# Camellia Plc

# 2006

**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 2006

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## Directors and advisers

| | | |
|---|---|---|
| **Chairman emeritus** | H K FitzGerald | |
| **Directors** | M C Perkins, FCA | *Chairman* |
| | C J Relleen, FCA | *Deputy chairman, independent non-executive director (i) (ii)* |
| | P A Leggatt, MBE | |
| | A K Mathur, FCA | *Finance director* |
| | D A Reeves, MSc | *Non-executive director (i)* |
| | Dr B A Siegfried | *Non-executive director* |
| | C P T Vaughan-Johnson, FCIB | *Independent non-executive director (i) (ii)* |
| | (i) Member of audit committee | |
| | (ii) Member of remuneration committee | |
| **Secretary** | M D Conway, FCIS | |
| **Executive committee** | M C Perkins | *Chairman* |
| | A K Mathur | *Finance* |
| | C J Ames | *Managing director UK operations* |
| | P J Field | *Managing director banking and financial services* |
| | I Ahmed | *Bangladesh* |
| | M D Conway | *Secretarial and administration* |
| | G Haycock | *Bermuda, North and South America* |
| | A Singh | *India* |
| | K W Tarplee | *Africa* |
| **Registered office** | Linton Park<br>Linton<br>Near Maidstone<br>Kent ME17 4AB<br>Registered Number 29559 | |
| **Registrars** | Capita Registrars<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU | |
| **Auditors** | Moore Stephens LLP<br>Chartered Accountants<br>St Paul's House<br>Warwick Lane<br>London EC4M 7BP | |
| **Website** | www.camellia.plc.uk | |

# Notice of meeting

Notice is hereby given that the annual general meeting of Camellia Plc ("the company") will be held at The Goring Hotel, Beeston Place, Grosvenor Gardens, London SW1W OJW on Thursday, 7 June 2007 at 11.30 a.m. 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 2006 together with the directors' report and the auditors' report on those accounts and the auditable part of the directors' remuneration report be received.
2. That the directors' remuneration report for the year ended 31 December 2006, 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 70p per ordinary share for the year ended 31 December 2006 be declared payable on 4 July 2007 to holders of ordinary shares registered at the close of business on 15 June 2007.
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 Dr B A Siegfried who has been appointed a director since the last annual general meeting be elected as a director.
11. That Moore Stephens LLP be reappointed as auditors to the company until the conclusion of the next annual general meeting of the company.
12. That the directors be authorised to fix the auditors' remuneration.

As special business, to consider, and if thought fit, pass the following resolution which will be proposed as a special resolution:

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 277,950, representing 10 per cent. of the issued ordinary share capital;
    (b) the minimum price (exclusive of expenses) which may be paid for such shares is 10p per share, being the nominal amount thereof;
    (c) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to 5 per cent. above the average of the middle market quotations for such shares taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the purchase is made;
    (d) the authority hereby conferred shall (unless previously renewed or revoked) 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*

26 April 2007
Registered office:
Linton Park
Linton, Near Maidstone
Kent, ME17 4AB

**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 appoint a proxy you may use the form of proxy accompanying this notice of the annual general meeting. To be valid the 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. Completion of the form of proxy will not prevent you from attending and voting in person.
3. 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 11.30 a.m. on 5 June 2007 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 5 June 2007 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.
4. 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.
5. The following documents are available for inspection at the registered office of the company, Linton Park, Linton, Near Maidstone, Kent, ME17 4AB, during usual business hours on any weekday (public holidays excluded) from the date of the notice until the conclusion of the annual general meeting and will be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and during the meeting:
    (a) the register of interests of the directors and their families in the share capital of the company.
    (b) copies of service contracts between the directors and the company or its subsidiary undertakings.

## Chairman's statement

The profit before tax for 2006 amounted to £19.98 million and compares with the previous year of £22.28 million. This latter figure included exceptional profits of £6.32 million and the increase in profits from our continuing operations in 2006 can therefore be viewed as satisfactory.

Profits after tax attributable to shareholders amounted to £12.90 million compared to £20.33 million in 2005 and earnings per share reduced to 464.2p compared to 793.2p.

**Dividend**

The board is recommending a final dividend of 70p per share which, together with the interim dividend already paid of 20p per share, brings the total distribution for the year to 90p per share compared with 89p per share in respect of 2005.

**Agriculture and horticulture**

**Tea**

***India***

Tea production in India increased to 30.70 million kilos. The previous year suffered from reduced production due to labour unrest in the Dooars. The year started slowly with dry weather but production gradually increased when the rains arrived. Prices improved on the previous year but softened towards the end of the year. The market for orthodox tea recovered and results from our Assam gardens were much improved although the security situation in Assam has deteriorated and is a continuing cause for concern. Orders for our Instant Tea Plant have been hard to secure in a very competitive marketplace. We continue to concentrate on producing a quality tea in India and to this end a programme of up-grading some of our factories has been initiated.

***Bangladesh***

Bangladesh endured a major drought at the beginning of the year and production suffered accordingly, resulting in an overall reduction of 11% for the year. The market responded to the shortage with higher prices and our tea gardens showed a satisfactory profit. However there remains much to be done in Bangladesh to improve both production levels and quality.

A general election scheduled for earlier this year was postponed and it seemed for a time that the security situation might be a major cause of concern. However, the appointment of a new interim government, satisfactory to most political parties, has reduced the tension and it is hoped that peaceful elections will be held as soon as possible.

***Africa***

The year started with a serious drought in Kenya. This had a major adverse impact on production levels and resulted in increased international tea prices. The rains eventually arrived and it is pleasing to report that our own production finished only marginally below that of the previous year. This, together with prices remaining at levels above those before the drought, resulted in a substantially increased profit for the year. Tea prices have tended to reduce recently and considerable effort is being put into cost control in an attempt to maintain a satisfactory margin in a country that has a high underlying cost of production compared with some of its competitors.

Kakuzi Limited, 50.7% owned by the group, has recently announced that it is negotiating the phased sale of the Siret Tea Company Limited to an empowerment company owned principally by tea smallholders located in the Nandi Hills district.

Malawi also recovered from the drought of the previous year and benefited from the increased price levels resulting in higher profits. Malawi is a land-locked country and the export of tea is subject to logistical problems due to the inefficiency of the port of Beira in Mozambique and capacity problems in Durban.

***Nepal***

The political difficulties in Nepal in 2006 adversely affected the results of Himalaya Goodricke. We are continuing our discussions on the future of this company with the other shareholders.

**Citrus**

The citrus orchards in California performed very well in 2006. Recent very cold weather will affect production in the current year but it is too early to quantify the potential losses.

Chile again experienced adverse weather conditions which affected the quality required for the export market, resulting in poor prices from an overcrowded domestic market.

The citrus operations in South Africa have been sold as it was not considered appropriate to invest in further plantings to achieve economies of scale.

**Edible nuts**

Good production coupled with high prices resulted in very good profits from our pistachio orchard in California. The present indications are that the pistachio trees will be unaffected by the recent cold weather.

Macadamia production in both Malawi and South Africa was, as expected, considerably lower than the previous year due to drought at the time of flowering. Prices have also fallen from the very high levels of 2005. The prospects for the current crop are however better but prices being offered for our South African production are at a level which does not give a reasonable profit margin. New areas of macadamia are to be planted in Kenya in 2007.

**Other horticulture**

The avocado harvest in Kenya improved over the previous year and although prices were lower, a good result was achieved. The new packhouse was opened in time to process the 2006 crop and the first season was a success with 3,067 tonnes of fruit exported in the year.

Rubber production in Bangladesh was reduced because of the drought but increased prices more than compensated for this shortfall and good profits were earned.

Maize and soya production increased in Brazil but market prices reduced. There are indications that prices are set to increase over the next few months.

The wine grape harvest in South Africa reduced from that of the previous year but export sales of bottled wine improved in what remains a very competitive market. Production of wine grapes in Chile increased but prices were considerably lower.

We disposed of our remaining table grape operation in South Africa during the year and have plans to reduce the scale of our table grape plantings in Chile. We have concluded that the growing of table grapes is subject to so many influences that we cannot control and that the achievement of consistent operating margins on relatively small-scale operations is difficult to secure.

The majority of our agricultural and horticultural exports are priced in US dollars. The continuing weakness of this currency is a significant problem for our operations.

**Food storage and distribution**

Although still loss-making, the results of our cold storage and distribution business improved in 2006. The market is still very competitive and further action is being taken to reduce costs and increase efficiencies. It is no consolation that many of our competitors are also suffering from poor trading results but it is hoped that general rates in the storage sector will start to harden in the current year. The ever increasing cost of energy and high insurance premiums continue to make life difficult for the industry and we are not immune from these problems.

Affish and Wylax in The Netherlands increased sales and profits for the year. It is evident that some improvement has occurred in the fish distribution sector and restaurants appear to be busier than last year. Margins however remain small particularly for Affish's wholesale business.

**Engineering**

Our engineering operations produced good results for 2006 with continuing demand from the oil and aerospace sectors.

Abbey Metal Finishing was very busy during the year and has invested in further processes to increase its market penetration.

## Chairman's statement

AJT Engineering also enjoyed another good year. However it continues to be difficult to attract suitably qualified personnel and the local cost of labour is increasing above national levels.

A management reorganisation was carried out at AKD Engineering in Lowestoft and operating profits have improved.

General Utilities enjoyed another good year despite the escalating cost of steel. A new water jet cutting machine has recently been installed for which the prospects look to be encouraging.

Local authority planning considerations have resulted in the proposed expansion of the galvanising division at Great Yarmouth being delayed, but it is hoped that this will proceed during 2007.

**Banking and financial services**

Duncan Lawrie increased their profits again in 2006 partially as a result of the contribution received from Douglas Deakin Young which was acquired in 2005.

The Hill Martin Group was purchased towards the end of 2006 and Duncan Lawrie can now offer a very personalised service in wealth management encompassing private banking, investment management, trust management and financial planning. The prospects for this now enlarged business are encouraging.

**Pharmaceuticals**

The Siegfried Group reported consolidated sales for 2006 of CHF 359.8 million, representing a 13% increase over the previous year. Consolidated net income after tax decreased to CHF 32.4 million from CHF 36.5 million in 2005. The decline is due to exceptional earnings from a real estate sale in 2005.

All of the business segments in which the Siegfried Group is active made a positive contribution to sales growth. For 2007, the Siegfried Group plans to continue strengthening its position in two core businesses, namely "Development and production of active pharmaceutical ingredients (APIs)" and "Development and production of demanding generics" by expanding the product portfolio of APIs and introducing new technology in the field of generics.

The Siegfried division's product pipeline was successfully expanded by new projects in the field of custom synthesis for exclusives customers in the pharmaceutical industry. The renovation of existing plant required for chemical production in Zofingen continued.

In its generics business, Siegfried is adding patentable technologies to its existing production and service model. In this respect, Siegfried launched a large project for inhalation applicators and related active pharmaceutical substances for which patent rights were acquired at the beginning of 2007. The first construction stage of the new pharmaceutical production plant in Malta was successfully completed in the year under review, and commercial production commenced at the beginning of 2007.

The Sidroga division reported improved sales and operating income for the 2006 financial year. On 12 April 2007 Siegfried announced the sale of this division for an undisclosed price. Siegfried will henceforth concentrate on its core businesses in the pharmaceutical sector.

**Other associated undertakings and investments**

The United Leasing Company Limited in Bangladesh again suffered from a competitive marketplace and profits before tax for the year declined to £1.41 million from £2.30 million in 2005. The United Insurance Company Limited produced similar results to the previous year, including the results of its wholly owned subsidiary The Surmah Valley Tea Company. The implications of a recent Bangladesh government requirement for insurance companies to increase their paid up capital are being considered.

Our investments in Bermuda enjoyed another good year. Bermuda continues to benefit from international investment particularly in the re-insurance sector and some of the companies in which we invest are prospering both from the related increase in business from that source and from their own expansion overseas.

A recent offer for all the shares of Gétaz Romang Holding SA has been successful. The disposal of our shareholding in this company will give rise to a profit of approximately £4.90 million in 2007.

## Chairman's statement

**Development**

We continue to develop our tea interests in the field and factory. The business review outlines our commitment to employee welfare, and initiatives in this respect will continue. Duncan Lawrie has made two acquisitions in the last two years and a period of consolidation is now appropriate. We will seek to develop our engineering operations when prospects and market conditions for the individual companies are favourable.

The development of our management information systems is also on-going.

**Pensions**

I referred at length to the unsatisfactory circumstances surrounding our pension schemes in my statement last year. The improvement in the equity markets and an increase in interest rates have resulted in a reduction in some of the scheme deficits. However, after an exhaustive appraisal, all our UK final salary schemes have been closed to new members and one scheme is to be closed completely. This is most unfortunate but new defined contribution schemes have been put in place with what we believe to be generous company contribution rates.

**Staff**

Tom Lupton and Krupa David resigned from the executive committee in 2006. I am pleased to welcome to this committee Greg Haycock from Bermuda, Arun Singh from India and Imran Ahmed from Bangladesh.

On behalf of the board I would like to thank all our staff both in the UK and overseas for their very positive contribution to what has been a successful year.

**M C Perkins**

Chairman

26 April 2007

# Report of the directors

The directors present their report together with the audited accounts for the year ended 31 December 2006.

**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 7.

**Results and dividends**

The profit for the year amounted to £15,174,000. The board has proposed a final dividend for the year of 70p per share payable on 4 July 2007 to holders of ordinary shares registered at the close of business on 15 June 2007. The total dividend for 2006 is therefore 90p per share (2005: 89p 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 2006 | 1 January 2006 |
|---|---|---|
| Camellia Plc ordinary shares of 10p each: | | |
| M C Perkins | 1,043 | 1,043 |
| C P T Vaughan-Johnson | 700 | 700 |

There have been no changes in the interests of directors between 31 December 2006 and the date of this report.

Dr B A Siegfried was appointed a non-executive director on 1 August 2006.

Mr A S M O Subhan retired from the board following the 2006 annual general meeting.

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, Dr B A Siegfried and Mr C P T Vaughan-Johnson retire and being eligible seek re-election.

None of the directors or their families had a material interest in any contract of significance with the company or any subsidiary during 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 and a director of Goodricke Group Limited. Aged 62.

Mr P A Leggatt is chairman of Goodricke Group Limited. He was appointed a director in 1999, having joined the group in 1988. Aged 64.

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 59.

## Report of the directors

**Cold storage and transport**

Cold storage and transport in the UK is a highly competitive industry and is largely dependent on the food industry for the utilisation of warehouses.

