

*Camellia Plc*

Interim report 2005

**Interim report 2005**

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## **Chairman's statement**

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The pre-tax profit from continuing operations of £2,455,000 for the six months to the 30 June 2005 compares with a profit of £710,000 for the same period last year. Results for the half year include nearly £8 million of profits before tax on disposal of assets and discontinued operations. The board has declared an interim dividend of 20p per ordinary share payable on 8 November 2005 to shareholders on the register on 14 October 2005.

The company has adopted International Financial Reporting Standards (IFRS) for its 2005 group accounts as required by European Union Regulations.

The impact of adopting IFRS has been to increase equity shareholders' funds at 1 January 2004 from £186.08 million to £193.86 million. The main reasons are the increase of £13.84 million in investments to reflect their fair value, the increase of £5.59 million arising on the treatment of biological assets and the inclusion of net pension scheme deficits of £11.45 million, the latter two amounts being after provision for deferred tax. Other significant changes arise from the provision of £3.50 million deferred tax liability on the share of distributable reserves of our associate Siegfried Holding AG and an increase in reserves of £2.90 million on release of negative goodwill.

A summary of the movements from UK Generally Accepted Accounting Practice (UK GAAP) to IFRS is shown in note 11 to the Interim Statement and in the appendix.

### **Tea**

#### *India*

Production is marginally ahead of last year but prices are about 15% lower. Our tea operations in the Dooars have recently experienced a two week strike that affected the entire region which, although now settled, will have an adverse impact on production and profitability for the second half of the year. The emphasis in India continues to be the policy of producing the highest quality product possible. The market for orthodox teas continues to be poor because of low demand from traditional markets.

#### *Bangladesh*

Production is 10% ahead of last year and prices have also increased resulting in a considerably reduced loss for the first six months of the year. The prospects for Bangladesh appear to be encouraging.

#### *Africa*

Tea production in Kenya has been slightly ahead of the levels achieved in 2004, however prices have fallen by 25 US cents per kg compared with the same period last year. This fall, combined with a relatively strong Kenyan shilling, has resulted in disappointing results from our Kenyan operations which made a loss in the first half of the year.

Production in Malawi is at the same levels as last year, and the fall in prices has not been so marked. This, together with the impact of a weakening Malawi kwacha, has resulted in satisfactory profits being achieved. The outlook for the second half of the year is less clear as the rains received since February are well below average, and if this trend continues will result in reduced production levels. In South Africa, where the tea estates were closed last year, some progress has been made in disposing of plant and machinery. Discussions continue concerning the disposal of the land assets, but this is likely to be a long and tortuous exercise.

### **Citrus**

As previously reported, we disposed of our citrus interests in Australia through the sale of our 70% shareholding in East African Coffee Plantations in March 2005. Our citrus operations in Chile and South Africa both experienced inclement climatic conditions resulting in a low pack-out for export. The operation in California is progressing well as the orchards mature.

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### **Edible nuts**

This will be an “off” year for our pistachio production resulting in a negligible crop. The prospects for the harvest of macadamia nuts in Malawi and South Africa are encouraging and the crop will be well in excess of last year. Prices have also been very good although there is some recent evidence of levels weakening. The orchards in both Malawi and South Africa are currently experiencing extremely dry conditions, if these continue they may impact on flowering and fruit set for the 2006 crop.

### **Other horticulture**

Table grape production in South Africa was greatly reduced with a significant lack of weight in each bunch. Exports were therefore 50% below last year and this, coupled with weak prices and a strong rand, has resulted in very disappointing results. Wine grape production was satisfactory both in South Africa and Chile, but the wine market continues to be very competitive. The Kakuzi avocado crop appears to be in line with expectations and the building of a new packing shed has commenced. In Brazil, soya prices have declined substantially and the exceptional profits over the last two years will not be repeated this year. In Bangladesh, rubber production continues to increase and prices are remunerative showing a good improvement over the same period last year.

### **Food storage and distribution**

Associated Cold Stores & Transport experienced a most unsatisfactory first six months. Occupancy level in the cold stores was low and the transport operations suffered from a lack of demand from their major customers. Considerable effort continues to be devoted to reducing costs. There has been a modest increase in activity over the last month.

### **Engineering**

Our UK engineering operations are performing ahead of expectations and the previous year. Most of our operations are busy particularly as a result of higher activity in the oil industry but margins are continually under pressure.

### **Banking**

The acquisition of Douglas Deakin Young by Duncan Lawrie has had a positive impact on profits, and their contribution is ahead of expectations. The prospects for our banking operations remain encouraging.

### **Pharmaceutical**

Although Siegfried's sales revenues for the six months have reduced by 14.8% compared to 2004, it appears that the considerable restructuring costs incurred last year are beginning to show a positive benefit. Siegfried is expected to return to growth during the second half of 2005.

### **Other associated undertakings**

In Bangladesh profitability of both the United Leasing Company and of the United Insurance Company continues to be satisfactory.

### **Prospects**

The prospects for the group are somewhat clouded by the uncertainties in Kenya and the poor trading results at Associated Cold Stores & Transport but progress is being made in returning our engineering operations to profitability. It is difficult to make any prediction as to the outcome for the full year.

