

Camellia Plc

2005

THIS DOCUMENT (WHICH INCORPORATES A NOTICE OF THE COMPANY'S ANNUAL GENERAL MEETING) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your registered holding of ordinary shares in the company please forward this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank manager or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Camellia Plc

Report and accounts 2005

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Directors and advisers

Chairman Emeritus	H K FitzGerald	
Directors	M C Perkins, FCA C J Relleen, FCA	<i>Chairman</i> <i>Deputy Chairman, independent non-executive director</i> (i) (ii)
	P A Leggatt, MBE A K Mathur, FCA D A Reeves, MSc A S M O Subhan, M.Phil. C P T Vaughan-Johnson, FCIB	<i>Finance director</i> <i>Non-executive director</i> (i) <i>Independent non-executive director</i> (i) (ii)
	(i) Member of audit committee (ii) Member of remuneration committee	
Secretary	M D Conway, FCIS	
Executive Committee	M C Perkins A K Mathur C J Ames P J Field T G Lupton K S David A S M O Subhan K Tarplee M D Conway	<i>Chairman</i> <i>Finance</i> <i>Managing Director UK Operations</i> <i>Managing Director Banking and Financial Services</i> <i>Managing Director Agriculture India</i> <i>Bangladesh</i> <i>Africa</i> <i>Secretarial and Administration</i>
Registered office	Linton Park Linton Near Maidstone Kent ME17 4AB Registered Number 29559	
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Auditors	Moore Stephens LLP Chartered Accountants St Paul's House Warwick Lane London EC4M 7BP	
Website	www.camellia.plc.uk	

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 Thursday 8 June 2006 at 11.30 am for the following purposes:

As ordinary business, to consider and, if thought fit, to pass the following resolutions, all of which will be proposed as ordinary resolutions:

1. That the company's annual accounts for the year ended 31 December 2005 together with the directors' report and the auditors' report on those accounts be received.
2. That the directors' remuneration report for the year ended 31 December 2005, which is set out in the annual report of the company for that year, be approved.
3. That the final dividend recommended by the directors of 69p per ordinary share for the year ended 31 December 2005 be declared payable on 5 July 2006 to holders of ordinary shares registered at the close of business on 9 June 2006.
4. That Mr M C Perkins be re-elected as a director.
5. That Mr C J Relleen be re-elected as a director.
6. That Mr P A Leggatt be re-elected as a director.
7. That Mr A K Mathur be re-elected as a director.
8. That Mr D A Reeves be re-elected as a director.
9. That Mr C P T Vaughan-Johnson be re-elected as a director.
10. That special notice having been received of the intention to propose this resolution as an ordinary resolution Moore Stephens LLP be reappointed auditors of the company (having previously been appointed by the board to fill the casual vacancy arising by reason of the resignation of Moore Stephens), to hold office until the conclusion of the next general meeting at which accounts are laid before the company.
11. That the directors be authorised to fix the auditors' remuneration.

As special business, to consider, and if thought fit, pass the following resolutions. Resolution 12 will be proposed as an ordinary resolution and resolution 13 will be proposed as a special resolution.

12. That pursuant to section 121 (2) (e) of the Companies Act 1985 157,636 ordinary shares of 10 pence each in the capital of the company which at the date of the passing of this resolution have not been taken or agreed to be taken by any person, be cancelled and the authorised share capital of the company be diminished by the nominal amount of shares so cancelled.
13. That the company be and is hereby generally and unconditionally authorised for the purpose of section 166 of the Companies Act 1985 to make market purchases (as defined in section 163 of the said Act) of ordinary shares of 10p each in the capital of the company ("ordinary shares") provided that:
 - (a) the maximum number of ordinary shares hereby authorised to be purchased is 284,236, representing 10 per cent. of the issued ordinary share capital;
 - (b) the minimum price which may be paid for such shares is 10p per ordinary share (exclusive of expenses), being the nominal amount thereof;
 - (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 London Stock Exchange Daily Official List 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 ordinary shares which will or may be executed wholly or partly after the expiry of that authority and may make a purchase of its own ordinary shares in pursuance of any such contract.

By order of the board

M D Conway

Secretary

27 April 2006

Notes

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the company.
2. To be valid the enclosed form of proxy for the annual general meeting, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof, must be deposited not later than 48 hours before the meeting (or any adjournment thereof) at the offices of the company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
3. Completion of the form of proxy will not prevent you from attending and voting in person.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the company specifies that only those shareholders registered in the register of members as at 11.30a.m. on 6 June 2006 or, in the event that the general meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 11.30 a.m. on 6 June 2006 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the company in respect of the relevant joint holding.

Chairman's statement

The accounts for 2005 reflect a number of significant changes both in the composition of the group and those arising from compliance with International Financial Reporting Standards. In November 2005, Camellia acquired the outstanding minority shareholding in Linton Park Plc resulting in a gain of £6.53 million partially offset by expenses of £1 million. Profits on the disposal of investments, fixed assets and shares in a subsidiary company amounted to £4.16 million and there was a gain arising from changes in the fair value of biological assets of £4.15 million. The profit before tax of £22.28 million including the above mentioned items, compares with a re-stated profit of £8.01 million for 2004. In addition, the profit for the period includes a net exceptional gain of £3.06 million following the disposal of the group's interest in its Australian citrus operations and the resultant post tax profit attributable to shareholders of £20.33 million compares with £5.52 million in 2004. Earnings per share increased to 793.2p from 217.8p.

As stated above, part of the earnings includes a gain arising from changes in the value of biological assets. In my statement last year I expressed my concerns about including such amounts in the income statement and nothing has occurred over the last year to alleviate such concerns. We will continue to identify these changes in fair value on the face of the income statement and my advice to shareholders is to view such changes, whether they be increases or reductions, with extreme caution and not to rely on them when assessing the performance or value of the company.

Dividend

The board is recommending a final dividend of 69p per share which, together with the interim dividend already paid of 20p per share, brings the total distribution for the year to 89p per share compared with 88p per share in respect of 2004.

Agriculture and horticulture

Tea

India

Our operations in India produced a crop of 26.16 million kgs which was approximately 1 million kgs ahead of the previous year despite the loss of 1.3 million kgs due to a strike in the Dooars during the peak producing month of July. Prices generally continued to be depressed and the market was adversely affected by lower exports and a substantial drop in the orthodox market as a result of a decline in sales to Iran. Our continuing emphasis on quality enabled us to maintain our position as a premium supplier to the market.

The Goodricke School for Special Education at Siliguri, gifted by The Camellia Foundation, was formally opened on 11 April 2006 having moved from rented accommodation to a fine new purpose-built school.

Bangladesh

Production in Bangladesh at 13.25 million kgs was marginally ahead of last year with prices increasing by an average of 20 per cent. This resulted in a good contribution to profits for the year. Replanting of old areas of tea continued through the year and this will be an on-going exercise for a number of years to come. A recent decline in the security situation in the country gives some cause for concern but as yet no problems have been encountered on the tea gardens.

Africa

Production in Africa of 30.8 million kgs was some 5 million kgs below the levels achieved in 2004.

The drought in East Africa started to impact on Kenyan production towards the end of the year. Prices achieved in the year were on average 15 US cents per kg below those in 2004 with the reduction being exacerbated by the strength of the Kenyan Shilling resulting in an adverse effect on profit margins. The drought continued into the first part of 2006 leading to a significant increase in prices. Such increase is however not sufficient to cover the increased cost of production. Our shareholding in Eastern Produce Kenya reduced to 70 per cent. during the year following the sale of a further 8 per cent. to the existing minority shareholder. This transaction resulted in a profit of £795,000.

Chairman's statement

In Malawi, the tea operations managed only to break even for the year. No significant rain fell between March and late November. This drought, one of the worst on record, resulted in production being well below 2004 levels and prices were some 8 US cents lower than the previous year. Good rains were however received in December 2005, and although some young tea areas have been lost as a result of the drought, production is returning to more normal levels.

In South Africa slow progress is being made with the disposal of the assets located on the estates which were closed during 2004. The sale of one estate, which was not subject to a land claim, has been completed and the level of compensation to be received for another estate has been agreed with the Land Claims Commission. It is hoped to have resolved all issues surrounding the remaining estates during 2006.

Nepal

The political situation in Nepal continues to give serious cause for concern and the future of our small investment in Himalaya Goodricke Private Limited is under consideration.

Citrus

The citrus operations in both Chile and South Africa performed disappointingly in 2005 with wet weather and pest problems resulting in poor pack outs for export. Excellent results were achieved from the new development in California and we are presently expanding this operation to utilise available land and water resources.

Edible nuts

A better than expected 'off-year' crop was achieved from our pistachio orchards in California and good prices were attained.

Our macadamia production in both South Africa and Malawi showed a considerable improvement over the previous year and prices remained strong resulting in most satisfactory profits. However the outlook for 2006 is not as promising as both countries suffered drought conditions during the period of flowering which has resulted in a lower fruit set. In addition, market demand has weakened and prices are expected to be lower.

Other horticulture

Table grape production in South Africa was well below expectations due to adverse weather conditions particularly at the time of flowering. We decided to lessen our investment in this sector and therefore sold one of our two table grape properties in 2005. In Chile production levels increased as the orchards became more mature. Income was adversely affected by the strengthening of the local currency.

Wine grape production in Chile and South Africa was satisfactory. Prices in Chile were considerably ahead of the previous year due to the increasing maturity of our vines but the global market remains very competitive. There are however tentative signs that demand for our South African wines is improving.

The avocado crop in Kenya was slightly below the levels achieved in 2004 but good prices were received for our exports although once again the strength of the Kenyan shilling had a negative impact on income. Good progress is being made with the building of the new avocado pack house, which is expected to be operational in 2006.

The pineapple joint venture in Kenya again made a significant contribution to profits. The existing agreement expires in stages up to 2008 but negotiations to enter into a new agreement have been unsuccessful. In view of this, a development plan is being prepared for alternative use of the land presently occupied by pineapples.

Rubber production in Bangladesh again showed a small improvement and when combined with higher prices, produced a good contribution to profits. Newly installed drying facilities are helping to control the cost of production.

Our farming operations in Brazil were affected by dry weather, poor commodity prices and the strength of the local currency. Nonetheless a small operational profit was achieved which together with investment income produced a worthwhile result albeit at a lower level than the previous year.

Chairman's statement

Food storage and distribution

As a result of the loss of a major contract at the beginning of 2005 Associated Cold Stores and Transport had another disappointing year. The markets and locations in which the company operates remain very competitive with continued downward pressure on transport, cold storage and handling rates. In addition, increasing energy and fuel costs have affected the results. Further controllable cost reductions have taken place and space utilisation rates improved marginally during the year.

Affish's results in The Netherlands were slightly better than last year but the fish trading business is still suffering from very tight margins. Wylax's fish distribution business showed a modest improvement but there has not been any meaningful recovery in the Dutch restaurant sector.

Engineering

The buoyant oil and gas sector has had a positive impact on the results of AJT Engineering in Aberdeen, where demand for its BOP (blow out preventor) repairs and new build service is strong. The cold extrusion business continues to expand.

Losses on a large contract undertaken by AKD in Lowestoft produced another disappointing result, notwithstanding the site operating close to full capacity. The management team is being restructured in order that the company can take advantage of increased activity in the southern sector of the North Sea.

Abbey Metal Finishing achieved further important accreditations during the year which are necessary for it to operate in the aerospace sector. The company produced satisfactory operating profits and demand for its services continues to grow.

The galvanizing business of British Metal Treatments and the profile cutting and precision grinding business of General Utilities both produced good results for the year.

Banking and financial services

The Duncan Lawrie private banking group experienced significant growth during the year and produced a profit 23 per cent. above last year. The acquisition of the investment management business of Douglas Deakin Young has to date met our expectations in full. We hope to build on this area of our business whilst at the same time enhancing the other activities of the bank in offering integrated wealth management.

Pharmaceuticals

Following a strong second half year, the Siegfried group reported sales of CHF 318.3 million for 2005. Consolidated net profit increased from CHF 16.4 million in 2004 to CHF 36.5 million in 2005.

The sales increase is due mainly to an improvement in the Siegfried division's core business of manufacturing active pharmaceutical ingredients. Satisfactory results were also achieved in the markets for generics and biologically produced active ingredients. The Sidroga division also reported improved sales and operating results.

Other associated undertakings and investments

The United Leasing Company Limited in Bangladesh produced profits before tax of £2.30 million compared with £2.64 million in 2004. This reduction in profits is largely due to increased competition. Also, in Bangladesh where the insurance market remains competitive, The United Insurance Company Limited produced results similar to last year. Its subsidiary, The Surmah Valley Tea Company Limited improved its profit for the year.

Our investments in Bermuda and elsewhere are now shown in the balance sheet at market value rather than cost in accordance with International Financial Reporting Standards. The underlying investments performed well in 2005 and investment income increased.

Development

Organic growth will continue on the majority of our agricultural properties as will improvements to infrastructure and welfare facilities. Where assets are in need of development to maintain their value and effectiveness we are making the necessary improvements, such as in some of our tea factories in India and by replanting areas of tea that are in decline

Chairman's statement

through old age. Support is also given to the growth of those activities where there are attractive opportunities for extending and expanding those operations, such as at Duncan Lawrie and the galvanising business of British Metal Treatments. Developing our management structures to ensure they remain efficient and effective is also an ongoing process and is currently being pursued further as a result of the merger with Linton Park.

Pensions

The group operates a number of defined benefit pension schemes, and in common with the majority of such schemes in the UK, the group's UK schemes are in deficit. The combined deficits have previously been an off-balance sheet item, but as a result of new accounting regulations have now become an on-balance sheet liability. The newly appointed Pensions Regulator has wide powers over companies with pension scheme deficits that could hinder those companies from making normal commercial decisions. Whether such draconian powers are appropriate is a matter for debate but what seems incomprehensible is that the funding of the Pension Protection Fund penalises those schemes that are already in deficit making an unfortunate situation even worse.

Leaving aside the power of the Pensions Regulator and the impact he can have on the way in which a company is managed, one feels a sense of enormous frustration at the manner in which defined benefit schemes have been targeted in such a way as to make them virtually untenable. It is, after all, not so long ago that actuaries were busy calculating the improved benefits that could be given, or contribution holidays taken, to utilise surpluses that would otherwise, at the government's behest, have to be returned to sponsoring companies and then taxed. Companies operating rationally were not therefore permitted to maintain reasonable pension fund surpluses for the time when circumstances changed. And change they certainly did. Firstly, advance corporation tax credits were removed from pension scheme investment income and then equity market values fell significantly. This has more recently been exacerbated by the lemming-like rush, particularly by pension funds driven to do so in part by changes in the regulatory environment, into bonds (the wisdom of which is at last being challenged by serious commentators).