Cold stores are heavy users of electricity and any significant movement in energy costs can affect the operation's profitability. Similarly, the transport division is affected by sharp movements in the cost of fuel.

The business is dependent upon a sophisticated computer system. The failure of this system could have significant consequences for the business.

**Banking and financial services**

Duncan Lawrie Limited is regulated by the Financial Services Authority (FSA) and consequently has a well developed compliance process. The following risks have however been identified:

– compliance risk – the FSA has the power to stop trading activity should there be a serious breach of its regulations.

– credit risk – the lending of money gives rise to a credit risk which is managed by strict internal procedures. The company is limited to lending no more than it's share capital and reserves.

– liquidity, interest and foreign exchange rate risk – these risks are monitored closely and reported upon daily.

Further information on the group's financial risks are disclosed in note 40 of the accounts.

**Investments**

The group owns a number of investments including listed investments. The value of these investments is therefore likely to fluctuate in line with global stock market movements.

**Social and environmental responsibility**

***Background***

The group has a wide range of businesses operating around the world in diverse commercial, cultural and regulatory environments. These businesses encompass a correspondingly wide spectrum of employment and environmental issues and our main challenge is to ensure that these are consistently managed across the group.

The group's businesses have a duty to meet local regulatory requirements and will always strive to do so. In this respect, there is a distinction between our UK businesses, including Duncan Lawrie, and our agricultural and horticultural businesses based mostly in developing countries. Whilst the UK businesses are subject to well developed regulatory regimes in the areas of employment and environmental protection, this is not necessarily the case elsewhere. Our agricultural and horticultural businesses have however more than responded to the increasing amount of relevant local legislation and to the demands of the marketplace, as many of our major customers for agricultural products now expect us to meet their own social and environmental standards, or to achieve certification against recognised international standards such as 'Fairtrade' labelling.

Particular challenges and opportunities for the group lie in the following areas:

*Child labour:* We have a clear policy not to use child labour and all of our businesses meet local legal requirements. The minimum legal working age varies around the world and in some countries it is both the cultural norm and permissible for parents to involve their children in the productive process. We do not subscribe to this approach and therefore translating our policy into unambiguous local rules and enforcing these rules requires vigilance.

*Health and safety:* Our UK and North-American businesses operate in a strong regulatory climate, and have a good health and safety culture and record. Achieving equivalent standards of health and safety management in our operations in some developing countries is a continuing challenge.

*Medical care and education:* In some countries, our workers and their children do not have access to good state provision of medical or educational services. However, every tea estate in India and Bangladesh has a hospital and a qualified doctor and our operations in both these countries have central group hospitals to which more serious illnesses are referred. A number of our African businesses report a high incidence of HIV/Aids. We provide, as a very minimum, basic medical services including where appropriate retroviral drugs, and give support to schools that are either run by our companies, or in the local neighbourhood.

*Casual labour:* Some of our agricultural businesses rely on seasonal labour, notably at harvest time. Our agricultural companies give casual and contract workers employment rights in accordance with local legislation.

*Environmental management:* Our UK-based engineering businesses have the greatest potential to create pollution and hazardous waste and need to meet tight legislative standards. Where appropriate, our UK businesses have formal environmental management systems in place and a number are independently certified to the international standard ISO 14001. The enforcement of environmental legislation in many countries where we operate is poor and our businesses in these locations have to act on their own initiative to meet international standards of environmental protection.

***Our approach***

We believe that good management of employment and environmental issues is essential in ensuring the long-term success of our businesses. We are therefore committed to devoting the resources necessary to continually improve our performance with the same vigour that we apply to other aspects of managing our business.

Our approach is based on the implementation by group businesses of our Statement Of Business Principles. The business principles were adopted by the board during 2005, and set out the group's specific policy commitments in the areas of business integrity, health and safety, environmental matters, social issues and human resources (see www.camellia.plc.uk).

***Performance***

There are no current employment or environmental issues that prejudice the continuing development of the group. No group businesses were prosecuted for any breach of employment or environmental legislation during 2006.

During 2006, the group commissioned independent advisors to review the implementation of the business principles in seventeen of our companies across the agriculture and horticulture, engineering, food storage and distribution and banking and financial services divisions. Based on their findings, the group will be seeking to ensure ongoing adherence to the business principles and will be taking further steps to improve the implementation of the business principles. The following action has however already been taken:

– Members of the executive committee must ensure that the businesses for which they are responsible adopt the business principles and have implementation plans in place.

– A more formal structure for business reporting and data collection against the requirements of the business principles will be established.

– A set of key non-financial performance indicators is being developed to enable better measurement of group performance.

## Report of the directors

***Key financial performance indicators***

**Return on segmental assets**

The nature of the group's principal activities is such that the board takes a long-term view on its operations, particularly in agriculture. It is also concerned to improve the quality of the group's assets over the long-term and monitors them by reference to return on segmental assets achieved in the main segments of the business namely agriculture and horticulture, engineering, food storage and distribution and banking and financial services. The returns achieved are compared against budget. The return achieved in the current and prior year was as follows:

| | Agriculture and horticulture | | Engineering | | Food storage and distribution | | Banking and financial services | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | *2005* | 2006 | *2005* | 2006 | *2005* | 2006 | *2005* |
| Segment net assets (£'000) | 121,437 | *136,429* | 11,534 | *10,390* | 21,939 | *22,444* | 29,419 | *27,686* |
| Segment profit (£'000) | 12,682 | *6,506* | 1,744 | *223* | (512) | *(1,004)* | 1,766 | *1,303* |
| Return on segmental assets (%) | 10.44 | *4.77* | 15.12 | *2.15* | (2.33) | *(4.47)* | 6.00 | *4.71* |

Segment net assets (segment assets less segment liabilities) and segment profit are as reported in the consolidated accounts.

**Group borrowings ratio**

The board's objective is to ensure that gross borrowings as a percentage of tangible net assets do not exceed 50%. The ratio achieved was 13.87% (2005: 13.56%).

Gross borrowings and tangible net assets (share capital and reserves less goodwill and intangible assets) are derived from the consolidated accounts.

**Changes in corporate structure**

In September 2006, Duncan Lawrie Holdings Limited acquired the entire issued share capital of Hill Martin Limited and Hill Martin Holdings Limited.

**Substantial shareholdings**

As at 26 April 2007 the company had been advised of the following interests in the share capital of the company:

The Camellia Private Trust Company Limited through its subsidiary, Camellia Holding AG held 1,426,000 ordinary shares (51.30 per cent. of total voting rights).

Alcatel Bell Pensioenfonds VZW held through HSBC Global Custody Nominees Limited 210,493 ordinary shares (7.57 per cent. of total voting rights).

St. James's Place Capital Plc held (through one if its subsidiaries) 91,002 ordinary shares (3.22 per cent. of total voting rights).

**Charitable contributions**

During the year the group made charitable donations totalling £5,584 (2005: £15,561). Of this amount £3,406 was paid to arts, sports and education related charities and £2,178 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 2006 represented 30 days of annual purchases.

**Changes in share capital and purchase of own shares**

At the annual general meeting in 2006, shareholders gave authority for the company to purchase up to 284,236 of its own shares. This authority expires at the conclusion of this year's annual general meeting on 7 June 2007. During the year the company purchased for cancellation 364 of its own shares at a total cost of £30,758.

In addition, at the annual general meeting in 2006, shareholders approved the cancellation of the company's authorised but unissued share capital which, at that time, comprised 157,636 authorised but unissued shares.

**Annual general meeting**

The annual general meeting will be held on 7 June 2007 and the notice of meeting appears on page 3. An explanation of resolution 13 being the only special business proposed at the meeting is set out below.

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 and opportunity occur and coincide with liquidity. The authority being sought is for up to 277,950 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 interests of the company to do so. Any shares purchased in this way will be cancelled. The authority will expire at the conclusion of the 2008 annual general meeting or 7 September 2008 if earlier.

**Auditors**

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

Each of the persons who were directors at the time when this directors' report was approved has confirmed that:

a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and

b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and of the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

**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

26 April 2007

## Corporate governance

**Statement of compliance**

This statement describes how the company applies the provisions of the Combined Code on Corporate Governance ("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. Two are independent non-executive directors and two are non-executive directors. The remaining directors are executive directors, including the executive chairman. Mr Relleen has been designated as the senior independent director.

Mr Vaughan-Johnson was first appointed to the board in 1999. The board, having taken into consideration provision A.7.2 of the Code, considers it is in the best interest of the company for Mr Vaughan-Johnson to continue to act as an independent non-executive 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.

The board has established a remuneration committee, audit committee and executive committee. Terms of reference of each of these 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 |
| I Ahmed | Bangladesh |
| M D Conway | Secretarial and administration |
| G Haycock | Bermuda, North and South America |
| A Singh | India |
| K W Tarplee | Africa |

The board has adopted a schedule of matters reserved for its approval. These matters cover the following areas:

- Strategy
- Acquisitions and disposals
- 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 full copy of the schedule is available on the company's website.

The audit committee is chaired by Mr Relleen. The other members of the committee are Mr Reeves and Mr Vaughan-Johnson. The committee regularly reviews the effectiveness of internal audit activities carried out by the company's group

accounting function and senior management. The committee also reviews non-audit services provided by the company's auditors and ensures that the independence of the auditors is maintained.

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 2006.

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

| | Board | Audit | Remuneration |
|---|---|---|---|
| Mr M C Perkins | 10/10 | – | – |
| Mr A K Mathur | 10/10 | 2/2* | – |
| Mr P A Leggatt | 10/10 | – | – |
| Mr C J Relleen | 10/10 | 2/2 | 2/2 |
| Mr D A Reeves | 10/10 | 2/2 | – |
| Dr B A Siegfried (appointed 1 August 2006) | 2/4 | – | – |
| Mr C P T Vaughan-Johnson | 10/10 | 2/2 | 2/2 |

* 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. The board will continue to review whether implementation of such procedures is appropriate.

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 2007 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 the Companies Act 1985 as amended.

**Remuneration committee**

The committee comprises the board's two independent non-executive directors, being Mr Vaughan-Johnson who is chairman of the committee and Mr 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.

The committee met twice during 2006.

**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 (e.g. weather, commodity prices etc.), and is a significant consideration as to why the company does not operate profit related bonus, share option or share incentive schemes for directors.

**Service contracts**

Messrs Perkins, Leggatt and Mathur are each employed by Linton Park Plc on rolling service contracts. Mr Perkins' service contract is dated 25 April 2002, Mr Mathur's service contract is dated 1 December 2003 and Mr Leggatt's service contract is dated 1 January 2004. The service contracts are terminable at any time by a one year period of notice from the company or the director. Following their initial appointment non-executive directors may seek re-election by shareholders at each subsequent annual general meeting. Non-executive directors do not have service agreements. There are no specific contractual provisions for compensation upon early termination of a directors' employment. The remuneration committee reviews salaries annually and will seek independent professional advice when appropriate. From March 2006, Mr Perkins spent significantly more time on the group's operations outside of the UK and, to reflect this, Mr Perkins' salary from Linton Park Plc was reduced and he received the balance of his remuneration from Lawrie International Limited.

**Directors' remuneration**

| | Basic remuneration 2006 £ | Benefits in kind 2006 £ | Total 2006 £ | *Total 2005 £* |
|---|---|---|---|---|
| **Executive** | | | | |
| M C Perkins | 300,000 | 80,086 | 380,086 | *298,420* |
| P A Leggatt | 118,946 | 18,843 | 137,789 | *130,041* |
| A K Mathur | 150,000 | 27,121 | 177,121 | *149,247* |
| A S M O Subhan (to date of retirement) | 9,786 | 18,181 | 27,967 | *50,465* |
| **Non-executive** | | | | |
| D A Reeves | 20,000 | – | 20,000 | *10,000* |
| C J Relleen | 37,500 | – | 37,500 | – |
| Dr B A Siegfried (from date of appointment) | 4,167 | – | 4,167 | – |
| C P T Vaughan-Johnson | 32,500 | – | 32,500 | *35,000* |
| | 672,899 | 144,231 | 817,130 | *673,173* |

Benefits in kind include the value attributed to benefits such as medical insurance, accommodation, permanent health insurance, spouse/partner travel and cash alternatives to company cars.

**Directors' pensions**

Most UK employees, including executive directors, are eligible to join 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. Members of both the Lawrie Group Pension Scheme and the Linton Park Group Pension Scheme contribute 6 per cent. of basic salary. Pension accrues at the rate of 1/60th of basic final salary per year of service for Messrs Perkins and Mathur. Also, 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. From 1 May 2007 the normal retirement age of members of the Lawrie Group Pension Scheme will be increased to 65. 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 H M Revenue & Customs limits. Up until 6 April 2005, under the Linton Park Group Pension Scheme, 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, 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. 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

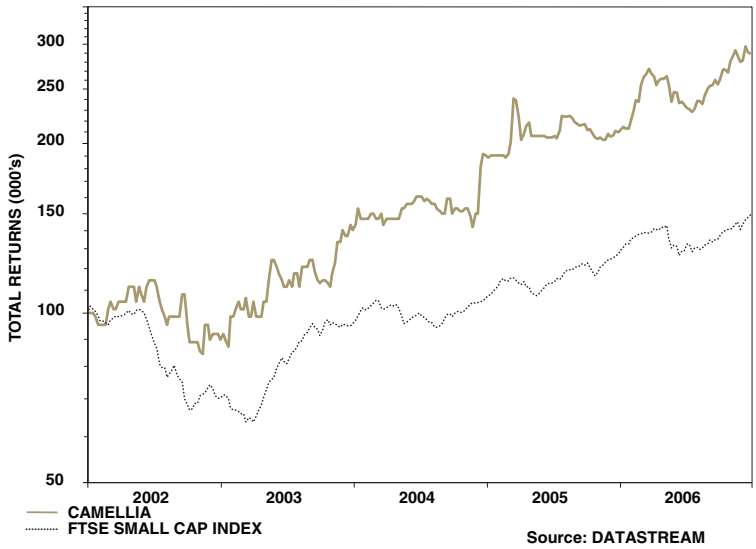
| | Age | Pension accrued in year £ | Pension accrued in the year net of inflation £ | Pension accrued to 31 Dec 2006 £ | Transfer value of pension accrued in the year net of inflation £ | Transfer value of pension accrued at 31 Dec 2005 £ | Transfer value of pension accrued at 31 Dec 2006 £ | Increase in transfer value in the year net of directors contributions £ |
|---|---|---|---|---|---|---|---|---|
| M C Perkins | 62 | 5,515 | 4,381 | 37,026 | 48,450 | 526,824 | 647,224 | 103,384 |
| A K Mathur | 59 | 3,542 | 1,605 | 56,988 | 32,291 | 1,016,405 | 1,146,868 | 122,521 |