**M C Perkins**  
Chairman

28 September 2005

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Linton  
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**Consolidated income statement**  
*for the six months ended 30 June 2005*

	Notes	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
<b>Continuing operations</b>				
<b>Revenue</b>	2	65,930	66,788	149,676
<b>Trading (loss)/profit</b>	2	(2,864)	(2,938)	3,625
(Loss)/gain arising from changes in fair value of biological assets		(72)	428	1,722
Share of associates' results	3	2,343	2,382	2,924
Profit on disposal of non-current assets		448	61	1,283
Profit on disposal of 'available-for-sale' investments		1,970	681	695
Profit on part disposal of a subsidiary	4	795	—	—
Profit on part disposal of an associate		—	38	121
Restructuring costs and negative goodwill	5	—	304	(1,634)
<b>Profit from operations</b>		2,620	956	8,736
Investment income		1,415	1,419	2,105
Net finance costs		(1,580)	(1,665)	(2,824)
<b>Profit before tax</b>		2,455	710	8,017
Taxation		(345)	1,254	(2,486)
<b>Profit for the period from continuing operations</b>		2,110	1,964	5,531
<b>Discontinued operations</b>				
Profit/(loss) for the period from discontinued operations	6	3,058	(799)	1,371
<b>Profit for the period</b>		5,168	1,165	6,902
Profit attributable to minority interests		941	400	792
Profit attributable to equity shareholders'		4,227	765	6,110
		5,168	1,165	6,902
<b>Earnings per share – basic and diluted</b>	7	166.9p	30.2p	241.2p

**Consolidated balance sheet**  
**at 30 June 2005**

	30 June 2005 £'000	30 June 2004 £'000	31 December 2004 £'000
<b>Non-current assets</b>			
Intangible assets	5,766	1,521	1,516
Property, plant and equipment	80,623	95,575	83,252
Biological assets	77,409	80,937	79,646
Prepaid operating leases	968	920	876
Investments in associates	61,263	61,610	62,050
Deferred tax assets	5,080	5,323	4,100
Available-for-sale investments	45,216	40,118	43,367
Retirement benefit surplus	2,430	2,260	2,120
Trade and other receivables	148	108	756
	<u>278,903</u>	<u>288,372</u>	<u>277,683</u>
<b>Current assets</b>			
Inventories	20,290	20,172	20,918
Trade and other receivables	56,271	53,426	53,057
Assets held for resale	—	—	11,157
Cash and cash equivalents (note 10)	175,045	152,388	150,906
	<u>251,606</u>	<u>225,986</u>	<u>236,038</u>
<b>Current liabilities</b>			
Borrowings	(23,186)	(31,422)	(28,282)
Trade and other payables	(198,266)	(171,270)	(166,100)
Deferred income from anticipated sale	—	—	(3,591)
Current income tax liabilities	(2,162)	(1,172)	(3,214)
Provisions	(1,086)	—	(436)
	<u>(224,700)</u>	<u>(203,864)</u>	<u>(201,623)</u>
<b>Net current assets</b>	<u>26,906</u>	<u>22,122</u>	<u>34,415</u>
<b>Total assets less current liabilities</b>	<u>305,809</u>	<u>310,494</u>	<u>312,098</u>
<b>Non-current liabilities</b>			
Borrowings	(11,730)	(23,285)	(20,541)
Deferred tax liabilities	(30,105)	(29,348)	(29,441)
Retirement benefit obligations	(30,312)	(23,228)	(27,141)
Other non-current liabilities	(543)	(500)	(436)
Provisions	(38)	—	(113)
	<u>(72,728)</u>	<u>(76,361)</u>	<u>(77,672)</u>
<b>Net assets</b>	<u>233,081</u>	<u>234,133</u>	<u>234,426</u>
<b>Capital and reserves</b>			
Called up share capital	260	260	260
Reserves	192,325	186,852	189,225
	<u>192,585</u>	<u>187,112</u>	<u>189,485</u>
Equity shareholders' funds	40,496	47,021	44,941
Minority interests			
	<u>233,081</u>	<u>234,133</u>	<u>234,426</u>

**Consolidated cash flow statement**  
*for the six months ended 30 June 2005*

	Notes	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
<b>Cash generated from operations</b>				
Cash flows from operating activities	8	2,626	982	11,475
Interest paid		(1,580)	(1,892)	(2,785)
Income taxes paid		(770)	(298)	(2,552)
Interest received		542	649	265
Dividends received from associates		1,530	2,202	2,149
		<u>2,348</u>	<u>1,643</u>	<u>8,552</u>
Net cash flow from continuing operating activities		2,348	1,643	8,552
Net cash flow from discontinued operating activities		(2,083)	(1,599)	6,330
		<u>265</u>	<u>44</u>	<u>14,882</u>
Net cash flow from operating activities		265	44	14,882
<b>Cash flows from investing activities</b>				
Purchase of intangible assets		(24)	(36)	(70)
Purchase of property, plant and equipment		(2,022)	(2,615)	(5,328)
Proceeds from sale of non-current assets		1,490	323	2,244
Disposal of subsidiaries/businesses (net of cash disposed)		12,883	540	540
Part disposal of a subsidiary		1,673	—	—
Acquisition of subsidiary (net of cash acquired)		(4,393)	—	(108)
Purchase of minority interests		—	(478)	(482)
Proceeds from sale of shares in associates		—	—	1,075
Proceeds from sale of investments		2,595	1,788	2,589
Purchase of investments		(299)	(619)	(3,579)
Income from investments		873	876	1,374
Net cash flow from discontinued operations		(1,095)	(455)	(725)
		<u>11,681</u>	<u>(676)</u>	<u>(2,470)</u>
Net cash flow from investing activities		11,681	(676)	(2,470)
<b>Cash flows from financing activities</b>				
Equity dividends paid		—	—	(2,258)
Dividends paid to minority interests		(1,617)	(707)	(1,871)
Net repayment of debt		(8,458)	(1,320)	(5,328)
Purchase of own shares		—	(16)	(16)
Net cash flow from discontinued operations		—	1,121	(3,879)
		<u>(10,075)</u>	<u>(922)</u>	<u>(13,352)</u>
Net cash flow from financing activities		(10,075)	(922)	(13,352)
<b>Net increase/(decrease) in cash and cash equivalents</b>	9	1,871	(1,554)	(940)
<b>Cash and cash equivalents at beginning of period</b>				
Exchange (losses)/gains on cash		(180)	(145)	267
		<u>(8,928)</u>	<u>(11,645)</u>	<u>(10,619)</u>
<b>Cash and cash equivalents at end of period</b>		(8,928)	(11,645)	(10,619)

For the purposes of the cash flow statement, cash and cash equivalents are included net of overdrafts repayable on demand. These overdrafts are excluded from the definition of cash and cash equivalents disclosed on the balance sheet.

