

Camellia Plc

2007

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 2007

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Directors and advisers

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

Notice of annual general 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, 5 June 2008 at 11.30 a.m. for the transaction of the following business:

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

1. That the company’s annual accounts for the year ended 31 December 2007 together with the directors’ report and the auditors’ report on those accounts and the audited part of the directors’ remuneration report be received.
2. That the directors’ remuneration report for the year ended 31 December 2007, 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 72p per ordinary share for the year ended 31 December 2007 be declared payable on 3 July 2008 to holders of ordinary shares registered at the close of business on 13 June 2008.
4. That Mr M C Perkins be re-elected as a director.
5. That Mr P A Leggatt be re-elected as a director.
6. That Mr A K Mathur be re-elected as a director.
7. That Mr D A Reeves be re-elected as a director.
8. That Mr C J Relleen be re-elected as a director.
9. That Dr B A Siegfried be re-elected as a director.
10. That Mr C P T Vaughan-Johnson be re-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 resolutions which will be proposed as special resolutions:

Special business

13. That, pursuant to section 9 of the Companies Act 1985 (“the Act”), the Articles of Association of the company be altered by:

13.1 deleting the present Article 145.1 and substituting the following new Article 145.1 therefore:

“145.1 may be a party to or otherwise directly or indirectly interested in:

145.1.1 any transaction or arrangement with the Company or in which the Company is otherwise interested; or

145.1.2 a proposed transaction or arrangement with the Company.”;

13.2 deleting the present Article 145.4 and substituting the following new Article 145.4 therefore:

“145.4 may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, save that with effect from the date on which Sections 177 and 182 of the Companies Act 2006 (the “2006 Act”) shall come into effect, a Director shall, subject to sub-section 177(6) of the 2006 Act, be required to disclose all interests whether or not material in any transaction or arrangement referred to in Article 145.1 and the declaration of interest must (in the case of a transaction or arrangement referred to in Article 145.1.1) and may, but need not, (in the case of a transaction or arrangement referred to in Article 145.1.2) be made:

145.4.1 at a meeting of the Directors; or

145.4.2 by notice to the Directors in accordance with:

(a) Section 184 of the 2006 Act (notice in writing); or

(b) Section 185 of the 2006 Act (general notice);”;

13.3 inserting the following new Article 145A:

“Directors’ interests other than in relation to transactions or arrangements with the Company

145A.1 For the purposes of Section 175 of the 2006 Act, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under that Section to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. For these purposes references to a conflict of interest includes a conflict of interest and duty and a conflict of duties. This Article does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company.

145A.2 Authorisation of a matter under this Article shall be effective only if:

145A.2.1 the matter in question shall have been proposed in writing (giving full particulars of the relevant situation) for consideration at a meeting of the Directors, in accordance with the Board’s normal procedures or in such other manner as the Directors may approve;

145A.2.2 any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question and any other interested Director (together the “Interested Directors”); and

Notice of annual general meeting

- 145A.2.3 the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.
- 145A.3 Any authorisation of a matter pursuant to this Article shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.
- 145A.4 Any authorisation of a matter under this Article shall be subject to such terms as the Directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the Directors at any time. Such terms may include, without limitation, terms that the relevant Directors:
- 145A.4.1 will not be obliged to disclose to the Company or use for the benefit of the Company any confidential information received by him otherwise than by virtue of his position as a Director, if to do so would breach any duty of confidentiality to a third party;
- 145A.4.2 may be required by the Company to maintain in the strictest confidence any confidential information relating to the Company which also relates to the situation as a result of which the conflict arises ("the conflict situation");
- 145A.4.3 may be required by the Company not to attend any part of a meeting of the Directors at which any matter which may be relevant to the conflict situation is to be discussed, and not to view any board papers relating to such matters; and
- 145A.4.4 shall not be obliged to account to the Company for any remuneration or other benefits received by him in consequence of the conflict situation.
- A Director shall comply with any obligation imposed on him by the Directors pursuant to any such authorisation.
- 145A.5 A Director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any matter authorised by the Directors under this Article and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.
- 145A.6 The provisions of this Article shall take effect on 1 October 2008 or any later date on which Section 175 of the 2006 Act comes into effect.";
- 13.4 deleting the words "Part VI of the Act" in Article 146.4 and substituting the words "Part 22 of the 2006 Act"; and
- 13.5 inserting, in the first line of Article 147 between the words "145" and "and 146", the word, "145A".
14. That the company be and is hereby generally and unconditionally authorised for the purpose of Section 166 of the Act to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 10p each in the capital of the company ("ordinary shares") provided that:
- 14.1 the maximum number of ordinary shares hereby authorised to be purchased is 277,950, representing 10 per cent. of the voting rights in the company;
- 14.2 the minimum price (exclusive of expenses) which may be paid for such shares is 10p per share, being the nominal amount thereof;
- 14.3 the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of (i) 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 and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out;
- 14.4 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 the resolution is passed or fifteen months thereafter, whichever is the earlier; and
- 14.5 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

24 April 2008

Registered office:

Linton Park

Linton, Near Maidstone

Kent, ME17 4AB

Notice of annual general meeting

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 exercise all or any of the rights of the member to attend and speak and 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 enclosed with this notice of annual general meeting. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, 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. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the annual general meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members of other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent, Capita Registrars (ID RA10), by 3 June 2008 at 11.30 a.m. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by an particular time. In this connection, CREST members and, where applicable their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST systems and timings

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.

4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the company specifies that only those shareholders registered in the register of members as at 11.30 a.m. on 3 June 2008 or, in the event that the annual 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 annual 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 3 June 2008 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the company in respect of the relevant joint holding.
6. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the company under section 527 of the Companies Act 2006, the company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the annual general meeting; or (ii) any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes any statement that the company has been required under section 527 of the Companies Act 2006 to publish on a website.
7. 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) copies of service contracts between the directors and the company or its subsidiary undertakings; and
 - (b) the proposed new Articles of Association of the company referred to in resolution 13 above, together with a copy of such proposed new Articles of Association marked to show the changes to the existing Articles of Association.

Chairman's statement

The profit before tax for 2007 amounted to £30.65 million and compares with the previous year of £19.98 million. The profit for 2007 includes a number of exceptional items, the larger being the profit of £4.80 million on the disposal of our shareholding in Gétaz Romang SA and the sale of a surplus London property resulting in a profit of £1.68 million. The profit consolidated in respect of our interest in Siegfried Holding AG also includes exceptional items amounting to £3.68 million.

The underlying trading profit of the group is less than that of the previous year, reflecting the weakness of the US dollar and the costs of integrating new businesses within Duncan Lawrie.

Dividend

The board is recommending a final dividend of 72p per share, which, together with the interim dividend already paid of 20p per share, brings the total distribution for the year to 92p per share compared with 90p per share in respect of 2006.

Agriculture and horticulture

Tea

India

Tea production in India amounted to 33.3m kilos, an increase of nearly 9% over the previous year. Weather conditions were reasonably favourable and prices were comparable to the previous year. The market for orthodox tea remained firm. The programme of upgrading factories continues and results have so far been encouraging and fully justify the capital investment. Political disruption in Assam and parts of West Bengal make life difficult for management.

Bangladesh

Tea production in Bangladesh was the same as for 2006, which is disappointing, as we experienced a major drought at the beginning of that year. Tea prices reduced during the year by 13% resulting in a reduction of profitability. The programme for increasing production and quality continues.

The political situation remains quiet and it is expected that elections will be held towards the end of 2008.

Africa

Both Kenya and Malawi produced excellent crops in 2007. The previous year was, however, impacted by a serious drought in Kenya. Prices drifted downwards during the year but due to the increased production, profitability was satisfactory. The comparatively high cost of labour remains a concern.

Tea prices increased substantially at the beginning of 2008 partly as a result of the tense political situation in Kenya. However, an extended period of dry weather resulting in low production seems to be an equally valid reason for the increase in prices, which have in any event recently moderated.

The phased sale by Kakuzi of the Siret Tea Company to members of the local community received Presidential Consent in September 2007 and the initial part of this transaction has been implemented.

At the time of writing the political impasse regarding the Presidential elections has been resolved by a power sharing agreement. It is to be hoped that this agreement can be fully implemented without further conflict and it is encouraging that, after prolonged negotiations, a new cabinet has been appointed. Our tea estates are operating normally although a small number of our employees were evacuated at the time of the greatest tension. None of our personnel were injured and damage to property was very limited.

The logistical problems of moving tea from Malawi have improved. However, there is presently heavy congestion in the Port of Mombasa mainly as a result of delays in moving goods through Mombasa to surrounding countries.

Edible nuts

2007 was an "off" year for pistachio production in California but nonetheless the final output exceeded the budgeted expectation.

Macadamia production in Malawi exceeded that in 2006 but in South Africa production declined. Prices continue at low levels but we remain confident of the long term prospects for this crop. Macadamia planting at Kakuzi in Kenya commenced during the year.

Chairman's statement

Other horticulture

Kakuzi's gradually maturing avocado orchards in Kenya improved their production and prices were approximately 20% higher than in 2006 resulting in a satisfactory profit. The new packhouse continued to perform well and is currently being expanded to cater for the projected increase in production.

Rubber production in Bangladesh increased as a result of maturing plantations and prices increased by approximately 8%. New areas of rubber are being established and the prospects for this crop remain encouraging.

In Brazil we benefited from good maize and soya crops with firm prices. Our timber operations also showed good results although we are now entering a period of three years when no timber will be harvested.

Our citrus operations in California produced good results with higher production and firm prices. We were unaffected by inclement weather in early 2008 and the prospects for this crop remain encouraging.

In South Africa our wine grape harvest was below the previous year due to the removal of vines that had come to the end of their useful productive life. Replanting of these and additional areas has commenced.