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 2006 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

26 April 2007

## Consolidated income statement
*for the year ended 31 December 2006*

| | Notes | 2006 £'000 | *2005 £'000* |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 1 | 160,552 | *152,743* |
| Cost of sales | | (106,239) | *(107,968)* |
| **Gross profit** | | 54,313 | *44,775* |
| Other operating income | | 1,657 | *2,373* |
| Distribution costs | | (8,987) | *(7,969)* |
| Administrative expenses | | (36,141) | *(35,978)* |
| **Trading profit** | 3 | 10,842 | *3,201* |
| Share of associates' results | 4 | 4,932 | *5,842* |
| Profit on disposal of non-current assets | 5 | 929 | *874* |
| Profit on disposal of non-current assets held for sale | 6 | 952 | *–* |
| Profit on disposal of 'available-for-sale' investments | | 364 | *2,488* |
| Profit on part disposal of a subsidiary | 7 | – | *795* |
| Gain arising from changes in fair value of biological assets | | 1,176 | *4,147* |
| Gain on group restructuring | 8 | – | *5,523* |
| **Profit from operations** | | 19,195 | *22,870* |
| Investment income | | 1,606 | *1,313* |
| Finance income | 9 | 709 | *707* |
| Finance costs | 9 | (2,544) | *(2,353)* |
| Pension schemes net financing income/(cost) | 9 | 1,016 | *(262)* |
| Net finance costs | 9 | (819) | *(1,908)* |
| **Profit before tax** | | 19,982 | *22,275* |
| Taxation | 10 | (4,808) | *(1,764)* |
| **Profit for the period from continuing operations** | | 15,174 | *20,511* |
| **Discontinued operations** | | | |
| Profit for the period from discontinued operations | 11 | – | *3,058* |
| **Profit for the period** | | 15,174 | *23,569* |
| Profit attributable to minority interests | | 2,271 | *3,243* |
| Profit attributable to equity shareholders | | 12,903 | *20,326* |
| | | 15,174 | *23,569* |
| **Earnings per share – basic and diluted** | 14 | 464.2p | *793.2p* |
| **Earnings per share from continuing operations – basic and diluted** | 14 | 464.2p | *692.2p* |

## Consolidated balance sheet
*at 31 December 2006*

| | Notes | 2006 £'000 | *2005 £'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 17 | 7,865 | *4,588* |
| Property, plant and equipment | 18 | 76,257 | *82,069* |
| Biological assets | 19 | 75,553 | *86,679* |
| Prepaid operating leases | 20 | 969 | *1,062* |
| Investments in associates | 22 | 63,672 | *65,672* |
| Deferred tax assets | 31 | 1,344 | *1,330* |
| Financial assets | 23 | 55,466 | *61,831* |
| Retirement benefit surplus | 32 | 3,585 | *2,634* |
| Trade and other receivables | 25 | 526 | *583* |
| **Total non-current assets** | | 285,237 | *306,448* |
| **Current assets** | | | |
| Inventories | 24 | 19,067 | *18,204* |
| Trade and other receivables | 25 | 52,416 | *50,699* |
| Current income tax assets | | 1,786 | *1,820* |
| Cash and cash equivalents | 26 | 210,560 | *170,940* |
| | | 283,829 | *241,663* |
| Non-current assets classified as held for sale | 27 | 167 | *1,036* |
| **Total current assets** | | 283,996 | *242,699* |
| **Current liabilities** | | | |
| Borrowings | 29 | (16,688) | *(21,234)* |
| Trade and other payables | 28 | (235,008) | *(201,779)* |
| Current income tax liabilities | | (2,488) | *(1,888)* |
| Other employee benefit obligations | 33 | (142) | *(190)* |
| Provisions | 30 | (58) | *(88)* |
| **Total current liabilities** | | (254,384) | *(225,179)* |
| **Net current assets** | | 29,612 | *17,520* |
| **Total assets less current liabilities** | | 314,849 | *323,968* |
| **Non-current liabilities** | | | |
| Borrowings | 29 | (14,951) | *(10,959)* |
| Deferred tax liabilities | 31 | (25,161) | *(27,061)* |
| Retirement benefit obligations | 32 | (17,781) | *(21,284)* |
| Other employee benefit obligations | 33 | (1,163) | *(1,399)* |
| Other non-current liabilities | | (417) | *(353)* |
| Provisions | 30 | (112) | *(70)* |
| **Total non-current liabilities** | | (59,585) | *(61,126)* |
| **Net assets** | | 255,264 | *262,842* |
| **Equity** | | | |
| Called up share capital | 34 | 284 | *284* |
| Reserves | | 235,677 | 241,632 |
| **Shareholders' funds** | 35 | 235,961 | *241,916* |
| Minority interests | 35 | 19,303 | *20,926* |
| **Total equity** | | 255,264 | *262,842* |

## Balance sheet
*at 31 December 2006*

| | Notes | 2006 £'000 | *2005 £'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 21 | 73,683 | *73,683* |
| Financial assets | 23 | 6,962 | *6,790* |
| **Total non-current assets** | | 80,645 | *80,473* |
| **Current assets** | | | |
| Trade and other receivables | 25 | – | *38* |
| Amounts due from group undertakings | | 5,770 | *4,030* |
| Current income tax asset | | 74 | *77* |
| Cash and cash equivalents | 26 | 1 | *13* |
| **Total current assets** | | 5,845 | *4,158* |
| **Current liabilities** | | | |
| Trade and other payables | 28 | (20) | *(176)* |
| Amounts due to group undertakings | | (23,776) | *(23,880)* |
| **Total current liabilities** | | (23,796) | *(24,056)* |
| **Net current liabilities** | | (17,951) | *(19,898)* |
| **Total assets less current liabilities** | | 62,694 | *60,575* |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 31 | (361) | *(361)* |
| **Total non-current liabilities** | | (361) | *(361)* |
| **Net assets** | | 62,333 | *60,214* |
| **Equity** | | | |
| Called up share capital | 34 | 284 | *284* |
| Reserves | | 62,049 | *59,930* |
| **Shareholders' funds** | 35 | 62,333 | *60,214* |

Approved on 26 April 2007 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 2006*

| | Notes | 2006 £'000 | *2005 £'000* |
|---|---|---|---|
| **Cash generated from operations** | | | |
| Cash flows from operating activities | 36 | 9,235 | *20,753* |
| Interest paid | | (2,857) | *(2,551)* |
| Income taxes paid | | (3,416) | *(3,435)* |
| Interest received | | 665 | *635* |
| Dividends received from associates | | 1,835 | *1,564* |
| Net cash flow from continuing operating activities | | 5,462 | *16,966* |
| Net cash flow from discontinued operating activities | | – | *1,730* |
| **Net cash flow from operating activities** | | 5,462 | *18,696* |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | | (237) | *(105)* |
| Purchase of property, plant and equipment | | (8,657) | *(6,844)* |
| Proceeds from sale of non-current assets | | 2,564 | *2,418* |
| Proceeds from sale of non-current assets held for sale | | 1,634 | – |
| Disposal of subsidiaries (net of cash disposed) | 38 | – | *12,883* |
| Part disposal of a subsidiary | | – | *1,673* |
| Acquisition of subsidiary (net of cash acquired) | 38 | (3,670) | *(4,393)* |
| Purchase of minority interests | | – | *(3,027)* |
| Minority share subscription | | 541 | – |
| Purchase of shares in associate | | (23) | *(16)* |
| Proceeds from sale of investments | | 9,596 | *3,200* |
| Purchase of investments | | (4,378) | *(7,141)* |
| Income from investments | | 1,606 | *1,313* |
| Net cash flow from discontinued operations | | – | *(1,430)* |
| **Net cash flow from investing activities** | | (1,024) | *(1,469)* |
| **Cash flows from financing activities** | | | |
| Equity dividends paid | | (2,474) | *(2,284)* |
| Dividends paid to minority interests | | (1,055) | *(1,306)* |
| Net increase in/(repayment of) debt | | 4,971 | *(9,213)* |
| Purchase of own shares | | (31) | – |
| **Net cash flow from financing activities** | | 1,411 | *(12,803)* |
| **Net increase in cash and cash equivalents** | | 5,849 | *4,424* |
| **Cash and cash equivalents at beginning of period** | 26 | (6,435) | *(10,637)* |
| Exchange gains/(losses) on cash | | 44 | *(222)* |
| **Cash and cash equivalents at end of period** | 26 | (542) | *(6,435)* |

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.

## Cash flow statement
*for the year ended 31 December 2006*

| | Notes | 2006 £'000 | *2005 £'000* |
|---|---|---|---|
| **Cash generated from operations** | | | |
| Profit before tax | | 4,677 | *20,040* |
| Adjustments for: | | | |
| Gain on disposal of investments | | (44) | *(1,833)* |
| Interest income | | (437) | *(593)* |
| Dividend income | | (8) | *(23)* |
| Dividends from group companies | | (5,000) | *(18,551)* |
| Decrease/(increase) in trade and other receivables | | 38 | *(16)* |
| Decrease in trade and other payables | | (156) | *–* |
| Net movement in intra-group balances | | (1,844) | *(13,481)* |
| Cash generated from operations | | (2,774) | *(14,457)* |
| Interest received | | 437 | *593* |
| Payment for group relief received | | 77 | *1* |
| **Net cash flow from operating activities** | | (2,260) | *(13,863)* |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiary | | – | *(2,117)* |
| Proceeds from sale of investments | | 171 | *2,318* |
| Purchase of investments | | (370) | *(2,627)* |
| Dividends received | | 5,008 | *18,574* |
| **Net cash flow from investing activities** | | 4,809 | *16,148* |
| **Cash flows from financing activities** | | | |
| Equity dividends paid | | (2,530) | *(2,284)* |
| Purchase of own shares | | (31) | *–* |
| **Net cash flow from financing activities** | | (2,561) | *(2,284)* |
| **Net (decrease)/increase in cash and cash equivalents** | | (12) | *1* |
| **Cash and cash equivalents at beginning of period** | 26 | 13 | *12* |
| **Cash and cash equivalents at end of period** | 26 | 1 | *13* |

## Statement of recognised income and expense
*for the year ended 31 December 2006*

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| *Group* | | |
| Foreign exchange translation differences | (26,348) | *12,725* |
| Actuarial movement on defined benefit pension schemes | 3,540 | *4,310* |
| Movement on deferred tax relating to defined benefit pension schemes | (1,185) | *1,204* |
| Available-for-sale investments: | | |
| Valuation gains taken to equity | 4,401 | *7,124* |
| Transferred to profit or loss on sale | (124) | *(1,562)* |
| Other fair value adjustment | 69 | *135* |
| Share of associate's net movement in defined benefit pension schemes | 257 | *–* |
| Share of associates' fair value adjustments | (73) | *(45)* |
| Share of associate's profit/(loss) on cash flow hedges | 378 | *(585)* |
| Share of associate's income taxes on items recorded in equity | (27) | *–* |
| **Net (expense)/income recognised directly in equity** | (19,112) | *23,306* |
| Profit for the period | 15,174 | *23,569* |
| **Total recognised income and expense for the period** | (3,938) | *46,875* |
| Attributable to: | | |
| Minority interests | (1,109) | *5,767* |
| Equity shareholders | (2,829) | *41,108* |
| | (3,938) | *46,875* |
| *Company* | | |
| Available-for-sale investments: | | |
| Valuation gains taken to equity | – | *21* |
| Transferred to profit or loss on sale | (72) | *(1,081)* |
| **Net expense recognised directly in equity** | (72) | *(1,060)* |
| Profit for the period | 4,752 | *20,165* |
| **Total recognised income and expense for the period** | 4,680 | *19,105* |

# Accounting policies

**Accounting policies**

The principal accounting policies applied 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**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.

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

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 group'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.

**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.

## Accounting policies

**Accounting policies** *(continued)*

**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.

In respect of engineering services revenue is recognised based upon the stage of completion and includes costs incurred to date, plus accrued profits.

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

**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.

**(ii) Identifiable intangible assets – Customer relationships**

Identifiable intangible assets include customer relationships and other intangible assets acquired on the acquisition of subsidiaries. Acquired intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives, not exceeding 20 years. Intangible assets' estimated lives are re-evaluated annually and an impairment test is carried out if certain indicators of impairment exist.

**(iii) 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.

**Accounting policies** *(continued)*

**Property, plant and equipment**

Land and buildings comprises mainly factories and offices. All property, plant and equipment 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 | nil 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.

The fair value of livestock is 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.

**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).

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.

## Accounting policies

**Accounting policies** *(continued)*

**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 and philately. Listed shares are measured at subsequent reporting dates at fair value. Other investments such as shares of unlisted companies, documents, manuscripts and philately 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 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.

**Accounting policies** *(continued)*

**Borrowings**

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

**Taxation**

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

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

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

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

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. 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 recognised income and expense.

**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.

## Accounting policies

**Accounting policies** *(continued)*

**Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

**Impairment of assets**

The group has significant investments in intangible assets, property, plant and equipment, biological assets, associated companies and financial assets. These assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors considered which could trigger an impairment review include the following, significant fall in market values, significant underperformance relative to historical or projected future operating results, a major change in market conditions or negative cash flows.

**Depreciation and amortisation**

Depreciation and amortisation is based on management estimates of the future useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.

**Biological assets**

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, costs and discount rates.

**Retirement benefit obligations**

Pension accounting requires certain assumptions to be made in order to value obligations and to determine the impact on the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality, inflation rates and expected long-term rates of return on assets. Details of assumptions made are given in note 32.

**Taxation**

The group is subject to taxes in numerous jurisdictions. Significant judgement is required in determining worldwide provisions for taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

**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 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.

**Accounting policies** *(continued)*

**Banking and financial services operations** *(continued)*

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 receivable.

**(ii) Held-to-maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the groupís 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.

**Critical accounting estimates and judgements**

**Revenue recognition**

Corporate management and trustee services are provided to clients throughout the financial year, and are invoiced on a bi-annual basis. Management have been required to consider at what stage the provision of such services should be accounted for as revenue in the income statement. In making its judgement, management considered the detailed criteria for the recognition of revenue from the rendering of services set out in IAS 18 Revenue and, in particular, the stage of completion of the provision of services.

**Identifiable intangible assets in customer relationships**

Customer relationships acquired are valued using discounted cash flows techniques and amortised over their estimated useful lives. In determining their value and their subsequent useful life, management are required to make assumptions in relation to expected cash flows, applicable discount factors, and client attrition rates.