**Statement of recognised income and expense  
for the six months ended 30 June 2005**

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Foreign exchange translation differences	3,940	(4,246)	(7,470)
Actuarial movement on defined benefit pension schemes	(2,704)	(3,246)	(8,190)
Movement on deferred tax relating to defined benefit pension schemes	(51)	(368)	(627)
Available-for-sale investments:			
Valuation gains taken to equity	1,011	2,687	5,021
Transferred to profit or loss on sale	(1,191)	(669)	(669)
Share of associate's fair value adjustments	(32)	—	169
Share of associate's loss on cash flow hedges	(632)	—	—
<b>Net income/(expense) recognised directly in equity</b>	<b>341</b>	<b>(5,842)</b>	<b>(11,766)</b>
Profit for the period	5,168	1,165	6,902
<b>Total recognised income and expense for the period</b>	<b>5,509</b>	<b>(4,677)</b>	<b>(4,864)</b>
Attributable to:			
Minority interests	644	319	(2,760)
Equity shareholders'	4,865	(4,996)	(2,104)
	5,509	(4,677)	(4,864)

**Statement of changes in shareholders' equity  
for the six months ended 30 June 2005**

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Profit attributable to equity shareholders	4,227	765	6,110
Dividends	(1,765)	(1,739)	(2,258)
Foreign exchange translation differences	3,659	(4,210)	(6,027)
Actuarial movement on defined benefit pension schemes	(2,250)	(2,407)	(6,246)
Movement on deferred tax relating to defined benefit pension schemes	(51)	(291)	(462)
Available-for-sale investments:			
Valuation gains taken to equity	995	1,816	5,021
Transferred to profit or loss on sale	(1,191)	(669)	(669)
Share of associate's fair value adjustments	(24)	—	169
Share of associate's loss on cash flow hedges	(500)	—	—
Purchase of own shares	—	(16)	(16)
Net movement in shareholders' equity	3,100	(6,751)	(4,378)
Opening shareholders' equity (as previously reported under UK GAAP)		186,482	186,482
Prior year adjustment		(400)	(400)
Adjustments on adoption of IFRS (note 11)		186,082	186,082
Opening shareholders' equity restated	189,485	193,863	193,863
Closing shareholders' equity	192,585	187,112	189,485

The prior year adjustment of £400,000 reflects the cost of 62,500 Camellia Plc shares held by its own subsidiaries. These were previously included within available-for-sale investments.

Notes to the accounts

**1 Basis of preparation**

The group adopted International Financial Reporting Standards (IFRS) on 1 January 2005 and therefore the financial information contained within the interim report has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective (or available for early adoption) at 30 June 2005 or are expected to be endorsed and effective at 31 December 2005, the group's first annual reporting date at which it is required to use IFRS. It should be noted that the IFRS that will be effective in the annual financial statements for the year ending 31 December 2005 are still subject to change and to additional interpretations and therefore cannot be determined with certainty.

Details of accounting policies adopted under IFRS and applied in the preparation of the interim financial statements and reconciliations of comparative figures between UK GAAP and IFRS have been included in the appendix. These reconciliations are unaudited.

The group has not adopted International Accounting Standard (IAS) 34 "Interim Financial Reporting" in these interim financial statements. This standard is not mandatory.

The financial information contained in this report has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for 2004, which were prepared under UK GAAP, have been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and does not contain a statement made under Section 237(2) and Section 237(3) of the Companies Act 1985.

**2 Segmental analysis of revenue and trading (loss)/profit**

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
<b>Revenue</b>			
<b>By activity</b>			
Agriculture and horticulture	36,746	40,035	92,650
Food storage and distribution	19,016	20,059	42,007
Engineering	9,705	6,172	13,684
Trading, agency and others	463	522	1,335
	<u>65,930</u>	<u>66,788</u>	<u>149,676</u>
<b>By country of origin</b>			
United Kingdom	24,157	21,843	46,764
Continental Europe	4,918	4,576	9,932
India	11,557	9,332	32,159
Kenya	8,948	10,533	22,923
Malawi	7,923	7,536	11,438
Bangladesh	2,974	2,989	7,656
United States of America	252	188	1,468
South Africa	2,830	7,085	14,025
South America	2,371	2,706	3,311
	<u>65,930</u>	<u>66,788</u>	<u>149,676</u>

## Notes to the accounts

### 2 Segmental analysis of revenue and trading (loss)/profit continued

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
<b>Trading (loss)/profit</b>			
<b>By activity</b>			
Agriculture and horticulture	(1,204)	(436)	7,831
Food storage and distribution	(755)	(152)	(682)
Engineering	458	(893)	(582)
Trading, agency and others	562	809	478
Banking	597	448	721
	<u>(342)</u>	<u>(224)</u>	<u>7,766</u>
Net unallocated expenses	(2,522)	(2,714)	(4,141)
	<u>(2,864)</u>	<u>(2,938)</u>	<u>3,625</u>
<b>By country of origin</b>			
United Kingdom	883	226	(145)
Continental Europe	(30)	(35)	22
India	(3,644)	(3,787)	1,708
Kenya	(563)	676	2,775
Malawi	2,928	2,671	3,325
Bangladesh	31	(375)	1,654
United States of America	93	75	984
South Africa	(106)	(469)	(3,402)
South America	66	794	845
	<u>(342)</u>	<u>(224)</u>	<u>7,766</u>

### 3 Share of associates' results

The group's share of the results of associates is analysed below:

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Operating profit	2,823	3,143	4,216
Investment income	14	3	47
Net finance costs	113	(239)	(551)
	<u>2,950</u>	<u>2,907</u>	<u>3,712</u>
Profit before tax	2,950	2,907	3,712
Taxation	(607)	(525)	(788)
	<u>2,343</u>	<u>2,382</u>	<u>2,924</u>
Profit after tax	2,343	2,382	2,924
<b>By activity</b>			
Pharmaceutical	2,221	2,217	2,330
Agriculture and horticulture	(28)	(84)	8
Leasing and Insurance	150	249	586
	<u>2,343</u>	<u>2,382</u>	<u>2,924</u>

Notes to the accounts

**4 Profit on part disposal of a subsidiary**

A profit of £795,000 was realised following completion of the sale of 1,673,000 ordinary shares (8 per cent.) in Linton Park Plc's subsidiary, Eastern Produce Kenya Limited. The group's holding is now 70.0 per cent.. The cash consideration was £1,673,000.