This has forced up bond prices and forced down bond yields, a key measure used by actuaries to calculate a pension fund's liabilities – the lower the real yield the greater the liability. In addition, life expectancy has grown rapidly which has forced actuaries to change another of the key assumptions they use to value pension schemes' liabilities. Suddenly schemes faced large deficits which, as a result of the change in the accounting rules, have had a significant impact on employers' balance sheets. The unpredictability of such changes to actuarial assumptions and the resultant movement in pension schemes' deficits together with the fact that the Pensions Regulator requires deficits to be paid off over a far shorter period than previously recommended by the actuaries (leading to companies facing a bill that could easily render them uncompetitive in their market place) has sounded the death knell of many defined benefit schemes. Based on this experience, companies might well feel that, even if they sort out the present situation, it could all so easily happen again. Thus we see the frequent press coverage of UK employers making significant changes to their occupational pension schemes.

Full actuarial valuations of two of our schemes are taking place in 2006 and despite the rise in equity markets we nonetheless expect contribution rates to increase. It would be a great pity, particularly for scheme members, if our own defined benefit schemes are closed as a result of assumptions that subsequently could be found to be inaccurate or based on short term distortions. However, we cannot place the group in jeopardy and consequently we will over the next few months be reviewing in great depth our ability to continue with defined benefit schemes in their current form. I can only hope that common sense, which sometimes to the layman seems to be missing, will in the end prevail.

Corporate social responsibility

During 2005 the board adopted a Statement of Business Principles which encapsulates the standards to which the group's businesses operate. The Statement, which can be viewed on the company's website (www.camellia.plc.uk), sets out the group's policy on business integrity, health and safety, environmental matters, social issues and human resources. Next year's accounts will include a business review as required by recent legislation which will cover these areas in detail.

Chairman's statement

Directors and staff

I am pleased to welcome Chris Relleen to the board as deputy chairman and as an independent non-executive director. Chris will bring a wealth of experience and expertise and will I am sure make a significant contribution to our deliberations.

Abu Subhan will be retiring as a director at the conclusion of the forthcoming annual general meeting. Abu has been responsible for the redevelopment of the group's interests in Bangladesh and has improved their profitability with great care and vision. His contribution has been immense and I wish him a long, happy and healthy retirement.

2005 has been a successful year in many ways and this could not have been achieved without the skill and dedication of our staff who not only have to deal with the day to day operations but also comply with increasing regulatory requirements.

M C Perkins

Chairman

27 April 2006

Report of the directors

The directors present their report together with the audited accounts for the year ended 31 December 2005.

Principal activities

The company is a holding company and its country of incorporation is England. The principal activities of its subsidiary and associated undertakings comprise:

Agriculture and horticulture – the production of tea, citrus, edible nuts, grapes, other horticultural produce and general farming

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

Food storage and distribution

Pharmaceuticals

Private banking and financial services

The holding of investments

Further details of the group's activities are included in the chairman's statement on pages 4 to 8.

Results and dividends

The profit for the year amounted to £23,569,000. The board has proposed a final dividend for the year of 69p per share payable on 5 July 2006 to holders of ordinary shares registered at the close of business on 9 June 2006. The total dividend for 2005 is therefore 89p per share (2004: 88p 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.

	31 December 2005	1 January 2005
Camellia Plc ordinary shares of 10p each:		
M C Perkins	1,083	200
C P T Vaughan-Johnson	700	700

There have been no changes in the interests of directors between 31 December 2005 and the date of this report.

Mr C J Relleen was appointed an independent non-executive director and deputy chairman on 1 January 2006.

Under the company's articles of association all the directors are required to retire annually. Accordingly, Mr M C Perkins, Mr C J Relleen, Mr P A Leggatt, Mr A K Mathur, Mr D A Reeves and Mr C P T Vaughan-Johnson retire and being eligible seek re-election. Mr A S M O Subhan will be retiring at the end of June 2006 and consequently will not be seeking re-election as a director.

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

Executive directors

Mr M C Perkins was appointed a director in 1999 and chairman in 2001 having joined Eastern Produce (Holdings) Limited (now Linton Park Plc) in 1972. He is a chartered accountant. Mr Perkins is also chairman of Duncan Lawrie Holdings Limited. Aged 61.

Mr P A Leggatt is chairman of Goodricke Group Limited. He was appointed a director in 1999, having joined the group in 1988. Aged 63.

Mr 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 Goodricke Group Limited. Aged 58.

Mr A S M O Subhan was appointed a director in 2001 and is chief executive of the Bangladesh group. Mr Subhan who joined the group in 1983, will be retiring at the end of June 2006. Aged 64.

Report of the directors

Non-executive directors

Mr C J Relleen was formerly a partner in PricewaterhouseCoopers. He was appointed an independent non-executive director and deputy chairman in January 2006 having previously been a non-executive director of Linton Park Plc. Mr Relleen is also a non-executive director of Duncan Lawrie Holdings Limited. He is the senior independent director, chairman of the audit committee and a member of the remuneration committee. Aged 57.

Mr 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 59.

Mr 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 chairman of the remuneration committee and a member of the audit committee. Mr Vaughan-Johnson is also a non-executive director of Duncan Lawrie Holdings Limited. Aged 72.

Changes in corporate structure

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. The offer became unconditional on 11 April 2005.

On 21 March 2005 Linton Park Plc's subsidiary, John Ingham & Sons Limited, sold 1,673,000 ordinary shares (8 per cent.) in Eastern Produce Kenya Limited to Kaitet Tea Estates (1977) Limited.

In November 2005, Linton Park Plc became a wholly-owned subsidiary of the company by means of a scheme of arrangement under section 425 of the Companies Act 1985, ("the Scheme"). Under the terms of the Scheme, holders of Linton Park Plc shares not already owned by the company (representing approximately 20.84 per cent. of the issued share capital of Linton Park Plc) received 1 new Camellia Plc share and 800 pence in cash for every 16 Linton Park Plc shares.

Substantial shareholdings

As at 27 April 2006 the company had been advised of the following interests in the share capital of the company:

Camellia Holding AG held 1,426,000 ordinary shares (50.17 per cent.).

Alcatel Bell Pensioenfonds VZW held 205,665 ordinary shares (7.24 per cent.).

St. James's Place Capital Plc held (through one of its subsidiaries) 91,002 ordinary shares (3.20 per cent.).

Charitable contributions

During the year the group made charitable donations totalling £15,561 (2004: £16,811). Of this amount £693 was paid to overseas charities, £7,914 was paid to arts and other charities and £6,954 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 2005 represented 30 days of annual purchases.

Changes in share capital

On 17 November 2005 247,364 ordinary shares of 10p each were issued pursuant to the Linton Park Plc scheme of arrangement under which that company became a wholly owned subsidiary of the company.

Report of the directors

Purchase of own shares

At the annual general meeting in 2005 shareholders gave authority for the company to purchase up to 259,000 of its own shares. No shares were purchased during the year and this authority expires on 8 June 2006.

Annual general meeting

The annual general meeting will be held on 8 June 2006 and the notice of meeting appears on page 3. An explanation of resolutions 10, 12 and 13 is set out below.

Resolution 10 – A resolution to re-appoint Moore Stephens LLP as auditors will be proposed at the annual general meeting. On 3 October 2005, Moore Stephens, the company's auditor, transferred its entire business to Moore Stephens LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Moore Stephens as extending to Moore Stephens LLP with effect from 3 October 2005.

Moore Stephens LLP have expressed their willingness to continue as auditors of the company and a resolution proposing their re-appointment will be put before the annual general meeting.

Resolution 12 – The directors do not currently foresee circumstances that will require the issue of further shares and, therefore, shareholders are asked to approve the resolution to cancel the company's authorised but unissued share capital.

Resolution 13 – This special resolution seeks the 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 284,236 ordinary shares (representing 10 per cent. of the present issued share capital) at a price which is not more than 5 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 will expire at the conclusion of the 2007 annual general meeting or 8 September 2007 if earlier.

Action to be taken

You are asked to complete the form of proxy and return it, together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof, to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, so as to arrive no later than 48 hours before the time of the annual general meeting.

Completion of the form of proxy does not prevent you from attending and voting in person.

Recommendation

The board believes that the resolutions to be put to the annual general meeting are in the best interests of the shareholders as a whole and, accordingly, recommends that the shareholders vote in favour of the resolutions, as the directors intend to do in respect of their beneficial shareholdings in the company.

By order of the board

M D Conway

Secretary

27 April 2006

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 audit committee comprises one non-executive and two independent non-executive directors;
- (iii) new board appointments are considered by the full board as a nominations committee has not been established;
- (iv) formal evaluation procedures for the board, its committees and directors have not been established.

The board currently comprises seven directors although this number will reduce to six when Mr Subhan retires in June 2006. Two are independent non-executive directors, one is a non-executive director, and the remaining are executive directors, including the executive chairman. Mr Relleen has been designated as the senior independent director.

There is ongoing dialogue between the chairman and the majority shareholder whose views are reported to the board. The company is also in regular contact with its other major shareholder.

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 a separate nomination committee is not considered necessary.

During 2005, the board established a remuneration committee, details of which are contained in the remuneration report. An executive committee was also established during the year. Terms of reference of both committees can be viewed on the company's website. The executive committee is responsible for the day to day management of the group's operations and for implementing board policy. The members of the committee are:

M C Perkins	Chairman
A K Mathur	Finance
C J Ames	Managing Director UK Operations
P J Field	Managing Director Banking and Financial Services
T G Lupton	Managing Director Agriculture
K S David	India
A S M O Subhan	Bangladesh
K Tarplee	Africa
M D Conway	Secretarial and Administration

During 2005, the board adopted a revised schedule of matters reserved for its approval. These matters cover the following areas. A full copy of the schedule is available on the company's website.

- Strategy
- Financial reporting and control
- Internal controls
- Approval of expenditure above specified limits
- Approval of transactions and contracts
- Responsibilities for corporate governance
- Board membership and committees
- Approval of changes to capital structure

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 2005.

The audit committee, is chaired by Mr Relleen. 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. These terms of reference can be viewed on the company's website. The committee regularly reviews the effectiveness of internal audit activities carried out by the company's group accounting function and

Corporate governance

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.

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

	Board	Audit
Number of meetings held during 2005	10	2
Mr M C Perkins	10	2
Mr A K Mathur	10	2*
Mr P A Leggatt	10	–
Mr D A Reeves	10	2
Mr A S M O Subhan	2	–
Mr C P T Vaughan-Johnson	10	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. During the forthcoming year it will consider whether implementation of such procedures is appropriate. The board deferred consideration of this matter because of the changes in the management structure during 2005.

The company purchases insurance to cover its directors in respect of legal actions against them in their capacity as directors of the company. The level of cover is currently £10 million. All directors have access to independent professional advice at the company's expense.

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 2006 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 company and of the group as at the end of its financial year, and of the profit or loss of the group 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

This report is drawn up in accordance with Schedule 7A of the Companies Act 1985.

Policy on directors' remuneration

In determining remuneration policy and the remuneration of directors, full consideration has been given to the relevant provisions of 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, (eg 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 directors' employment. The remuneration committee reviews salaries annually and will seek independent professional advice when appropriate. With effect from March 2006, Mr Perkins will spend significantly more time on the group's operations outside of the UK and, to reflect this change, Mr Perkins' salary from Linton Park Plc has been reduced and he will instead receive the balance of his remuneration from Lawrie International Limited.

Directors' remuneration

	Basic Remuneration 2005 £	Benefits in Kind 2005 £	Total 2005 £	Total 2004 £
Executive				
M C Perkins	276,684	21,736	298,420	290,679
P A Leggatt	114,372	15,669	130,041	127,568
A K Mathur	129,132	20,115	149,247	146,943
A S M O Subhan	17,743	32,722	50,465	47,220
Non-executive				
D A Reeves	10,000	–	10,000	10,000
C P T Vaughan-Johnson	35,000	–	35,000	35,000
	<u>582,931</u>	<u>90,242</u>	<u>673,173</u>	<u>657,410</u>

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

Remuneration committee

In December 2005 the board established a remuneration committee. The committee comprises the board's two independent non-executive directors, being Mr C P T Vaughan-Johnson who is chairman of the committee and Mr C J Relleen.

The committee's full terms of reference are available on the company's website (www.camellia.plc.uk). The responsibilities of the committee include:

- The review of the group's policy relating to remuneration of the chairman, executive directors and members of the executive committee.
- To determine the terms of employment and remuneration of the chairman, executive directors and members of the executive committee.
- To approve compensation packages or arrangements following the severance of any executive director's service contract.

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. Mr Mathur is a member of the Lawrie Group Pension Scheme as was Mr Leggatt until 20 September 2005 when he reached the age of 63. Members of the Linton Park Group Pension Scheme contributed 6 per cent. of basic salary. Members of the Lawrie Group Pension Scheme contributed 3.5 per cent. of basic salary up to 31 March 2005 and thereafter the rate of contributions increased to 6 per cent.. Pension accrues at the rate of 1/60th of basic final salary per year of service for Messrs Perkins 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 HM Revenue and Customs limits. Up until 6 April 2005, post retirement pension increases were based on the annual increase in the retail price index, subject to a maximum of 5 per cent. From 6 April 2005, under the Linton Park Group Pension Scheme, the maximum increase reduced to 2.5 per cent. per annum in respect of pension accrued on or after that date. Also, 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. Also, under the Lawrie Group Pension Scheme for entrants prior to 1 January 1996, pension earned prior to April 2003 is subject to a 5 per cent. increase per annum. 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

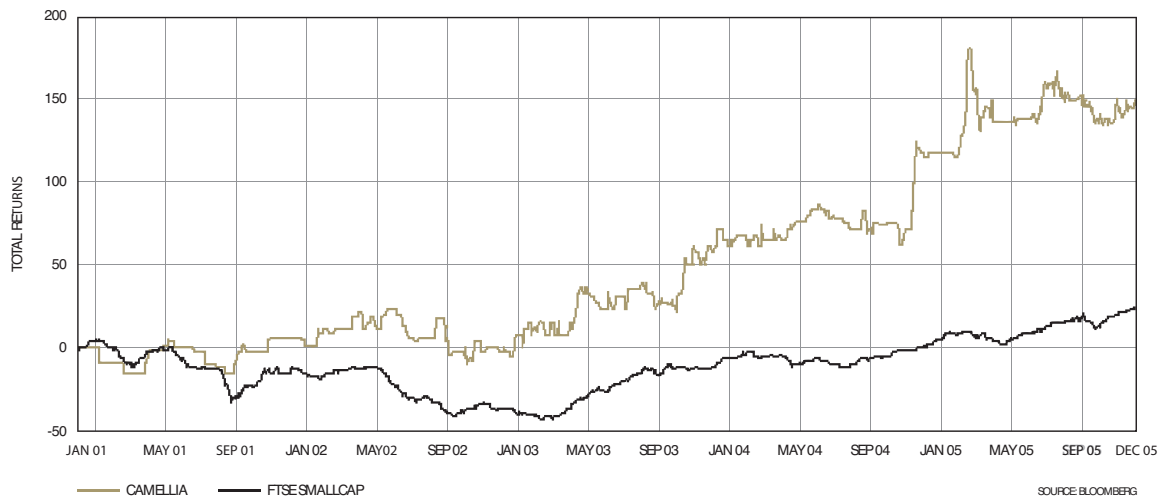
	Age	Pension accrued in year £	Pension accrued in the year net of inflation £	Pension accrued to 31 Dec 2005 £	Transfer value of pension accrued in the year net of inflation £	Transfer value of pension accrued at 31 Dec 2004 £	Transfer value of pension accrued at 31 Dec 2005 £	Increase in transfer value in the year £
M C Perkins	61	5,471	4,768	31,511	49,695	356,331	526,824	153,892
P A Leggatt	63	3,982	2,386	64,026	49,860	1,100,340	1,484,276	379,706
A K Mathur	58	3,792	2,469	53,446	46,953	833,314	1,016,405	176,150
A S M O Subhan	64	4,740	4,740	11,710	31,349	63,835	90,738	59,389