## 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 2006:

New standards and interpretations

| | |
|---|---|
| IFRS 7 | Financial instruments: disclosure |
| IFRS 8 | Operating segments |
| IFRIC 7 | Applying the restatement approach under IAS 29 |
| IFRIC 8 | Scope of IFRS 2 Share-based payment |
| IFRIC 9 | Reassessment of embedded derivatives |
| IFRIC 10 | Interim financial reporting and impairment |
| IFRIC 11 | Group and treasury share transactions |
| IFRIC 12 | Service concession arrangements |

Revisions to existing standards

| | |
|---|---|
| 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.

IFRS 9 The revisions to this standard will require additional disclosure. However current segmental information is prepared on a similar basis to that used by management in assessing the performance of the businesses and it is not envisaged that this will result in a significant change. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

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.

## 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 £'000 | *2005 £'000* | 2006 £'000 | *2005 £'000* | 2006 £'000 | *2005 £'000* | 2006 £'000 | *2005 £'000* | 2006 £'000 | *2005 £'000* | 2006 £'000 | *2005 £'000* |
| **Revenue** | | | | | | | | | | | | |
| External sales | 88,549 | *83,861* | 20,255 | *19,441* | 39,266 | *38,734* | 11,096 | *9,350* | 1,386 | *1,357* | 160,552 | *152,743* |
| **Trading profit** | | | | | | | | | | | | |
| Segment profit | 12,682 | *6,506* | 1,744 | *223* | (512) | *(1,004)* | 1,766 | *1,303* | (9) | *339* | 15,671 | *7,367* |
| Unallocated corporate expenses | | | | | | | | | | | (4,829) | *(4,166)* |
| Trading profit | | | | | | | | | | | 10,842 | 3,201 |
| Share of associates' results | 18 | *68* | | | | | 395 | *560* | 4,519 | *5,214* | 4,932 | *5,842* |
| Profit on disposal of non-current assets | | | | | | | | | | | 929 | *874* |
| Profit on disposal of assets held for resale | | | | | | | | | | | 952 | – |
| Profit on disposal of 'available-for-sale' investments | | | | | | | | | | | 364 | *2,488* |
| Profit on part disposal of a subsidiary | | | | | | | | | | | – | *795* |
| Gain arising from changes in fair value of biological assets | 1,176 | *4,147* | | | | | | | | | 1,176 | *4,147* |
| Gain on group restructuring | | | | | | | | | | | – | *5,523* |
| Investment income | | | | | | | | | | | 1,606 | *1,313* |
| Net finance costs | | | | | | | | | | | (819) | *(1,908)* |
| Profit before tax | | | | | | | | | | | 19,982 | *22,275* |
| Taxation | | | | | | | | | | | (4,808) | *(1,764)* |
| Profit for the period from discontinued operations | | | | | | | | | | | – | *3,058* |
| Profit after tax and discontinued operations | | | | | | | | | | | 15,174 | *23,569* |
| **Other information** | | | | | | | | | | | | |
| Segment assets | 144,721 | *164,534* | 14,347 | *14,406* | 29,622 | *29,850* | 241,774 | *205,047* | 2,686 | *3,875* | 433,150 | *417,712* |
| Investment in associates | 920 | *1,052* | | | | | 2,566 | *2,781* | 60,186 | *61,839* | 63,672 | *65,672* |
| Unallocated assets | | | | | | | | | | | 72,411 | *65,763* |
| Consolidated total assets | | | | | | | | | | | 569,233 | *549,147* |
| Segment liabilities | (23,284) | *(28,105)* | (2,813) | *(4,016)* | (7,683) | *(7,406)* | (212,355) | *(177,361)* | (151) | *(103)* | (246,286) | *(216,991)* |
| Unallocated liabilities | | | | | | | | | | | (67,683) | *(69,314)* |
| Consolidated total liabilities | | | | | | | | | | | (313,969) | *(286,305)* |
| Capital expenditure | 3,809 | *4,423* | 904 | *461* | 1,981 | *1,338* | 137 | *366* | 102 | *44* | | |
| Depreciation | (3,161) | *(2,956)* | (830) | *(837)* | (2,997) | *(2,910)* | (214) | *(234)* | (16) | *(12)* | | |
| Amortisation | (16) | *(15)* | (6) | *(11)* | | | (243) | *(78)* | | | | |
| Impairment | | *(111)* | | *(179)* | (117) | | | | | | | |

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. Investment in 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 and Bermuda
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:

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| United Kingdom | 66,908 | *65,242* |
| Continental Europe | 19,055 | *17,799* |
| India | 35,241 | *32,451* |
| Kenya | 12,908 | *11,361* |
| Malawi | 4,485 | *3,118* |
| Bangladesh | 7,944 | *8,375* |
| North America | 3,390 | *4,115* |
| South Africa | 2,512 | *1,987* |
| South America | 3,184 | *3,112* |
| Other | 4,925 | *5,183* |
| | 160,552 | *152,743* |

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 | |
|---|---|---|---|---|
| | 2006 £'000 | *2005 £'000* | 2006 £'000 | *2005 £'000* |
| United Kingdom | 280,918 | *246,800* | 2,815 | *1,965* |
| Continental Europe | 4,179 | *3,493* | 192 | *58* |
| India | 40,495 | *48,192* | 825 | *1,548* |
| Kenya | 37,603 | *36,723* | 699 | *947* |
| Malawi | 24,955 | *27,962* | 659 | *841* |
| Bangladesh | 19,743 | *23,587* | 826 | *550* |
| North America | 4,148 | *3,109* | 305 | *82* |
| South Africa | 9,495 | *14,721* | 273 | *254* |
| South America | 11,614 | *13,125* | 339 | *387* |
| | 433,150 | *417,712* | 6,933 | *6,632* |

**1 Business and geographical segments** *(continued)*

**Discontinued operations**

In 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 | |
|---|---|---|
| | 2006 | *2005* |
| | £'000 | *£'000* |
| **Revenue** | | |
| External sales | – | *3,373* |
| **Trading profit** | | |
| Segment profit | – | *(499)* |
| Investment income | – | *1* |
| Net finance costs | – | *18* |
| Loss before tax | – | *(480)* |
| Taxation | – | *–* |
| Loss after tax | – | *(480)* |
| Profit on disposal of discontinued operations | – | *5,167* |
| Taxation in relation to disposal | – | *(1,629)* |
| Profit for the year from discontinued operations | – | *3,058* |

**Geographical segments**

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

| | | |
|---|---|---|
| India | – | *20* |
| North America | – | *80* |
| Australia | – | *3,013* |
| Other | – | *260* |
| | – | *3,373* |

## Notes to the accounts

**1 Business and geographical segments** *(continued)*

**Results of banking subsidiaries**

| | | 2006 £'000 | *2005 £'000* |
|---|---|---|---|
| Interest receivable | third parties | 11,051 | *8,796* |
| | group companies | 57 | *34* |
| | | 11,108 | *8,830* |
| Interest payable | third parties | (7,750) | *(5,595)* |
| | group companies | (146) | *(288)* |
| Net interest income | | 3,212 | *2,947* |
| Dividend income | | 24 | *22* |
| Fee and commission income | | 8,084 | *6,297* |
| Fee and commission expense | | (491) | *(348)* |
| Other operating income | | 178 | *178* |
| | | 11,007 | *9,096* |
| Inter-segment net interest | | 89 | *254* |
| Revenue | | 11,096 | *9,350* |
| Operating expenses | | (9,330) | *(8,047)* |
| Segment profit | | 1,766 | *1,303* |

**2 Revenue**

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

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| **Continuing operations** | | |
| Sale of goods | 88,549 | *83,861* |
| Distribution and warehousing revenue | 39,266 | *38,734* |
| Engineering services revenue | 20,255 | *19,441* |
| Banking service revenue | 11,096 | *9,350* |
| Agency commission revenue | 1,131 | *1,125* |
| Property rental revenue | 255 | *232* |
| | 160,552 | *152,743* |
| Other operating income | 1,657 | 2,373 |
| Investment income | 1,606 | *1,313* |
| Interest income | 709 | *707* |
| | 164,524 | *157,136* |
| **Discontinued operations** | | |
| Sale of goods | – | *3,373* |
| | – | *3,373* |
| Investment income | – | *1* |
| Interest income | – | *74* |
| | – | *3,448* |
| **Total group revenue** | 164,524 | *160,584* |

## 3 Trading profit

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| The following items have been included in arriving at trading profit: | | |
| Employment costs (note 15) | 55,975 | *57,807* |
| Inventories: | | |
| Cost of inventories recognised as an expense (included in cost of sales) | 65,741 | *64,103* |
| Cost of inventories provision recognised as an expense (included in cost of sales) | 293 | *189* |
| Cost of inventories provision reversed (included in cost of sales) | (42) | *(2)* |
| Depreciation of property, plant and equipment: | | |
| Owned assets | 6,733 | *6,854* |
| Under finance leases | 675 | *531* |
| Amortisation of intangibles (included in cost of sales) | 265 | *104* |
| Amounts (released)/written off financial assets (included within administration costs) | (107) | *46* |
| (Profit)/loss on property, plant and equipment | (41) | *38* |
| Operating leases – minimum lease payments: | | |
| Plant and machinery | 1,110 | *1,368* |
| Property | 775 | *754* |
| Repairs and maintenance expenditure on property, plant and equipment | 1,970 | *1,623* |
| Currency exchange losses/(gains) charged/(credited) to income include: | | |
| Revenue | 18 | *(54)* |
| Cost of sales | 174 | *(244)* |
| Distribution costs | 37 | *(139)* |
| Administration costs | 134 | *(181)* |
| Other operating income | (4) | *(19)* |
| Finance costs | 59 | *213* |
| | 418 | *(424)* |

Amounts paid to the group's auditors comprised:

| | | |
|---|---|---|
| Audit services: | | |
| Statutory audit | 620 | *641* |
| Audit – related regulatory reporting | 24 | *94* |
| Further assurance services | – | *9* |
| Tax services: | | |
| Compliance services | 61 | *58* |
| Advisory services | 23 | *14* |
| Other services not covered above | 46 | *72* |
| | 774 | *888* |

Included in the above group audit fees and expenses is £249,000 paid to Moore Stephens LLP (*2005: £171,000*) for statutory audit services and £30,000 for tax and assurance services (*2005: £108,000*). Associates of Moore Stephens LLP were paid audit fees of £62,000 (2005: £22,000) and £1,000 for taxation services (*2005: £1,000*).

## Notes to the accounts

### 4 Share of associates' results

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

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Operating profit | 6,570 | *7,748* |
| Net finance costs | (780) | *(692)* |
| Profit before tax | 5,790 | *7,056* |
| Taxation | (858) | *(1,214)* |
| Profit after tax | 4,932 | *5,842* |

### 5 Profit on disposal of non-current assets

| | 2006 £'000 | *2005 £'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 | 929 | *349* |
| | 929 | *874* |

### 6 Profit on disposal of non-current assets held for sale

A profit of £952,000 was realised in relation to property, plant and equipment of Eastern Produce South Africa (Pty) Limited (formerly Sapekoe (Pty) Limited) which had previously been used in the group's production of tea in South Africa and were reclassified as being held for sale in 2005.

### 7 Profit on part disposal of a subsidiary

In 2005, 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 cash consideration was £1,673,000.

### 8 Gain 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.

### 9 Finance income and costs

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Interest payable on loans and bank overdrafts | (2,341) | *(2,445)* |
| Interest payable on obligations under finance leases | (144) | *(121)* |
| Total borrowing costs | (2,485) | *(2,566)* |
| Net exchange (loss)/gain on foreign currency borrowings | (59) | *213* |
| Finance costs | (2,544) | *(2,353)* |
| Finance income – interest income on short-term bank deposits | 709 | *707* |
| Pension schemes net financing income/(cost) (note 32) | 1,016 | *(262)* |
| Net finance costs | (819) | *(1,908)* |

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

## 10 Taxation on profit on ordinary activities

### Analysis of charge in the year

| | 2006 £'000 | 2006 £'000 | *2005 £'000* |
|---|---|---|---|
| **Current tax** | | | |
| **UK corporation tax** | | | |
| UK corporation tax at 30.0 per cent. (*2005: 30.0 per cent.*) | 2,004 | | *3,853* |
| Adjustment in respect of prior years | (152) | | *(115)* |
| Double tax relief | (1,709) | | *(3,670)* |
| | | 143 | *68* |
| **Foreign tax** | | | |
| Corporation tax | 3,789 | | *1,980* |
| Adjustment in respect of prior years | 263 | | *10* |
| | | 4,052 | *1,990* |
| **Total current tax** | | 4,195 | *2,058* |
| **Deferred tax** | | | |
| Origination and reversal of timing differences | | | |
| United Kingdom | (486) | | *(1,855)* |
| Overseas | 1,099 | | *1,561* |
| **Total deferred tax** | | 613 | *(294)* |
| **Tax on profit on ordinary activities** | | 4,808 | *1,764* |
| **Factors affecting tax charge for the year** | | | |
| Profit on ordinary activities before tax | | 19,982 | *22,275* |
| Less: share of associated undertakings profit | | 4,932 | *5,842* |
| Group profit on ordinary activities before tax | | 15,050 | *16,433* |
| Tax on ordinary activities at the standard rate of corporation tax in the UK of 30.0 per cent. (*2005: 30.0 per cent.*) | | 4,515 | *4,930* |
| Effects of: | | | |
| Adjustment to tax in respect of prior years | | 111 | *(105)* |
| Expenses not deductible for tax purposes | | 256 | *415* |
| Adjustment in respect of foreign tax rates | | 460 | *(243)* |
| Additional tax arising on dividends from overseas companies | | 353 | *121* |
| Profit on disposal of non taxable assets | | (702) | *(1,247)* |
| Other income not charged to tax | | (246) | *(69)* |
| Increase in tax losses carried forward | | 635 | *–* |
| Decrease in tax losses carried forward | | (462) | *(148)* |
| Gain on group restructuring | | – | *(1,945)* |
| Movement in other timing differences | | (112) | *55* |
| **Current tax charge for the year** | | 4,808 | *1,764* |

## 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

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| The profit of the company was | 4,752 | *20,165* |

The company has taken the exemption under Section 230 of the Companies Act 1985 not to disclose the company income statement.