Table grape production in Chile improved and prices in dollar terms also showed an increase. However, the Chilean currency has appreciated substantially against the US dollar and this gives cause for concern.

Food storage and distribution

Our food storage and distribution operations in the UK continue to show an improving trend. Substantial reorganisation costs were incurred in 2007 and this should hopefully put the company in a position to make profits from 2008. The cold storage and transport market remains very competitive and increased energy costs remain a concern.

The progress made by our two food distribution companies in the Netherlands in 2006 continued into 2007.

Engineering

It is pleasing to report that our engineering subsidiaries again increased their overall profitability in 2007.

Our operations remain busy particularly in the North Sea oil and gas sectors and in the aerospace markets. There remains a distinct shortage of skilled operatives in the engineering sector and this is causing particular problems for our operations both in Aberdeen and Lowestoft. The local cost of labour in Aberdeen continues to escalate and some projects are being diverted to other production areas as Aberdeen has become just too expensive.

After many false starts we have at last received planning consent for the development of our galvanising operation at Great Yarmouth. It is hoped that this plant will be operational towards the latter part of 2008.

Banking and financial services

Duncan Lawrie's profits for 2007 were below those for the previous year. This is principally as a result of additional expenditure in anticipation of the proposed integration of the three operating companies in 2008. The consolidation of the operating subsidiaries will continue throughout 2008 and further expenditure will have to be incurred particularly in respect of premises and IT costs. Duncan Lawrie has no exposure to sub-prime mortgages but the fall in stock market values will have an adverse impact on its investment management fees.

Pharmaceuticals

The Siegfried Group's primary focus for 2007 was in the development, scale-up and production of active pharmaceutical ingredients and the development and production of complex generics, including those based on inhalation technology in the field of asthma. During the year Siegfried disposed of its Sidroga Division and also its Biologics subsidiary based in Germany. Work has commenced in Zofingen on a new laboratory building which will greatly assist Siegfried in increasing its capability in the pharmaceutical research industry.

Other associated undertakings and investments

The profitability of United Leasing in Bangladesh was comparable to the previous year. Also in Bangladesh, the profit of United Insurance was reduced on account of a lower contribution from its subsidiary, Surmah Valley Tea Company due to

Chairman's statement

reduced tea prices. The share capital of United Insurance has been increased to comply with government requirements and further increases may be required in due course.

BF&M Limited, a Bermudian insurance company, is now treated as an associate company and has recently announced net earnings for the year of 27.3 million Bermudian dollars, a record for the company. All insurance and non insurance lines of business recorded excellent results. The diversification into other countries in lines of business in which they have expertise has opened up new avenues for profitability in future years.

Our other investments in Bermuda generally enjoyed another successful year.

Development

The tea factory development programme in India will continue over the next few years. Kakuzi in Kenya is presently finalising a new development plan which will encompass all the land originally planted to coffee. Our farm in Brazil is expanding its centre pivot irrigation operations and in Chile we have recently opened a new winery for the processing of our own grapes. The success of these developments and indeed our operations generally are being considerably affected by the declining value of the US dollar. Whilst the value of our exports in US dollars is reducing when translated into local currency, the cost of labour, power and fertilisers continues to increase.

Pensions

During 2007 a number of changes were made to the three UK final salary schemes, including the closure of one scheme to future accrual. Each of these schemes has been closed to new entrants since November 2006. Alternative defined contribution arrangements have been put in place. Management of the liabilities of these schemes will remain a concern particularly against the background of the recent volatility in stock market values and bond pricing.

Staff

My thanks are due to our staff throughout all the countries in which we operate for their invaluable contribution to another successful year.

For those that may not have had the opportunity to read my 2007 interim statement, I repeat with great sadness that our Chairman Emeritus, Mr Keith FitzGerald passed away in September last year. Keith's contribution to the success of the Camellia Group was immeasurable and he will be greatly missed by all his friends and colleagues.

M C Perkins

Chairman

24 April 2008

Report of the directors

The directors present their report together with the audited accounts for the year ended 31 December 2007.

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, fabrication, precision engineering and heat treatment
Food storage and distribution
Insurance
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 6 to 8.

Results and dividends

The profit for the year amounted to £27,446,000. The board has proposed a final dividend for the year of 72p per share payable on 3 July 2008 to holders of ordinary shares registered at the close of business on 13 June 2008. The total dividend for 2007 is therefore 92p per share (2006: 90p 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 2007	1 January 2007
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 2007 and the date of this report.

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, a director of Goodricke Group Limited and in April this year was appointed to the board of Siegfried Holding AG. Aged 63.

Mr P A Leggatt is chairman of Goodricke Group Limited. He was appointed a director in 1999, having joined the group in 1988. Aged 65.

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 60.

Non-executive directors

Mr C J Relleen was formerly a partner in PricewaterhouseCoopers. He was appointed an independent non-executive director and deputy chairman in January 2006 having previously been a non-executive director of Linton Park Plc. Mr Relleen is also a non-executive director of Duncan Lawrie Holdings Limited. He is the senior independent director, chairman of the audit committee and a member of the remuneration committee. Aged 59.

Report of the directors

Mr D A Reeves was appointed a director in 2001. Following a long career with the Bank of England, Mr Reeves joined the group in 1998 and was managing director of Duncan Lawrie Limited. He became a non-executive director of the company in 2002 and is a member of the audit committee. Aged 61.

Dr B A Siegfried was appointed to the board as a non-executive director in August 2006 having previously been a director of Linton Park Plc. Dr Siegfried is a director and honorary chairman of Siegfried Holding AG. Aged 73.

Mr C P T Vaughan-Johnson, who was formerly president and chief executive officer of the Bank of Bermuda, was appointed a director in 1999. He is chairman of the remuneration committee and a member of the audit committee. Mr Vaughan-Johnson is also a non-executive director of Duncan Lawrie Holdings Limited. Aged 74.

Business review

The company is required to set out in this report a fair review of the business of the group during the year ended 31 December 2007 and a description of principal risks and uncertainties facing the group. A fair review of the business of the group is incorporated within the chairman's statement on pages 6 to 8. The chairman's statement together with information contained within the report of the directors highlight the key factors affecting the group's development and performance. Other matters are dealt with below:

Principal risks and uncertainties

There are a number of possible risks and uncertainties that could impact on the group's businesses. As the group's businesses are widely spread both in terms of activity and location, it is unlikely that any one single factor could have a material impact on the group's long-term performance. The following risks relating to the group's principal operations have however been identified:

Agriculture and horticulture

The group's agricultural based businesses are located in Kenya, Malawi, South Africa, Bangladesh, India, Brazil, Chile and the USA. The success of these activities is greatly dependent on climatic conditions, plant disease, the cost of labour and the market price for the produce. In addition, exports from these businesses are subject to foreign exchange fluctuations as products, particularly those from Africa, are normally priced in US dollars.

Developing countries such as Kenya, Malawi and Bangladesh tend to be politically less stable. In Kenya, Malawi and South Africa there are long-term issues concerning land ownership over which the group has little control but monitors closely.

In India, separatist groups have for many years been involved in episodes of violence in Assam. Whilst this is a matter of major concern, the group's operations in this region have generally been able to trade normally.

The uncertainty over the longer-term political direction in Bangladesh should to some extent be clearer following the elections that are expected later in 2008. The group's operations have not been affected.

UK engineering

A number of the UK engineering companies are dependent for a significant part of their revenue on the aerospace and the oil and gas industries. A downturn in either of these sectors would have an impact on the level of activity in these businesses.

Some of the processes used by the companies involved in metal treatment require high standards of health and safety and environmental management. Failure to maintain these standards could give rise to accidents or environmental damage.

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 cold stores.

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.

Report of the directors

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 limits itself to lending no more than its share capital and reserves.
- liquidity, interest and foreign exchange rate risk – these risks are monitored closely and reported upon daily against conservative exposure limits.

Duncan Lawrie Limited has not been affected by the current banking crisis and has no exposure to the sub-prime mortgage market.

Further information on the group's financial risks are disclosed in note 39 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.

Pension scheme

There are three final salary schemes in the UK. These are all closed to new entrants and one scheme has been closed to future accrual. A material proportion of the assets of each of these schemes is invested in equities and the value of these assets will fluctuate in line with global equity markets. Continuing improvements in mortality rates may increase the liabilities of the schemes.

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, 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.

Report of the directors

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). These principles will be reviewed by the board later in 2008.

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 2007.

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 is seeking to ensure ongoing adherence to the business principles and will be taking further steps to improve implementation. 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 has been established.
- A set of key non-financial performance indicators has been developed to enable better measurement of group performance.

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 that by reference to return on segmental assets achieved in the main segments of the business. 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	
	2007	2006	2007	2006	2007	2006	2007	2006
Segment net assets (£'000)	129,008	121,437	12,369	11,534	19,969	21,939	29,056	29,419
Segment profit (£'000)	9,072	12,682	2,124	1,744	(133)	(512)	1,431	1,766
Return on segmental assets (%)	7.03	10.44	17.17	15.12	(0.67)	(2.33)	4.93	6.00

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

Report of the directors

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 10.30% (2006: 13.87%).

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

Key non-financial performance indicators

The following information has been compiled based on data provided by a majority of the group's subsidiary undertakings. The board considers that this information demonstrates the level of compliance with important elements of the business principles. The board will regularly review which key non-financial performance indicators are most appropriate.