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 2005 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

27 April 2006

Consolidated income statement
for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Continuing operations			
Revenue	1	152,743	156,288
Cost of sales		(107,968)	(112,498)
Gross profit		44,775	43,790
Other operating income		2,373	955
Distribution costs		(7,969)	(7,337)
Administrative expenses		(35,978)	(33,941)
Trading profit	3	3,201	3,467
Share of associates' results	4	5,842	2,924
Profit on disposal of non-current assets	5	874	1,283
Profit on disposal of 'available-for-sale' investments		2,488	844
Profit on part disposal of a subsidiary	6	795	–
Profit on part disposal of an associate	7	–	121
Gain arising from changes in fair value of biological assets		4,147	1,722
Gain/(loss) on group restructuring	8	5,523	(1,634)
Profit from operations		22,870	8,727
Investment income		1,313	1,447
Net finance costs	9	(1,908)	(2,161)
Profit before tax		22,275	8,013
Taxation	10	(1,764)	(2,741)
Profit for the period from continuing operations		20,511	5,272
Discontinued operations			
Profit for the period from discontinued operations	11	3,058	1,370
Profit for the period		23,569	6,642
Profit attributable to minority interests		3,243	1,127
Profit attributable to equity shareholders		20,326	5,515
		23,569	6,642
Earnings per share – basic and diluted	14	793.2p	217.8p
Earnings per share from continuing operations – basic and diluted	14	692.2p	194.4p

Consolidated balance sheet
at 31 December 2005

	Notes	2005 £'000	2004 £'000
Non-current assets			
Goodwill	17	4,220	–
Intangible assets	18	368	398
Property, plant and equipment	19	82,069	82,813
Biological assets	20	86,679	79,805
Prepaid operating leases	21	1,062	876
Investments in associates	23	65,672	60,689
Deferred tax assets	32	1,330	691
Financial assets	24	61,831	43,371
Retirement benefit surplus	33	2,634	3,212
Trade and other receivables	26	583	756
Total non-current assets		<u>306,448</u>	<u>272,611</u>
Current assets			
Inventories	25	18,204	20,918
Trade and other receivables	26	50,699	50,606
Current income tax assets		1,820	1,699
Cash and cash equivalents	27	170,940	150,857
		<u>241,663</u>	<u>224,080</u>
Non-current assets classified as held for sale	28	1,036	11,157
Total current assets		<u>242,699</u>	<u>235,237</u>
Current liabilities			
Borrowings	30	(21,234)	(28,282)
Trade and other payables	29	(201,779)	(166,484)
Deferred income from anticipated sale		–	(3,591)
Current income tax liabilities		(1,888)	(2,132)
Other employee benefit obligations	34	(190)	(213)
Provisions	31	(88)	(506)
Total current liabilities		<u>(225,179)</u>	<u>(201,208)</u>
Net current assets		<u>17,520</u>	<u>34,029</u>
Total assets less current liabilities		<u>323,968</u>	<u>306,640</u>
Non-current liabilities			
Borrowings	30	(10,959)	(20,541)
Deferred tax liabilities	32	(27,061)	(26,246)
Retirement benefit obligations	33	(21,284)	(26,290)
Other employee benefit obligations	34	(1,399)	(1,277)
Other non-current liabilities		(353)	(436)
Provisions	31	(70)	(113)
Total non-current liabilities		<u>(61,126)</u>	<u>(74,903)</u>
Net assets		<u>262,842</u>	<u>231,737</u>
Equity			
Called up share capital	35	284	260
Reserves		241,632	187,229
Shareholders' funds	36	241,916	187,489
Minority interests	36	20,926	44,248
Total equity		<u>262,842</u>	<u>231,737</u>

Balance sheet
at 31 December 2005

	Notes	2005 £'000	2004 £'000
Non-current assets			
Investments in subsidiaries	22	73,683	22,685
Financial assets	24	6,790	5,708
Total non-current assets		<u>80,473</u>	<u>28,393</u>
Current assets			
Trade and other receivables	26	38	22
Amounts due from group undertakings		4,030	18,014
Current income tax asset		77	–
Cash and cash equivalents	27	13	12
Total current assets		<u>4,158</u>	<u>18,048</u>
Current liabilities			
Trade and other payables	29	(176)	(176)
Amounts due to group undertakings		(23,880)	(17,364)
Current income tax liabilities		–	(46)
Total current liabilities		<u>(24,056)</u>	<u>(17,586)</u>
Net current (liabilities)/assets		<u>(19,898)</u>	<u>462</u>
Total assets less current liabilities		<u>60,575</u>	<u>28,855</u>
Non-current liabilities			
Deferred tax liabilities	32	(361)	(361)
Total non-current liabilities		<u>(361)</u>	<u>(361)</u>
Net assets		<u>60,214</u>	<u>28,494</u>
Equity			
Called up share capital	35	284	260
Reserves		59,930	28,234
Shareholders' funds	36	<u>60,214</u>	<u>28,494</u>

Approved on 27 April 2006 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 2005

	Notes	2005 £'000	2004 £'000
Cash generated from operations			
Cash flows from operating activities	37	20,753	11,401
Interest paid		(2,551)	(2,785)
Income taxes paid		(3,435)	(2,552)
Interest received		635	265
Dividends received from associates		1,564	2,149
Net cash flow from continuing operating activities		16,966	8,478
Net cash flow from discontinued operating activities		1,730	6,330
Net cash flow from operating activities		18,696	14,808
Cash flows from investing activities			
Purchase of intangible assets		(105)	(70)
Purchase of property, plant and equipment		(6,844)	(5,328)
Proceeds from sale of non-current assets		2,418	2,244
Disposal of subsidiaries/businesses (net of cash disposed)	39	12,883	540
Part disposal of a subsidiary		1,673	–
Acquisition of subsidiary (net of cash acquired)	39	(4,393)	(52)
Purchase of minority interests		(3,027)	(482)
Purchase of shares in associate		(16)	–
Proceeds from sale of shares in associates		–	1,075
Proceeds from sale of investments		3,200	2,589
Purchase of investments		(7,141)	(3,579)
Income from investments		1,313	1,374
Net cash flow from discontinued operations		(1,430)	(725)
Net cash flow from investing activities		(1,469)	(2,414)
Cash flows from financing activities			
Equity dividends paid		(2,284)	(2,258)
Dividends paid to minority interests		(1,306)	(1,871)
Net repayment of debt		(9,213)	(5,328)
Purchase of own shares		–	(16)
Net cash flow from discontinued operations		–	(3,879)
Net cash flow from financing activities		(12,803)	(13,352)
Net increase/(decrease) in cash and cash equivalents	38	4,424	(958)
Cash and cash equivalents at beginning of period		(10,637)	(9,946)
Exchange (losses)/gains on cash		(222)	267
Cash and cash equivalents at end of period		(6,435)	(10,637)

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.

No company cash flow has been presented as all cash and cash equivalent transactions are with the group's banking subsidiary.

Statement of recognised income and expense
for the year ended 31 December 2005

<i>Group</i>	2005 £'000	<i>2004</i> £'000
Foreign exchange translation differences	12,725	(7,826)
Actuarial movement on defined benefit pension schemes	4,310	(7,420)
Movement on deferred tax relating to defined benefit pension schemes	1,204	(244)
Available-for-sale investments:		
Valuation gains taken to equity	7,124	5,070
Transferred to profit or loss on sale	(1,562)	(669)
Other fair value adjustment	135	(49)
Share of associates' fair value adjustments	(45)	169
Share of associates' loss on cash flow hedges	(585)	–
Net income/(expense) recognised directly in equity	<u>23,306</u>	<u>(10,969)</u>
Profit for the period	<u>23,569</u>	<u>6,642</u>
Total recognised income and expense for the period	<u>46,875</u>	<u>(4,327)</u>
Attributable to:		
Minority interests	5,767	(1,777)
Equity shareholders	41,108	(2,550)
	<u>46,875</u>	<u>(4,327)</u>
<i>Company</i>		
Available-for-sale investments:		
Valuation gains taken to equity	21	336
Transferred to profit or loss on sale	(1,081)	–
Net (expense)/income recognised directly in equity	<u>(1,060)</u>	<u>336</u>
Profit for the period	<u>20,165</u>	<u>3,521</u>
Total recognised income and expense for the period	<u>19,105</u>	<u>3,857</u>

Accounting policies

Accounting policies

The principal accounting policies in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The group has adopted early the amendment to IAS 19 (Employee Benefits) published in December 2004.

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 45.

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 45.

Cumulative translation differences exemption

All previously accumulated 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 notes 45 to 48.

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, financial assets and financial liabilities held-for-trading.

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

Accounting policies

Accounting policies *(continued)*

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 denominated 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. In respect of the group's banking operation, revenue includes net interest receivable.

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

Segmental reporting

A segment is a distinguishable component of the group that is engaged in providing products and services. As the risks and rates of return are predominately affected by differences in these products and services, the primary format for reporting segment information is based on business segments.

Accounting policies

Accounting policies (continued)

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:–

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.

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.

Accounting policies

Accounting policies *(continued)*

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 cash flows, 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.

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, philately, 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.

Investments in subsidiary companies are included at cost.

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

Accounting policies

Accounting policies *(continued)*

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. In respect of the group's banking operation, cash and cash equivalents includes cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Accounting policies

Accounting policies *(continued)*

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.

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.

Banking and financial services operations

In addition, the following accounting policies are also adopted by Duncan Lawrie Holdings Limited and its subsidiaries:-

Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument

Accounting policies

Accounting policies *(continued)*

or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Investment management fees are recognised rateably over the period the service is provided. The same principle is applied for trust and company administration, financial planning and custody services that are continuously provided over an extended period of time.

Financial assets

The group classifies its financial assets into the following categories: loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivables.

(ii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Were the group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Fiduciary activities

The group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the group.

Accounting policies

Accounting policies *(continued)*

New standards and interpretations not in force

The following standards and interpretations are in issue but not in force at 31 December 2005:

New standards and interpretations

- IFRS 6 Exploration and evaluation of mineral resources
- IFRS 7 Financial instruments: disclosure
- IFRIC 4 Determining whether an arrangement contains a lease
- IFRIC 5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
- IFRIC 6 Liabilities arising from participating in a specific market - waste electrical and electronic equipment
- IFRIC 7 Applying the restatement approach under IAS 29

Revisions to existing standards

- IAS 39 Changes re the fair value option
- IAS 1 Changes re capital disclosures

The directors do not expect the new standards and interpretations, or the revisions to existing standards, to have any impact on the primary financial statements. However:

- IFRS 7 This standard will require additional disclosures concerning the group's and company's financial instruments, to enable users of the financial statements to appreciate the financial risks to which the group and company are subject. This standard is effective for accounting periods beginning on or after 1 January 2007.
- IAS 1 The revisions to this standard will require additional disclosures, both qualitative and quantitative, concerning the capital of the group and company. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2007.

Notes to the accounts

1 Business and geographical segments

The principal activities of the group are as follows:

Agriculture and horticulture
Engineering
Food storage and distribution
Banking and financial services

For management reporting purposes these activities form the basis on which the group reports its primary divisions.

Segment information about these businesses is presented below:

	Agriculture and horticulture		Engineering		Food storage and distribution		Banking and financial services		Other operations		Consolidated	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Revenue												
External sales	83,861	92,650	19,441	13,684	38,734	42,007	9,350	6,611	1,357	1,336	152,743	156,288
Trading profit												
Segment profit	6,506	7,822	223	(582)	(1,004)	(682)	1,303	1,059	339	478	7,367	8,095
Unallocated corporate expenses											(4,166)	(4,628)
Trading profit											3,201	3,467
Share of associates' results	68	8					560	412	5,214	2,504	5,842	2,924
Profit on disposal of non-current assets											874	1,283
Profit on disposal of 'available-for-sale' investments											2,488	844
Profit on part disposal of a subsidiary											795	-
Profit on part disposal of an associate											-	121
Gain arising from changes in fair value of biological assets	4,147	1,722									4,147	1,722
Gain/(loss) on group restructuring											5,523	(1,634)
Investment income											1,313	1,447
Net finance costs											(1,908)	(2,161)
Profit before tax											22,275	8,013
Taxation											(1,764)	(2,741)
Profit for the period from discontinued operations											3,058	1,370
Profit after tax and discontinued operations											23,569	6,642
Other information												
Segment assets	164,534	149,072	14,406	13,991	29,850	32,862	193,716	163,833	7,997	10,602	410,503	370,360
Investment in associates	1,052	1,002					2,781	2,345	61,839	57,342	65,672	60,689
Unallocated assets											72,972	76,799
Consolidated total assets											549,147	507,848
Segment liabilities	(28,105)	(26,784)	(4,016)	(3,973)	(7,406)	(8,287)	(177,361)	(140,180)	(135)	(293)	(217,023)	(179,517)
Unallocated liabilities											(69,282)	(96,594)
Consolidated total liabilities											(286,305)	(276,111)
Capital expenditure	4,423	3,759	461	342	1,338	1,943	366	990	44			
Depreciation	(2,956)	(3,086)	(837)	(817)	(2,910)	(2,838)	(234)	(212)	(108)	(99)		
Amortisation	(15)		(11)	(5)		(26)	(78)	(60)				
Impairment	(111)	(270)	(179)									

Segment assets consist primarily of intangible assets, property, plant and equipment, biological assets, prepaid operating leases, inventories, trade and other receivables and cash and cash equivalents. Receivables for tax have been excluded. Investments for associates, valued using the equity method, have been shown separately in the segment information. Segment liabilities are primarily those relating to the operating activities and generally exclude liabilities for taxes, short-term loans, finance leases and non-current liabilities.

