladesh – ordinary shares) | Bangladesh | 31 December | 33.6 |

35 Related party transactions

Under an agreement between Linton Park Plc on one hand and Sigamed AG and others (who include Dr B A Siegfried, a director of Siegfried Holding AG and a non executive director of Linton Park Plc), both parties have the first right of refusal to buy Siegfried Holding AG shares offered for sale by the other party.

In December 2004, the company's 20 per cent. shareholding in International Factors Corporation ("IFC") (a Canadian private company) was purchased by IFC for a consideration of Can \$2,457,000 (approximately £1.1 million). At the same time, the company purchased certain philatelic material from the Libra Foundation for a consideration of £1,443,000. Both IFC and the Libra Foundation are controlled by Mr Gordon Fox who, by virtue of his directorship of a subsidiary of Camellia Plc, was at the time of the transactions considered a related party under the rules of the UK Listing Authority. A full market valuation of both the IFC shares and the philatelic material was prepared independently and, in accordance with the rules of the UK Listing Authority, Teather & Greenwood Limited confirmed to the UK Listing Authority that the terms of the transactions were fair and reasonable so far as the shareholders of Camellia Plc are concerned.

Notes to the Accounts

36 Control of Camellia Plc

Camellia Holding AG held 1,421,000 ordinary shares of Camellia Plc (representing 54.76 per cent. of the issued share capital). Camellia Holding AG is owned by Camellia Private Trust Company Limited (a private trust company incorporated under the laws of Bermuda to act as trustee of The Camellia Foundation). The Camellia Foundation (“the Foundation”) is a Bermudian Trust, the income of which is utilised for charitable, educational and humanitarian causes at the discretion of the Trustees.

In relation to Linton Park Plc:

- Camellia Holding AG holds 75,000 ordinary shares of 50p each in Linton Park Plc (representing 0.39 per cent. of the issued share capital);
- Lawrie Group Plc (being a wholly owned subsidiary of Camellia Plc) holds 15,069,999 ordinary shares of 50p each in Linton Park Plc (representing 79.16 per cent. of the issued share capital).

The activities of Camellia Plc and its group (the “Camellia Group”) are conducted independently of the Foundation and none of the directors of Camellia Plc are currently connected with the Foundation, other than Mr P A Leggatt who is one of the Trustees. While Camellia Private Trust Company Limited maintains its rights as a shareholder, it has not participated in, and has confirmed to the board of Camellia Plc that it has no intention of participating in, the day to day running of the business of the Camellia Group. Camellia Private Trust Company Limited has also confirmed its agreement that where any director of Camellia Plc is for the time being connected with the Foundation, he should not exercise any voting rights as a director of Camellia Plc in relation to any matter concerning the Camellia Group’s shareholding in Siegfried Holding AG or any other assets in which the Foundation also has a material interest otherwise than through Camellia Plc. Since the Foundation is a non-trading entity, no other transactions or relationships between the Camellia Group and the Foundation are envisaged, but the board of Camellia Plc will not in any event conduct any transaction or relationship with the Foundation other than on an arm’s length and normal commercial basis.

37 Subsequent events

In March 2005 an offer was made by Chiquita Brands South Pacific Limited for East African Coffee Plantations Limited, owned 70.5 per cent. by Bordure Limited, a wholly owned subsidiary of Linton Park Plc. Bordure Limited has accepted the offer which became unconditional on 11 April 2005.

On 21 March 2005 Linton Park Plc’s subsidiary, John Ingham & Sons Limited entered into an agreement to sell to Kaitet Tea Estates (1977) Limited 1,673,000 ordinary shares (8 per cent.) in Eastern Produce Kenya Limited which will be completed upon the receipt of the cash consideration of £1,673,000.

In February 2005, Duncan Lawrie Holdings Limited acquired 100 per cent. of the issued share capital of Douglas Deakin Young Limited.

In March 2005, as a result of an offer for Teather & Greenwood Limited, the company sold its investment in that company for a cash consideration of £2,288,000.

Report of the Auditors

Independent auditors' report to the shareholders of Camellia Plc

We have audited the financial statements of Camellia Plc for the year ended 31 December 2004 set out on pages 16 to 52. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 21 and 22. We have also audited the disclosures required by Part 3 of Schedule 7A of the Companies Act 1985 contained in the Directors' Remuneration Report.