**5 Restructuring costs and negative goodwill**

The restructuring costs and negative goodwill credit in 2004 related to the closure of the group's tea operations in South Africa and closure costs relating to the Birmingham division of British Metal Treatments Limited.

**6 Discontinued operations**

In March 2005, Linton Park Plc disposed of its 70.5 per cent. holding in East African Coffee Plantations Limited (EACP), as a result the revenue and results of the EACP group have been excluded from the income statement and are recorded in a single line on a post-tax basis.

A breakdown of the results of discontinued operations is shown below:

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Revenue	3,373	7,071	29,231
Operating (loss)/profit	(499)	(962)	2,300
Investment income	69	—	—
Finance costs	(50)	(173)	(331)
(Loss)/profit before tax	(480)	(1,135)	1,969
Taxation	—	336	(598)
(Loss)/profit after tax	(480)	(799)	1,371
Profit on disposal of discontinued operations	5,167	—	—
Taxation in relation to disposal	(1,629)	—	—
Profit/(loss) for the period from discontinued operations	3,058	(799)	1,371

**7 Earnings per share**

	Six months ended 30 June 2005	Six months ended 30 June 2004	Year ended 31 December 2004
<b>Earnings per share – continuing operations</b>			
Earnings per share – basic and diluted	64.7p	53.4p	217.8p
<b>Earnings/(loss) per share – discontinued operations</b>			
Earnings/(loss) per share – basic and diluted	102.2p	(23.2)p	23.4p

The weighted average number of shares used in the calculation of both basic and diluted earnings per share is 2,532,500 (2004: six months 2,532,809 – year 2,532,653).

## Notes to the accounts

### 8 Reconciliation of profit from operations to cash flow

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Profit from operations	2,620	956	8,736
Share of associates' results	(2,343)	(2,382)	(2,924)
Depreciation and amortisation	3,817	3,682	7,365
Impairment of fixed assets	—	—	1,254
Loss/(gain) arising from changes in fair value of biological assets	72	(428)	(1,722)
Profit on disposal of non-current assets	(448)	(24)	(1,278)
Profit on part disposal of a subsidiary	(795)	—	—
Profit on disposal of investments	(1,970)	(681)	(695)
Profit on part disposal of an associate	—	(38)	(121)
Restructuring costs and negative goodwill	—	(304)	1,634
Increase in working capital	(1,217)	(364)	(9,495)
Net decrease in funds of banking subsidiaries	2,890	565	8,721
	<u>2,626</u>	<u>982</u>	<u>11,475</u>

### 9 Reconciliation of net cash flow to movement in net debt

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Increase/(decrease) in cash and cash equivalents in the period	1,871	(1,554)	(940)
Cash outflow from decrease in debt	8,458	200	9,207
Decrease/(increase) in net debt resulting from cash flows	10,329	(1,354)	8,267
Finance lease balances of business acquired	—	—	(19)
Loans of subsidiaries sold	2,002	—	—
New finance leases	(188)	(258)	(1,332)
Exchange rate movements	(210)	647	716
Decrease/(increase) in net debt in the period	11,933	(965)	7,632
Net debt at beginning of period	(36,128)	(43,760)	(43,760)
Net debt at end of period	<u>(24,195)</u>	<u>(44,725)</u>	<u>(36,128)</u>

### 10 Cash and cash equivalents

Included in cash and cash equivalents of £175,045,000 (2004: six months £152,388,000 – year £150,906,000) are cash and short-term funds, time deposits with banks and building societies and certificates of deposit amounting to £164,324,000 (2004: six months £142,407,000 – year £138,228,000), which are held by banking subsidiaries and which are an integral part of the banking operations of the group.

**Notes to the accounts**

**11 Adjustments on adoption of IFRS**

On adoption of IFRS, the book value of the group's shareholders' equity increased. The following table explains the increase of £7,781,000 as at 1 January 2004.

	£'000
<b>Biological assets</b>	5,587
IAS 41 – Agriculture: Requires the group to fair value its biological assets.	
<b>Pension liability</b>	(11,453)
IAS 19 (revised) – Employee benefits: Requires any surplus or deficit in the fair value of the group's pension schemes assets over their liabilities to be recognised in the balance sheet.	
<b>Leases</b>	(1,611)
IAS 17 – Leases: Requires leases to be reclassified subject to their classification, in particular the requirement to treat leased land as an operating lease.	
<b>Available-for-sale investments</b>	13,840
IAS 39 – Financial Instruments: Requires the group to fair value its available-for-sale investments.	
<b>Goodwill</b>	2,902
IFRS 3 – Business combinations: Requires the credit of previously recognised negative goodwill.	
<b>Property valuation</b>	591
IFRS 1 – First time adoption of IFRS: Permits certain properties to be recognised at their fair value.	
<b>Deferred tax</b>	(3,814)
IAS 12 – Income taxes: Requires deferred tax to be provided on all temporary differences between accounting and tax book values, including the tax impact of the potential distribution of associate's distributable reserves. The financial impact of IAS 12 has been included in the adjustments above where appropriate.	
<b>Proposed dividend</b>	1,739
IAS 10 – Events after the balance sheet date: Dividends that are declared after the balance sheet date are not recognised as a liability at the balance sheet date.	
	<hr/>
	7,781
	<hr/>

## Appendix

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### **a) Accounting policies**

#### **Basis of preparation**

The accounting policies applied in these unaudited interim financial statements are those that the group expects to apply in its annual financial statements for the year ended 31 December 2005, which will be prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, with the exception of IAS 19 and applying to periods beginning on or after 1 January 2005. The group has adopted early the amendment to IAS 19 (Employee Benefits) published in December 2004.