### 13 Equity dividends

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend for the year ended 31 December 2005 of 69.00p (*2004: 68.00p*) per share | 1,918 | *1,765* |
| Interim dividend for the year ended 31 December 2006 of 20.00p (*2005: 20.00p*) per share | 556 | *519* |
| | 2,474 | *2,284* |

Dividends amounting to £56,000 (*2005: £55,000*) have not been included as group companies hold 62,500 issued shares in the company. These are classified as treasury shares.

| | | |
|---|---|---|
| Proposed final dividend for the year ended 31 December 2006 of 70.00p (*2005: 69.00p*) per share | 1,989 | *1,961* |

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)

| | 2006 Earnings £'000 | 2006 Weighted average number of shares Number | 2006 EPS Pence | *2005 Earnings £'000* | *2005 Weighted average number of shares Number* | *2005 EPS Pence* |
|---|---|---|---|---|---|---|
| **Basic and diluted EPS** | | | | | | |
| **Continuing and discontinued operations** | | | | | | |
| Attributable to ordinary shareholders | 12,903 | 2,779,784 | 464.2 | *20,326* | *2,562,401* | *793.2* |
| **Continuing operations** | | | | | | |
| Attributable to ordinary shareholders | 12,903 | 2,779,784 | 464.2 | *17,737* | *2,562,401* | *692.2* |
| **Discontinued operations** | | | | | | |
| Attributable to ordinary shareholders | – | – | – | *2,589* | *2,562,401* | *101.0* |

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 34).

## 15 Employees

| | 2006 Number | *2005 Number* |
|---|---|---|
| Average number of employees by activity: | | |
| Agriculture and horticulture | 72,076 | *74,898* |
| Engineering | 350 | *368* |
| Food storage and distribution | 503 | *576* |
| Banking | 101 | *91* |
| Central management | 29 | *29* |
| | 73,059 | *75,962* |

| | | 2006 £'000 | *2005 £'000* |
|---|---|---|---|
| Employment costs: | | | |
| Wages and salaries | | 48,671 | *50,934* |
| Social security costs | | 2,432 | *2,454* |
| Other pension costs (see note 32) | – UK | 2,712 | *2,230* |
| | – Overseas | 2,160 | *2,189* |
| | | 55,975 | *57,807* |

Total remuneration paid to members of the executive committee, excluding those members that are directors of Camellia Plc, amounted to £808,000 (*2005: £812,000*).

## 16 Emoluments of the directors

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Aggregate emoluments excluding pension contributions | 817 | *673* |

Emoluments of the highest paid director excluding pension contributions were £380,000 (*2005: £298,000*).

Further details of directors' emoluments are set out on pages 16 and 17.

## Notes to the accounts

### 17 Intangible assets

| | Goodwill £'000 | Customer relationships £'000 | Licenses, patents and trade marks £'000 | Computer software £'000 | Total £'000 |
|---|---|---|---|---|---|
| *Group* | | | | | |
| Cost | | | | | |
| At 1 January 2005 | – | – | 308 | 445 | 753 |
| Exchange differences | – | – | 30 | 6 | 36 |
| Additions | 4,220 | – | – | 105 | 4,325 |
| At 1 January 2006 | 4,220 | – | 338 | 556 | 5,114 |
| Exchange differences | – | – | (32) | (4) | (36) |
| Additions | 1,481 | 1,847 | 2 | 235 | 3,565 |
| Reclassification | (2,967) | 2,967 | – | – | – |
| Disposals | – | – | (61) | – | (61) |
| At 31 December 2006 | 2,734 | 4,814 | 247 | 787 | 8,582 |
| Amortisation | | | | | |
| At 1 January 2005 | – | – | 123 | 232 | 355 |
| Exchange differences | – | – | 13 | 1 | 14 |
| Charge for the year | – | – | 14 | 90 | 104 |
| Impairment | – | – | 53 | – | 53 |
| At 1 January 2006 | – | – | 203 | 323 | 526 |
| Exchange differences | – | – | (10) | (3) | (13) |
| Disposals | – | – | (61) | – | (61) |
| Charge for the year | – | 148 | 8 | 109 | 265 |
| At 31 December 2006 | – | 148 | 140 | 429 | 717 |
| Net book value at 31 December 2006 | 2,734 | 4,666 | 107 | 358 | 7,865 |
| Net book value at 31 December 2005 | *4,220* | – | *135* | *233* | *4,588* |

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 by comparing the actual results of the companies acquired with those anticipated on acquisition.

Customer relationships are initially valued based on the present value of cash flows expected to be derived solely from the recurring customer base existing at the date of acquisition. Customer relationships may or may not be from contracts. During the year, on final review of the fair value of assets and liabilities on the acquisition of Douglas Deakin Young Limited, made in 2005, identifiable intangible assets for customer relationships, amounting to £2,967,000, were reclassified from residual goodwill and amortisation commenced from 1 January 2006.

## 18 Property, plant and equipment

| | Land and buildings £'000 | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Total £'000 |
|---|---|---|---|---|
| *Group* | | | | |
| Deemed cost | | | | |
| 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 1 January 2006 | 71,210 | 75,029 | 18,421 | 164,660 |
| Exchange differences | (4,946) | (4,362) | (588) | (9,896) |
| Additions | 3,190 | 4,821 | 748 | 8,759 |
| Acquisition of subsidiary | 51 | – | 295 | 346 |
| Disposals | (2,109) | (4,126) | (1,396) | (7,631) |
| At 31 December 2006 | 67,396 | 71,362 | 17,480 | 156,238 |
| Depreciation | | | | |
| 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 1 January 2006 | 25,826 | 47,806 | 8,959 | 82,591 |
| Exchange differences | (1,505) | (2,502) | (424) | (4,431) |
| Impairment | 56 | 61 | – | 117 |
| Charge for the year | 1,855 | 4,525 | 1,028 | 7,408 |
| Disposals | (653) | (3,962) | (1,349) | (5,964) |
| Acquisition of subsidiary | 17 | – | 243 | 260 |
| At 31 December 2006 | 25,596 | 45,928 | 8,457 | 79,981 |
| Net book value at 31 December 2006 | 41,800 | 25,434 | 9,023 | 76,257 |
| Net book value at 31 December 2005 | *45,384* | *27,223* | *9,462* | *82,069* |

**18 Property, plant and equipment** *(continued)*

Land and buildings at net book value comprise:

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Freehold | 30,591 | *33,309* |
| Long leasehold | 9,176 | *9,209* |
| Short leasehold | 2,033 | *2,866* |
| | 41,800 | *45,384* |

Plant and machinery includes assets held under finance leases. The depreciation charge for the year in respect of these assets was £675,000 (*2005: £531,000*) and their net book value was £3,251,000 (*2005: £2,242,000*).

The amount of expenditure during the year for property, plant and equipment in the course of construction amounted to £475,000 (*2005: £866,000*).

**19 Biological assets**

| | Tea £'000 | Citrus £'000 | Edible nuts £'000 | Other horticulture £'000 | Total £'000 |
|---|---|---|---|---|---|
| *Group* | | | | | |
| At 1 January 2005 | 46,789 | 3,588 | 12,599 | 16,829 | 79,805 |
| 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 1 January 2006 | 52,491 | 1,755 | 13,892 | 18,541 | 86,679 |
| Exchange differences | (7,402) | (233) | (3,051) | (1,915) | (12,601) |
| Increases due to purchases | 929 | 704 | 1,368 | 3,750 | 6,751 |
| Gains/(losses) arising from changes in fair value less estimated point-of-sale costs | – 109 | (91) | 212 | 946 | 1,176 |
| Decreases due to harvesting | – | (341) | (1,538) | (4,573) | (6,452) |
| At 31 December 2006 | 46,127 | 1,794 | 10,883 | 16,749 | 75,553 |

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

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 the expected life-span of the plantings, yields, selling prices and costs. The fair value of livestock is based on market prices of livestock of similar age and sex.

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 |
|---|---|---|---|---|
| 2006 | 10.5% – 13.5% | 12.0% – 17.5% | 12.0% – 15.5% | 5.0% – 17.5% |
| 2005 | *10.5% – 13.5%* | *10.0% – 17.5%* | *12.0% – 15.5%* | *5.0% – 17.5%* |

**19 Biological assets** *(continued)*

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

| | 2006 Hectares | *2005 Hectares* |
|---|---|---|
| Tea | 33,564 | *33,684* |
| Macadamia | 2,053 | *1,868* |
| Table grapes | 80 | *138* |
| Wine grapes | 191 | *213* |
| Citrus | 234 | *239* |
| Avocados | 328 | *278* |
| Pineapples | 605 | *898* |
| Plums | 20 | *14* |
| Pistachios | 136 | *136* |
| Timber | 3,111 | *3,124* |
| Rubber | 1,633 | *1,473* |
| Arable crops | 3,165 | *4,243* |

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

| | 2006 Head | *2005 Head* |
|---|---|---|
| | 5,075 | *5,295* |

Output of agricultural produce during the year was:

| | 2006 Metric tonnes | *2005 Metric tonnes* |
|---|---|---|
| Tea | 65,907 | *60,232* |
| Macadamia | 848 | *1,058* |
| Table grapes | 3,407 | *4,483* |
| Wine grapes | 1,929 | *813* |
| Citrus | 4,568 | *6,358* |
| Avocados | 3,482 | *2,610* |
| Pineapples | 50,314 | *34,273* |
| Plums | 470 | *381* |
| Pistachios | 621 | *75* |
| Rubber | 965 | *868* |
| Arable crops | 17,853 | *19,663* |

| | 2006 Cubic metres | *2005 Cubic metres* |
|---|---|---|
| Timber | 64,563 | *68,646* |

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Fair value of agricultural output after deducting estimated point-of-sale costs | 72,602 | *64,673* |

## Notes to the accounts

### 20 Prepaid operating leases

| | £'000 |
|---|---|
| *Group* | |
| Cost | |
| At 1 January 2005 | 886 |
| Exchange differences | 190 |
| At 1 January 2006 | 1,076 |
| Exchange differences | (94) |
| At 31 December 2006 | 982 |
| Amortisation | |
| At 1 January 2005 | 10 |
| Exchange differences | 3 |
| Charge for the year | 1 |
| At 1 January 2006 | 14 |
| Exchange differences | (2) |
| Charge for the year | 1 |
| At 31 December 2006 | 13 |
| Net book value at 31 December 2006 | 969 |
| Net book value at 31 December 2005 | *1,062* |

### 21 Investments in subsidiaries

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| *Company* | | |
| Cost | | |
| At 1 January | 73,683 | *22,685* |
| Additions | – | *17,017* |
| Transfer from subsidiary company | – | *33,981* |
| At 31 December | 73,683 | *73,683* |

## 22 Interests in associates

Details of the group's associates are shown in note 41. Summarised financial information of the group's share of associates includes:

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Total assets | 111,606 | *114,855* |
| Total liabilities | (47,934) | *(49,183)* |
| Net assets | 63,672 | *65,672* |
| Revenues | 52,773 | *48,112* |
| Profit for the year | 4,932 | *5,842* |
| Cost comprises: | | |
| Listed investments | 32,222 | *32,297* |
| Unlisted investments | 89 | *93* |
| | 32,311 | *32,390* |
| Fair value of listed investments | 73,004 | *70,326* |

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

On 1 January and 31 December 2006 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 2006 were £186,482,000 (*2005: £191,604,000*) and consolidated profit after tax for the year ended 31 December 2006 was £14,003,000 (*2005: £16,161,000*).

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

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Consolidated income statement: | | |
| Revenue | 50,204 | *45,444* |
| Operating profit | 5,934 | *6,751* |
| Net interest payable | (751) | *(661)* |
| Profit before taxation | 5,183 | *6,090* |
| Taxation | (664) | *(874)* |
| Profit after taxation | 4,519 | *5,216* |
| Consolidated balance sheet: | | |
| Fixed assets | 47,867 | *52,708* |
| Other non-current assets | 11,612 | *11,437* |
| Current assets | 33,845 | *32,499* |
| Liabilities due within one year | (10,382) | *(9,397)* |
| Liabilities due between 2 – 5 years | (22,756) | *(25,408)* |
| Group share of net assets | 60,186 | *61,839* |

## Notes to the accounts

### 23 Financial assets

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| *Group* | | |
| Cost or fair value | | |
| At 1 January | 62,243 | *43,734* |
| Exchange differences | (5,795) | *4,242* |
| Fair value adjustment | 4,401 | *7,124* |
| Additions | 4,378 | *7,142* |
| Transfer from inventories | – | *2,375* |
| Disposals | (9,338) | *(737)* |
| Companies leaving the group | – | *(75)* |
| Fair value adjustment for disposal | (124) | *(1,562)* |
| At 31 December | 55,765 | *62,243* |
| Provision for diminution in value | | |
| At 1 January | (412) | *(363)* |
| Exchange differences | 6 | *(3)* |
| Amounts released/(written off) in year | 107 | *(46)* |
| At 31 December | (299) | *(412)* |
| Net book value | | |
| At 31 December | 55,466 | *61,831* |
| Cost or fair value comprises: | | |
| Held-to-maturity investments: | | |
| Bank and building society certificates of deposit | – | *6,000* |
| Available-for-sale financial assets: | | |
| Investment securities | 2,011 | *4,868* |
| Listed investments | 46,058 | *44,217* |
| Unlisted investments | 910 | *715* |
| Collections | 6,786 | *6,443* |
| | 55,765 | *62,243* |

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

Bank and building society certificates of deposit and investment securities are 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 |
|---|---|---|
| B.F. & M. Limited | Bermuda | 25.6 |
| West Hamilton Limited (formerly Bermuda Bakery Limited) | Bermuda | 28.2 |

At 31 December 2006 B.F. & M. Limited's aggregate capital and reserves amounted to £56,530,000 and its profit for the year then ended was £12,953,000. With effect from January 2007, the group has representation on the board of B.F. & M. Limited and as a result this company will be accounted for as an associate in the group's 2007 accounts.

At 31 December 2005 West Hamilton Limited's aggregate capital and reserves amounted to £3,693,000 and its profit for the year then ended was £557,000. Financial statements to 31 December 2006 are not yet available for this company.

## 23 Financial assets *(continued)*

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| *Company* | | |
| Cost or fair value | | |
| At 1 January | 6,790 | *5,708* |
| Fair value adjustment | – | *21* |
| Additions | 370 | *82* |
| Transfer from subsidiary company | – | *2,545* |
| Disposals | (126) | *(485)* |
| Fair value adjustment for disposal | (72) | *(1,081)* |
| At 31 December | 6,962 | *6,790* |
| Cost or fair value comprises available-for-sale financial assets: | | |
| Listed investments | – | *171* |
| Unlisted investments | 170 | *176* |
| Collections | 6,792 | *6,443* |
| | 6,962 | *6,790* |

## 24 Inventories

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| *Group* | | |
| Raw materials and consumables | 4,714 | *4,918* |
| Work in progress | 1,541 | *571* |
| Produce on hand | 8,116 | *9,205* |
| Finished goods | 4,696 | *3,510* |
| | 19,067 | *18,204* |

The year end inventories balance includes a write-down provision of £330,000 (*2005: £388,000*).