Notes to the accounts

1 Business and geographical segments (continued)

Geographical segments

The group operations are based in nine main geographical areas. The United Kingdom is the home country of the parent. The principal territories in which the group operates are as follows:

United Kingdom
Continental Europe
India
Kenya
Malawi
Bangladesh
North America
South Africa
South America

The following table provides an analysis of the group's sales by geographical market, irrespective of the origin of the goods/services:

	2005 £'000	2004 £'000
United Kingdom	65,242	62,599
Continental Europe	17,799	19,729
India	32,451	28,056
Kenya	11,361	13,681
Malawi	3,118	4,864
Bangladesh	8,375	7,656
North America	4,115	3,395
South Africa	1,987	6,311
South America	3,112	3,320
Other	5,183	6,677
	<u>152,743</u>	<u>156,288</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
United Kingdom	239,591	215,037	2,151	3,251
Continental Europe	3,493	3,501	58	70
India	48,192	44,973	1,548	1,032
Kenya	36,723	30,360	947	746
Malawi	27,962	25,047	841	870
Bangladesh	23,587	21,807	550	438
North America	3,109	3,785	82	306
South Africa	14,721	15,912	254	115
South America	13,125	9,938	387	312
	<u>410,503</u>	<u>370,360</u>	<u>6,818</u>	<u>7,140</u>

Notes to the accounts

1 Business and geographical segments (continued)

Discontinued operations

In March 2005, the group 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:

	Agriculture and horticulture		Food storage and distribution		Consolidated	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Revenue						
External sales	3,373	29,044	–	187	3,373	29,231
Trading profit						
Segment profit	(499)	2,317	–	(17)	(499)	2,300
Investment income					1	4
Net finance costs					18	(336)
(Loss)/profit before tax					(480)	1,968
Taxation					–	(598)
(Loss)/profit after tax					(480)	1,370
Profit on disposal of discontinued operations					5,167	–
Taxation in relation to disposal					(1,629)	–
Profit for the year from discontinued operations					3,058	1,370

Geographical segments

Revenue from the group's discontinued operations was derived as follows:

United Kingdom	–	378	–	187	–	565
India	20	817	–	–	20	817
Bangladesh	–	94	–	–	–	94
North America	80	6,804	–	–	80	6,804
Australia	3,013	15,629	–	–	3,013	15,629
Other	260	5,322	–	–	260	5,322
	3,373	29,044	–	187	3,373	29,231

Notes to the accounts

1 Business and geographical segments *(continued)*

Results of banking subsidiaries

		2005 £'000	2004 £'000
Interest receivable	third parties	8,796	6,989
	group companies	34	22
		<u>8,830</u>	<u>7,011</u>
Interest payable	third parties	(5,595)	(3,939)
	group companies	(288)	(360)
		<u>(5,883)</u>	<u>(4,300)</u>
Net interest income		2,947	2,712
Dividend income		22	16
Fee and commission income		6,297	3,630
Fee and commission expense		(348)	(194)
Other operating income		178	109
		<u>9,096</u>	<u>6,273</u>
Inter-segment net interest		254	338
Revenue		9,350	6,611
Operating expenses		(8,047)	(5,552)
		<u>1,303</u>	<u>1,059</u>

2 Revenue

An analysis of the group's revenue is as follows:

	2005 £'000	2004 £'000
Continuing operations		
Sale of goods	83,861	91,547
Distribution and warehousing revenue	38,734	42,007
Engineering services revenue	19,441	13,684
Banking service revenue	9,350	6,613
Agency commission revenue	1,125	1,103
Property rental revenue	232	1,334
	<u>152,743</u>	<u>156,288</u>
Other operating income	2,373	955
Investment income	1,313	1,447
	<u>156,429</u>	<u>158,690</u>
Discontinued operations		
Sale of goods	3,373	29,044
Agency commission revenue	–	187
	<u>3,373</u>	<u>29,231</u>
Investment income	1	4
Interest income	74	142
	<u>75</u>	<u>146</u>
Total group revenue	<u>159,877</u>	<u>188,067</u>

Notes to the accounts

3 Trading profit

The following items have been included in arriving at trading profit:

	2005 £'000	2004 £'000
Employee benefits expense (note 15)	57,807	63,379
Inventories:		
Cost of inventories recognised as an expense (included in cost of sales)	64,103	59,468
Cost of inventories provision recognised as an expense (included in cost of sales)	62	96
Cost of inventories provision reversed (included in cost of sales)	(2)	(4)
Depreciation of property, plant and equipment:		
Owned assets	6,854	7,333
Under finance leases	531	786
Amortisation of intangibles (included in cost of sales)	104	90
Amounts written off financial assets (included within administration costs)	46	–
Loss/(profit) on property, plant and equipment	38	(72)
Operating leases – minimum lease payments:		
Plant and machinery	1,368	1,836
Property	754	908
Repairs and maintenance expenditure on property, plant and equipment	1,623	1,558
	<hr/>	<hr/>
Currency exchange (gains) and losses (credited)/charged to income include:		
Revenue	(54)	(6)
Cost of sales	(244)	(269)
Distribution costs	(139)	(11)
Administration costs	(181)	(28)
Other operating income	(19)	(1)
Finance costs	118	26
	<hr/>	<hr/>
	(519)	(289)
	<hr/>	<hr/>
Auditors' remuneration paid by the group (including its overseas subsidiaries) for the following services was:		
Audit services:		
Statutory audit	641	702
Audit – related regulatory reporting	94	74
Further assurance services	9	7
Tax services:		
Compliance services	58	65
Advisory services	14	16
Other services not covered above	72	30
	<hr/>	<hr/>
	888	894
	<hr/>	<hr/>

Included in the above group audit fees and expenses is £171,000 paid to Moore Stephens LLP (2004: £143,000) for statutory audit services and £108,000 for tax and assurance services (2004: £10,000).

Notes to the accounts

4 Share of associates' results

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

	2005 £'000	2004 £'000
Operating profit	7,748	4,219
Net finance costs	(692)	(507)
Profit before tax	7,056	3,712
Taxation	(1,214)	(788)
Profit after tax	<u>5,842</u>	<u>2,924</u>

5 Profit on disposal of non-current assets

	2005 £'000	2004 £'000
Profit on disposal of property, plant and equipment associated with the production of tea in South Africa	525	–
Profit on disposal of other land and property	349	1,110
Profit on disposal of non-current assets associated with the production of coffee	–	173
	<u>874</u>	<u>1,283</u>

6 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 the group's subsidiary, Eastern Produce Kenya Limited. The group's holding is now 70.0 per cent.. The cash consideration was £1,673,000.

7 Profit on part disposal of an associate

	2005 £'000	2004 £'000
Profit on disposal of shares in associated undertakings	–	248
Goodwill transferred from non-current assets	–	(127)
	<u>–</u>	<u>121</u>

In 2004 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. and also in 2004 the group realised a profit of £27,000 on the disposal of its associate interest in Gorkha Lawrie Private Limited.

Notes to the accounts

8 Gain/(loss) on group restructuring

In November 2005, Camellia Plc acquired the outstanding minority shareholding in Linton Park Plc. A gain of £6,529,000 was realised as the consideration paid was lower than the net assets acquired. This gain has been partially offset by expenses incurred in relation to the transaction of £1,006,000.

The loss 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.

9 Net finance costs

	2005 £'000	2004 £'000
Interest payable on loans and bank overdrafts	(2,445)	(2,750)
Interest payable on obligations under finance leases	(121)	(84)
Total borrowing costs	<u>(2,566)</u>	<u>(2,834)</u>
Pension liability interest cost	(6,613)	(5,987)
Expected return on pension assets	<u>6,351</u>	<u>6,263</u>
Net pension liability interest	(262)	276
Net exchange gains on foreign currency borrowings	<u>213</u>	<u>61</u>
Finance costs	(2,615)	(2,497)
Bank interest received	707	336
Net finance cost	<u>(1,908)</u>	<u>(2,161)</u>

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

Notes to the accounts

10 Taxation on profit on ordinary activities

Analysis of charge in the year	2005		2004
	£'000	£'000	£'000
Current tax			
UK corporation tax			
UK corporation tax at 30.0 per cent. (2004: 30.0 per cent.)	3,853		2,735
Adjustment in respect of prior years	(115)		29
Double tax relief	(3,670)		(2,646)
		68	118
Foreign tax			
Corporation tax	1,980		3,218
Adjustment in respect of prior years	10		–
		1,990	3,218
Total current tax		2,058	3,336
Deferred tax			
Origination and reversal of timing differences			
United Kingdom	(1,855)		(1,313)
Overseas	1,561		718
Total deferred tax		(294)	(595)
Tax on profit on ordinary activities		1,764	2,741
Factors affecting tax charge for the year			
Profit on ordinary activities before tax		22,275	8,013
Less: share of associated undertakings profit		5,842	2,924
Group profit on ordinary activities before tax		16,433	5,089
Tax on ordinary activities at the standard rate of corporation tax in the UK of 30.0 per cent. (2004: 30.0 per cent.)		4,930	1,527
Effects of:			
Adjustment to tax in respect of prior years		(105)	29
Expenses not deductible for tax purposes		415	435
Adjustment in respect of foreign tax rates		(243)	(269)
Additional tax arising on dividends from overseas companies		121	340
Profit on disposal of non taxable assets		(1,247)	(640)
Other income not charged to tax		(69)	(485)
Increase in tax losses carried forward		–	1,950
Decrease in tax losses carried forward		(148)	–
Gain on group restructuring		(1,945)	(486)
Movement in other timing differences		55	340
Current tax charge for the year		1,764	2,741

Notes to the accounts

11 Discontinued operations

In March 2005, the group 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.

Details of the results of discontinued operations are shown in note 1.

12 Profit for the year

	2005	2004
	£'000	£'000
The amount dealt with in the accounts of the company was	<u>20,165</u>	<u>3,521</u>

13 Equity dividends

	2005	2004
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2004 of 68.00p (2003: 67.00p) per share	1,765	1,739
Interim dividend for the year ended 31 December 2005 of 20.00p (2004: 20.00p) per share	<u>519</u>	<u>519</u>
	<u>2,284</u>	<u>2,258</u>
Proposed final dividend for the year ended 31 December 2005 of 69.00p (2004: 68.00p) per share	<u>1,961</u>	<u>1,765</u>

The proposed final dividend is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in these financial statements.

14 Earnings per share (EPS)

	2005		2004			
	Earnings	Weighted average number of shares	EPS	Earnings	Weighted average number of shares	EPS
	£'000	Number	Pence	£'000	Number	Pence
Basic and diluted EPS						
Continuing and discontinued operations						
Attributable to ordinary shareholders	<u>20,326</u>	<u>2,562,401</u>	<u>793.2</u>	<u>5,515</u>	<u>2,532,653</u>	<u>217.8</u>
Continuing operations						
Attributable to ordinary shareholders	<u>17,737</u>	<u>2,562,401</u>	<u>692.2</u>	<u>4,923</u>	<u>2,532,653</u>	<u>194.4</u>
Discontinued operations						
Attributable to ordinary shareholders	<u>2,589</u>	<u>2,562,401</u>	<u>101.0</u>	<u>592</u>	<u>2,532,653</u>	<u>23.4</u>

Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held by the group as treasury shares (note 35).

Notes to the accounts

15 Employees

	2005 Number	2004 Number
Average number of employees by activity:		
Agriculture and horticulture	74,873	82,074
Engineering	368	312
Food storage and distribution	576	628
Banking	91	67
Central management	58	58
	<u>75,966</u>	<u>83,139</u>
	2005 £'000	2004 £'000
Employment costs:		
Wages and salaries	50,934	56,040
Social security costs	2,454	2,618
Other pension costs (see note 33)	2,230	2,202
– UK	2,189	2,519
– Overseas	57,807	63,379
	<u>57,807</u>	<u>63,379</u>

Total remuneration paid to members of the executive committee, excluding those members that are directors of Camellia Plc, amounted to £812,000 (2004: £674,000).

16 Emoluments of the directors

	2005 £'000	2004 £'000
Aggregate emoluments excluding pension contributions	<u>673</u>	<u>623</u>

Emoluments of the highest paid director excluding pension contributions were £298,000 (2004: £291,000).

Further details of directors' emoluments are set out on pages 14 and 15.

17 Goodwill

	£'000
<i>Group</i>	
Cost	
At 1 January 2004 and 2005	–
Addition	4,220
At 31 December 2005	<u>4,220</u>
Net book value at 31 December 2005	<u>4,220</u>
Net book value at 31 December 2004	<u>–</u>

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The carrying amount of the goodwill can be allocated to the banking and financial services segment.

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Notes to the accounts

18 Other intangible assets

<i>Group</i>	Licenses, patents and trade marks £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2004	307	380	687
Additions	1	70	71
Disposals	–	(5)	(5)
At 1 January 2005	308	445	753
Exchange differences	30	6	36
Additions	–	105	105
	<u>338</u>	<u>556</u>	<u>894</u>
Amortisation			
At 1 January 2004	94	171	265
Charge for the year	29	61	90
At 1 January 2005	123	232	355
Exchange differences	13	1	14
Charge for the year	14	90	104
Impairment	53	–	53
	<u>203</u>	<u>323</u>	<u>526</u>
Net book value at 31 December 2005	<u>135</u>	<u>233</u>	<u>368</u>
Net book value at 31 December 2004	<u>185</u>	<u>213</u>	<u>398</u>

Notes to the accounts

19 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Group</i>				
Deemed cost				
At 1 January 2004	81,372	75,855	19,054	176,281
Exchange differences	(1,530)	(900)	(197)	(2,627)
Additions	2,157	4,583	1,205	7,945
Fair value adjustment on acquisition of minority interest	89	37	–	126
Acquisitions	17	520	19	556
Reclassified as held for sale	(11,379)	(2,202)	(2)	(13,583)
Disposals	(1,648)	(2,552)	(1,195)	(5,395)
At 1 January 2005	69,078	75,341	18,884	163,303
Exchange differences	3,380	2,639	288	6,307
Additions	2,597	4,894	783	8,274
Fair value adjustment on acquisition of minority interest	675	157	–	832
Acquisition of subsidiary	17	–	483	500
Reclassified as held for sale	(1,975)	(536)	(216)	(2,727)
Disposals	(1,409)	(1,778)	(450)	(3,637)
Disposal of subsidiary	(1,153)	(5,688)	(1,351)	(8,192)
At 31 December 2005	71,210	75,029	18,421	164,660
Depreciation				
At 1 January 2004	24,883	46,381	8,636	79,900
Exchange differences	(474)	(536)	(145)	(1,155)
Acquisitions	5	211	16	232
Impairment	270	–	–	270
Charge for the year	2,211	4,633	1,275	8,119
Reclassified as held for sale	(1,355)	(1,070)	(1)	(2,426)
Disposals	(985)	(2,332)	(1,133)	(4,450)
At 1 January 2005	24,555	47,287	8,648	80,490
Exchange differences	1,101	1,520	204	2,825
Impairment	111	126	–	237
Charge for the year	1,966	4,311	1,108	7,385
Reclassified as held for sale	(1,095)	(420)	(176)	(1,691)
Disposals	(166)	(1,541)	(386)	(2,093)
Acquisition of subsidiary	5	–	373	378
Disposal of subsidiary	(651)	(3,477)	(812)	(4,940)
At 31 December 2005	25,826	47,806	8,959	82,591
Net book value at 31 December 2005	45,384	27,223	9,462	82,069
Net book value at 31 December 2004	44,523	28,054	10,236	82,813

Notes to the accounts

19 Property, plant and equipment (continued)

Land and buildings at net book value comprise:

	2005 £'000	2004 £'000
Freehold	33,309	30,161
Long leasehold	9,209	11,395
Short leasehold	2,866	2,967
	<u>45,384</u>	<u>44,523</u>

Plant and machinery includes assets held under finance leases. The depreciation charge for the year in respect of these assets was £531,000 (2004: £786,000) and their net book value was £2,242,000 (2004: £2,249,000).