	KPI definition	Agriculture and horticulture	Engineering	Food storage and distribution	Banking and financial services
1 Compliance					
a) Prosecutions	The number of prosecutions brought in the financial year by the official regulatory bodies responsible for enforcing regulations in the areas of:				
	Employment	0	0	0	0
	Worker health and safety	0	0	0	0
	Environmental protection	0	0	0	0
b) Formal warnings	The number of written warnings during the financial year by the official regulatory bodies responsible for enforcing regulations in the areas of:				
	Employment	0	0	0	0
	Worker health and safety	1	0	0	0
	Environmental protection	0	0	0	0
2 Child Labour					
a) Minimum age	The number of employees who were less than 15 years old during the financial year	0	0	0	0
b) Access to education	The number of employees who were younger than the age for completing compulsory education in their country during the financial year	0	0	0	0
3 Accidents					
a) Injury	The number of injuries received at work resulting in either: Absence from work for more than three days, or the injured person being unable to do the full range of their normal duties for more than three days	145	2	12	1
4 Health					
a) Sickness absence	The number of employee days absence as a result of sickness during the financial year	153,877 ⁽ⁱ⁾	2,945	3,235	166
b) Sickness claims	The number of claims for compensation arising from occupational health issues received during the financial year in respect of continuing operations	126	0	3	0

(i) This excludes tea garden workers in India who have a contractual entitlement to fourteen days sickness absence. It also excludes the operations in Malawi.

Substantial shareholdings

As at 24 April 2008 the company had been advised of the following interests in the share capital of the company:

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

Taube Hodson Stonex & Partners Limited held (through State Street Nominees Limited) 227,176 ordinary shares (8.17 per cent. of total voting rights).

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

Report of the directors

Charitable contributions

During the year the group made charitable donations totalling £9,486 (2006: £5,584). Of this amount £7,456 was paid to arts, sports and education related charities and £2,030 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 2007 represented 30 days of annual purchases.

Changes in share capital and purchase of own shares

At the annual general meeting in 2007, shareholders gave authority for the company to purchase up to 277,950 of its own shares. This authority expires at the conclusion of this year's annual general meeting on 5 June 2008.

Explanatory notes to the notice of annual general meeting

Resolution 1 – Company's annual report and accounts 2007 (ordinary resolution)

Company law requires the directors to present to the annual general meeting, the annual accounts, the directors' report and the auditors' report on those accounts.

Resolution 2 – Directors' remuneration report 2007 (ordinary resolution)

This resolution asks shareholders to approve the directors' remuneration report for the year ended 31 December 2007.

Resolution 3 – Final dividend (ordinary resolution)

The payment of a final dividend of 72 pence per share in respect of the year ended 31 December 2007, which is recommended by the board, requires the approval of the shareholders at the annual general meeting.

Resolutions 4 to 10 – Re-election of directors (ordinary resolutions)

At the annual general meeting, Mr P A Leggatt, Mr A K Mathur, Mr M C Perkins, Mr D A Reeves, Mr C J Relleen, Dr B A Siegfried and Mr C P T Vaughan-Johnson will retire and are offering themselves for re-election in accordance with the company's articles of association ("the Articles"). Resolutions 4 to 10 propose their respective re-elections.

Resolutions 11 and 12 – Reappointment of auditors and determination of their remuneration (ordinary resolutions)

The company is required to appoint auditors at each annual general meeting at which accounts are presented, to hold office until the conclusion of the next such meeting. The audit committee has reviewed the effectiveness, independence and objectivity of the external auditors, Moore Stephens LLP, on behalf of the board, who now propose their reappointment as auditors of the company. Moore Stephens LLP has advised of its willingness to stand for reappointment as the auditor of the company. Resolution 12 authorises the directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors. In practice, the audit committee will consider the audit fees for recommendation to the board.

Resolution 13 – Amendment to the articles (special resolution) – directors' authorisation of conflicts of interest

The Companies Act 2006 (the "2006 Act") sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The insertion of Article 145A into the Articles gives the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in

Report of the directors

taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

The proposed changes to the Articles will only be effective when the relevant provisions of the 2006 Act come into force, which is expected to take place on 1 October 2008.

Resolution 14 – Purchases of own shares by the company (special resolution)

Resolution 14 to be proposed at the annual general meeting seeks authority from holders of ordinary shares of 10 pence each in the capital of the company ("shares") for the company to make market purchases of its own shares, such authority being limited to the purchase of approximately 10 per cent. of the voting rights in the company as at 24 April 2008. The maximum price payable for the purchase by the company of its own shares will be limited to the higher of 5 per cent. above the average of the middle market quotations of the company's shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and the price of the last independent trade of a share and the highest current independent bid for a share as derived from the trading venue where the purchase is carried out. The minimum price payable by the company for the purchase of its own shares will be 10 pence per share (being the amount equal to the nominal value of a share). The authority to purchase the company's own shares will only be exercised if the directors consider that there is likely to be a beneficial impact on earnings per share and that it is in the best interests of the company at the time. The company is able to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and capable of being re-sold by the company. The company may take advantage of this ability to the extent that it exercises the authority to buy back its shares, so as to hold the purchased shares in treasury.

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 either:

1. Complete the form of proxy at the back of this document 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 11.30 a.m. on 3 June 2008.
2. If you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described at Note 3 in the notes to the notice of the annual general meeting.

Completion of the form of proxy or appointment of a proxy through CREST 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

24 April 2008

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. The board has also taken account of provision A.7.2 in respect of Mr Reeves role as a 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 contact with another 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	Corporate secretarial and administration
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 above specified limits
- 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

Corporate governance

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 2007.

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 C J Relleen	10/10	3/3	2/2
Mr A K Mathur	10/10	3/3*	–
Mr P A Leggatt	10/10	–	–
Mr D A Reeves	10/10	3/3	–
Dr B A Siegfried	9/10	–	–
Mr C P T Vaughan-Johnson	10/10	3/3	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 £20 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 2008 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.

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 2007.

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, market prices for our produce 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.

The following sections on directors' remuneration and pensions have been audited.

Directors' remuneration

	Basic remuneration 2007 £	Benefits in kind 2007 £	Total 2007 £	Total 2006 £
Executive				
M C Perkins	312,000	26,189	338,189	380,086
P A Leggatt	123,704	15,964	139,668	137,789
A K Mathur	161,000	26,332	187,332	177,121
Non-executive				
D A Reeves	20,000	–	20,000	20,000
C J Relleen	37,500	14,094	51,594	37,500
Dr B A Siegfried	10,000	–	10,000	4,167
C P T Vaughan-Johnson	32,500	–	32,500	32,500
Former director	–	–	–	27,967
	<u>696,704</u>	<u>82,579</u>	<u>779,283</u>	<u>817,130</u>

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.

Remuneration report

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 The Lawrie Group Pension Scheme contribute 6 per cent. of their basic salary. Members of The Linton Park Group Pension Scheme contributed 6 per cent. of their basic salary up until 1 May 2007 (November 2007 in some cases) and thereafter at a rate of 7 per cent.. This rate of contribution will increase to 8 per cent. from 1 May 2008 (November 2008 in some cases). 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 up until 31 December 2003 the normal retirement age was 63 in respect of service up until that date. With effect from 1 January 2004 the normal retirement age was increased to 65.

From 1 May 2007 the normal retirement age of members of The Lawrie Group Pension Scheme was increased to 65. Pension benefits accrued prior to that date can be paid at age 63 without actuarial reduction. In a few cases pensions can be paid from age 60 without actuarial reduction. Both schemes provide for a lump sum death in service benefit of four times basic salary and a spouse's pension of half of the member's pension, based on prospective service.

All benefits are subject to 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. From 1 May 2007, the maximum increase reduced to 2.5 per cent. in respect of pension accrual on or after that date. 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

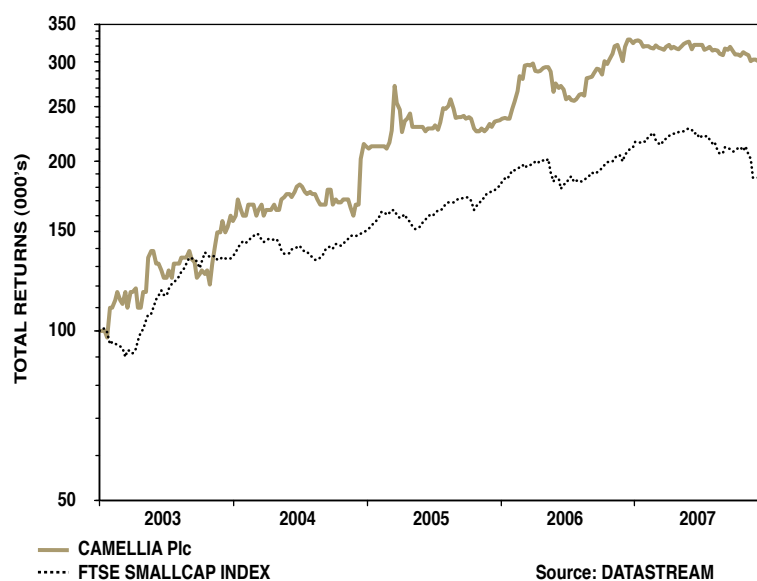
	Age	Pension accrued in year £	Pension accrued in the year net of inflation £	Pension accrued to 31 Dec 2007 £	Transfer value of pension accrued in the year net of inflation £	Transfer value of pension accrued at 31 Dec 2006 £	Transfer value of pension accrued at 31 Dec 2007 £	Increase in transfer value in the year net of directors contributions £
M C Perkins	63	6,355	4,911	43,381	57,111	647,224	795,569	128,701
A K Mathur	60	7,098	4,848	64,086	80,209	1,146,868	1,517,367	361,901

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 2007 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