The IFRS that will be applicable at 31 December 2005 are still subject to change and to additional interpretations and as such the policies set out below may be subject to amendment.

#### **Transition to IFRS**

Camellia Plc's transition date is 1 January 2004. The group prepared its opening IFRS balance sheet at that date and the group's IFRS adoption date is 1 January 2005. The group has applied IFRS 1 in preparing these financial statements.

In preparing these financial statements in accordance with IFRS 1, the group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

#### **Camellia Plc has elected to apply the following optional exemptions from full retrospective application:-**

##### **Business combination exemption**

Business combinations that took place prior to 1 January 2004 have not been restated.

##### **Fair value or revaluation as deemed cost exemption**

Certain items of property, plant and equipment have been elected to be measured at fair value at 1 January 2004. The group has also elected to use previous UK GAAP revaluations of property, plant and equipment as deemed cost. The application of this exemption is detailed in note 11.

##### **Employee benefits exemption**

All cumulative gains and losses as at 1 January 2004 have been recognised. The application of this exemption is detailed in note 11.

##### **Cumulative translation differences exemption**

All previously accumulated cumulative translation differences have been set to zero as at 1 January 2004. This exemption has been applied to all subsidiaries in accordance with IFRS 1.

##### **Basis of accounting**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the appendix.

The consolidated financial statements have been prepared on the historical cost basis as modified by the revaluation of land and buildings, biological assets, agricultural produce, available-for-sale investments, and financial assets and financial liabilities held-for-trading.

## **Appendix**

### **Basis of consolidation**

#### *Subsidiaries*

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year, 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.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### *Associates*

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of that entity.

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

### **Foreign currency translation**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are de-nominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Translation differences on non-monetary items carried at fair value are reported as part of the fair value gain or loss. Gains and losses arising on retranslation are included in the income statement, except for exchange differences arising on non-monetary items where the changes in fair value are recognised directly in equity.

The consolidated financial statements are presented in sterling which is the company's functional and presentation currency. On consolidation, income statements and cash flows of foreign entities are translated into pounds sterling at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings designated as hedges of such investments, are taken to shareholders' equity. When a foreign entity is sold such exchange differences arising since 1 January 2004 are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling on the date of acquisition. The group has elected to treat goodwill and fair value adjustments arising on acquisitions prior to 1 January 2004 as sterling denominated assets and liabilities.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes and after eliminating intra-group sales.

Invoices are raised when goods are despatched or when the risks and rewards of ownership otherwise irrevocably passes to the customer.

## Appendix

### Intangible assets

#### (i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions prior to 1 January 2004 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal. Negative goodwill previously capitalised under UK GAAP has been eliminated against reserves.

#### (ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are held at cost and are amortised on a straight-line basis over 3 to 7 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the group and which are expected to generate economic benefits exceeding costs beyond one year, are recognised as an intangible asset and amortised over their estimated useful lives.

### Property, plant and equipment

Land and buildings comprises mainly factories and offices. All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of these assets.

On transition to IFRS, the group has followed the transitional provisions and elected that previous UK GAAP revaluations be treated as deemed cost.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

No depreciation is provided on freehold land. Depreciation of other fixed assets is calculated to write off their cost less residual value on a straight-line basis over their expected useful lives.

The rates of depreciation used for the other assets 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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in the income statement.

## Appendix

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### **Biological assets**

Biological assets are measured on initial recognition and at each balance sheet date at fair value. Any changes in fair value are recognised in the income statement in the year in which they arise.

The fair value of livestock is determined based on market prices of livestock of similar age and sex. Where meaningful market-determined prices do not exist to assess the fair value of the group's other biological assets, the fair value is determined based on the net present value of expected cashflows, discounted at appropriate current market-determined pre-tax rates.

All costs of breeding, planting, upkeep and maintenance of biological assets are set against the fair value movement recognised in the income statement.

### **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### **Derivative financial instruments**

Derivative financial instruments are initially recognised on the balance sheet at fair value on the date the derivative transaction is entered into and are subsequently remeasured at their fair values.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognised in the income statement together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised directly in equity. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecasted transactions are recognised in the income statement.

Changes in the fair value of the effective portion of derivative financial instruments that are designated and qualify as hedges of net investments in foreign operations are recognised in equity. Changes in the fair value of the ineffective portion of net investment hedges are recognised in the income statement. Amounts accumulated in equity are transferred to the income statement when the foreign operation is disposed of.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

### **Investments**

Investments are recognised and de-recognised on a trade date when a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Available-for-sale financial assets include shares of listed and unlisted companies, documents and manuscripts, antiques and objets d'art. Listed shares are measured at subsequent reporting dates at fair value. Other investments such as shares of unlisted companies, documents and manuscripts, antiques and objets d'art are measured at cost as fair value cannot be reliably measured.

Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

## Appendix

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### Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the income statement over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### Inventories

Agricultural produce at the point of harvest is measured at fair value less estimated point-of-sale costs. Any changes arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs are recognised in the income statement in the year in which they arise.

Other inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and selling expenses.

### Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the income statement.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than in a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related tax asset is realised or the tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## **Appendix**

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Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

### **Employee benefits**

#### **Pension obligations**

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds. The group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension cost for defined benefit schemes is assessed in accordance with the advice of qualified independent actuaries using the "projected unit" funding method.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are recognised as an expense in the income statement when they are due.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Independent actuaries calculate the obligation annually using the "projected unit" funding method. Actuarial gains and losses are recognised in full in the period in which they occur. They are not recognised in the income statement and are presented in the statement of changes in shareholders' equity. As permitted under IFRS 1 all actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, were recognised for each plan.