The amount of expenditure during the year for property, plant and equipment in the course of construction amounted to £866,000 (2004: £280,000).

At 31 December 2005 the group entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,291,000 (2004: £1,026,000).

20 Biological assets

	Tea £'000	Citrus £'000	Edible nuts £'000	Other horticulture £'000	Total £'000
<i>Group</i>					
At 1 January 2004	49,233	3,401	11,973	17,108	81,715
Exchange differences	(2,907)	(176)	997	(1,286)	(3,372)
Increases due to purchases	335	515	40	785	1,675
Gains arising from changes in fair value less estimated point-of-sale costs	128	10	214	1,370	1,722
Decreases due to harvesting	–	(162)	(625)	(1,148)	(1,935)
At 1 January 2005	<u>46,789</u>	<u>3,588</u>	<u>12,599</u>	<u>16,829</u>	<u>79,805</u>
Exchange differences	3,308	221	(91)	2,599	6,037
Increases due to purchases	897	320	1,312	2,654	5,183
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	1,497	(346)	2,609	387	4,147
Decreases due to harvesting	–	(219)	(2,537)	(1,445)	(4,201)
Disposal of subsidiary	–	(1,809)	–	(2,483)	(4,292)
At 31 December 2005	<u>52,491</u>	<u>1,755</u>	<u>13,892</u>	<u>18,541</u>	<u>86,679</u>

Other horticulture comprises grapes, avocados, pineapples, plums, livestock, forestry and rubber production.

Biological assets are carried at fair value less estimated point-of-sale costs. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value has been determined based on the net present value of expected future cash flows from those assets, discounted at appropriate pre-tax rates. In determining the fair value of biological assets where the discounting of expected future cash flows has been used, the directors have made certain assumptions about expected life-span of the plantings, yields, selling prices and costs. The fair value of livestock is determined based on market prices of livestock of similar age and sex.

Notes to the accounts

20 Biological assets (continued)

The discount rates used reflect the cost of capital, an assessment of country risk and the risks associated with individual crops. The range of discount rates used is:

	Tea	Citrus	Edible nuts	Other horticulture
2005	11.0% – 13.5%	10.0% – 17.3%	12.0% – 15.5%	5.0% – 17.3%
2004	11.0% – 13.5%	10.0% – 17.3%	12.0% – 15.5%	5.0% – 17.3%

The areas planted to the various crop types at the end of the year were:

	2005 Hectares	2004 Hectares
Tea	33,684	33,510
Macadamia	1,868	1,868
Table grapes	138	239
Wine grapes	213	363
Citrus	239	995
Avocados	278	277
Pineapples	898	792
Plums	14	23
Pistachios	136	136
Timber	3,124	3,120
Rubber	1,473	1,437
Arable crops	4,243	3,355

Livestock numbers on hand at the end of the year were:

	2005 Head	2004 Head
	5,295	5,356

Output of agricultural produce during the year was:

	2005 Metric tonnes	2004 Metric tonnes
Tea	69,681	75,395
Macadamia	1,058	771
Table grapes	4,483	5,293
Wine grapes	813	4,749
Citrus	6,358	24,272
Avocados	2,610	3,076
Pineapples	34,273	61,854
Plums	381	290
Pistachios	75	685
Rubber	868	750
Arable crops	19,663	17,679

Notes to the accounts

20 Biological assets *(continued)*

	2005 Cubic metres	2004 Cubic metres
Timber	<u>68,646</u>	<u>142,863</u>
	2005 £'000	2004 £'000
Fair value of agricultural output after deducting estimated point-of-sale costs	<u>71,302</u>	<u>87,138</u>

21 Prepaid operating leases

	£'000
<i>Group</i>	
Cost	
At 1 January 2004	983
Exchange differences	(97)
At 1 January 2005	<u>886</u>
Exchange differences	190
At 31 December 2005	<u>1,076</u>
Amortisation	
At 1 January 2004	10
Exchange differences	(1)
Charge for the year	1
At 1 January 2005	<u>10</u>
Exchange differences	3
Charge for the year	1
At 31 December 2005	<u>14</u>
Net book value at 31 December 2005	<u>1,062</u>
Net book value at 31 December 2004	<u>876</u>

22 Investments in subsidiaries

	2005 £'000	2004 £'000
<i>Company</i>		
Cost		
At 1 January	22,685	22,685
Additions	17,017	–
Transfer from subsidiary company	33,981	–
At 31 December	<u>73,683</u>	<u>22,685</u>

Notes to the accounts

23 Interests in associates

Details of the group's associates are shown in note 42. Summarised financial information of the group's share of associates includes:

	2005 £'000	2004 £'000
Total assets	114,855	103,278
Total liabilities	(49,183)	(42,589)
Net assets	<u>65,672</u>	<u>60,689</u>
Revenues	<u>48,112</u>	<u>48,269</u>
Profit for the year	<u>5,842</u>	<u>2,924</u>
Cost comprises:		
Listed investments	32,077	32,054
Unlisted investments	93	96
	<u>32,170</u>	<u>32,150</u>
Fair value of listed investments	<u>70,326</u>	<u>63,665</u>

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

On 1 January and 31 December 2005 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 2005 drawn up in accordance with International Financial Reporting Standards were £191,604,000 (2004: £177,759,000) and consolidated profit after tax for the year ended 31 December 2005 was £16,161,000 (2004: £6,130,000).

The group's share of the results and balance sheet of Siegfried Holding AG for 2005 are:

	2005 £'000	2004 £'000
Consolidated income statement:		
Revenue	45,444	45,876
Operating profit	6,751	3,045
Net interest payable	(661)	(470)
Profit before taxation	6,090	2,575
Taxation	(874)	(338)
Profit after taxation	<u>5,216</u>	<u>2,237</u>

Notes to the accounts

24 Financial assets

	2005	2004
	£'000	£'000
<i>Group</i>		
Cost or fair value		
At 1 January	43,734	38,553
Exchange differences	4,242	(1,852)
Fair value adjustment	7,124	5,070
Additions	7,142	3,462
Transfer from inventories	2,375	–
Disposals	(737)	(830)
Companies leaving the group	(75)	–
Fair value adjustment for disposal	(1,562)	(669)
At 31 December	<u>62,243</u>	<u>43,734</u>
Provision for diminution in value		
At 1 January	(363)	(364)
Exchange differences	(3)	1
Amounts written off in year	(46)	–
At 31 December	<u>(412)</u>	<u>(363)</u>
Net book value		
At 31 December	<u>61,831</u>	<u>43,371</u>
Cost or fair value comprises:		
Held-to-maturity investments:		
Deposits	6,000	–
Available-for-sale financial assets:		
Listed investments	48,441	38,761
Unlisted investments	1,359	899
Collections	6,443	4,074
	<u>62,243</u>	<u>43,734</u>

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

Included within available-for-sale investments are bank and building society certificates of deposit of £6,000,000 (2004: £nil) held by the group's banking division.

Other investments include the following companies in which the group has a significant equity interest but no significant influence, as there is no board representation or involvement in the running of these operations:

	Principal country of origin	% held
Bermuda Bakery Limited	Bermuda	28.60
B.F. & M. Limited	Bermuda	24.10

At 31 December 2004 Bermuda Bakery Limited's aggregate capital and reserves amounted to £2,914,000 and its profit for the year then ended was £564,000.

At 31 December 2004 B.F. & M. Limited's aggregate capital and reserves amounted to £41,335,000 and its profit for the year then ended was £5,431,000.

Financial statements to 31 December 2005 are not yet available for these two companies.

Notes to the accounts

24 Financial assets (continued)

	2005	2004
	£'000	£'000
<i>Company</i>		
Cost or fair value		
At 1 January	5,708	4,011
Fair value adjustment	21	336
Additions	82	1,448
Transfer from subsidiary company	2,545	–
Disposals	(485)	(87)
Fair value adjustment for disposal	(1,081)	–
At 31 December	<u>6,790</u>	<u>5,708</u>
Cost or fair value comprises available-for-sale financial assets:		
Listed investments	171	1,709
Unlisted investments	176	89
Collections	6,443	3,910
	<u>6,790</u>	<u>5,708</u>

25 Inventories

	2005	2004
	£'000	£'000
<i>Group</i>		
Raw materials and consumables	4,918	5,265
Work in progress	571	1,441
Produce on hand	9,205	9,236
Finished goods	3,510	2,656
Philatelic items	–	2,320
	<u>18,204</u>	<u>20,918</u>

The year end inventories balance includes a write-down provision of £388,000 (2004: £423,000).

On 31 December 2005 philatelic items were reclassified as available-for-sale investments.

Notes to the accounts

26 Trade and other receivables

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Due within one year:				
Amounts due from customers of banking subsidiaries	24,643	21,923	–	–
Trade debtors	15,918	20,620	3	16
Amounts owed by associated undertakings	71	44	–	–
Amounts due on sale of subsidiary	–	600	–	–
Other debtors	6,528	4,561	28	–
Prepayments and accrued income	3,539	2,858	7	6
	<u>50,699</u>	<u>50,606</u>	<u>38</u>	<u>22</u>
Due after one year:				
Other debtors	583	756	–	–

27 Cash and cash equivalents

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Cash at bank and in hand	151,383	131,754	13	12
Short term bank deposits	6,206	3,947	–	–
Short term liquid investments	13,351	15,156	–	–
	<u>170,940</u>	<u>150,857</u>	<u>13</u>	<u>12</u>

Included in the amounts above are cash and short term funds, time deposits with banks and building societies and certificates of deposit amounting to £159,757,000 (2004: £138,178,000) which are held by the group's banking subsidiaries and which are an integral part of the banking operations.

	Group	
	2005	2004
Effective interest rate:		
Short-term deposits	5.95%	5.98%
Short-term liquid investments	4.52%	4.69%
Average maturity period:		
Short-term deposits	15 days	15 days
Short-term liquid investments	61 days	28 days

28 Non-current assets classified as held for sale

	2005 £'000	2004 £'000
Land and buildings	880	10,024
Plant and machinery	116	1,132
Fixtures, fittings and equipment	40	1
	<u>1,036</u>	<u>11,157</u>

Non-current assets held for sale represents assets of Sapekoe (Pty) Limited which had previously been used in the group's production of tea in South Africa. Completion of the disposal of these assets is expected to occur at various stages during 2006.

The non-current assets held for sale in 2004 related to a subsidiary of East African Coffee Plantations Limited which entered into an agreement to sell the majority of its horticultural assets in 2005.

Notes to the accounts

29 Trade and other payables

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts due to customers of banking subsidiaries	175,950	139,681	–	–
Trade creditors	13,205	13,794	–	–
Amounts owed to associated undertakings	89	11	–	–
Other taxation and social security	1,550	1,700	–	–
Other creditors	5,359	5,011	20	20
Accruals	5,626	6,287	156	156
	<u>201,779</u>	<u>166,484</u>	<u>176</u>	<u>176</u>

30 Financial liabilities – borrowings

	2005 £'000	2004 £'000
<i>Group</i>		
Current		
Bank loans and overdrafts	20,505	27,614
Other loans	1	5
Finance leases	728	663
	<u>21,234</u>	<u>28,282</u>
Current borrowings include the following amounts secured on biological assets and property, plant and equipment:		
Overdrafts	15,166	12,753
Bank loans	2,308	2,912
Finance leases	728	663
	<u>18,202</u>	<u>16,328</u>

Notes to the accounts

30 Financial liabilities – borrowings (continued)

	2005	2004
<i>Group</i>	£'000	£'000
Non-current		
Bank loans	9,503	19,187
Other loans	–	7
Finance leases	1,456	1,347
	<u>10,959</u>	<u>20,541</u>

Non-current borrowings include the following amounts secured on biological assets and property, plant and equipment:

Bank loans	3,722	4,022
Finance leases	1,456	1,347
	<u>5,178</u>	<u>5,369</u>

Bank loans include the following amounts repayable over more than five years by instalments:

Aggregate amount of loans	8,570	10,908
Amount due beyond five years	4,146	6,769

The repayment of bank loans and overdrafts fall due as follows:

Within one year or on demand (included in current liabilities)	20,505	27,614
Between 1 – 2 years	1,606	9,478
Between 2 – 5 years	3,751	2,940
After 5 years	4,146	6,769
	<u>30,008</u>	<u>46,801</u>

The repayments of other loans and finance leases fall due as follows:

Within one year or on demand (included in current liabilities)	729	668
Between 1 – 2 years	548	580
Between 2 – 5 years	879	765
After 5 years	29	9
	<u>2,185</u>	<u>2,022</u>

The rates of interest payable by the group ranged between:

	2005	2004
Overdrafts	3.75% – 20.60%	3.33% – 24.85%
Bank loans	2.20% – 12.06%	2.20% – 12.00%
Finance leases	3.25% – 16.00%	5.00% – 16.00%

Notes to the accounts

31 Provisions

	Restructuring £'000	Onerous lease £'000	Other £'000	Total £'000
<i>Group</i>				
At 1 January 2004	–	–	80	80
Exchange differences	33	–	–	33
Provided in the period	1,211	113	32	1,356
Utilised in the period	(825)	–	(25)	(850)
At 1 January 2005	419	113	87	619
Exchange differences	(21)	–	–	(21)
Provided in the period	48	38	10	96
Utilised in the period	(326)	(113)	(27)	(466)
Unused amount reversed in period	(70)	–	–	(70)
At 31 December 2005	50	38	70	158
			2005 £'000	2004 £'000
Current element			88	506
Non-current element			70	113
			158	619

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 three months rental which is the expected period of vacancy. The lease expires in 2016.

32 Deferred tax

The net movement on the deferred tax account is set out below:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
At 1 January	25,555	27,258	361	361
Exchange differences	1,643	(1,352)	–	–
Credited to the income statement	(294)	(595)	–	–
(Credited) / charged to equity	(1,204)	244	–	–
Subsidiaries leaving the group	31	–	–	–
At 31 December	25,731	25,555	361	361

Notes to the accounts

32 **Deferred tax** (continued)

The movement in deferred tax assets and liabilities during the year is set out below:

Deferred tax liabilities	Accelerated tax depreciation £'000	Fair value gains £'000	Unremitted earnings of overseas associates £'000	Pension scheme liability £'000	Other £'000	Total £'000
At 1 January 2005	28,849	69	4,286	832	60	34,096
Exchange differences	1,473	–	(150)	67	5	1,395
(Credited)/charged to the income statement	(693)	–	(1,072)	13	84	(1,668)
Credited to equity	–	–	–	(440)	–	(440)
At 31 December 2005	<u>29,629</u>	<u>69</u>	<u>3,064</u>	<u>472</u>	<u>149</u>	<u>33,383</u>
Deferred tax assets offset						(6,322)
Net deferred tax liability after offset						<u>27,061</u>
Deferred tax assets	Decelerated tax depreciation £'000	Tax losses £'000		Pension scheme asset £'000	Other £'000	Total £'000
At 1 January 2005		322	4,267	3,049	903	8,541
Exchange differences		–	(107)	9	(145)	(243)
(Charged)/credited to the income statement		(52)	(1,400)	8	65	(1,379)
Credited to equity		–	–	764	–	764
Subsidiaries leaving the group		–	–	–	(31)	(31)
At 31 December 2005		<u>270</u>	<u>2,760</u>	<u>3,830</u>	<u>792</u>	<u>7,652</u>
Offset against deferred tax liabilities						(6,322)
Net deferred tax asset after offset						<u>1,330</u>

Deferred tax liabilities of £7,964,000 (2004: £7,327,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred tax assets of £6,970,000 (2004: £6,737,000) in respect of losses that can be carried forward against future taxable income.