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 auditor's 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are 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, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether 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. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC 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 group'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. This other information comprises only the Chairman's Statement, the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement and the five year record. 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements 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 of the state of affairs of the company and the group as at 31 December 2004 and of the group's profit for the year then ended; and
- 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.

MOORE STEPHENS

Chartered Accountants and Registered Auditors
St. Paul's House, Warwick Lane,
London EC4P 4BN
28 April 2005

Five Year Record

| | 2004 £000 | 2003 £000 | 2002 £000 | 2001 £000 <i>restated</i> | 2000 £000 |
|---|---------------|---------------|-----------------|---------------------------------|----------------|
| Turnover | 178,774 | 174,685 | 176,523 | 203,347 | 253,375 |
| Profit on ordinary activities before taxation | 8,212 | 27,522 | 15,429 | 17,556 | 15,214 |
| Taxation | 4,851 | 1,192 | 4,827 | 4,183 | 5,722 |
| Minority interests | 3,361 (25) | 26,330 348 | 10,602 3,453 | 13,373 3,146 | 9,492 2,538 |
| Dividends | 3,386 | 25,982 | 7,149 | 10,227 | 6,954 |
| Profit retained for the year | 2,284 | 2,258 | 2,270 | 2,303 | 2,335 |
| Capital and reserves | 1,102 | 23,724 | 4,879 | 7,924 | 4,619 |
| Called up share capital | 260 | 260 | 264 | 271 | 277 |
| Reserves | 181,690 | 186,222 | 170,135 | 174,242 | 176,814 |
| | 181,950 | 186,482 | 170,399 | 174,513 | 177,091 |
| Earnings per share | 130.5p | 999.2p | 269.6p | 374.5p | 247.7p |
| Dividend | 88.00p | 87.00p | 86.00p | 85.00p | 84.00p |

Note:

Figures for 2000 have not been restated in accordance with Financial Reporting Standard 19.

Form of Proxy

For use at the annual general meeting on 7 June 2005

I/we the undersigned being member(s) of Camellia Plc hereby appoint the chairman of the meeting or (see note (1) below).

.....
of.....
as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 7 June 2005 and at any adjournment thereof and in relation to the resolutions to be considered at the meeting. I/we direct the proxy to vote as follows:

| Resolutions | | For | Against |
|-------------|---|-----|---------|
| 1 | To receive the report of the directors and the audited accounts | | |
| 2 | To approve the remuneration report | | |
| 3 | To declare a final dividend | | |
| 4a | To re-elect Mr. M. C. Perkins as a director | | |
| 4b | To re-elect Mr. P. A. Leggatt as a director | | |
| 4c | To re-elect Mr. A. K. Mathur as a director | | |
| 4d | To re-elect Mr. D. A. Reeves as a director | | |
| 4e | To re-elect Mr. A. S. M. O. Subhan as a director | | |
| 4f | To re-elect Mr. C. P. T. Vaughan-Johnson as a director | | |
| 5 | To re-appoint the auditors and authorise the directors to agree their remuneration | | |
| 6 | To authorise the company to make market purchases of ordinary shares of the company | | |

Please indicate with an X in the spaces provided how you wish your votes to be cast on a poll. Should this form be returned duly signed but without specific directions, the proxy will vote or abstain at his discretion.

Name.....
(Capital letters)
Address.....

Signature..... Dated.....2005

Notes

- 1 If any other proxy is preferred, please strike out the chairman of the meeting and insert the name and address of the proxy desired and initial the alteration. Such other proxy need not be a member of the company.
- 2 This instrument of proxy, when completed, together with the power of attorney or other authority (if any) under which it is signed, must reach the office of the registrars of the company at the address overleaf not less than 48 hours before the meeting or any adjournment thereof.
- 3 Completion and return of this form of proxy will not prevent a member from attending and voting at the meeting should he wish to do so.
- 4 This form of proxy must be signed under the hand of the appointer duly authorised in writing or, if the appointer is a corporation, must be either under its common seal or under the hand of an officer or attorney so authorised.
- 5 In the case of joint holders the vote of the first named holder on the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.



Second Fold

BUSINESS REPLY SERVICE
Licence No. MB 122



**Capita Registrars,
Camellia Plc,
The Registry,
34 Beckenham Road,
Beckenham,
Kent BR3 4BR**

First Fold

Third Fold (Tuck in)