#### **Other post-employment benefit obligations**

Some group companies have unfunded obligations to pay terminal gratuities to employees. Provisions are made for the estimated liability for gratuities as a result of services rendered by employees up to the balance sheet date and any movement in the provision is recognised in the income statement.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an accrual.

## Appendix

### b) Reconciliation of equity at 1 January 2004

	Reformatted UK GAAP £'000	Pensions and post-retirement benefits IAS 19 £'000	Biological assets IAS 41 £'000	Fair value investment adjustment IAS 39 £'000	Elimination of proposed dividend IAS 10 £'000	Reclassification of computer software IAS 38 £'000	Elimination of negative goodwill IFRS 3 £'000	Fair value property adjustment IFRS 1 £'000	Tax IAS 12 £'000	Reclassification of leases IAS 17 £'000	Other reclassifications £'000	Restated in accordance with IFRS £'000
<b>Non-current assets</b>												
Intangible assets	(1,881)		(1,066)			1,453	3,038					1,544
Property, plant and equipment	155,946		(51,972)			(1,453)		747		(4,251)		99,017
Biological assets	—		82,094									82,094
Prepaid operating leases	—									973		973
Investments in associates	63,179		93									63,272
Deferred tax assets	2,070	3,712	2									5,784
Available-for-sale investments	20,386			18,721								39,107
Retirement benefit surplus	—	2,400										2,400
Trade and other receivables	1,250										102	1,352
	<u>240,950</u>	<u>6,112</u>	<u>29,151</u>	<u>18,721</u>	<u>—</u>	<u>—</u>	<u>3,038</u>	<u>747</u>	<u>—</u>	<u>(3,278)</u>	<u>102</u>	<u>295,543</u>
<b>Current assets</b>												
Inventories	25,053		(3,368)									21,685
Trade and other receivables	46,162			67							(102)	46,127
Cash and cash equivalents	162,657			(4,706)								157,951
	<u>233,872</u>	<u>—</u>	<u>(3,368)</u>	<u>(4,639)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(102)</u>	<u>225,763</u>
<b>Current liabilities</b>												
Borrowings	(28,351)											(28,351)
Trade and other payables	(169,615)	177			1,739						80	(167,619)
Current income tax liabilities	(998)											(998)
Provisions	—											—
	<u>(198,964)</u>	<u>177</u>	<u>—</u>	<u>—</u>	<u>1,739</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>80</u>	<u>(196,968)</u>
<b>Net current assets</b>	<u>34,908</u>	<u>177</u>	<u>(3,368)</u>	<u>(4,639)</u>	<u>1,739</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(22)</u>	<u>28,795</u>
<b>Total assets less current liabilities</b>	<u>275,858</u>	<u>6,289</u>	<u>25,783</u>	<u>14,082</u>	<u>1,739</u>	<u>—</u>	<u>3,038</u>	<u>747</u>	<u>—</u>	<u>(3,278)</u>	<u>80</u>	<u>324,338</u>
<b>Non-current liabilities</b>												
Borrowings	(26,428)											(26,428)
Deferred tax liabilities	(6,228)	(888)	(20,680)	(92)					(4,940)			(32,828)
Employee benefits	(977)	(18,962)									(80)	(20,019)
Other non-current liabilities	(565)											(565)
	<u>(34,198)</u>	<u>(19,850)</u>	<u>(20,680)</u>	<u>(92)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,940)</u>	<u>—</u>	<u>(80)</u>	<u>(79,840)</u>
<b>Net assets</b>	<u>241,660</u>	<u>(13,561)</u>	<u>5,103</u>	<u>13,990</u>	<u>1,739</u>	<u>—</u>	<u>3,038</u>	<u>747</u>	<u>(4,940)</u>	<u>(3,278)</u>	<u>—</u>	<u>244,498</u>
<b>Capital and reserves</b>												
Called up share capital	260											260
Reserves	185,822	(11,453)	5,587	13,840	1,739		2,902	591	(3,814)	(1,611)		193,603
Equity shareholders' funds	<u>186,082</u>	<u>(11,453)</u>	<u>5,587</u>	<u>13,840</u>	<u>1,739</u>	<u>—</u>	<u>2,902</u>	<u>591</u>	<u>(3,814)</u>	<u>(1,611)</u>	<u>—</u>	<u>193,863</u>
Minority interests	55,578	(2,108)	(484)	150			136	156	(1,126)	(1,667)		50,635
	<u>241,660</u>	<u>(13,561)</u>	<u>5,103</u>	<u>13,990</u>	<u>1,739</u>	<u>—</u>	<u>3,038</u>	<u>747</u>	<u>(4,940)</u>	<u>(3,278)</u>	<u>—</u>	<u>244,498</u>