24 April 2008

Consolidated income statement
for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Revenue	1	161,936	160,552
Cost of sales		(107,497)	(106,239)
Gross profit		54,439	54,313
Other operating income		1,631	1,657
Distribution costs		(9,665)	(8,987)
Administrative expenses		(37,261)	(36,141)
Trading profit	3	9,144	10,842
Share of associates' results	4	10,568	4,932
Profit on disposal of non-current assets	5	2,029	929
Profit on disposal of non-current assets held for sale	6	327	952
Profit on disposal of available-for-sale investments	7	5,259	364
Profit on part disposal of a subsidiary	8	170	–
Gain arising from changes in fair value of biological assets	18	2,770	1,176
Profit from operations		30,267	19,195
Investment income		867	1,606
Finance income	9	701	709
Finance costs	9	(1,921)	(2,544)
Pension schemes' net financing income	9	737	1,016
Net finance costs	9	(483)	(819)
Profit before tax		30,651	19,982
Taxation	10	(3,205)	(4,808)
Profit for the year		27,446	15,174
Profit attributable to minority interests		2,129	2,271
Profit attributable to equity shareholders		25,317	12,903
		27,446	15,174
Earnings per share - basic and diluted	13	910.8p	464.2p

Consolidated balance sheet
at 31 December 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Intangible assets	16	8,246	7,865
Property, plant and equipment	17	76,233	76,257
Biological assets	18	80,633	75,553
Prepaid operating leases	19	982	969
Investments in associates	21	90,367	63,672
Deferred tax assets	30	1,356	1,344
Other investments	22	41,186	55,466
Retirement benefit surplus	31	5,766	3,585
Trade and other receivables	24	634	526
Total non-current assets		<u>305,403</u>	<u>285,237</u>
Current assets			
Inventories	23	20,137	19,067
Trade and other receivables	24	67,893	52,416
Current income tax assets		1,616	1,786
Cash and cash equivalents	25	235,612	210,560
		<u>325,258</u>	<u>283,829</u>
Non-current assets classified as held for sale	26	–	167
Total current assets		<u>325,258</u>	<u>283,996</u>
Current liabilities			
Borrowings	28	(14,771)	(16,688)
Trade and other payables	27	(275,913)	(235,008)
Current income tax liabilities		(1,786)	(2,488)
Other employee benefit obligations	32	(169)	(142)
Provisions	29	(123)	(58)
Total current liabilities		<u>(292,762)</u>	<u>(254,384)</u>
Net current assets		<u>32,496</u>	<u>29,612</u>
Total assets less current liabilities		<u>337,899</u>	<u>314,849</u>
Non-current liabilities			
Borrowings	28	(11,797)	(14,951)
Deferred tax liabilities	30	(26,719)	(25,161)
Retirement benefit obligations	31	(10,608)	(17,781)
Other employee benefit obligations	32	(1,293)	(1,163)
Other non-current liabilities		(341)	(417)
Provisions	29	–	(112)
Total non-current liabilities		<u>(50,758)</u>	<u>(59,585)</u>
Net assets		<u>287,141</u>	<u>255,264</u>
Equity			
Called up share capital	33	284	284
Reserves		265,987	235,677
Shareholders' funds	34	<u>266,271</u>	<u>235,961</u>
Minority interests	34	20,870	19,303
Total equity		<u>287,141</u>	<u>255,264</u>

Balance sheet
at 31 December 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Investments in subsidiaries	20	73,683	73,683
Other investments	22	7,279	6,962
Total non-current assets		<u>80,962</u>	<u>80,645</u>
Current assets			
Amounts due from group undertakings		5,407	5,770
Current income tax asset		74	74
Cash and cash equivalents	25	–	1
Total current assets		<u>5,481</u>	<u>5,845</u>
Current liabilities			
Trade and other payables	27	(20)	(20)
Amounts due to group undertakings		(22,776)	(23,776)
Total current liabilities		<u>(22,796)</u>	<u>(23,796)</u>
Net current liabilities		<u>(17,315)</u>	<u>(17,951)</u>
Total assets less current liabilities		<u>63,647</u>	<u>62,694</u>
Non-current liabilities			
Deferred tax liabilities	30	(337)	(361)
Total non-current liabilities		<u>(337)</u>	<u>(361)</u>
Net assets		<u>63,310</u>	<u>62,333</u>
Equity			
Called up share capital	33	284	284
Reserves		63,026	62,049
Shareholders' funds	34	<u>63,310</u>	<u>62,333</u>

Approved on 24 April 2008 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 2007

	Notes	2007 £'000	2006 £'000
Cash generated from operations			
Cash flows from operating activities	35	14,171	9,235
Interest paid		(2,271)	(2,857)
Income taxes paid		(3,442)	(3,416)
Interest received		697	665
Dividends received from associates		2,252	1,835
Net cash flow from operating activities		<u>11,407</u>	<u>5,462</u>
Cash flows from investing activities			
Purchase of intangible assets		(208)	(237)
Purchase of property, plant and equipment		(6,953)	(8,657)
Proceeds from sale of non-current assets		2,948	2,564
Proceeds from sale of non-current assets held for sale		489	1,634
Part disposal of a subsidiary		400	–
Acquisition of subsidiary (net of cash acquired)	37	(549)	(3,670)
Purchase of minority interests		(193)	–
Minority share subscription		–	541
Purchase of shares in associate		(2)	(23)
Proceeds from sale of investments		8,235	9,596
Purchase of investments		(7,915)	(4,378)
Income from investments		867	1,606
Net cash flow from investing activities		<u>(2,881)</u>	<u>(1,024)</u>
Cash flows from financing activities			
Equity dividends paid		(2,502)	(2,474)
Dividends paid to minority interests		(1,132)	(1,055)
Net (repayment of)/increase in debt		(3,625)	4,971
Purchase of own shares		–	(31)
Net cash flow from financing activities		<u>(7,259)</u>	<u>1,411</u>
Net increase in cash and cash equivalents		<u>1,267</u>	<u>5,849</u>
Cash and cash equivalents at beginning of year	25	(542)	(6,435)
Exchange gains on cash		33	44
Cash and cash equivalents at end of year	25	<u>758</u>	<u>(542)</u>

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 2007

	Notes	2007 £'000	2006 £'000
Cash generated from operations			
Profit before tax		3,511	4,677
Adjustments for:			
Gain on disposal of investments		–	(44)
Interest income		(159)	(437)
Dividend income		–	(8)
Dividends from group companies		(4,000)	(5,000)
Decrease in trade and other receivables		–	38
Decrease in trade and other payables		–	(156)
Net movement in intra-group balances		(637)	(1,844)
Cash generated from operations		(1,285)	(2,774)
Interest received		159	437
Payment for group relief received		–	77
Net cash flow from operating activities		(1,126)	(2,260)
Cash flows from investing activities			
Proceeds from sale of investments		–	171
Purchase of investments		(317)	(370)
Dividends received		4,000	5,008
Net cash flow from investing activities		3,683	4,809
Cash flows from financing activities			
Equity dividends paid		(2,558)	(2,530)
Purchase of own shares		–	(31)
Net cash flow from financing activities		(2,558)	(2,561)
Net decrease in cash and cash equivalents		(1)	(12)
Cash and cash equivalents at beginning of year	25	1	13
Cash and cash equivalents at end of year	25	–	1

Statement of recognised income and expense
for the year ended 31 December 2007

	2007	2006
	£'000	£'000
<i>Group</i>		
Foreign exchange translation differences	5,407	(26,348)
Actuarial movement on defined benefit pension schemes	6,030	3,540
Movement on deferred tax relating to defined benefit pension schemes	(639)	(1,185)
Available-for-sale investments:		
Valuation gains taken to equity	2,044	4,401
Transferred to profit or loss on sale	(3,630)	(124)
Other fair value adjustment	–	69
Share of associate's net movement in defined benefit pension schemes	372	257
Share of associates' fair value adjustments	932	(73)
Share of associate's (loss)/profit on cash flow hedges	(115)	378
Share of associate's income taxes on items recorded in equity	(29)	(27)
Net income/(expense) recognised directly in equity	<u>10,372</u>	<u>(19,112)</u>
Profit for the year	27,446	15,174
Total recognised income and expense for the year	<u>37,818</u>	<u>(3,938)</u>
Attributable to:		
Minority interests	2,505	(1,109)
Equity shareholders	35,313	(2,829)
	<u>37,818</u>	<u>(3,938)</u>
<i>Company</i>		
Available-for-sale investments:		
Transferred to profit or loss on sale	–	(72)
Net expense recognised directly in equity	<u>–</u>	<u>(72)</u>
Profit for the year	3,535	4,752
Total recognised income and expense for the year	<u>3,535</u>	<u>4,680</u>

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.

Interest income and expense arising through the group's banking operations, are recognised in the income statement for all instruments measured at amortised cost using the effective interest method and is stated net of interest paid.

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. 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.

Fees and commissions are for portfolio and other management advisory services and are recognised based on the applicable service contracts, usually on a time-apportioned basis.

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.

Accounting policies

Accounting policies (continued)

Intangible assets (continued)

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

Property, plant and equipment

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

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.

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

Accounting policies

Accounting policies *(continued)*

Investments *(continued)*

Available-for-sale financial assets include shares of listed and unlisted companies. 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 and other 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.

Amounts due from customers of banking subsidiaries consists of loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to a customer with no intention of trading the receivable, and are carried at amortised cost using the effective interest method.

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

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 substantively 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 other investments. 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 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 31.

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.

Identifiable intangible assets – customer relationships

Customer relationships acquired are valued using discounted cash flow 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 2007:

New standards and interpretations

IFRS 8	Operating segments
IFRIC 11	Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction

Revisions to existing standards

IAS 1	Changes relating to disclosure and presentation of performance
IAS 23	Changes relating to capitalisation of borrowing costs on qualifying assets

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:

IAS 1	The revisions to this standard requires some presentational changes. The revisions to the standard are effective for accounting periods beginning on or after 1 January 2009.
IFRS 8	The standard will require minor changes to segmental reporting, concentrating on information that is reported internally. The standard is effective for accounting periods beginning on or after 1 January 2009.