Notes to the accounts

33 Pensions

Certain group subsidiaries operate defined contribution and funded defined benefit pension schemes. The most significant are the funded, final salary defined benefit schemes for the group's UK employees. The assets of these schemes are administered by trustees and are kept separate from those of the group. The latest full actuarial valuations of the three UK defined benefit pension schemes were last undertaken as at 1 January 2003, 6 April 2003 and 31 December 2004 respectively. These have been updated to 31 December 2005 by qualified independent actuaries.

The overseas schemes are operated in group subsidiaries located in Bangladesh, India and The Netherlands. Actuarial valuations have been updated to 31 December 2005 by qualified actuaries for these schemes.

Assumptions

The major assumptions used in this valuation to determine the present value of the schemes' defined benefit obligations were as follows:

	2005 per annum	2004 per annum
UK schemes		
Rate of increase in salaries	2.75 – 4.25%	2.75 – 4.75%
Rate of increase to LPI pensions in payment	2.75%	2.75%
Discount rate applied to scheme liabilities	4.75%	5.30%
Inflation assumption	2.75%	2.75%

Assumptions regarding future mortality experience are based on advice in accordance with published statistics. The current mortality table used is PMA92 with a 0.25% deduction from the discount rate pre and post retirement.

Overseas schemes

Rate of increase in salaries	1.00 - 7.00%	3.00 – 7.00%
Rate of increase to LPI pensions in payment	0.00 – 3.00%	0.00 – 3.00%
Discount rate applied to scheme liabilities	4.00 – 9.00%	4.50 – 9.00%
Inflation assumption	0.00 – 7.00%	0.00 – 7.00%

The major assumptions used to determine the expected future return on the schemes' assets, were as follows:

	2005 per annum	2004 per annum
UK schemes		
Equities and property	7.20%	7.00 – 8.00%
Bonds	4.25%	4.75%
Cash	4.50%	4.75%
Overseas schemes		
Bonds	7.50%-9.00%	7.50%-9.00%
Cash	7.50%-9.00%	7.50%-9.00%
Other	4.00%	4.50%

Notes to the accounts

33 Pensions (continued)

Actuarial valuations

	2005			2004		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
Equities and property	85,142	–	85,142	63,283	–	63,283
Bonds	14,347	11,316	25,663	18,150	10,340	28,490
Cash	2,819	1,432	4,251	5,167	879	6,046
Other	–	1,179	1,179	–	1,109	1,109
Total fair value of plan assets	102,308	13,927	116,235	86,600	12,328	98,928
Present value of defined benefit obligations	(121,393)	(13,492)	(134,885)	(111,092)	(10,913)	(122,005)
Total (deficit)/surplus in the schemes	(19,085)	435	(18,650)	(24,492)	1,415	(23,077)
Amount recognised as asset in the balance sheet	–	2,634	2,634	–	3,212	3,212
Amount recognised as liability in the balance sheet	(19,085)	(2,199)	(21,284)	(24,492)	(1,798)	(26,290)
	(19,085)	435	(18,650)	(24,492)	1,414	(23,078)
Related deferred tax asset (note 32)	3,523	307	3,830	2,759	290	3,049
Related deferred tax liability (note 32)	–	(472)	(472)	–	(832)	(832)
Net (deficit)/surplus	(15,562)	270	(15,292)	(21,733)	872	(20,861)

Movements in the fair value of scheme assets were as follows:

	2005			2004		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
At 1 January	86,600	12,328	98,928	80,559	12,232	92,791
Expected return on plan assets	5,417	934	6,351	5,352	918	6,270
Employer contributions	2,102	415	2,517	2,400	915	3,315
Contributions paid by plan participants	660	15	675	670	13	683
Benefit payments	(4,431)	(449)	(4,880)	(4,861)	(630)	(5,491)
Actuarial gains and (losses)	11,960	(130)	11,830	2,480	(821)	1,659
Exchange differences	–	814	814	–	(299)	(299)
At 31 December	102,308	13,927	116,235	86,600	12,328	98,928

Movements in the present value of defined benefit obligations were as follows:

	2005			2004		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
At 1 January	(111,092)	(10,913)	(122,005)	(99,055)	(10,379)	(109,434)
Current service cost	(1,762)	(558)	(2,320)	(2,085)	(569)	(2,654)
Past service cost	–	–	–	–	6	6
Contributions paid by plan participants	(660)	(15)	(675)	(670)	(13)	(683)
Interest cost	(5,821)	(792)	(6,613)	(5,260)	(727)	(5,987)
Benefit payments	4,431	489	4,920	4,861	701	5,562
Actuarial losses	(6,489)	(1,031)	(7,520)	(8,883)	(196)	(9,079)
Exchange differences	–	(672)	(672)	–	264	264
At 31 December	(121,393)	(13,492)	(134,885)	(111,092)	(10,913)	(122,005)

Notes to the accounts

33 Pensions (continued)

Income statement

The amounts recognised in the income statement are as follows:

	UK £'000	2005 Overseas £'000	Total £'000	UK £'000	2004 Overseas £'000	Total £'000
Amounts charged to operating profit:						
Current service cost	(1,762)	(620)	(2,382)	(2,085)	(569)	(2,654)
Past service cost	–	–	–	–	6	6
Total operating charge	(1,762)	(620)	(2,382)	(2,085)	(563)	(2,648)
Amounts charged/(credited) to other finance costs:						
Expected return on pension scheme assets	5,417	934	6,351	5,352	911	6,263
Interest on pension scheme liabilities	(5,821)	(792)	(6,613)	(5,260)	(727)	(5,987)
Net financing cost (note 9)	(404)	142	(262)	92	184	276
Total charged to income statement	(2,166)	(478)	(2,644)	(1,993)	(379)	(2,372)

Contributions to defined contribution schemes are charged to profit when payable and the costs charged were £2,037,000 (2004: £2,073,000).

Actuarial gains and losses recognised in the statement of recognised income and expense (SORIE)

The amounts included in the statement of recognised income and expense were:

	UK £'000	2005 Overseas £'000	Total £'000	UK £'000	2004 Overseas £'000	Total £'000
Actual return less expected return on pension scheme assets	11,960	(130)	11,830	2,480	(821)	1,659
Experience losses arising on scheme liabilities	(2,541)	(1,031)	(3,572)	(61)	(196)	(257)
Changes in assumptions underlying present value of scheme liabilities	(3,948)	–	(3,948)	(8,822)	–	(8,822)
Actuarial gain/(loss) recognised in the SORIE	5,471	(1,161)	4,310	(6,403)	(1,017)	(7,420)
Taxation on actuarial movement in the SORIE	744	460	1,204	(631)	387	(244)
Net actuarial gain/(loss) recognised in the SORIE	6,215	(701)	5,514	(7,034)	(630)	(7,664)

Notes to the accounts

33 Pensions (continued)

History of experience gains and losses

	UK	2005 Overseas	Total	UK	2004 Overseas	Total
Difference between expected and actual return on scheme assets:						
Amount (£'000)	11,960	(130)	11,830	2,480	(821)	1,659
Percentage of scheme assets	11.7%	(0.9%)	10.2%	2.9%	(6.7%)	1.7%
Experience gains and losses on scheme liabilities:						
Amount (£'000)	(2,541)	(1,031)	(3,572)	(61)	(196)	(257)
Percentage of present value of scheme liabilities	(2.1%)	(7.6%)	(2.6%)	(0.1%)	(1.8%)	(0.2%)
Effects to changes in assumptions underlying the present value of the scheme liabilities:						
Amount (£'000)	(3,948)	–	(3,948)	(8,822)	–	(8,822)
Percentage of present value of scheme liabilities	(3.3%)	–	(2.9%)	(7.9%)	–	(7.2%)
Total amount recognised in the SORIE:						
Amount (£'000)	5,471	(1,161)	4,310	(6,403)	(1,017)	(7,420)
Percentage of present value of scheme liabilities	4.5%	(8.6%)	3.2%	(5.8%)	(9.3%)	(6.1%)

The current best estimate of employer contributions to be paid for the year commencing 1 January 2006 is £2,776,000. Actuarial valuations are currently being undertaken for two of the UK schemes and this contribution amount is subject to change.

34 Other employee benefit obligations

The movement in other employee benefit obligations is as follows:

	2005 £'000	2004 £'000
<i>Group</i>		
At 1 January	1,490	1,398
Exchange differences	260	(109)
Charged to the income statement	214	311
Payments made	(375)	(110)
At 31 December	1,589	1,490
Current element	190	213
Non-current element	1,399	1,277
	1,589	1,490

35 Share capital

	2005 £'000	2004 £'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 – 2,595,000 (2004: 2,595,323) shares	260	260
Issued shares – 247,364 (2004: nil) shares	24	–
Purchase of own shares – nil (2004: 323) shares	–	–
At 31 December – 2,842,364 (2004: 2,595,000) shares	284	260

Group companies hold 62,500 issued shares in the company. These are classified as treasury shares.

Notes to the accounts

36 Statement of changes in shareholders' equity

	Notes	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Other reserves £'000	Total £'000	Minority interest £'000	Total equity £'000
<i>Group</i>									
At 1 January 2004		260	423	(400)	150,338	41,692	192,313	49,943	242,256
Exchange differences		-	-	-	-	(6,047)	(6,047)	(1,779)	(7,826)
Net profit		-	-	-	5,515	-	5,515	1,127	6,642
Dividends	13	-	-	-	(2,258)	-	(2,258)	(1,898)	(4,156)
Actuarial loss	33	-	-	-	(6,460)	-	(6,460)	(960)	(7,420)
Deferred tax on actuarial loss	33	-	-	-	(79)	-	(79)	(165)	(244)
Acquisition of minority interests		-	-	-	-	-	-	(2,020)	(2,020)
Available-for-sale investments:									
Valuation gains taken to equity	24	-	-	-	-	5,070	5,070	-	5,070
Transfer to profit or loss on sale	24	-	-	-	-	(669)	(669)	-	(669)
Other fair value adjustment		-	-	-	-	(49)	(49)	-	(49)
Share of associates' fair value adjustments		-	-	-	169	-	169	-	169
Purchase of own shares		-	-	-	(16)	-	(16)	-	(16)
At 31 December 2004		260	423	(400)	147,209	39,997	187,489	44,248	231,737
Exchange differences		-	-	-	-	10,917	10,917	1,808	12,725
Net profit		-	-	-	20,326	-	20,326	3,243	23,569
Dividends	13	-	-	-	(2,284)	-	(2,284)	(1,306)	(3,590)
Actuarial gain	33	-	-	-	3,331	-	3,331	979	4,310
Deferred tax on actuarial gain	33	-	-	-	1,216	-	1,216	(12)	1,204
Available-for-sale investments:									
Valuation gains taken to equity	24	-	-	-	-	7,100	7,100	24	7,124
Transfer to profit or loss on sale	24	-	-	-	-	(1,409)	(1,409)	(153)	(1,562)
Other fair value adjustment		-	-	-	-	135	135	-	135
Acquisition of minority interests		-	-	-	-	-	-	(23,546)	(23,546)
Disposal of subsidiary		-	-	-	-	-	-	(4,334)	(4,334)
Distribution prior to disposal of subsidiary		-	-	-	-	-	-	(941)	(941)
New shares issued on acquisition	35	24	14,875	-	-	-	14,899	-	14,899
Share of associates' fair value adjustments		-	-	-	(45)	-	(45)	-	(45)
Share of associate's loss on cash flow hedges		-	-	-	(463)	-	(463)	(122)	(585)
Share of associate's change in treasury shares		-	-	-	681	-	681	161	842
Share of associate's employee share plan		-	-	-	23	-	23	5	28
Part disposal of a subsidiary		-	-	-	-	-	-	872	872
At 31 December 2005		284	15,298	(400)	169,994	56,740	241,916	20,926	262,842
<i>Company</i>									
At 1 January 2004		260	423	-	13,300	12,928	26,911	-	26,911
Net profit		-	-	-	3,521	-	3,521	-	3,521
Dividends	13	-	-	-	(2,258)	-	(2,258)	-	(2,258)
Available-for-sale investments:									
Valuation gains taken to equity	24	-	-	-	-	336	336	-	336
Purchase of own shares		-	-	-	(16)	-	(16)	-	(16)
At 31 December 2004		260	423	-	14,547	13,264	28,494	-	28,494
Net profit		-	-	-	20,165	-	20,165	-	20,165
Dividends	13	-	-	-	(2,284)	-	(2,284)	-	(2,284)
Available-for-sale investments:									
Valuation gains taken to equity	24	-	-	-	-	21	21	-	21
Transfer to profit or loss on sale	24	-	-	-	-	(1,081)	(1,081)	-	(1,081)
New shares issued on acquisition	35	24	14,875	-	-	-	14,899	-	14,899
At 31 December 2005		284	15,298	-	32,428	12,204	60,214	-	60,214

Other reserves of the group and company includes a £31,000 (2004: £31,000) capital redemption reserve and in respect of the group, net exchange differences of £4,870,000 surplus (2004: £6,047,000 deficit).

Exchange differences are stated net of exchange gains of £208,000 (2004: £45,000 loss) on foreign currency borrowings used to provide a hedge against foreign equity investments.

Group retained earnings includes £27,925,000 (2004: £22,247,000) which would require exchange control permission for remittance as dividends.