Appendix

c) Reconciliation of equity at 31 December 2004

	Reformatted UK GAAP	Pensions and post-retirement benefits IAS 19	Biological assets IAS 41	Fair value investment adjustment IAS 39	Elimination of proposed dividend IAS 10	Reclassification of computer software IAS 38	Elimination of negative goodwill IFRS 3	Tax IAS 12	Reclassification of leases IAS 17	Other reclassifications	Restated in accordance with IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>											
Intangible assets	(1,457)		(936)			1,516	2,393				1,516
Property, plant and equipment	135,607		(47,008)			(1,516)			(3,831)		83,252
Biological assets	—		79,646								79,646
Prepaid operating leases	—								876		876
Investments in associates	61,795		255								62,050
Deferred tax assets	941	3,012	147								4,100
Available-for-sale investments	21,020			22,347							43,367
Retirement benefit surplus	—	2,120									2,120
Trade and other receivables	653									103	756
	<u>218,559</u>	<u>5,132</u>	<u>32,104</u>	<u>22,347</u>	<u>—</u>	<u>—</u>	<u>2,393</u>	<u>—</u>	<u>(2,955)</u>	<u>103</u>	<u>277,683</u>
<b>Current assets</b>											
Inventories	24,936		(4,018)								20,918
Trade and other receivables	53,150			12						(105)	53,057
Assets held for resale	11,157										11,157
Cash and cash equivalents	155,550			(4,644)							150,906
	<u>244,793</u>	<u>—</u>	<u>(4,018)</u>	<u>(4,632)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(105)</u>	<u>236,038</u>
<b>Current liabilities</b>											
Borrowings	(28,282)										(28,282)
Trade and other payables	(168,148)	153			1,806					89	(166,100)
Deferred income from anticipated sale	(3,591)										(3,591)
Current income tax liabilities	(3,244)		30								(3,214)
Provisions	(419)		(17)								(436)
	<u>(203,684)</u>	<u>153</u>	<u>13</u>	<u>—</u>	<u>1,806</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>89</u>	<u>(201,623)</u>
<b>Net current assets</b>	<u>41,109</u>	<u>153</u>	<u>(4,005)</u>	<u>(4,632)</u>	<u>1,806</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(16)</u>	<u>34,415</u>
<b>Total assets less current liabilities</b>	<u>259,668</u>	<u>5,285</u>	<u>28,099</u>	<u>17,715</u>	<u>1,806</u>	<u>—</u>	<u>2,393</u>	<u>—</u>	<u>(2,955)</u>	<u>87</u>	<u>312,098</u>
<b>Non-current liabilities</b>											
Borrowings	(20,541)										(20,541)
Deferred tax liabilities	(5,060)	(784)	(18,693)	(92)			(4,812)				(29,441)
Employee benefits	(1,943)	(25,111)								(87)	(27,141)
Other non-current liabilities	(436)										(436)
Provisions	(113)										(113)
	<u>(28,093)</u>	<u>(25,895)</u>	<u>(18,693)</u>	<u>(92)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,812)</u>	<u>—</u>	<u>(87)</u>	<u>(77,672)</u>
<b>Net assets</b>	<u>231,575</u>	<u>(20,610)</u>	<u>9,406</u>	<u>17,623</u>	<u>1,806</u>	<u>—</u>	<u>2,393</u>	<u>(4,812)</u>	<u>(2,955)</u>	<u>—</u>	<u>234,426</u>
<b>Capital and reserves</b>											
Called up share capital	260										260
Reserves	181,290	(17,367)	8,996	17,478	1,608		2,393	(3,720)	(1,453)		189,225
Equity shareholders' funds	181,550	(17,367)	8,996	17,478	1,608		2,393	(3,720)	(1,453)		189,485
Minority interests	50,025	(3,243)	410	145	198			(1,092)	(1,502)		44,941
	<u>231,575</u>	<u>(20,610)</u>	<u>9,406</u>	<u>17,623</u>	<u>1,806</u>	<u>—</u>	<u>2,393</u>	<u>(4,812)</u>	<u>(2,955)</u>	<u>—</u>	<u>234,426</u>

## Appendix

### d) Reconciliation of profit for year ended 31 December 2004

	Reformatted UK GAAP £'000	Pensions and post-retirement benefits IAS 19 £'000	Biological assets IAS 41 £'000	Elimination of negative goodwill IFRS 3 £'000	Tax IAS 12 £'000	Other IFRS adjustments £'000	Effect of transition to IFRS £'000	Restated in accordance with IFRS £'000
<b>Continuing operations</b>								
<b>Revenue</b>	149,543					133	133	149,676
Cost of sales	(112,177)	(17)	(395)				(412)	(112,589)
<b>Gross profit</b>	37,366	(17)	(395)			133	(279)	37,087
Net operating expenses	(33,216)	746	(626)	(140)		(226)	(246)	(33,462)
<b>Trading profit</b>	4,150	729	(1,021)	(140)		(93)	(525)	3,625
Gain arising from changes in fair value of biological assets			1,722				1,722	1,722
Share of associates' results	2,924							2,924
Profit on disposal of fixed assets	1,283							1,283
Profit on disposal of available-for-sale investments	695							695
Profit on disposal of associate	121							121
Restructuring costs and negative goodwill	(2,689)		1,569	(514)			1,055	(1,634)
<b>Profit from operations</b>	6,484	729	2,270	(654)		(93)	2,252	8,736
Investment income	1,722	302				81	383	2,105
Finance costs	(2,759)	(26)				(39)	(65)	(2,824)
<b>Profit before tax</b>	5,447	1,005	2,270	(654)		(51)	2,570	8,017
Taxation	(3,526)		871		169		1,040	(2,486)
<b>Profit for the period from continuing operations</b>	1,921	1,005	3,141	(654)	169	(51)	3,610	5,531
<b>Discontinued operations</b>								
Profit for the period from discontinued operations	1,440					(69)	(69)	1,371
<b>Profit for the period</b>	3,361	1,005	3,141	(654)	169	(120)	3,541	6,902
(Loss)/profit attributable to minority interests	(25)	106	718			(7)	817	792
Profit attributable to equity shareholders'	3,386	899	2,423	(654)	169	(113)	2,724	6,110
	3,361	1,005	3,141	(654)	169	(120)	3,541	6,902
<b>Earnings per share – basic and diluted (p)</b>	133.7	35.5	95.7	(25.8)	6.7	(4.5)	107.6	241.2