Notes to the accounts

1 Business and geographical segments

The principal activities of the group are as follows:

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

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

Segment information about these businesses is presented below:

	Agriculture and horticulture		Engineering		Food storage and distribution		Banking and financial services		Other operations		Consolidated	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Revenue												
External sales	89,004	88,549	20,109	20,255	38,561	39,266	13,949	11,096	313	1,386	161,936	160,552
Trading profit												
Segment profit	9,072	12,682	2,124	1,744	(133)	(512)	1,431	1,766	(113)	(9)	12,381	15,671
Unallocated corporate expenses											(3,237)	(4,829)
Trading profit											9,144	10,842
Share of associates' results	(6)	18					3,882	395	6,692	4,519	10,568	4,932
Profit on disposal of non-current assets											2,029	929
Profit on disposal of assets held for resale											327	952
Profit on disposal of available-for-sale investments											5,259	364
Profit on part disposal of a subsidiary											170	–
Gain arising from changes in fair value of biological assets	2,770	1,176									2,770	1,176
Investment income											867	1,606
Net finance costs											(483)	(819)
Profit before tax											30,651	19,982
Taxation											(3,205)	(4,808)
Profit after tax											27,446	15,174
Other information												
Segment assets	152,009	144,721	15,197	14,347	26,975	29,622	282,259	241,774	3,440	2,686	479,880	433,150
Investments in associates	935	920					20,721	2,566	68,711	60,186	90,367	63,672
Unallocated assets											60,414	72,411
Consolidated total assets											630,661	569,233
Segment liabilities	(23,001)	(23,284)	(2,828)	(2,813)	(7,006)	(7,683)	(253,203)	(212,355)	(268)	(151)	(286,306)	(246,286)
Unallocated liabilities											(57,214)	(67,683)
Consolidated total liabilities											(343,520)	(313,969)
Capital expenditure	4,189	3,809	1,152	904	1,095	1,981	425	137		102		
Depreciation	(3,084)	(3,161)	(834)	(830)	(3,111)	(2,997)	(264)	(214)	(14)	(16)		
Amortisation	(31)	(16)	(4)	(6)			(348)	(243)				

Segment assets consist primarily of intangible assets, property, plant and equipment, biological assets, prepaid operating leases, inventories, trade and other receivables and cash and cash equivalents. Receivables for tax have been excluded. Investments 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 geographical areas 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:

	2007 £'000	2006 £'000
United Kingdom	71,682	66,908
Continental Europe	18,174	19,055
India	37,802	35,241
Kenya	11,876	12,908
Malawi	3,120	4,485
Bangladesh	7,057	7,944
North America and Bermuda	1,951	3,390
South Africa	1,718	2,512
South America	3,400	3,184
Other	5,156	4,925
	<u>161,936</u>	<u>160,552</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
United Kingdom	320,463	280,918	2,550	2,815
Continental Europe	4,219	4,179	111	192
India	46,851	40,495	1,804	825
Kenya	36,788	37,603	661	699
Malawi	26,778	24,955	688	659
Bangladesh	20,170	19,743	229	826
North America and Bermuda	3,924	4,148	8	305
South Africa	7,360	9,495	179	273
South America	13,327	11,614	631	339
	<u>479,880</u>	<u>433,150</u>	<u>6,861</u>	<u>6,933</u>

Notes to the accounts

1 Business and geographical segments (continued)

Results of banking subsidiaries

		2007 £'000	2006 £'000
Interest receivable	third parties	14,530	11,051
	group companies	56	57
		<u>14,586</u>	<u>11,108</u>
Interest payable	third parties	(11,155)	(7,750)
	group companies	(215)	(146)
		<u>13,790</u>	<u>11,007</u>
Net interest income		3,216	3,212
Dividend income		–	24
Fee and commission income		12,045	8,084
Fee and commission expense		(1,657)	(491)
Other operating income		186	178
		<u>13,790</u>	<u>11,007</u>
Inter-segment net interest		159	89
Revenue		<u>13,949</u>	<u>11,096</u>
Operating expenses		<u>(12,518)</u>	<u>(9,330)</u>
Segment profit		<u>1,431</u>	<u>1,766</u>

2 Revenue

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

	2007 £'000	2006 £'000
Sale of goods	89,004	88,549
Distribution and warehousing revenue	38,561	39,266
Engineering services revenue	20,109	20,255
Banking service revenue	13,949	11,096
Agency commission revenue	114	1,131
Property rental revenue	199	255
	<u>161,936</u>	<u>160,552</u>
Other operating income	1,631	1,657
Investment income	867	1,606
Interest income	701	709
Total group revenue	<u>165,135</u>	<u>164,524</u>

Notes to the accounts

3 Trading profit

	2007	2006
	£'000	£'000
The following items have been included in arriving at trading profit:		
Employment costs (note 14)	57,887	55,975
Inventories:		
Cost of inventories recognised as an expense (included in cost of sales)	73,007	67,620
Cost of inventories provision recognised as an expense (included in cost of sales)	152	291
Cost of inventories provision reversed (included in cost of sales)	(16)	(42)
Depreciation of property, plant and equipment:		
Owned assets	6,693	6,733
Under finance leases	792	675
Amortisation of intangibles (included in administrative expenses)	383	265
Profit on disposal of property, plant and equipment	(21)	(41)
Operating leases – minimum lease payments:		
Plant and machinery	783	1,110
Property	794	775
Repairs and maintenance expenditure on property, plant and equipment	<u>2,817</u>	<u>2,526</u>
Currency exchange losses/(gains) charged/(credited) to income include:		
Revenue	23	18
Cost of sales	(275)	174
Distribution costs	(65)	37
Administrative expenses	17	134
Other operating income	–	(4)
Finance costs	(400)	59
	<u>(700)</u>	<u>418</u>
Amounts paid to the group's auditors comprised:		
Audit services:		
Statutory audit	719	620
Audit – related regulatory reporting	4	24
Tax services:		
Compliance services	11	8
Advisory services	28	23
Other services not covered above	<u>29</u>	<u>46</u>
	<u>791</u>	<u>721</u>

Included in the above group audit fees and expenses is £271,000 (2006: £249,000) paid to Moore Stephens LLP for statutory audit services and £16,000 (2006: £30,000) for tax and assurance services. Associates of Moore Stephens LLP were paid audit fees of £67,000 (2006: £62,000) and £2,000 (2006: £1,000) for taxation services.

Notes to the accounts

4 Share of associates' results

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

	2007 £'000	2006 £'000
Operating profit	8,561	6,570
Net finance costs	(650)	(780)
Profit before tax	7,911	5,790
Taxation	(1,026)	(858)
Profit after tax	6,885	4,932
Net profit from discontinued operations	3,683	–
	<u>10,568</u>	<u>4,932</u>

The net profit from discontinued operations relates to the disposal by the Siegfried Group of its Sidroga division and its biologics business unit. The profit resulting from the disposal of the Sidroga division of £4,804,000, included in net profit from discontinued operations, is provisional due to an arbitration procedure being initiated by the purchaser.

The results include the group's share of the profits of BF&M Limited, a Bermudian based insurance company, which became an associate with effect from 1 January 2007.

5 Profit on disposal of non-current assets

	2007 £'000	2006 £'000
Profit on disposal of property	<u>2,029</u>	<u>929</u>

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

A profit of £327,000 (2006: £952,000) was realised in relation to property, plant and equipment of Eastern Produce South Africa (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 disposal of available-for-sale investments

The profit of £5,259,000 includes a profit of £4,801,000 relating to the disposal of the group's entire shareholding in Gétaz Romang Holding SA, a public quoted company on the SWX Swiss Exchange.

Notes to the accounts

8 Profit on part disposal of a subsidiary

A profit of £170,000 was realised in relation to the disposal by Kakuzi Limited of 14 per cent. of its interest in Siret Tea Company Limited to EPK Outgrowers Empowerment Project Company Limited, a company mainly owned by smallholders in Kenya.

9 Finance income and costs

	2007 £'000	2006 £'000
Interest payable on loans and bank overdrafts	(2,141)	(2,341)
Interest payable on obligations under finance leases	(180)	(144)
Total borrowing costs	(2,321)	(2,485)
Net exchange gain/(loss) on foreign currency borrowings	400	(59)
Finance costs	(1,921)	(2,544)
Finance income – interest income on short-term bank deposits	701	709
Pension schemes' net financing income (note 31)	737	1,016
Net finance costs	(483)	(819)

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

Notes to the accounts

10 Taxation on profit on ordinary activities

Analysis of charge in the year

	2007	2006
	£'000	£'000
Current tax		
UK corporation tax		
UK corporation tax at 30.0 per cent. (2006: 30.0 per cent.)	1,681	2,004
Adjustment in respect of prior years	(14)	(152)
Double tax relief	(1,560)	(1,709)
	<u>107</u>	<u>143</u>
Foreign tax		
Corporation tax	2,936	3,789
Adjustment in respect of prior years	(1)	
	<u>2,935</u>	<u>4,052</u>
Total current tax	<u>3,042</u>	<u>4,195</u>
Deferred tax		
Origination and reversal of timing differences		
United Kingdom	(483)	(486)
Overseas	646	1,099
Total deferred tax	<u>163</u>	<u>613</u>
Tax on profit on ordinary activities	<u>3,205</u>	<u>4,808</u>
Factors affecting tax charge for the year		
Profit on ordinary activities before tax	30,651	19,982
Less: share of associated undertakings profit	10,568	4,932
Group profit on ordinary activities before tax	<u>20,083</u>	<u>15,050</u>
Tax on ordinary activities at the standard rate of corporation tax in the UK of 30.0 per cent. (2006: 30.0 per cent.)	6,025	4,515
Effects of:		
Adjustment to tax in respect of prior years	(15)	111
Expenses not deductible for tax purposes	479	256
Adjustment in respect of foreign tax rates	251	460
Additional tax arising on dividends from overseas companies	316	353
Profit on disposal of non taxable assets	(2,173)	(702)
Other income not charged to tax	(1,168)	(246)
Increase in tax losses carried forward	400	635
Decrease in tax losses carried forward	(226)	(462)
Effect of abolition of industrial buildings allowance on deferred tax	(732)	-
Movement in other timing differences	48	(112)
Current tax charge for the year	<u>3,205</u>	<u>4,808</u>

Notes to the accounts

11 Profit for the year

	2007	2006
	£'000	£'000
The profit of the company was	<u>3,535</u>	<u>4,752</u>

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

12 Equity dividends

	2007	2006
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2006 of 70.00p (2005: 69.00p) per share	1,946	1,918
Interim dividend for the year ended 31 December 2007 of 20.00p (2006: 20.00p) per share	<u>556</u>	<u>556</u>
	<u>2,502</u>	<u>2,474</u>

Dividends amounting to £56,000 (2006: £56,000) 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 2007 of 72.00p (2006: 70.00p) per share	<u>2,046</u>	<u>1,989</u>
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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.