## 25 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2006 £'000 | *2005 £'000* | 2006 £'000 | *2005 £'000* |
| Due within one year: | | | | |
| Amounts due from customers of banking subsidiaries | 26,508 | *24,643* | – | – |
| Trade debtors | 17,561 | *15,918* | – | *3* |
| Amounts owed by associated undertakings | 59 | *71* | – | – |
| Other debtors | 4,624 | *6,528* | – | *28* |
| Prepayments and accrued income | 3,664 | *3,539* | – | *7* |
| | 52,416 | *50,699* | – | *38* |
| Due after one year: | | | | |
| Other debtors | 526 | *583* | – | – |

## 26 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2006 | *2005* | 2006 | *2005* |
| | £'000 | *£'000* | £'000 | *£'000* |
| Cash at bank and in hand | 179,318 | *151,383* | 1 | *13* |
| Short-term bank deposits | 6,696 | *6,206* | – | – |
| Short-term liquid investments | 24,546 | *13,351* | – | – |
| | 210,560 | *170,940* | 1 | *13* |

Included in the amounts above are cash and short-term funds, time deposits with banks and building societies and certificates of deposit amounting to £198,422,000 (*2005: £159,757,000*) which are held by the group's banking subsidiaries and which are an integral part of the banking operations.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

| | Group | |
|---|---|---|
| | 2006 | *2005* |
| | £'000 | *£'000* |
| Cash and cash equivalents (excluding banking operations) | 12,138 | *11,183* |
| Bank overdrafts (note 29) | (12,680) | *(17,618)* |
| | (542) | *(6,435)* |

| | Group | |
|---|---|---|
| | 2006 | *2005* |
| Effective interest rate: | | |
| Short-term deposits | 10.88% | *9.98%* |
| Short-term liquid investments | 4.77% | *4.52%* |
| Average maturity period: | | |
| Short-term deposits | 42 days | *47 days* |
| Short-term liquid investments | 49 days | *61 days* |

## 27 Non-current assets classified as held for sale

| | 2006 | *2005* |
|---|---|---|
| | £'000 | *£'000* |
| Land and buildings | 166 | *880* |
| Plant and machinery | – | *116* |
| Fixtures, fittings and equipment | 1 | *40* |
| | 167 | *1,036* |

Non-current assets held for sale represents assets of Eastern Produce South Africa (Pty) Limited (formerly Sapekoe (Pty) Limited) which had previously been used in the group's production of tea in South Africa. Completion of the disposal of the remaining assets is expected to occur during 2007.

## 28 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2006 | *2005* | 2006 | *2005* |
| | £'000 | *£'000* | £'000 | *£'000* |
| Amounts due to customers of banking subsidiaries | 209,827 | *175,950* | – | – |
| Trade creditors | 12,675 | *13,205* | – | – |
| Amounts owed to associated undertakings | 290 | *89* | – | – |
| Other taxation and social security | 1,587 | *1,550* | – | – |
| Other creditors | 5,126 | *5,359* | 20 | *20* |
| Accruals | 5,503 | *5,626* | – | *156* |
| | 235,008 | *201,779* | 20 | *176* |

## 29 Financial liabilities – borrowings

| | 2006 | *2005* |
|---|---|---|
| *Group* | £'000 | *£'000* |
| **Current** | | |
| Bank overdrafts | 12,680 | *17,618* |
| Bank loans | 3,153 | *2,887* |
| Other loans | – | *1* |
| Finance leases | 855 | *728* |
| | 16,688 | *21,234* |

Current borrowings include the following amounts secured on biological assets and property, plant and equipment:

| | | |
|---|---|---|
| Bank overdrafts | 10,578 | *15,166* |
| Bank loans | 2,403 | *2,308* |
| Finance leases | 855 | *728* |
| | 13,836 | *18,202* |

| | | |
|---|---|---|
| *Group* | | |
| **Non-current** | | |
| Bank loans | 12,794 | *9,503* |
| Finance leases | 2,157 | *1,456* |
| | 14,951 | *10,959* |

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

| | | |
|---|---|---|
| Bank loans | 7,958 | *3,722* |
| Finance leases | 2,157 | *1,456* |
| | 10,115 | *5,178* |

**29 Financial liabilities – borrowings** *(continued)*

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

| *Group* | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Within one year or on demand (included in current liabilities) | 15,833 | *20,505* |
| Between 1 – 2 years | 1,344 | *1,606* |
| Between 2 – 5 years | 5,837 | *3,751* |
| After 5 years | 5,613 | *4,146* |
| | 28,627 | *30,008* |

| | | |
|---|---|---|
| The repayments of minimum finance leases payments fall due as follows: | | |
| Within one year or on demand (included in current liabilities) | 1,028 | *773* |
| Between 1 – 2 years | 882 | *679* |
| Between 2 – 5 years | 1,525 | *997* |
| After 5 years | 1 | *36* |
| | 3,436 | *2,485* |
| Future finance charges on finance leases | (424) | *(301)* |
| Present value of finance lease liabilities | 3,012 | *2,184* |
| The present value of finance leases liabilities fall due as follows: | | |
| Within one year or on demand (included in current liabilities) | 855 | *728* |
| Between 1 – 2 years | 759 | *548* |
| Between 2 – 5 years | 1,397 | *879* |
| After 5 years | 1 | *29* |
| | 3,012 | *2,184* |

The rates of interest payable by the group ranged between:

| | 2006 | *2005* |
|---|---|---|
| Overdrafts | 4.50% – 21.36% | *3.75% – 20.60%* |
| Bank loans | 6.00% – 12.50% | *2.20% – 12.06%* |
| Finance leases | 3.25% – 16.00% | *3.25% – 16.00%* |

## 30 Provisions

| | Restructuring £'000 | Onerous leases £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| *Group* | | | | |
| 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 1 January 2006 | 50 | 38 | 70 | 158 |
| Exchange differences | (7) | – | – | (7) |
| Provided in the period | – | 40 | 25 | 65 |
| Utilised in the period | (43) | – | (3) | (46) |
| At 31 December 2006 | – | 78 | 92 | 170 |

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Current element | 58 | *88* |
| Non-current element | 112 | *70* |
| | 170 | *158* |

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

The provision for onerous leases relates to warehouse premises operated by Associated Cold Stores & Transport Limited, and relates to two leases for which three and twenty four months rentals have been provided, which are the expected periods of vacancy. The leases expire in 2008 and 2016.

## 31 Deferred tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2006 £'000 | *2005 £'000* | 2006 £'000 | *2005 £'000* |
| At 1 January | 25,731 | *25,555* | 361 | *361* |
| Exchange differences | (3,643) | *1,643* | – | – |
| Charged/(credited) to the income statement | 613 | *(294)* | – | – |
| Charged/(credited) to equity | 1,116 | *(1,204)* | – | – |
| Subsidiaries leaving the group | – | *31* | – | – |
| At 31 December | 23,817 | *25,731* | 361 | *361* |

**31 Deferred tax** *(continued)*

The movement in deferred tax assets and liabilities 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 1 January 2006 | 29,629 | 69 | 3,064 | 472 | 149 | 33,383 |
| Exchange differences | (3,740) | – | (162) | (68) | (13) | (3,983) |
| Charged/(credited) to the income statement | 506 | – | (46) | 5 | (76) | 389 |
| (Credited)/charged to equity | – | (69) | – | 761 | – | 692 |
| At 31 December 2006 | 26,395 | – | 2,856 | 1,170 | 60 | 30,481 |
| Deferred tax assets offset | | | | | | (5,320) |
| Net deferred tax liability after offset | | | | | | 25,161 |

| 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 1 January 2006 | 270 | 2,760 | 3,830 | 792 | 7,652 |
| Exchange differences | – | (476) | 211 | (75) | (340) |
| (Charged)/credited to the income statement | (105) | (230) | 103 | 8 | (224) |
| Charged to equity | – | – | (424) | – | (424) |
| At 31 December 2006 | 165 | 2,054 | 3,720 | 725 | 6,664 |
| Offset against deferred tax liabilities | | | | | (5,320) |
| Net deferred tax asset after offset | | | | | 1,344 |

Deferred tax liabilities of £7,327,000 (*2005: £7,964,000*) 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 £6,504,000 (*2005: £6,970,000*) in respect of losses that can be carried forward against future taxable income.

## 32 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. Valuations of the three UK defined benefit pension schemes are produced and updated annually to 31 December by qualified independent actuaries. All the UK defined benefit pension scheme plans were closed to new entrants on 1 November 2006 and new employees are admitted to a defined contribution scheme. In addition it has been agreed that with effect from 1 May 2007, the Unochrome Group Pension Scheme will be closed to any future accruals in respect of current members and it has also been agreed that in respect of some of the participating employers of the Linton Park Group Pension Scheme, member contributions will be increased.

The overseas schemes are operated in group subsidiaries located in Bangladesh, India and The Netherlands. Actuarial valuations have been updated to 31 December 2006 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:

| | 2006<br>per annum | *2005*<br>*per annum* |
|---|---|---|
| **UK schemes** | | |
| Rate of increase in salaries | 3.50% | *2.75 – 4.25%* |
| Rate of increase to LPI pensions in payment | 3.00% | *2.75%* |
| Discount rate applied to scheme liabilities | 5.10% | *4.75%* |
| Inflation assumption | 3.00% | *2.75%* |

Assumptions regarding future mortality experience are based on advice in accordance with published statistics. The current mortality table used is PMA92 Medium Cohort with an addition of 3 years to age, projected by year of birth.

| | | |
|---|---|---|
| **Overseas schemes** | | |
| Rate of increase in salaries | 3.00 – 7.00% | *1.00 – 7.00%* |
| Rate of increase to LPI pensions in payment | 0.00 – 3.00% | *0.00 – 3.00%* |
| Discount rate applied to scheme liabilities | 4.65 – 12.50% | *4.00 – 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:

| | 2006<br>per annum | *2005*<br>*per annum* |
|---|---|---|
| **UK schemes** | | |
| Equities and property | 7.10% | *7.20%* |
| Bonds | 4.75% | *4.25%* |
| Cash | 5.00% | *4.50%* |
| **Overseas schemes** | | |
| Bonds | 7.50 – 12.50% | *7.50 – 9.00%* |
| Cash | 7.50 – 12.50% | *7.50 – 9.00%* |
| Other | 4.65% | *4.00%* |

**32 Pensions** *(continued)*

**Actuarial valuations**

| | 2006 UK £'000 | 2006 Overseas £'000 | 2006 Total £'000 | *2005 UK £'000* | *2005 Overseas £'000* | *2005 Total £'000* |
|---|---|---|---|---|---|---|
| Equities and property | 83,899 | – | 83,899 | *85,142* | *–* | *85,142* |
| Bonds | 23,342 | 10,212 | 33,554 | *14,347* | *11,316* | *25,663* |
| Cash | 2,288 | 1,836 | 4,124 | *2,819* | *1,432* | *4,251* |
| Other | – | 1,259 | 1,259 | *–* | *1,179* | *1,179* |
| Total fair value of plan assets | 109,529 | 13,307 | 122,836 | *102,308* | *13,927* | *116,235* |
| Present value of defined benefit obligations | (125,779) | (11,253) | (137,032) | *(121,393)* | *(13,492)* | *(134,885)* |
| Total (deficit)/surplus in the schemes | (16,250) | 2,054 | (14,196) | *(19,085)* | *435* | *(18,650)* |
| Amount recognised as asset in the balance sheet | – | 3,585 | 3,585 | *–* | *2,634* | *2,634* |
| Amount recognised as liability in the balance sheet | (16,250) | (1,531) | (17,781) | *(19,085)* | *(2,199)* | *(21,284)* |
| | (16,250) | 2,054 | (14,196) | *(19,085)* | *435* | *(18,650)* |
| Related deferred tax asset (note 31) | 3,233 | 487 | 3,720 | *3,523* | *307* | *3,830* |
| Related deferred tax liability (note 31) | – | (1,170) | (1,170) | *–* | *(472)* | *(472)* |
| Net (deficit)/surplus | (13,017) | 1,371 | (11,646) | *(15,562)* | *270* | *(15,292)* |

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

| | 2006 UK £'000 | 2006 Overseas £'000 | 2006 Total £'000 | *2005 UK £'000* | *2005 Overseas £'000* | *2005 Total £'000* |
|---|---|---|---|---|---|---|
| At 1 January | 102,308 | 13,927 | 116,235 | *86,600* | *12,328* | *98,928* |
| Expected return on plan assets | 6,675 | 940 | 7,615 | *5,417* | *934* | *6,351* |
| Employer contributions | 2,647 | 386 | 3,033 | *2,102* | *415* | *2,517* |
| Contributions paid by plan participants | 651 | 23 | 674 | *660* | *15* | *675* |
| Benefit payments | (4,879) | (539) | (5,418) | *(4,431)* | *(449)* | *(4,880)* |
| Actuarial gains/(losses) | 2,127 | 65 | 2,192 | *11,960* | *(130)* | *11,830* |
| Exchange differences | – | (1,495) | (1,495) | *–* | *814* | *814* |
| At 31 December | 109,529 | 13,307 | 122,836 | *102,308* | *13,927* | *116,235* |

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

| | 2006 UK £'000 | 2006 Overseas £'000 | 2006 Total £'000 | *2005 UK £'000* | *2005 Overseas £'000* | *2005 Total £'000* |
|---|---|---|---|---|---|---|
| At 1 January | (121,393) | (13,492) | (134,885) | *(111,092)* | *(10,913)* | *(122,005)* |
| Current service cost | (2,449) | (556) | (3,005) | *(1,762)* | *(558)* | *(2,320)* |
| Contributions paid by plan participants | (651) | (23) | (674) | *(660)* | *(15)* | *(675)* |
| Interest cost | (5,723) | (876) | (6,599) | *(5,821)* | *(792)* | *(6,613)* |
| Benefit payments | 4,879 | 571 | 5,450 | *4,431* | *489* | *4,920* |
| Actuarial gains/(losses) | (442) | 1,790 | 1,348 | (6,489) | (1,031) | (7,520) |
| Exchange differences | – | 1,333 | 1,333 | – | (672) | (672) |
| At 31 December | (125,779) | (11,253) | (137,032) | *(121,393)* | *(13,492)* | *(134,885)* |

In 2004, the total fair value of plan assets was £116,235,000, present value of defined benefit obligations was £134,885,000 and the deficit was £18,650,000.