Appendix

e) Reconciliation of equity at 30 June 2004

	UK GAAP	Pensions and Reformatted post-retirement benefits	Biological assets	Fair value investment adjustment	Elimination proposed dividend	Reclassification of computer software	Elimination negative goodwill	Reclassification Tax	Other reclassifications	Restated in accordance with IFRS
	£'000	IAS 19 £'000	IAS 41 £'000	IAS 39	IAS 10 £'000	IAS 38 £'000	IFRS 3 £'000	IAS 12 £'000	IAS 17 £'000	£'000
<b>Non-current assets</b>										
Intangible assets	(1,350)		(983)			1,442	2,412			1,521
Property, plant and equipment	149,324		(48,287)			(1,442)		(4,020)		95,575
Biological assets	—		80,937							80,937
Prepaid operating leases	—								920	920
Investments in associates	61,436		174							61,610
Deferred tax assets	2,149	3,357	(183)							5,323
Available-for-sale investments	20,092			15,096						40,118
Retirement benefit surplus	—	2,260								2,260
Trade and other receivables	—								108	108
	<u>231,651</u>	<u>5,617</u>	<u>31,658</u>	<u>15,096</u>	<u>—</u>	<u>—</u>	<u>2,412</u>	<u>—</u>	<u>(3,100)</u>	<u>288,372</u>
<b>Current assets</b>										
Inventories	24,426		(4,254)							20,172
Trade and other receivables	53,467								(41)	53,426
Cash and cash equivalents	157,385								(4,997)	152,388
	<u>235,278</u>	<u>—</u>	<u>(4,254)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,038)</u>	<u>225,986</u>
<b>Current liabilities</b>										
Borrowings	(31,422)									(31,422)
Trade and other payables	(172,033)	244			519					(171,270)
Current income tax liabilities	(1,172)									(1,172)
Provisions	—									—
	<u>(204,627)</u>	<u>244</u>	<u>—</u>	<u>—</u>	<u>519</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(203,864)</u>
<b>Net current assets</b>	<u>30,651</u>	<u>244</u>	<u>(4,254)</u>	<u>—</u>	<u>519</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,038)</u>	<u>22,122</u>
<b>Total assets less current liabilities</b>	<u>262,302</u>	<u>5,861</u>	<u>27,404</u>	<u>15,096</u>	<u>519</u>	<u>—</u>	<u>2,412</u>	<u>—</u>	<u>(3,100)</u>	<u>310,494</u>
<b>Non-current liabilities</b>										
Borrowings	(23,285)									(23,285)
Deferred tax liabilities	(5,265)	(836)	(18,235)	(92)				(4,920)		(29,348)
Employee benefits	(1,132)	(22,096)								(23,228)
Other non-current liabilities	(500)									(500)
Provisions	—									—
	<u>(30,182)</u>	<u>(22,932)</u>	<u>(18,235)</u>	<u>(92)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,920)</u>	<u>—</u>	<u>(76,361)</u>
<b>Net assets</b>	<u>232,120</u>	<u>(17,071)</u>	<u>9,169</u>	<u>15,004</u>	<u>519</u>	<u>—</u>	<u>2,412</u>	<u>(4,920)</u>	<u>(3,100)</u>	<u>234,133</u>
<b>Capital and reserves</b>										
Called up share capital	260									260
Reserves	180,680	(14,424)	8,120	14,844	519		2,412	(3,776)	(1,523)	186,852
Equity shareholders' funds	180,940	(14,424)	8,120	14,844	519		2,412	(3,776)	(1,523)	187,112
Minority interests	51,180	(2,647)	1,049	160				(1,144)	(1,577)	47,021
	<u>232,120</u>	<u>(17,071)</u>	<u>9,169</u>	<u>15,004</u>	<u>519</u>	<u>—</u>	<u>2,412</u>	<u>(4,920)</u>	<u>(3,100)</u>	<u>234,133</u>

## Appendix

### f) Reconciliation of profit for half year ended 30 June 2004

	Reformatted UK GAAP £'000	Pensions and post-retirement benefits IAS 19 £'000	Biological assets IAS 41 £'000	Elimination of negative goodwill IFRS 3 £'000	Tax IAS 12 £'000	Other IFRS adjustments £'000	Effect of transition to IFRS £'000	Restated in accordance with IFRS £'000
<b>Continuing operations</b>								
<b>Revenue</b>	66,720					68	68	66,788
Cost of sales	(56,635)	(8)	(172)				(180)	(56,815)
<b>Gross profit</b>	10,085	(8)	(172)	—		68	(112)	9,973
Net operating expenses	(12,864)	373	(331)	(21)		(68)	(47)	(12,911)
<b>Trading loss</b>	(2,779)	365	(503)	(21)			(159)	(2,938)
Gain arising from changes in fair value of biological assets	—		428				428	428
Share of associates' results	2,382							2,382
Profit on disposal of fixed assets	61							61
Profit on disposal of available-for-sale investments	681							681
Profit on disposal of an associate	38							38
Restructuring costs and negative goodwill	(709)		1,527	(514)			1,013	304
<b>(Loss)/profit from operations</b>	(326)	365	1,452	(535)			1,282	956
Investment income	1,267	152					152	1,419
Finance costs	(1,631)	(14)				(20)	(34)	(1,665)
<b>(Loss)/profit before tax</b>	(690)	503	1,452	(535)		(20)	1,400	710
Taxation	(153)		1,564		(157)		1,407	1,254
<b>(Loss)/profit for the period from continuing operations</b>	(843)	503	3,016	(535)	(157)	(20)	2,807	1,964
<b>Discontinued operations</b>								
Loss for the period from discontinued operations	(762)					(37)	(37)	(799)
<b>(Loss)/profit for the period</b>	(1,605)	503	3,016	(535)	(157)	(57)	2,770	1,165
(Loss)/profit attributable to minority interests	(527)	53	897			(23)	927	400
(Loss)/profit attributable to equity shareholders'	(1,078)	450	2,119	(535)	(157)	(34)	1,843	765
	(1,605)	503	3,016	(535)	(157)	(57)	2,770	1,165
<b>(Loss)/earnings per share – basic and diluted (p)</b>	(42.6)	17.8	83.7	(21.1)	(6.2)	(1.3)	72.8	30.2