13 Earnings per share (EPS)

	Earnings £'000	2007 Weighted average number of shares Number	EPS Pence	Earnings £'000	2006 Weighted average number of shares Number	EPS Pence
Basic and diluted EPS						
Attributable to ordinary shareholders	<u>25,317</u>	<u>2,779,500</u>	<u>910.8</u>	<u>12,903</u>	<u>2,779,784</u>	<u>464.2</u>

Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held by the group as treasury shares (note 33).

Notes to the accounts

14 Employees

	2007 Number	2006 Number
Average number of employees by activity:		
Agriculture and horticulture	72,255	72,076
Engineering	349	350
Food storage and distribution	469	503
Banking and financial services	138	101
Central management	27	29
	<u>73,238</u>	<u>73,059</u>
	2007	2006
	£'000	£'000
Employment costs:		
Wages and salaries	51,728	48,671
Social security costs	2,631	2,432
Other pension costs (see note 31)		
– UK	1,341	2,712
– Overseas	2,187	2,160
	<u>57,887</u>	<u>55,975</u>

Total remuneration paid to members of the executive committee, excluding those members that are directors of Camellia Plc, amounted to £785,000 (2006: £808,000).

15 Emoluments of the directors

	2007 £'000	2006 £'000
Aggregate emoluments excluding pension contributions	<u>779</u>	<u>817</u>

Emoluments of the highest paid director excluding pension contributions were £338,000 (2006: £380,000).

Further details of directors' emoluments are set out on pages 18 and 19.

Notes to the accounts

16 Intangible assets

	Goodwill £'000	Customer relationships £'000	Licenses, patents and trade marks £'000	Computer software £'000	Total £'000
<i>Group</i>					
Cost					
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 1 January 2007	2,734	4,814	247	787	8,582
Exchange differences	–	–	9	5	14
Additions	549	–	2	206	757
At 31 December 2007	3,283	4,814	258	998	9,353
Amortisation					
At 1 January 2006	–	–	203	323	526
Exchange differences	–	–	(10)	(3)	(13)
Disposals	–	–	(61)	–	(61)
Charge for the year	–	148	8	109	265
At 1 January 2007	–	148	140	429	717
Exchange differences	–	–	4	3	7
Charge for the year	–	241	10	132	383
At 31 December 2007	–	389	154	564	1,107
Net book value at 31 December 2007	3,283	4,425	104	434	8,246
Net book value at 31 December 2006	2,734	4,666	107	358	7,865

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The carrying amount of the goodwill relates to the banking and financial services segment. Goodwill arising during the year relates to additional consideration paid as a result of the acquisition of Hill Martin Limited in 2006, which was dependent upon revenues in Hill Martin Limited for the three years ending 30 June 2008.

The group tests goodwill annually for impairment by comparing the actual results of the companies acquired with those anticipated on acquisition. The assessment of recoverability of goodwill is based on normal market valuation criteria such as a multiple of revenue for financial planning business and the percentage of funds under management for asset management business.

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. In 2006, 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.

Notes to the accounts

17 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Group</i>				
Deemed cost				
At 1 January 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 1 January 2007	67,396	71,362	17,480	156,238
Exchange differences	1,425	1,859	133	3,417
Additions	1,636	4,207	1,110	6,953
Disposals	(1,061)	(4,814)	(1,120)	(6,995)
At 31 December 2007	69,396	72,614	17,603	159,613
Depreciation				
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 1 January 2007	25,596	45,928	8,457	79,981
Exchange differences	685	1,202	112	1,999
Charge for the year	1,851	4,581	1,053	7,485
Disposals	(503)	(4,493)	(1,089)	(6,085)
At 31 December 2007	27,629	47,218	8,533	83,380
Net book value at 31 December 2007	41,767	25,396	9,070	76,233
Net book value at 31 December 2006	41,800	25,434	9,023	76,257

Land and buildings at net book value comprise:

	2007 £'000	2006 £'000
Freehold	30,456	30,591
Long leasehold	9,287	9,176
Short leasehold	2,024	2,033
	41,767	41,800

Plant and machinery includes assets held under finance leases. The depreciation charge for the year in respect of these assets was £792,000 (2006: £675,000) and their net book value was £2,913,000 (2006: £3,251,000).

The amount of expenditure during the year for property, plant and equipment in the course of construction amounted to £955,000 (2006: £475,000).

Notes to the accounts

18 Biological assets

	Tea £'000	Citrus £'000	Edible nuts £'000	Other £'000	Total £'000
<i>Group</i>					
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 1 January 2007	46,127	1,794	10,883	16,749	75,553
Exchange differences	1,659	(24)	(143)	583	2,075
Increases due to purchases	1,075	550	1,373	3,066	6,064
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	(91)	166	(677)	3,372	2,770
Decreases due to harvesting	(343)	(279)	(1,347)	(3,860)	(5,829)
At 31 December 2007	48,427	2,207	10,089	19,910	80,633

Other includes 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 %
2007	10.5 – 13.5	12.0 – 14.5	12.0 – 15.5	5.0 – 17.5
2006	10.5 – 13.5	12.0 – 17.5	12.0 – 15.5	5.0 – 17.5

Notes to the accounts

18 Biological assets *(continued)*

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

	2007 Hectares	2006 Hectares
Tea	33,476	33,636
Macadamia	2,193	2,053
Table grapes	80	80
Wine grapes	200	191
Citrus	227	234
Avocados	339	328
Pineapples	376	605
Plums	20	20
Pistachios	136	136
Timber	4,949	3,111
Rubber	1,717	1,625
Arable crops	<u>3,375</u>	<u>3,165</u>

	2007 Head	2006 Head
Livestock numbers on hand at the end of the year:	<u>4,878</u>	<u>5,075</u>

Output of agricultural produce during the year was:

	2007 Metric tonnes	2006 Metric tonnes
Tea	70,120	63,977
Macadamia	957	848
Table grapes	1,876	3,407
Wine grapes	1,489	1,929
Citrus	3,221	4,568
Avocados	4,558	3,482
Pineapples	51,055	50,314
Plums	493	470
Pistachios	117	621
Rubber	721	602
Arable crops	<u>19,380</u>	<u>17,853</u>

	2007 Cubic metres	2006 Cubic metres
Timber	<u>53,566</u>	<u>31,818</u>

	2007 £'000	2006 £'000
Fair value of agricultural output after deducting estimated point-of-sale costs	<u>66,628</u>	<u>70,637</u>

Notes to the accounts

19 Prepaid operating leases

	£'000
<i>Group</i>	
Cost	
At 1 January 2006	1,076
Exchange differences	(94)
At 1 January 2007	982
Exchange differences	14
At 31 December 2007	996
Amortisation	
At 1 January 2006	14
Exchange differences	(2)
Charge for the year	1
At 1 January 2007	13
Charge for the year	1
At 31 December 2007	14
Net book value at 31 December 2007	982
Net book value at 31 December 2006	969

20 Investments in subsidiaries

	2007 £'000	2006 £'000
<i>Company</i>		
Cost		
At 1 January and 31 December	73,683	73,683

21 Investments in associates

	2007 £'000	2006 £'000
At 1 January	63,672	65,672
Exchange differences	2,331	(5,043)
Additions	2	31
Reclassification from financial assets	14,449	–
Share of profit (note 4)	10,568	4,932
Dividends	(2,252)	(1,834)
Other equity movements	1,597	(86)
At 31 December	90,367	63,672

With effect from 1 January 2007, BF&M Limited was reclassified from other investments to an investment in associate (note 22).

Details of the group's associates are shown in note 40.

Notes to the accounts

21 Investments in associates *(continued)*

The group's share of the results of its principal associates and its share of the assets (including goodwill) and liabilities are as follows:

	Country of incorporation	Assets £'000	Liabilities £'000	Revenues £'000	Profit £'000	Interest held %
<i>2007</i>						
<i>Listed</i>						
Siegfried Holding AG	Switzerland	94,340	(25,629)	42,846	6,692	32.3
BF&M Limited	Bermuda	82,270	(64,368)	22,814	3,465	25.4
<i>United Leasing</i>						
Company Limited	Bangladesh	20,092	(17,574)	2,267	352	33.6
<i>United Insurance</i>						
Company Limited *	Bangladesh	1,999	(811)	483	65	33.2
<i>2006</i>						
<i>Listed</i>						
Siegfried Holding AG	Switzerland	93,325	(33,139)	50,204	4,519	32.3
<i>United Leasing</i>						
Company Limited	Bangladesh	16,335	(14,012)	1,958	326	33.6
<i>United Insurance</i>						
Company Limited *	Bangladesh	1,864	(749)	493	106	33.2

* Includes its wholly owned subsidiary The Surmah Valley Tea Company.

The fair value of listed investments as at 31 December 2007 is £101,306,000 (2006: £73,004,000).