## 32 Pensions *(continued)*

### Income statement

The amounts recognised in the income statement are as follows:

| | 2006 UK £'000 | 2006 Overseas £'000 | 2006 Total £'000 | *2005 UK £'000* | *2005 Overseas £'000* | *2005 Total £'000* |
|---|---|---|---|---|---|---|
| Amounts charged to operating profit: | | | | | | |
| Current service cost | (2,449) | (556) | (3,005) | *(1,762)* | *(620)* | *(2,382)* |
| Total operating charge | (2,449) | (556) | (3,005) | *(1,762)* | *(620)* | *(2,382)* |
| Amounts (charged)/credited to other finance costs: | | | | | | |
| Expected return on pension scheme assets | 6,675 | 940 | 7,615 | *5,417* | *934* | *6,351* |
| Interest on pension scheme liabilities | (5,723) | (876) | (6,599) | *(5,821)* | *(792)* | *(6,613)* |
| Net financing income/(cost) (note 9) | 952 | 64 | 1,016 | *(404)* | *142* | *(262)* |
| Total charged to income statement | (1,497) | (492) | (1,989) | *(2,166)* | *(478)* | *(2,644)* |

Contributions to defined contribution schemes are charged to profit when payable and the costs charged were £1,867,000 (*2005: £2,037,000*).

### 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:

| | 2006 UK £'000 | 2006 Overseas £'000 | 2006 Total £'000 | *2005 UK £'000* | *2005 Overseas £'000* | *2005 Total £'000* |
|---|---|---|---|---|---|---|
| Actual return less expected return on pension scheme assets | 2,127 | 65 | 2,192 | *11,960* | *(130)* | *11,830* |
| Experience losses arising on scheme liabilities | 1,416 | 1,790 | 3,206 | *(2,541)* | *(1,031)* | *(3,572)* |
| Changes in assumptions underlying present value of scheme liabilities | (1,858) | – | (1,858) | *(3,948)* | *–* | *(3,948)* |
| Actuarial gain/(loss) recognised in the SORIE | 1,685 | 1,855 | 3,540 | *5,471* | *(1,161)* | *4,310* |
| Taxation on actuarial movement in the SORIE | (559) | (626) | (1,185) | *744* | *460* | *1,204* |
| Net actuarial gain/(loss) recognised in the SORIE | 1,126 | 1,229 | 2,355 | *6,215* | *(701)* | *5,514* |

### History of experience gains and losses

| | 2006 UK | 2006 Overseas | 2006 Total | *2005 UK* | *2005 Overseas* | *2005 Total* | *2004 UK* | *2004 Overseas* | *2004 Total* |
|---|---|---|---|---|---|---|---|---|---|
| Difference between expected and actual return on scheme assets: | | | | | | | | | |
| Amount (£'000) | 2,127 | 65 | 2,192 | *11,960* | *(130)* | *11,830* | *2,480* | *(821)* | *1,659* |
| Percentage of scheme assets | 1.9% | 0.5% | 1.8% | *11.7%* | *(0.9%)* | *10.2%* | *2.9%* | *(6.7%)* | *1.7%* |
| Experience gains and losses on scheme liabilities: | | | | | | | | | |
| Amount (£'000) | 1,416 | 1,790 | 3,206 | *(2,541)* | *(1,031)* | *(3,572)* | *(61)* | *(196)* | *(257)* |
| Percentage of present value of scheme liabilities | 1.1% | 15.9% | 2.3% | *(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) | (1,858) | – | (1,858) | *(3,948)* | *–* | *(3,948)* | *(8,822)* | *–* | *(8,822)* |
| Percentage of present value of scheme liabilities | (1.5%) | – | (1.4%) | *(3.3%)* | *–* | *(2.9%)* | *(7.9%)* | *–* | *(7.2%)* |
| Total amount recognised in the SORIE: | | | | | | | | | |
| Amount (£'000) | 1,685 | 1,855 | 3,540 | *5,471* | *(1,161)* | *4,310* | *(6,403)* | *(1,017)* | *(7,420)* |
| Percentage of present value of scheme liabilities | 1.3% | 16.5% | 2.6% | *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 2007 is £3,649,000.

## 33 Other employee benefit obligations

The movement in other employee benefit obligations is as follows:

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| *Group* | | |
| At 1 January | 1,589 | *1,490* |
| Exchange differences | (149) | *260* |
| Charged to the income statement | 303 | *214* |
| Payments made | (438) | *(375)* |
| At 31 December | 1,305 | *1,589* |
| Current element | 142 | *190* |
| Non-current element | 1,163 | *1,399* |
| | 1,305 | *1,589* |

## 34 Share capital

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Authorised: 2,842,000 (2005: 3,000,000) ordinary shares of 10p each | 284 | *300* |
| Allotted, called up and fully paid: ordinary shares of 10p each: | | |
| At 1 January – 2,842,364 (*2005: 2,595,000*) shares | 284 | *260* |
| Issued shares – nil (*2005: 247,364*) shares | – | *24* |
| Purchase of own shares – 364 (*2005: nil*) shares | – | – |
| At 31 December – 2,842,000 (*2005: 2,842,364*) shares | 284 | *284* |

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

## 35 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 |
|---|---|---|---|---|---|---|---|---|---|
| *Group* | | | | | | | | | |
| At 1 January 2005 | | 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 | 32 | – | – | – | 3,331 | – | 3,331 | 979 | 4,310 |
| Deferred tax on actuarial gain | 32 | – | – | – | 1,216 | – | 1,216 | (12) | 1,204 |
| Available-for-sale investments: | | | | | | | | | |
| Valuation gains taken to equity | 23 | – | – | – | – | 7,100 | 7,100 | 24 | 7,124 |
| Transfer to profit or loss on sale | 23 | – | – | – | – | (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 | 34 | 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 |
| Exchange differences | | – | – | – | – | (22,836) | (22,836) | (3,512) | (26,348) |
| Net profit | | – | – | – | 12,903 | – | 12,903 | 2,271 | 15,174 |
| Dividends | 13 | – | – | – | (2,474) | – | (2,474) | (1,055) | (3,529) |
| Actuarial gain | 32 | – | – | – | 3,354 | – | 3,354 | 186 | 3,540 |
| Deferred tax on actuarial gain | 32 | – | – | – | (1,117) | – | (1,117) | (68) | (1,185) |
| Available-for-sale investments: | | | | | | | | | |
| Valuation gains taken to equity | 23 | – | – | – | – | 4,387 | 4,387 | 14 | 4,401 |
| Transfer to profit or loss on sale | 23 | – | – | – | – | (124) | (124) | – | (124) |
| Other fair value adjustment | | – | – | – | – | 69 | 69 | – | 69 |
| Minority interest subscription | | – | – | – | – | – | – | 541 | 541 |
| Share of associates' fair value adjustments | | – | – | – | (73) | – | (73) | – | (73) |
| Share of associate's profit on cash flow hedges | | – | – | – | 378 | – | 378 | – | 378 |
| Share of associate's change in treasury shares | | – | – | – | (621) | – | (621) | – | (621) |
| Share of associate's movement in defined benefit pension schemes | | – | – | – | 257 | – | 257 | – | 257 |
| Share of associate's income taxes on items recorded in equity | | – | – | – | (27) | – | (27) | – | (27) |
| Purchase of own shares | | – | – | – | (31) | – | (31) | – | (31) |
| At 31 December 2006 | | 284 | 15,298 | (400) | 182,543 | 38,236 | 235,961 | 19,303 | 255,264 |
| *Company* | | | | | | | | | |
| At 1 January 2005 | | 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 | 23 | – | – | – | – | 21 | 21 | – | 21 |
| Transfer to profit or loss on sale | 23 | – | – | – | – | (1,081) | (1,081) | – | (1,081) |
| New shares issued on acquisition | 34 | 24 | 14,875 | – | – | – | 14,899 | – | 14,899 |
| At 31 December 2005 | | 284 | 15,298 | – | 32,428 | 12,204 | 60,214 | – | 60,214 |
| Net profit | | – | – | – | 4,752 | – | 4,752 | – | 4,752 |
| Dividends | 13 | – | – | – | (2,530) | – | (2,530) | – | (2,530) |
| Available-for-sale investments: | | | | | | | | | |
| Transfer to profit or loss on sale | 23 | – | – | – | – | (72) | (72) | – | (72) |
| Purchase of own shares | | – | – | – | (31) | – | (31) | – | (31) |
| At 31 December 2006 | | 284 | 15,298 | – | 34,619 | 12,132 | 62,333 | – | 62,333 |

Other reserves of the group and company includes a £31,000 (*2005: £31,000*) capital redemption reserve and, in respect of the group, net exchange differences of £17,966,000 deficit (*2005: £4,870,000 surplus*).

Exchange differences are stated net of exchange gains of £163,000 gain (*2005: £208,000 gain*) on foreign currency borrowings used to provide a hedge against foreign equity investments.

Group retained earnings includes £30,088,000 (*2005: £27,925,000*) which would require exchange control permission for remittance as dividends.

## 36 Reconciliation of profit from operations to cash flow

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| *Group* | | |
| Profit from operations | 19,195 | *22,870* |
| Share of associates' results | (4,932) | *(5,842)* |
| Depreciation and amortisation | 7,673 | *7,249* |
| Impairment of non-current assets | 117 | *336* |
| Gain arising from changes in fair value of biological assets | (1,176) | *(4,147)* |
| Loss on disposal of investment | – | *25* |
| Profit on disposal of non-current assets | (929) | *(874)* |
| Profit on disposal of non-current assets held for sale | (952) | *–* |
| Profit on part disposal of a subsidiary | – | *(795)* |
| Profit on disposal of investments | (364) | *(2,488)* |
| Gain on group restructuring | – | *(5,523)* |
| (Increase)/decrease in working capital | (2,743) | *31,521* |
| Net increase in funds of banking subsidiaries | (6,654) | *(21,579)* |
| | 9,235 | *20,753* |

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

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| *Group* | | |
| Increase in cash and cash equivalents in the period | 5,849 | *4,424* |
| Cash (inflow)/outflow from (increase)/decrease in debt | (3,486) | *11,771* |
| Decrease in net debt resulting from cash flows | 2,363 | *16,195* |
| Net cash balances of subsidiaries sold | – | *(1,434)* |
| Loans of subsidiaries sold | – | *2,002* |
| New finance leases | (1,734) | *(1,124)* |
| Exchange rate movements | 881 | *(504)* |
| Decrease in net debt in the period | 1,510 | *15,135* |
| Net debt at beginning of period | (21,010) | *(36,145)* |
| Net debt at end of period | (19,500) | *(21,010)* |

## 38 Acquisition and disposal of businesses

| | Acquisition 2006 £'000 | *Acquisition 2005 £'000* | *Disposal 2005 £'000* |
|---|---|---|---|
| Book value of assets and liabilities: | | | |
| Property, plant and equipment | 86 | *124* | *3,252* |
| Biological assets | – | – | *4,292* |
| Financial assets | – | – | *75* |
| Deferred tax asset | – | – | *31* |
| Cash and cash equivalents | 529 | *1,252* | *1,435* |
| Inventories | – | – | *1,386* |
| Trade and other receivables | 875 | *626* | *1,936* |
| Current income tax assets | – | – | *1,101* |
| Non-current assets classified as held for sale | – | – | *11,157* |
| Trade and other payables | (359) | *(577)* | *(9,135)* |
| Current income tax liabilities | (18) | – | – |
| Borrowings | – | – | *(2,002)* |
| Other non-current liabilities | – | – | *(43)* |
| | 1,113 | *1,425* | *13,485* |
| Fair value adjustments: | | | |
| Intangible assets – customer relationships | 1,847 | *2,967* | – |
| Trade and other receivables | 7 | – | – |
| | 2,967 | *4,392* | *13,485* |
| Goodwill | 1,481 | *1,253* | – |
| Minority interest | – | – | *(4,334)* |
| Profit on disposal | – | – | *5,167* |
| | 4,448 | *5,645* | *14,318* |
| Satisfied by: | | | |
| Cash consideration and costs | 4,199 | *5,645* | *14,318* |
| Loan notes | 249 | – | – |
| | 4,448 | *5,645* | *14,318* |
| Net (outflow)/inflow of cash in respect of acquisition and disposal of businesses: | | | |
| Cash consideration and costs | (4,199) | *(5,645)* | *14,318* |
| Net cash balances of business acquired/(sold) | 529 | *1,252* | *(1,435)* |
| | (3,670) | *(4,393)* | *12,883* |

On 27 September 2006, the group acquired 100 per cent. of the issued share capital of Hill Martin Holdings Limited and Hill Martin Limited (together "Hill Martin") for initial consideration of £4,448,000. Further consideration is payable, dependent upon revenues in Hill Martin Limited for the three years ending 30 June 2008.

Hill Martin contributed £852,000 operating income and £166,000 to the group's profit before tax for the period between the date of acquisition and the balance sheet date.

Shareholders in Hill Martin Limited, were offered a choice of cash or loan notes for their shares, the latter carrying interest at a floating rate of 0.25 per cent. over the base rate of Duncan Lawrie Limited. The loan notes are repayable on or before 31 December 2008.

In 2005, the group acquired 100 per cent. of the issued share capital of Douglas Deakin Young Limited and disposed of its 70.5 per cent. interest in East African Coffee Plantations Limited.

## 39 Commitments

**Capital commitments**

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

| | Group | |
|---|---|---|
| | 2006 | *2005* |
| | £'000 | *£'000* |
| Property, plant and equipment | 1,459 | *1,421* |
| Biological assets | 48 | *14* |
| | 1,507 | *1,435* |

**Operating leasing commitments – minimum lease payments**

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

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | Group | |
|---|---|---|
| | 2006 | *2005* |
| | £'000 | *£'000* |
| Land and buildings: | | |
| Within 1 year | 454 | *432* |
| Between 1 – 5 years | 2,100 | *2,080* |
| After 5 years | 17,572 | *18,322* |
| | 20,126 | *20,834* |
| Plant and machinery: | | |
| Within 1 year | 280 | *344* |
| Between 1 – 5 years | 1,146 | *1,619* |
| | 1,426 | *1,963* |

## 40 Financial instruments

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.

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.

**40 Financial instruments** *(continued)*

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.