Notes to the accounts

37 Reconciliation of profit from operations to cash flow

Group

	2005 £'000	2004 £'000
Profit from operations	22,870	8,727
Share of associates' results	(5,842)	(2,924)
Depreciation and amortisation	7,249	7,365
Impairment of non-current assets	336	1,254
Gain arising from changes in fair value of biological assets	(4,147)	(1,722)
Loss on disposal of investment	25	–
Profit on disposal of non-current assets	(874)	(1,283)
Profit on part disposal of a subsidiary	(795)	–
Profit on disposal of investments	(2,488)	(844)
Profit on part disposal of an associate	–	(121)
(Gain)/loss on group restructuring	(5,523)	1,634
Decrease/(increase) in working capital	31,521	(9,412)
Net (increase)/decrease in funds of banking subsidiaries	(21,579)	8,727
	<u>20,753</u>	<u>11,401</u>

38 Reconciliation of net cash flow to movement in net debt

Group

	2005 £'000	2004 £'000
Increase/(decrease) in cash and cash equivalents in the period	4,424	(958)
Cash outflow from decrease in debt	11,771	9,207
Decrease in net debt resulting from cash flows	<u>16,195</u>	<u>8,249</u>
Finance lease balances of business acquired	–	(19)
Net cash balances of business sold	(1,434)	–
Loans of subsidiaries sold	2,002	–
New finance leases	(1,124)	(1,332)
Exchange rate movements	(504)	717
Decrease in net debt in the period	<u>15,135</u>	<u>7,615</u>
Net debt at beginning of period	(36,145)	(43,760)
Net debt at end of period	<u>(21,010)</u>	<u>(36,145)</u>

Notes to the accounts

39 Acquisition and disposal of businesses

	Acquisition 2005 £'000	Disposal 2005 £'000	Acquisition 2004 £'000	Disposal 2004 £'000
Book value of assets and liabilities:				
Property, plant and equipment	124	3,252	324	–
Biological assets	–	4,292	–	–
Financial assets	–	75	–	–
Deferred tax asset	–	31	–	–
Cash and cash equivalents	1,252	1,435	81	–
Inventories	–	1,386	3	166
Trade and other receivables	626	1,936	17	278
Current income tax assets	–	1,101	–	–
Non-current assets classified as held for sale	–	11,157	–	–
Trade and other payables	(577)	(9,135)	(61)	(4)
Net amount due from group undertaking	–	–	–	100
Borrowings	–	(2,002)	(25)	–
Other non-current liabilities	–	(43)	–	–
	<u>1,425</u>	<u>13,485</u>	<u>339</u>	<u>540</u>
Goodwill	4,220	–	(23)	–
Minority interest	–	(4,334)	(150)	–
Profit on disposal	–	5,167	–	–
	<u>5,645</u>	<u>14,318</u>	<u>166</u>	<u>540</u>
Satisfied by:				
Cash consideration and costs	5,645	14,318	108	540
Transfer from other investments	–	–	58	–
	<u>5,645</u>	<u>14,318</u>	<u>166</u>	<u>540</u>
Net (outflow)/inflow of cash in respect of acquisition and disposal of businesses:				
Cash consideration and costs	(5,645)	14,318	(108)	540
Net cash balances of business acquired/(sold)	1,252	(1,435)	56	–
	<u>(4,393)</u>	<u>12,883</u>	<u>(52)</u>	<u>540</u>

On 17 February 2005, the group acquired 100 per cent. of the issued share capital of Douglas Deakin Young Limited for cash consideration of £5,645,000. Monies to the value of £300,000 were retained from the consideration under the terms of the share sale agreement in respect of certain liabilities that might arise in respect of zero dividend preference shares.

Douglas Deakin Young Limited contributed £2,669,000 operating income and £470,000 to the group's profit before tax for the period between the date of acquisition and the balance sheet date.

In March 2005, the group disposed of its 70.5 per cent. interest in East African Coffee Plantations Limited for cash consideration of £14,318,000.

Notes to the accounts

40 Operating leasing commitments – minimum lease payments

	2005	2004
	£'000	£'000
Future commitments under non-cancellable operating leases:		
Land and buildings – operating leases expiring:		
Within 1 year	93	91
Between 1 – 5 years	384	338
After 5 years	12,723	12,845
	<u>13,200</u>	<u>13,274</u>
Plant and machinery – operating leases expiring:		
Within 1 year	344	492
Between 1 – 5 years	1,619	2,243
After 5 years	–	18
	<u>1,963</u>	<u>2,753</u>

The group leases land and buildings, plant and machinery under non-cancellable operating lease arrangements, which have various terms and renewal rights.

41 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 recognises 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

41 Derivatives and other financial information *(continued)*

Duncan Lawrie Limited

Risk management

Duncan Lawrie Holdings Limited (the “banking group”) maintains policies covering the risks faced by the banking group and the controls and processes in place to identify and assess such risks. Certain of the policies also detail how these risks should be monitored, controlled and mitigated.

The banking group also maintains an overall policy on risks faced. The purpose of the policy on overall risk is to set out the overall processes and mechanisms for monitoring and controlling risks identified in accordance with the policies on risk maintained by the banking group. To this end, the banking group maintains an “At Risk Register” and “Risk Matrix”.

The banking group delegates the responsibility of the management of risk to the executive directors who, together with other representatives of the banking group, meet on a quarterly basis as a risk committee.

The risks that are included within the reporting mechanisms outlined in the overall policy (which are all subject to policies agreed and reviewed on an annual basis by the banking group’s board of directors) are as follows:

- (i) Operational risk
- (ii) Foreign exchange risk
- (iii) Interest rate risk
- (iv) Liquidity risk
- (v) Credit risk
- (vi) Market risk

Operational risk

The group identifies, assesses, monitors and controls operational risk in accordance with the overall risk policies and other risk policies outlined above.

Foreign exchange risk

The banking group’s exposure to foreign exchange risk is actively monitored and managed by matching the currencies of loans with those of deposits and the net positions at the year-end were as follows:

	2005 £’000	2004 £’000
US	–	2
Euros	1	1
Total	<u>1</u>	<u>3</u>

Notes to the accounts

41 Derivatives and other financial information (continued)

The table below shows the assets and liabilities of the banking group by currency:

	2005 £'000	2004 £'000
Denominated in sterling	148,811	131,183
Denominated in currencies other than sterling	57,249	38,660
Total assets	206,060	169,843
Denominated in sterling	148,812	131,186
Denominated in currencies other than sterling	57,248	38,657
Total liabilities	206,060	169,843

Duncan Lawrie Limited

Interest rate risk – group

Interest rates applied to loans and deposits are normally variable at the discretion of the group and are linked to LIBOR or the base rate. The group's interest rate exposure is summarised below in the form of an interest rate re-pricing table. The table reflects the re-pricing profile of the group's assets and liabilities by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

	Not more than 3 months 2005 £'000	Over three months but not more than one year 2005 £'000	Over one year but not more than five years 2005 £'000	More than five years 2005 £'000	Non- interest bearing 2005 £'000	Total 2005 £'000
Assets						
Fixed loans & advances to banks	142,639	–	–	–	3,991	146,630
Fixed loans & advances to customers	24,174	306	1,466	–	–	25,946
Available-for-sale investments	12,891	7,000	2,000	1,977	464	24,332
Other assets	–	–	–	–	9,152	9,152
Total assets	179,704	7,306	3,466	1,977	13,607	206,060
Liabilities						
Deposits by banks	849	–	579	–	–	1,428
Customer accounts	174,989	115	887	–	3,168	179,159
Other liabilities	–	–	–	–	1,936	1,936
Shareholders' funds	–	–	–	–	23,537	23,537
Total liabilities	175,838	115	1,466	–	28,641	206,060
Interest rate gap	3,866	7,191	2,000	1,977	(15,034)	–
Cumulative gap	3,866	11,057	13,057	15,034	–	–

Notes to the accounts

41 Derivatives and other financial information (continued)

	Not more than 3 months 2004 £'000	Over three months but not more than one year 2004 £'000	Over one year but not more than five years 2004 £'000	More than five years 2004 £'000	Non- interest bearing 2004 £'000	Total 2004 £'000
Assets						
Fixed loans & advances to banks	121,039	–	–	–	2,478	123,517
Fixed loans & advances to customers	21,622	272	840	–	–	22,734
Available-for-sale investments	14,500	–	3,000	2,029	474	20,003
Other assets	–	–	–	–	3,590	3,590
Total assets	157,161	272	3,840	2,029	6,542	169,844
Liabilities						
Deposits by banks	834	–	521	–	–	1,355
Customer accounts	140,922	100	306	–	3,208	144,536
Other liabilities	–	–	–	–	1,137	1,137
Shareholder's funds	–	–	–	–	22,816	22,816
Total liabilities	141,756	100	827	–	27,161	169,844
Interest rate gap	15,405	172	3,013	2,029	(20,619)	–
Cumulative gap	15,405	15,577	18,590	20,619	–	–

Credit risk

The group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review.

The exposure to any one borrower including banks and counterparties is restricted by sub-limits covering on-balance sheet and off-balance sheet exposures, and daily delivery risk items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities held on balance sheet are equal to their carrying value.

Market risk

Market risk arises on debt securities and equity shares. The group does not use sensitivity analysis or value at risk to monitor these exposures.

Risk concentrations

The group's exposures principally relate to private individuals and their business concerns.

Notes to the accounts

41 Derivatives and other financial information (continued)

Collateral risk

The table below shows the group's exposures by type of security.

	2005	2004
	£'000	£'000
Loans to customers		
Secured by cash deposit	11,383	8,375
Secured on property	7,269	8,751
Other security	5,645	4,350
Unsecured	635	744
Unsecured – affiliated company	1,013	507
Accrued interest	290	304
Impairment provision	(289)	(298)
Total	<u>25,946</u>	<u>22,733</u>

Geographical risk

The table below shows the group's exposures, analysed by the geographical region in which counterparties are based.

	2005	2004
	£'000	£'000
Loans to customers		
UK (including the Channel Islands and the Isle of Man)	17,325	18,223
EU, excluding the UK	4,185	717
Rest of the world	4,435	3,788
Accrued interest	290	304
Impairment provision	(289)	(298)
Total	<u>25,946</u>	<u>22,734</u>

	2005	2004
	£'000	£'000
Loans to banks		
UK (including the Channel Islands and the Isle of Man)	134,710	120,869
EU, excluding the UK	9,781	670
Rest of the world	1,853	1,657
Accrued interest	287	321
Total	<u>146,631</u>	<u>123,517</u>

Liquidity risk

It is a group policy to ensure that sufficient liquid assets are at all times available to meet the group's obligations including the withdrawal of customer deposits, the drawdown of customer facilities and growth in the balance sheet. The development and implementation of policy is the responsibility of the executive directors.

Notes to the accounts

41 Derivatives and other financial information (continued)

The table below analyses the group's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

Liquidity risk at 31 December 2005

	Undated £'000	Repayable on demand £'000	3 months or less £'000	3 months to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Property, plant and equipment	2,605	–	–	–	–	–	2,605
Intangible assets	4,418	–	–	–	–	–	4,418
Cash and balances at central banks	126	–	–	–	–	–	126
Loans and advances to banks	569	7,986	137,619	455	–	–	146,629
Loans and advances to customers	1	4,528	5,059	8,939	7,419	–	25,946
Available-for-sale investments	354	–	13,000	7,000	2,000	1,977	24,331
Other assets	676	–	–	–	–	–	676
Prepayments and accrued income	1,328	–	–	–	–	–	1,328
Total assets	10,077	12,514	155,678	16,394	9,419	1,977	206,059
Deposits by banks	4	128	193	525	579	–	1,429
Customer accounts	366	42,216	125,896	5,327	5,354	–	179,159
Other liabilities	1,202	–	–	–	–	–	1,202
Accruals and deferred income	594	–	–	–	–	–	594
Provisions for liabilities and charges	70	–	–	–	–	–	70
Deferred taxation	69	–	–	–	–	–	69
Total liabilities	2,305	42,344	126,089	5,852	5,933	–	182,523
Retained profit and other reserves	3,791	–	–	–	–	–	3,791
Capital reserves	201	–	–	–	–	–	201
Called up share capital	19,500	–	–	–	–	–	19,500
Minority interest	44	–	–	–	–	–	44
Net liquidity gap	(15,764)	(29,830)	29,589	10,542	3,486	1,977	–

Liquidity risk at 31 December 2004

	Undated £'000	Repayable on demand £'000	3 months or less £'000	3 months to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Property, plant and equipment	2,527	–	–	–	–	–	2,527
Cash and balances at central banks	161	–	–	–	–	–	161
Loans and advances to banks	321	26,626	95,537	1,033	–	–	123,517
Loans and advances to customers	6	4,404	716	12,783	4,825	–	22,734
Available-for-sale investments	506	1,000	13,500	–	3,000	1,997	20,003
Other assets	319	–	–	–	–	–	319
Prepayments and accrued income	583	–	–	–	–	–	583
Total assets	4,423	32,030	109,753	13,816	7,825	1,997	169,844
Deposits by banks	4	125	180	525	521	–	1,355
Customer accounts	420	48,724	87,325	5,086	2,983	–	144,538
Other liabilities	634	–	–	–	–	–	634
Accruals and deferred income	415	–	–	–	–	–	415
Provisions for liabilities and charges	87	–	–	–	–	–	87
Total liabilities	1,560	48,849	87,505	5,611	3,504	–	147,029
Retained profit and other reserves	3,072	–	–	–	–	–	3,072
Capital reserves	201	–	–	–	–	–	201
Called up share capital	19,500	–	–	–	–	–	19,500
Minority interest	42	–	–	–	–	–	42
Net liquidity gap	(19,952)	(16,819)	22,248	8,205	4,321	1,997	–

Notes to the accounts

41 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:

	2005 £'000	2004 £'000
Within 1 year, or on demand	21,234	28,282
Between 1 – 2 years	2,577	10,607
Between 2 – 5 years	4,630	3,705
After 5 years	4,175	6,778
	<u>32,616</u>	<u>49,372</u>

At 31 December 2005, the group had undrawn committed facilities of £20,000,000 (2004: £18,000,000), all of which are due to be reviewed within one year.

Fair values

The fair value of the group's financial assets and liabilities are equal to their carrying value.

Interest rate risk

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

	Financial liabilities		Financial assets	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Sterling	11,328	22,517	176	566
US Dollar	2,074	2,708	4,472	3,956
Kenya Shilling	4,742	4,320	341	452
Indian Rupee	5,406	4,071	1,388	840
Malawi Kwacha	–	–	93	311
Bangladesh Taka	4,696	5,078	2,375	2,066
Australian Dollar	–	2,113	1	3,293
South African Rand	488	1,739	371	382
Swiss Franc	3,078	5,938	2	14
Brazilian Real	–	–	1,745	1,234
Euro	708	866	206	281
Chilean Peso	96	22	13	40
	<u>32,616</u>	<u>49,372</u>	<u>11,183</u>	<u>13,435</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.

Notes to the accounts

41 Derivatives and other financial information *(continued)*

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	Euro £'000	South African Rand £'000
Sterling	–	804	55	–
Malawi Kwacha	101	849	3	(27)
Kenya Shilling	180	305	–	–
South African Rand	–	688	34	–
Chilean Peso	–	(573)	–	–
Bangladesh Taka	–	357	–	–

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.