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.

Notes to the accounts

22 Other investments

	2007 £'000	2006 £'000
<i>Group</i>		
Cost or fair value		
At 1 January	55,765	62,243
Exchange differences	(398)	(5,795)
Fair value adjustment	2,044	4,401
Additions	7,915	4,378
Transfer to investment in associates	(17,231)	–
Disposals	(3,129)	(9,338)
Fair value adjustment for disposal	(3,630)	(124)
At 31 December	<u>41,336</u>	<u>55,765</u>
Provision for diminution in value		
At 1 January	(299)	(412)
Exchange differences	(3)	6
Amounts released in year	152	107
At 31 December	<u>(150)</u>	<u>(299)</u>
Net book value		
At 31 December	<u>41,186</u>	<u>55,466</u>
Cost or fair value comprises:		
Held-to-maturity investments:		
Bank and building society certificates of deposit	6,700	–
Available-for-sale financial assets:		
Investment securities	–	2,011
Listed investments	27,211	46,058
Unlisted investments	322	910
	<u>27,533</u>	<u>48,979</u>
Collections	7,103	6,786
	<u>41,336</u>	<u>55,765</u>

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.

With effect from 1 January 2007, the group has representation on the board of BF&M Limited and is in a position to exert significant influence. As a result the investment in this company has been reclassified from other investments to an investment in associate. The result of this reclassification is that investments in associates increase by £14,449,000, being the equity value and other investments decline by £17,231,000, being the market value. The difference of £2,782,000 has been transferred to reserves.

Listed investments include the following company 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 the operations:

	Principal country of origin	% held
West Hamilton Limited	Bermuda	28.15

At 31 December 2006 West Hamilton Limited's aggregate capital and reserves amounted to £3,381,000 and its profit for the year then ended was £369,000. Financial statements to 31 December 2007 are not yet available for this company.

Notes to the accounts

22 Other investments (continued)

	2007 £'000	2006 £'000
<i>Company</i>		
Cost or fair value		
At 1 January	6,962	6,790
Additions	317	370
Disposals	–	(126)
Fair value adjustment for disposal	–	(72)
At 31 December	<u>7,279</u>	<u>6,962</u>
Cost or fair value comprises:		
Unlisted investments	170	170
Collections	7,109	6,792
	<u>7,279</u>	<u>6,962</u>

23 Inventories

	2007 £'000	2006 £'000
<i>Group</i>		
Raw materials and consumables	5,518	4,714
Work in progress	618	1,541
Produce on hand	8,830	8,116
Finished goods	5,171	4,696
	<u>20,137</u>	<u>19,067</u>

The year end inventories balance includes a write-down provision of £183,000 (2006: £330,000).

24 Trade and other receivables

	2007 £'000	2006 £'000
<i>Group</i>		
Due within one year:		
Amounts due from customers of banking subsidiaries	37,061	26,508
Trade debtors	19,788	17,561
Amounts owed by associated undertakings	291	59
Other debtors	7,018	4,624
Prepayments and accrued income	3,735	3,664
	<u>67,893</u>	<u>52,416</u>
Due after one year:		
Other debtors	<u>634</u>	<u>526</u>

Included within trade debtors is a provision for doubtful debts of £326,000 (2006: £241,000).

Trade debtors include receivables of £3,735,000 (2006: £3,957,000) which are past due at the reporting date for which the group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. Ageing of past due but not provided for receivables is as follows:

	2007 £'000	2006 £'000
Up to 30 days	2,536	2,509
30-60 days	513	410
60-90 days	116	51
Over 90 days	570	987
	<u>3,735</u>	<u>3,957</u>

Notes to the accounts

25 Cash and cash equivalents

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash at bank and in hand	203,786	179,318	–	1
Short-term bank deposits	3,944	6,696	–	–
Short-term liquid investments	27,882	24,546	–	–
	<u>235,612</u>	<u>210,560</u>	<u>–</u>	<u>1</u>

Included in the amounts above are cash and short-term funds, time deposits with banks and building societies and certificates of deposit amounting to £223,849,000 (2006: £198,422,000) 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	
	2007 £'000	2006 £'000
Cash and cash equivalents (excluding banking operations)	11,763	12,138
Bank overdrafts (note 28)	(11,005)	(12,680)
	<u>758</u>	<u>(542)</u>

	Group	
	2007	2006
Effective interest rate:		
Short-term deposits	10.36%	10.88%
Short-term liquid investments	6.14%	4.77%
Average maturity period:		
Short-term deposits	58 days	42 days
Short-term liquid investments	39 days	49 days

26 Non-current assets classified as held for sale

In 2006 non-current assets held for sale represents assets of Eastern Produce South Africa (Pty) Limited which had previously been used in the group's production of tea in South Africa. Disposal of the remaining assets was completed during 2007.

27 Trade and other payables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts due to customers of banking subsidiaries	250,916	209,827	–	–
Trade creditors	12,604	12,675	–	–
Amounts owed to associated undertakings	–	290	–	–
Other taxation and social security	1,398	1,587	–	–
Other creditors	5,806	5,126	20	20
Accruals	5,189	5,503	–	–
	<u>275,913</u>	<u>235,008</u>	<u>20</u>	<u>20</u>

Notes to the accounts

28 Financial liabilities – borrowings

	2007	2006
	£'000	£'000
<i>Group</i>		
Current		
Bank overdrafts	11,005	12,680
Bank loans	2,889	3,153
Finance leases	877	855
	<u>14,771</u>	<u>16,688</u>
Current borrowings include the following amounts secured on biological assets and property, plant and equipment:		
Bank overdrafts	9,212	10,578
Bank loans	2,389	2,403
Finance leases	877	855
	<u>12,478</u>	<u>13,836</u>
Non-current		
Bank loans	9,907	12,794
Finance leases	1,890	2,157
	<u>11,797</u>	<u>14,951</u>
Non-current borrowings include the following amounts secured on biological assets and property, plant and equipment:		
Bank loans	5,395	7,958
Finance leases	1,890	2,157
	<u>7,285</u>	<u>10,115</u>
The repayment of bank loans and overdrafts fall due as follows:		
Within one year or on demand (included in current liabilities)	13,894	15,833
Between 1 – 2 years	1,544	1,344
Between 2 – 5 years	3,314	5,837
After 5 years	5,049	5,613
	<u>23,801</u>	<u>28,627</u>
Minimum finance lease payments fall due as follows:		
Within one year or on demand (included in current liabilities)	1,045	1,028
Between 1 – 2 years	925	882
Between 2 – 5 years	1,182	1,525
After 5 years	–	1
	<u>3,152</u>	<u>3,436</u>
Future finance charges on finance leases	(385)	(424)
Present value of finance lease liabilities	<u>2,767</u>	<u>3,012</u>

Notes to the accounts

28 Financial liabilities – borrowings (continued)

The present value of finance lease liabilities fall due as follows:

	2007 £'000	2006 £'000
Within one year or on demand (included in current liabilities)	877	855
Between 1 – 2 years	803	759
Between 2 – 5 years	1,087	1,397
After 5 years	–	1
	<u>2,767</u>	<u>3,012</u>

The rates of interest payable by the group ranged between:

	2007 %	2006 %
Overdrafts	5.50 – 17.50	4.50 – 20.50
Bank loans	3.85 – 12.00	2.15 – 12.50
Finance leases	3.25 – 16.00	3.25 – 16.00

29 Provisions

	Restructuring £'000	Onerous lease £'000	Other £'000	Total £'000
<i>Group</i>				
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 1 January 2007	–	78	92	170
Provided in the period	–	123	–	123
Utilised in the period	–	(78)	(92)	(170)
At 31 December 2007	<u>–</u>	<u>123</u>	<u>–</u>	<u>123</u>
			2007 £'000	2006 £'000
Current element			123	58
Non-current element			–	112
			<u>123</u>	<u>170</u>

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

Notes to the accounts

30 Deferred tax

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

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 January	23,817	25,731	361	361
Exchange differences	744	(3,643)	–	–
Charged/(credited) to the income statement	163	613	(24)	–
Charged to equity	639	1,116	–	–
At 31 December	<u>25,363</u>	<u>23,817</u>	<u>337</u>	<u>361</u>

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 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 1 January 2007	26,395	–	2,856	1,170	60	30,481
Exchange differences	568	–	172	105	–	845
(Credited)/charged to the income statement	(1,136)	–	272	404	–	(460)
Charged to equity	–	–	–	907	–	907
Transfer between categories	247	–	–	(793)	–	(546)
At 31 December 2007	<u>26,074</u>	<u>–</u>	<u>3,300</u>	<u>1,793</u>	<u>60</u>	<u>31,227</u>
Deferred tax assets offset						<u>(4,508)</u>
Net deferred tax liability after offset						<u>26,719</u>

Notes to the accounts

30 Deferred tax (continued)

Deferred tax assets	Decelerated tax depreciation £'000	Tax losses £'000	Pension scheme asset £'000	Other £'000	Total £'000
At 1 January 2006	270	2,760	3,830	792	7,652
Exchange differences (Charged)/credited to the income statement	–	(476)	211	(75)	(340)
Charged to equity	(105)	(230)	103	8	(224)
	–	–	(424)	–	(424)
At 1 January 2007	165	2,054	3,720	725	6,664
Exchange differences Credited/(charged) to the income statement	–	27	65	9	101
Credited to equity	23	(311)	(195)	(140)	(623)
Transfer between categories	–	–	268	–	268
	141	–	(793)	106	(546)
At 31 December 2007	329	1,770	3,065	700	5,864
Offset against deferred tax liabilities					(4,508)
Net deferred tax asset after offset					1,356

Deferred tax liabilities of £14,389,000 (2006: £7,327,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred tax assets of £5,991,000 (2006: £6,504,000) in respect of losses that can be carried forward against future taxable income.