**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:

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Within 1 year, or on demand | 16,439 | *21,234* |
| Between 1 – 2 years | 2,880 | *2,577* |
| Between 2 – 5 years | 7,233 | *4,630* |
| After 5 years | 5,616 | *4,175* |
| | 32,168 | *32,616* |

At 31 December 2006, the group had undrawn committed facilities of £17,103,000 (*2005: £20,000,000*), 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 | |
|---|---|---|---|---|
| | 2006 £'000 | *2005 £'000* | 2006 £'000 | *2005 £'000* |
| Sterling | 11,605 | *11,328* | 176 | *176* |
| US Dollar | 3,066 | *2,074* | 1,983 | *4,472* |
| Kenya Shilling | 4,223 | *4,742* | 2,861 | *341* |
| Indian Rupee | 4,157 | *5,406* | 2,016 | *1,388* |
| Malawi Kwacha | – | *–* | 176 | *93* |
| Bangladesh Taka | 2,550 | *4,696* | 1,592 | *2,375* |
| Australian Dollar | – | *–* | 1 | *1* |
| South African Rand | 46 | *488* | 705 | *371* |
| Swiss Franc | 2,915 | *3,078* | 3 | *2* |
| Brazilian Real | – | *–* | 1,798 | *1,745* |
| Euro | 1,043 | *708* | 210 | *206* |
| Chilean Peso | – | *96* | 15 | *13* |
| Bermudian Dollar | 2,563 | *–* | 602 | *–* |
| | 32,168 | *32,616* | 12,138 | *11,183* |

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.

**40 Financial instruments** *(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 | – | 685 | 52 | – |
| Malawi Kwacha | 157 | 845 | 116 | (21) |
| Kenya Shilling | 319 | 277 | 2 | – |
| South African Rand | – | 791 | – | – |
| Chilean Peso | – | (1,955) | – | – |
| Bangladesh Taka | – | 55 | – | – |

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.

**Credit risk**

The group has policies in place to limit its exposure to credit risk. These policies include carrying out appropriate credit checks, holding liens over stock and receiving payments in advance of services or goods to be provided. There are no significant concentrations of credit risk and the directors believe the group's exposure to credit risk is low.

**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.

**40 Financial instruments** *(continued)*

**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:

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| US Dollars | 3 | – |
| Euros | 1 | *1* |
| Total | 4 | *1* |

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

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| Denominated in sterling | 184,482 | *148,811* |
| Denominated in currencies other than sterling | 58,295 | *57,249* |
| **Total assets** | 242,777 | *206,060* |
| Denominated in sterling | 184,486 | *148,812* |
| Denominated in currencies other than sterling | 58,291 | *57,248* |
| **Total equity and liabilities** | 242,777 | *206,060* |

**Interest rate risk**

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 2006 £'000 | Over three months but not more than one year 2006 £'000 | Over one year but not more than five years 2006 £'000 | More than five years 2006 £'000 | Non-interest bearing 2006 £'000 | Total 2006 £'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Loans & advances to banks | 170,493 | – | – | – | 3,586 | 174,079 |
| Loans & advances to customers | 26,136 | 816 | 234 | 495 | – | 27,681 |
| Available-for-sale investments | 24,237 | 2,010 | – | – | 616 | 26,863 |
| Other assets | – | – | – | – | 14,153 | 14,153 |
| **Total assets** | 220,866 | 2,826 | 234 | 495 | 18,355 | 242,776 |
| **Equity and liabilities** | | | | | | |
| Deposits by banks | 1,651 | – | – | – | – | 1,651 |
| Customer accounts | 208,837 | 638 | 231 | 494 | 2,393 | 212,593 |
| Loan notes | – | – | 249 | – | – | 249 |
| Other liabilities | – | – | – | – | 2,671 | 2,671 |
| Shareholders' funds | – | – | – | – | 25,612 | 25,612 |
| **Total equity and liabilities** | 210,488 | 638 | 480 | 494 | 30,676 | 242,776 |
| Interest rate gap | 10,378 | 2,188 | (246) | 1 | (12,321) | – |
| Cumulative gap | 10,378 | 12,566 | 12,320 | 12,321 | – | – |

**40 Financial instruments** *(continued)*

| | *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** | | | | | | |
| Loans & advances to banks | *142,639* | – | – | – | *3,991* | *146,630* |
| 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* |
| **Equity and 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 equity and 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* | – | – |

**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 and off balance sheet are not materially different 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.

**40 Financial instruments** *(continued)*

**Collateral risk**

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

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| **Loans to customers** | | |
| Secured by cash deposit | 12,231 | *11,383* |
| Secured on property | 11,585 | *7,269* |
| Other security | 1,958 | *5,645* |
| Unsecured | 996 | *635* |
| Unsecured – group companies | 1,015 | *1,013* |
| Accrued interest | 171 | *290* |
| Impairment provision | (275) | *(289)* |
| **Total** | 27,681 | *25,946* |

**Geographical risk**

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

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| **Loans to customers** | | |
| UK (including the Channel Islands and the Isle of Man) | 18,111 | *17,325* |
| EU, excluding the UK | 5,312 | *4,185* |
| Rest of the world | 4,362 | *4,435* |
| Accrued interest | 171 | *290* |
| Impairment provision | (275) | *(289)* |
| **Total** | 27,681 | *25,946* |

| | 2006 £'000 | *2005 £'000* |
|---|---|---|
| **Loans to banks** | | |
| UK (including the Channel Islands and the Isle of Man) | 161,506 | *134,710* |
| EU, excluding the UK | 10,388 | *9,781* |
| Rest of the world | 1,769 | *1,853* |
| Accrued interest | 416 | *286* |
| **Total** | 174,079 | *146,630* |

**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.

## 40 Financial instruments *(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 2006

| | 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 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Property, plant and equipment | 3,525 | – | – | – | – | – | 3,525 |
| Intangible assets | 7,726 | – | – | – | – | – | 7,726 |
| Cash and balances at central banks | 105 | – | – | – | – | – | 105 |
| Loans and advances to banks | 416 | 33,371 | 140,292 | – | – | – | 174,079 |
| Loans and advances to customers | – | 4,833 | 3,799 | 10,406 | 6,898 | 1,745 | 27,681 |
| Available-for-sale investments | 616 | – | 24,106 | 2,141 | – | – | 26,863 |
| Other assets | 1,159 | – | – | – | – | – | 1,159 |
| Prepayments and accrued income | 1,638 | – | – | – | – | – | 1,638 |
| **Total assets** | 15,185 | 38,204 | 168,197 | 12,547 | 6,898 | 1,745 | 242,776 |
| **Liabilities** | | | | | | | |
| Deposits by banks | 22 | 391 | 712 | 526 | – | – | 1,651 |
| Customer accounts | 208 | 56,254 | 147,633 | 3,486 | 4,518 | 494 | 212,593 |
| Loan notes | – | – | – | – | 249 | – | 249 |
| Other liabilities | 1,571 | – | – | – | – | – | 1,571 |
| Accruals and deferred income | 1,008 | – | – | – | – | – | 1,008 |
| Provisions for liabilities and charges | 92 | – | – | – | – | – | 92 |
| **Total liabilities** | 2,901 | 56,645 | 148,345 | 4,012 | 4,767 | 494 | 217,164 |
| Retained profit and other reserves | 5,865 | – | – | – | – | – | 5,865 |
| Capital reserves | 202 | – | – | – | – | – | 202 |
| Called up share capital | 19,500 | – | – | – | – | – | 19,500 |
| Minority interest | 45 | – | – | – | – | – | 45 |
| **Sub-total** | 25,612 | – | – | – | – | – | 25,612 |
| **Net liquidity gap** | (13,328) | (18,441) | 19,852 | 8,535 | 2,131 | 1,251 | – |

### Liquidity risk at 31 December 2005

| **Assets** | *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 | *2,604* | – | – | – | – | – | *2,604* |
| Intangible assets | *4,418* | – | – | – | – | – | *4,418* |
| Cash and balances at central banks | *126* | – | – | – | – | – | *126* |
| Loans and advances to banks | *569* | *7,986* | *137,619* | *456* | – | – | *146,630* |
| Loans and advances to customers | *1* | *4,528* | *5,059* | *8,939* | *7,419* | – | *25,946* |
| Available-for-sale investments | *354* | – | *13,000* | *7,001* | *2,000* | *1,977* | *24,332* |
| Other assets | *676* | – | – | – | – | – | *676* |
| Prepayments and accrued income | *1,328* | – | – | – | – | – | *1,328* |
| **Total assets** | *10,076* | *12,514* | *155,678* | *16,396* | *9,419* | *1,977* | *206,060* |
| 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 | *202* | – | – | – | – | – | *202* |
| Called up share capital | *19,500* | – | – | – | – | – | *19,500* |
| Minority interest | *44* | – | – | – | – | – | *44* |
| **Sub-total** | 23,537 | – | – | – | – | – | 23,537 |
| **Net liquidity gap** | *(15,764)* | *(29,830)* | *29,589* | *10,542* | *3,486* | *1,977* | – |

## 41 Principal subsidiary and associated undertakings

### Subsidiary undertakings

The principal operating subsidiary undertakings of the group at 31 December 2006, 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 |
| C.C. Lawrie Comércio e Participacões Ltda. (Incorporated in Brazil) | Brazil |
| Eastern Produce Cape (Pty) Limited (Incorporated in South Africa) | South Africa |
| 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 |
| Eastern Produce South Africa (Pty) Limited (Incorporated in South Africa – 73.2 per cent. holding) | South Africa |
| 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 |
| 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** | |
| Abbey Metal Finishing Company Limited | UK |
| AJT Engineering Limited | UK |
| AKD Engineering Limited | UK |
| British Metal Treatments Limited | UK |
| General Utilities (Stockport) 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 |
| **Trading and agency** | |
| Robertson Bois Dickson Anderson Limited | UK |
| Lawrie Plantation Services Limited | UK |

**41 Principal subsidiary and associated undertakings** *(continued)*

**Subsidiary undertakings** *(continued)*

| | Principal country of operation |
|---|---|
| **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 |
| Hill Martin Holdings Limited | UK |
| Hill Martin Limited | UK |
| **Investment holding** | |
| Affish Limited | UK |
| Assam Dooars Investments 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 |
| Unochrome Industries Limited | UK |
| Western Dooars Investments Limited | UK |

**Associated undertakings**

The principal associated undertakings of the group at 31 December 2006 were:

| | Principal country of operation | Accounting date 2006 | 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 | 33.2 |
| United Leasing Company Limited (Incorporated in Bangladesh – ordinary shares) | Bangladesh | 31 December | 33.6 |

**42 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 Camellia Plc), both parties have the first right of refusal to buy Siegfried Holding AG shares offered for sale by the other party.

**43 Control of Camellia Plc**

Camellia Holding AG holds 1,426,000 ordinary shares of Camellia Plc (representing 51.30 per cent. of the total voting rights). 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.

**44 Events after the balance sheet date**

In April 2007 the group disposed of its entire shareholding in Gétaz Romang Holding SA, a public quoted company on the SWX Swiss Exchange. The proceeds and profit on disposal are estimated at £5,800,000 and £4,900,000 respectively.

# 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 2006 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. 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, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the 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 Business Review, the Corporate Governance Statement and the five year record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with 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 2006 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 2006; 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, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

MOORE STEPHENS LLP

Chartered Accountants
and Registered Auditors

St. Paul's House,
Warwick Lane,
London EC4M 7BP
26 April 2007

## Five year record

| | IFRS 2006 £'000 | *IFRS 2005 £'000* | *IFRS 2004 £'000* | *UK GAAP 2003 £'000* | *UK GAAP 2002 £'000* |
|---|---|---|---|---|---|
| Revenue – continuing operations | 160,552 | *152,743* | *156,288* | *174,685* | *176,523* |
| Profit before tax | 19,982 | *22,275* | *8,013* | *27,522* | *15,429* |
| Taxation | (4,808) | *(1,764)* | *(2,741)* | *(1,192)* | *(4,827)* |
| Profit from continuing operations | 15,174 | *20,511* | *5,272* | *26,330* | *10,602* |
| Profit attributable to equity shareholders | 12,903 | *20,326* | *5,515* | *25,982* | *7,149* |
| Equity dividends paid | 2,474 | *2,284* | *2,258* | *2,258* | *2,270* |
| **Equity** | | | | | |
| Called up share capital | 284 | *284* | *260* | *260* | *264* |
| Reserves | 235,677 | *241,632* | *187,229* | *186,222* | *170,135* |
| **Shareholders' funds** | 235,961 | *241,916* | *187,489* | *186,482* | *170,399* |
| Earnings per share | 464.2p | *793.2p* | *217.8p* | *999.2p* | *269.6p* |
| Dividend paid per share | *89.00p* | *88.00p* | *87.00p* | *87.00p* | *86.00p* |

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

*Camellia Plc*

## 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 7 JUNE 2007**

I/We being a member/members of the above named company, hereby appoint the following person(s):

.....

or, failing whom, the chairman of the meeting 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 The Goring Hotel, Beeston Place, Grosvenor Gardens, London SW1W 0JW on 7 June 2007 at 11:30 a.m. (or at any adjournment thereof). I/We direct that my/our proxy will vote (or abstain from voting) on a poll on the resolutions set out in the notice of annual general meeting as indicated below:

| **Resolutions** | | **For** | **Against** | **Vote withheld** |
|---|---|---|---|---|
| 1. | To receive the company's annual accounts and the directors' and auditors' reports and the auditable part of the directors' remuneration report | | | |
| 2. | To approve the directors' remuneration report | | | |
| 3. | To declare a final dividend of 70p per ordinary share | | | |
| 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 elect Dr B A Siegfried as a director | | | |
| 11. | To reappoint Moore Stephens LLP as auditors to the company | | | |
| 12. | To authorise the directors to determine the auditors' remuneration | | | |
| 13. | To authorise the company to make market purchases of its own ordinary shares (special resolution) | | | |

Please note that a "vote withheld" is not a vote in law and will not be counted in the calculation of the votes cast for and against the resolution.

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

.....

.....

Signature of shareholder or common seal/signature of duly authorised officer of corporate shareholder

*Note: If joint shareholders, only one joint holder need sign.*

Print name..... Date .....

**Please return this form of proxy to Capita Registrars, either by post to the address overleaf or by hand to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive by 11:30 a.m. on 5 June 2007.**

**Notes:**

1. A proxy need not be a member of the company but must attend the meeting to represent you. You may appoint as your proxy a person of your own choice by inserting his name in the space provided. If no name is inserted in the space provided the chairman will be deemed appointed as the proxy.
2. Please indicate with a cross in the appropriate box how you wish your votes to be cast. In the absence of any specific direction, the proxy will vote (or abstain from voting) at his or her discretion. On any other business which properly comes before the annual general meeting (including any motion to amend any resolution or to 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 or authority must be received by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11:30 a.m. on 5 June 2007.
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 corporate shareholder, this form of proxy should either be executed by the company under seal 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 will be accepted to the exclusion of that of other joint holders.

Second Fold

BUSINESS REPLY SERVICE
Licence No. RRHB-RSXJ-GKCY

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**Capita Registrars**

**Proxy Processing Centre**

**Telford Road**

**Bicester**

**OX26 4LD**

First Fold

Third Fold (Tuck in)