42 Principal subsidiary and associated undertakings

Subsidiary undertakings

The principal operating subsidiary undertakings of the group at 31 December 2005, which are wholly owned and incorporated in Great Britain unless otherwise stated, were:

	Principal country of operation
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 – 70.0 per cent. holding)	Kenya
Eastern Produce Malawi Limited (Incorporated in Malawi – 73.2 per cent. holding)	Malawi
Goodricke Group Limited (Incorporated in India – 84.1 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 – 99.8 per cent. holding)	India
Engineering	
AJT Engineering Limited	UK
Unochrome Industries Limited	UK
Food storage and distribution	
Affish BV (Incorporated in The Netherlands)	The Netherlands
Associated Cold Stores & Transport Limited	UK
Wylax International BV (Incorporated in The Netherlands)	The Netherlands

Notes to the accounts

42 Principal subsidiary and associated undertakings (continued)

Subsidiary undertakings (continued)

	Principal country of operation
Trading and agency	
Robertson Bois Dickson Anderson Limited	UK
Lawrie Plantation Services Limited	UK
Property	
W.D.G. Properties Limited	UK
Banking and financial services	
Douglas Deakin Young Limited	UK
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
Investment holding	
Assam Dooars Holdings Limited	UK
Associated Fisheries Limited	UK
Bordure Limited	UK
Lawrie (Bermuda) Limited (Incorporated in Bermuda)	Bermuda
Lawrie Group Plc	UK
Lawrie International Limited (Incorporated in Bermuda)	Bermuda
Linton Park Plc	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 2005 were:

	Principal country of operation	Accounting date 2005	Group interest in equity capital per cent.
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	32.4
United Leasing Company Limited (Incorporated in Bangladesh – ordinary shares)	Bangladesh	31 December	33.6

Notes to the accounts

43 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 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.

44 Control of Camellia Plc

Camellia Holding AG holds 1,426,000 ordinary shares of Camellia Plc (representing 50.17 per cent. of the issued share capital). Camellia Holding AG is owned by The Camellia Private Trust Company Limited (a private trust company incorporated under the laws of Bermuda to act as a 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.

The activities of Camellia Plc and its group (the “Camellia Group”) are conducted independently of the Foundation and, other than Mr P A Leggatt and Mr D A Reeves who are directors of The Camellia Private Trust Company Limited and act as trustees of the Foundation, none of the directors of Camellia Plc are currently connected with The Camellia Private Trust Company Limited or the Foundation. While The Camellia Private Trust Company Limited as a Trustee of the Foundation 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. The 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⁽ⁱ⁾ 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.

- (i) The Foundation owns through Camellia Holding AG, 30,000 registered shares in Siegfried Holding AG, representing approximately 1.1 per cent. of the issued share capital of Siegfried Holding AG.

Notes to the accounts

45 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 £6,231,000 as at 1 January 2004.

	£'000
Biological assets	5,909
IAS 41 – Agriculture: Requires the group to fair value its biological assets.	
Pension liability	(11,453)
IAS 19 (revised) – Employee benefits: Requires any surplus or deficit in the fair value of the group's pension scheme assets over their liabilities to be recognised in the balance sheet.	
Leases	(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.	
Available-for-sale investments	12,922
IAS 39 – Financial Instruments: Requires the group to fair value its available-for-sale investments.	
Goodwill	2,902
IFRS 3 – Business combinations: Requires the write-off of previously recognised negative goodwill.	
Property valuation	591
IFRS 1 – First time adoption of IFRS: Permits certain properties to be recognised at their fair value.	
Deferred tax	(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.	
Proposed dividend	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.	
Other reclassifications	(954)
	<u>6,231</u>

Notes to the accounts

46 Reconciliation of equity at 1 January 2004

	Reformatted UK GAAP	Pensions and 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	Fair value property adjustment IFRS 1	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	£'000
Non-current assets												
Intangible assets	(1,881)		(932)			209	3,038					434
Property, plant and equipment	155,946		(55,852)			(209)		747		(4,251)		96,381
Biological assets			81,715									81,715
Prepaid operating leases										973		973
Investments in associates	63,179		365								(1,589)	61,955
Deferred tax assets	2,070	3,712	(3,577)									2,205
Financial assets	20,386			17,803								38,189
Retirement benefit surplus		2,400										2,400
Trade and other receivables	1,250										102	1,352
Total non-current assets	240,950	6,112	21,719	17,803	-	-	3,038	747	-	(3,278)	(1,487)	285,604
Current assets												
Inventories	25,053		(3,368)									21,685
Trade and other receivables	46,162			67							142	46,371
Cash and cash equivalents	162,657			(4,706)								157,951
Total current assets	233,872	-	(3,368)	(4,639)	-	-	-	-	-	-	142	226,007
Current liabilities												
Borrowings	(28,351)											(28,351)
Trade and other payables	(169,615)	177			1,739						80	(167,619)
Current income tax liabilities	(998)										75	(923)
Total current liabilities	(198,964)	177	-	-	1,739	-	-	-	-	-	155	(196,893)
Net current assets	34,908	177	(3,368)	(4,639)	1,739	-	-	-	-	-	297	29,114
Total assets less current liabilities	275,858	6,289	18,351	13,164	1,739	-	3,038	747	-	(3,278)	(1,190)	314,718
Non-current liabilities												
Borrowings	(26,428)											(26,428)
Deferred tax liabilities	(6,228)	(888)	(13,302)	(92)					(4,940)			(25,450)
Employee benefits	(977)	(18,962)									(80)	(20,019)
Other non-current liabilities	(565)											(565)
Total non-current liabilities	(34,198)	(19,850)	(13,302)	(92)	-	-	-	-	(4,940)	-	(80)	(72,462)
Net assets	241,660	(13,561)	5,049	13,072	1,739	-	3,038	747	(4,940)	(3,278)	(1,270)	242,256
Capital and reserves												
Called up share capital	260											260
Reserves	185,822	(11,453)	5,909	12,922	1,739		2,902	591	(3,814)	(1,611)	(954)	192,053
Equity shareholders' funds	186,082	(11,453)	5,909	12,922	1,739	-	2,902	591	(3,814)	(1,611)	(954)	192,313
Minority interests	55,578	(2,108)	(860)	150			136	156	(1,126)	(1,667)	(316)	49,943
Total equity	241,660	(13,561)	5,049	13,072	1,739	-	3,038	747	(4,940)	(3,278)	(1,270)	242,256

Notes to the accounts

47 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
Non-current assets											
Intangible assets	(1,457)		(751)			213	2,393				398
Property, plant and equipment	135,607		(48,750)			(213)		(3,831)			82,813
Biological assets			79,805								79,805
Prepaid operating leases									876		876
Investments in associates	61,795		505							(1,611)	60,689
Deferred tax assets	941	3,049	(3,299)								691
Financial assets	21,020			22,351							43,371
Retirement benefit surplus		3,212									3,212
Trade and other receivables	653									103	756
Total non-current assets	218,559	6,261	27,510	22,351	-	-	2,393	-	(2,955)	(1,508)	272,611
Current assets											
Inventories	24,936		(4,018)								20,918
Trade and other receivables	50,443			12						151	50,606
Current income tax assets	2,707		(1,008)								1,699
Cash and cash equivalents	155,550			(4,644)						(49)	150,857
	233,636	-	(5,026)	(4,632)	-	-	-	-	-	102	224,080
Non-current assets classified as held for sale	11,157										11,157
Total current assets	244,793	-	(5,026)	(4,632)	-	-	-	-	-	102	235,237
Current liabilities											
Borrowings	(28,282)										(28,282)
Trade and other payables	(168,148)	153			1,806					(295)	(166,484)
Deferred income from anticipated sale	(3,591)										(3,591)
Current income tax liabilities	(3,244)		1,112								(2,132)
Other employee benefit obligations										(213)	(213)
Provisions	(419)		(17)							(70)	(506)
Total current liabilities	(203,684)	153	1,095	-	1,806	-	-	-	-	(578)	(201,208)
Net current assets	41,109	153	(3,931)	(4,632)	1,806	-	-	-	-	(476)	34,029
Total assets less current liabilities	259,668	6,414	23,579	17,719	1,806	-	2,393	-	(2,955)	(1,984)	306,640
Non-current liabilities											
Borrowings	(20,541)										(20,541)
Deferred tax liabilities	(5,060)	(832)	(15,450)	(92)				(4,812)			(26,246)
Retirement benefit obligations		(26,290)									(26,290)
Other employee benefit obligations	(1,943)									666	(1,277)
Other non-current liabilities	(436)										(436)
Provisions	(113)										(113)
Total non-current liabilities	(28,093)	(27,122)	(15,450)	(92)	-	-	-	(4,812)	-	666	(74,903)
Net assets	231,575	(20,708)	8,129	17,627	1,806	-	2,393	(4,812)	(2,955)	(1,318)	231,737
Capital and reserves											
Called up share capital	260										260
Reserves	181,290	(17,465)	8,076	17,482	1,608		2,393	(3,720)	(1,453)	(982)	187,229
Shareholders' funds	181,550	(17,465)	8,076	17,482	1,608	-	2,393	(3,720)	(1,453)	(982)	187,489
Minority interests	50,025	(3,243)	53	145	198			(1,092)	(1,502)	(336)	44,248
Total equity	231,575	(20,708)	8,129	17,627	1,806	-	2,393	(4,812)	(2,955)	(1,318)	231,737

Notes to the accounts

48 Reconciliation of profit for year ended 31 December 2004

	Reformatted UK GAAP	Reclassification of banking subsidiary results	Pensions and post-retirement benefits IAS 19	Biological assets IAS 41	Elimination of negative goodwill IFRS 3	Tax IAS 12	Other IFRS adjustments	Effect of transition to IFRS	Restated in accordance with IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations									
Revenue	149,543	6,611					134	6,745	156,288
Cost of sales	(112,177)		233	(554)				(321)	(112,498)
Gross profit	37,366	6,611	233	(554)	-	-	134	6,424	43,790
Net operating expenses	(33,216)	(6,760)	495	(476)	(140)		(226)	(7,107)	(40,323)
Trading profit	4,150	(149)	728	(1,030)	(140)	-	(92)	(683)	3,467
Share of associates' results	2,924							-	2,924
Profit on disposal of non-current assets	1,283							-	1,283
Profit on disposal of available-for-sale investments	695	149						149	844
Profit on part disposal of an associate	121							-	121
Gain arising from changes in fair value of biological assets				1,722				1,722	1,722
Loss on group restructuring	(2,689)			1,569	(514)			1,055	(1,634)
Profit from operations	6,484	-	728	2,261	(654)	-	(92)	2,243	8,727
Investment income	1,378						69	69	1,447
Net finance costs	(2,415)		276				(22)	254	(2,161)
Profit before tax	5,447	-	1,004	2,261	(654)	-	(45)	2,566	8,013
Taxation	(3,526)		(347)	963		169		785	(2,741)
Profit for the period from continuing operations	1,921	-	657	3,224	(654)	169	(45)	3,351	5,272
Discontinued operations									
Profit for the period from discontinued operations	1,440						(70)	(70)	1,370
Profit for the period	3,361	-	657	3,224	(654)	169	(115)	3,281	6,642
(Loss)/profit attributable to minority interests	(25)		128	1,031			(7)	1,152	1,127
Profit attributable to equity shareholders	3,386		529	2,193	(654)	169	(108)	2,129	5,515
	3,361	-	657	3,224	(654)	169	(115)	3,281	6,642
Earnings per share - basic and diluted (p)	130.5	-	20.4	84.5	(25.2)	6.5	1.1	87.3	217.8

Report of the auditors

Independent Auditors' Report to the Shareholders of Camellia Plc

We have audited the group and parent company financial statements (the "financial statements") of Camellia Plc for the year ended 31 December 2005 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Recognised Income and Expense and the related notes 1 to 48. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view 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 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the 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 group financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, 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 group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the parent company financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2005; 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 and Article 4 of the IAS Regulation.

MOORE STEPHENS LLP
Chartered Accountants
and Registered Auditors

St. Paul's House,
Warwick Lane,
London EC4M 7BP
27 April 2006

Five year record

	IFRS 2005 £'000	IFRS 2004 £'000	UK GAAP 2003 £'000	UK GAAP 2002 £'000	UK GAAP 2001 £'000
Revenue – continuing operations	152,743	156,288	174,685	176,523	203,347
Profit before tax	22,275	8,013	27,522	15,429	17,556
Taxation	(1,764)	(2,741)	(1,192)	(4,827)	(4,183)
Profit from continuing operations	20,511	5,272	26,330	10,602	13,373
Profit attributable to equity shareholders	20,326	5,515	25,982	7,149	10,227
Equity dividends paid	2,284	2,258	2,258	2,270	2,303
Equity					
Called up share capital	284	260	260	264	271
Reserves	241,632	187,229	186,222	170,135	174,242
Shareholders' funds	241,916	187,489	186,482	170,399	174,513
Earnings per share	793.2p	217.8p	992.0p	269.6p	374.5p
Dividend paid per share	88.00p	87.00p	87.00p	86.00p	85.00p

Note: Figures for 2003 and earlier were prepared in accordance with UK GAAP and have not been re-stated.

Form of proxy

FORM OF PROXY FOR USE BY MEMBERS OF CAMELLIA PLC AT THE ANNUAL GENERAL MEETING TO BE HELD AT 11.30 A.M. ON 8 JUNE 2006

I/We being member/members of the above named company, hereby appoint the chairman of the meeting or

(see note 1 below).

as my/our proxy to attend and, on a poll, to vote on my/our behalf at the annual general meeting of the company to be held at 11.30 a.m. on 8 June 2006 at The Goring Hotel, Beeston Place, Grosvenor Gardens, London, SW1W 0JW (or any adjournment thereof) for the purposes of considering and if thought fit, passing the resolutions referred to in the notice convening the annual general meeting. I/We direct that my/our proxy will vote on a poll on the resolutions set out in the said notice as indicated below:

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		
4 To re-elect Mr M C Perkins as a director		
5 To re-elect Mr C J Relleen as a director		
6 To re-elect Mr P A Leggatt as a director		
7 To re-elect Mr A K Mathur as a director		
8 To re-elect Mr D A Reeves as a director		
9 To re-elect Mr C P T Vaughan-Johnson as a director		
10 To reappoint Moore Stephens LLP as auditors		
11 To authorise the directors to fix the auditors' remuneration		
12 To cancel any shares not taken and reduce the authorised share capital accordingly		
13 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.

PLEASE COMPLETE THE FORM BELOW IN BLOCK CAPITALS AND SIGN AND DATE WHERE INDICATED

Dated this day of 2006

Signature

Name

Joint holders

Address

Please return this form of proxy to Capita Registrars so as to arrive by 11.30 a.m. 6 June 2006

Notes

1. If you wish to appoint a person other than the chairman as your proxy, delete the words "chairman of the meeting" or and insert the name and address of your proxy and initial the alteration. A proxy need not be a member of the company but must attend the meeting to represent you.
2. Please indicate with a cross in the appropriate box how you wish your votes to be cast. On receipt of this form of proxy duly signed, in the absence of any specific direction, the proxy will vote (or abstain from voting) at his or her discretion. On any other business at the annual general meeting (including any motion to amend any resolution or adjourn the meeting) the proxy will vote or abstain at his or her discretion.
3. To be valid, this form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney must be received by Capita Registrars by 11.30 a.m. on 6 June 2006.
4. Completion and return of this form of proxy will not prevent you from attending and voting at the annual general meeting if you so wish.
5. In the case of a corporation, this form of proxy should either be sealed by the company or signed by a director or a duly authorised officer or attorney.
6. In the case of joint holders, the vote of the first-named in the register of members of the company, whether in person or by proxy, will be accepted to the exclusion of that of the other joint holders.



Second Fold

BUSINESS REPLY SERVICE
Licence No. MB 133



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

First Fold

Third Fold (Tuck in)