31 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 eligible to join a group personal pension plan. In addition with effect from 1 May 2007, The Unochrome Group Pension Scheme was closed to future accruals in respect of current members. Since that date these members have participated in a defined contribution scheme. The contributions paid by employees who are members of The Linton Park Group Pension Scheme have increased by 1 per cent. in 2007 and will increase by a further 1 per cent. in 2008.

The overseas schemes are operated in group subsidiaries located in Bangladesh, India and The Netherlands. Actuarial valuations have been updated to 31 December 2007 by qualified actuaries for these schemes.

Notes to the accounts

31 Pensions (continued)

Assumptions

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

	2007	2006
	% per annum	% per annum
UK schemes		
Rate of increase in salaries	3.50	3.50
Rate of increase to LPI pensions in payment	2.50 – 5.00	3.00 – 5.00
Discount rate applied to scheme liabilities	5.90	5.10
Inflation assumption	3.40	3.00

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	2.00 – 7.00	3.00 – 7.00
Rate of increase to LPI pensions in payment	0.00 – 3.00	0.00 – 3.00
Discount rate applied to scheme liabilities	4.65 – 12.50	4.65 – 12.50
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:

UK schemes

Equities and property	7.10	7.10
Bonds	5.00	4.75
Cash	5.50	5.00

Overseas schemes

Bonds	7.25 – 12.39	7.50 – 12.50
Cash	7.25 – 12.39	7.50 – 12.50
Other	5.50	4.65

Notes to the accounts

31 Pensions (continued)

Actuarial valuations

	2007			2006		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
Equities and property	85,628	257	85,885	83,899	–	83,899
Bonds	25,004	8,984	33,988	23,342	10,212	33,554
Cash	1,735	4,106	5,841	2,288	1,836	4,124
Other	–	1,323	1,323	–	1,259	1,259
Total fair value of plan assets	112,367	14,670	127,037	109,529	13,307	122,836
Present value of defined benefit obligations	(118,488)	(13,391)	(131,879)	(125,779)	(11,253)	(137,032)
Total (deficit)/surplus in the schemes	(6,121)	1,279	(4,842)	(16,250)	2,054	(14,196)
Amount recognised as asset in the balance sheet	1,875	3,891	5,766	–	3,585	3,585
Amount recognised as liability in the balance sheet	(7,996)	(2,612)	(10,608)	(16,250)	(1,531)	(17,781)
	(6,121)	1,279	(4,842)	(16,250)	2,054	(14,196)
Related deferred tax asset (note 30)	2,239	826	3,065	3,233	487	3,720
Related deferred tax liability (note 30)	(525)	(1,268)	(1,793)	–	(1,170)	(1,170)
Net (deficit)/surplus	(4,407)	837	(3,570)	(13,017)	1,371	(11,646)

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

	2007			2006		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
At 1 January	109,529	13,307	122,836	102,308	13,927	116,235
Expected return on plan assets	6,930	1,024	7,954	6,675	940	7,615
Employer contributions	3,085	658	3,743	2,647	386	3,033
Contributions paid by plan participants	525	8	533	651	23	674
Benefit payments	(6,066)	(1,029)	(7,095)	(4,879)	(539)	(5,418)
Actuarial (losses)/gains	(1,636)	(511)	(2,147)	2,127	65	2,192
Exchange differences	–	1,213	1,213	–	(1,495)	(1,495)
At 31 December	112,367	14,670	127,037	109,529	13,307	122,836

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

	2007			2006		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
At 1 January	(125,779)	(11,253)	(137,032)	(121,393)	(13,492)	(134,885)
Current service cost	(1,614)	(547)	(2,161)	(2,449)	(556)	(3,005)
Contributions paid by plan participants	(525)	(8)	(533)	(651)	(23)	(674)
Interest cost	(6,304)	(913)	(7,217)	(5,723)	(876)	(6,599)
Settlement gain	902	–	902	–	–	–
Benefit payments	6,066	1,029	7,095	4,879	571	5,450
Actuarial gains/(losses)	8,766	(589)	8,177	(442)	1,790	1,348
Exchange differences	–	(1,110)	(1,110)	–	1,333	1,333
At 31 December	(118,488)	(13,391)	(131,879)	(125,779)	(11,253)	(137,032)

In 2005, 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, and in 2004, the total fair value of plan assets was £98,928,000, present value of defined benefit obligations was £122,005,000 and the deficit was £23,077,000.

Notes to the accounts

31 Pensions (continued)

Income statement

The amounts recognised in the income statement are as follows:

	2007		Total	2006		Total
	UK	Overseas	£'000	UK	Overseas	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts charged to operating profit:						
Current service cost	(1,614)	(547)	(2,161)	(2,449)	(556)	(3,005)
Settlement gain	902	–	902	–	–	–
Total operating charge	(712)	(547)	(1,259)	(2,449)	(556)	(3,005)
Amounts charged/(credited) to other finance costs:						
Expected return on pension scheme assets	6,930	1,024	7,954	6,675	940	7,615
Interest on pension scheme liabilities	(6,304)	(913)	(7,217)	(5,723)	(876)	(6,599)
Net financing income (note 9)	626	111	737	952	64	1,016
Total charged to income statement	(86)	(436)	(522)	(1,497)	(492)	(1,989)

Contributions to defined contribution schemes are charged to profit when payable and the costs charged were £2,269,000 (2006: £1,867,000).

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:

	2007		Total	2006		Total
	UK	Overseas	£'000	UK	Overseas	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	(1,636)	(511)	(2,147)	2,127	65	2,192
Experience (losses)/gains arising on scheme liabilities	(1,114)	(589)	(1,703)	1,416	1,790	3,206
Changes in assumptions underlying present value of scheme liabilities	9,880	–	9,880	(1,858)	–	(1,858)
Actuarial gain/(loss) recognised in the SORIE	7,130	(1,100)	6,030	1,685	1,855	3,540
Taxation on actuarial movement in the SORIE	(998)	359	(639)	(559)	(626)	(1,185)
Net actuarial gain/(loss) recognised in the SORIE	6,132	(741)	5,391	1,126	1,229	2,355

Cumulative actuarial gains recognised through the SORIE are £6,460,000 (2006: £430,000).

History of experience gains and losses

	2007			2006			2005			2004		
	UK	Overseas	Total	UK	Overseas	Total	UK	Overseas	Total	UK	Overseas	Total
Difference between expected and actual return on scheme assets:												
Amount (£'000)	(1,636)	(511)	(2,147)	2,127	65	2,192	11,960	(130)	11,830	2,480	(821)	1,659
Percentage of scheme assets	(1.5%)	(3.5%)	(1.7%)	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)	(1,114)	(589)	(1,703)	1,416	1,790	3,206	(2,541)	(1,031)	(3,572)	(61)	(196)	(257)
Percentage of present value of scheme liabilities	(0.9%)	(4.4%)	(1.3%)	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)	9,880	–	9,880	(1,858)	–	(1,858)	(3,948)	–	(3,948)	(8,822)	–	(8,822)
Percentage of present value of scheme liabilities	8.3%	–	7.5%	(1.5%)	–	(1.4%)	(3.3%)	–	(2.9%)	(7.9%)	–	(7.2%)
Total amount recognised in the SORIE:												
Amount (£'000)	7,130	(1,100)	6,030	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	6.0%	(8.2%)	4.6%	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 2008 is £3,273,000.

Notes to the accounts

32 Other employee benefit obligations

The movement in other employee benefit obligations is as follows:

	2007 £'000	2006 £'000
<i>Group</i>		
At 1 January	1,305	1,589
Exchange differences	20	(149)
Charged to the income statement	343	303
Payments made	(206)	(438)
At 31 December	<u>1,462</u>	<u>1,305</u>
Current element	169	142
Non-current element	1,293	1,163
	<u>1,462</u>	<u>1,305</u>

33 Share capital

	2007 £'000	2006 £'000
Authorised: 2,842,000 (2006: 2,842,000) ordinary shares of 10p each	<u>284</u>	<u>284</u>
Allotted, called up and fully paid: ordinary shares of 10p each:		
At 1 January – 2,842,000 (2006: 2,842,364) shares	284	284
Purchase of own shares – nil (2006: 364) shares	<u>–</u>	<u>–</u>
At 31 December – 2,842,000 (2006: 2,842,000) shares	<u>284</u>	<u>284</u>

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

Notes to the accounts

34 Statement of changes in shareholders' equity

	Notes	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Other reserves £'000	Total £'000	Minority interest £'000	Total equity £'000
<i>Group</i>									
At 1 January 2006		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	12	–	–	–	(2,474)	–	(2,474)	(1,055)	(3,529)
Actuarial gain	31	–	–	–	3,354	–	3,354	186	3,540
Deferred tax on actuarial gain	31	–	–	–	(1,117)	–	(1,117)	(68)	(1,185)
Available-for-sale investments:									
Valuation gains taken to equity	22	–	–	–	–	4,387	4,387	14	4,401
Transfer to profit or loss on sale	22	–	–	–	–	(124)	(124)	–	(124)
Other fair value adjustment		–	–	–	–	69	69	–	69
Minority interest subscription		–	–	–	–	–	–	541	541
Share of associates' fair value adjustment		–	–	–	(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
Exchange differences		–	–	–	–	4,973	4,973	434	5,407
Net profit		–	–	–	25,317	–	25,317	2,129	27,446
Dividends	12	–	–	–	(2,502)	–	(2,502)	(1,132)	(3,634)
Actuarial gain	31	–	–	–	6,171	–	6,171	(141)	6,030
Deferred tax on actuarial gain	31	–	–	–	(684)	–	(684)	45	(639)
Available-for-sale investments:									
Valuation gains taken to equity	22	–	–	–	–	2,006	2,006	38	2,044
Transfer to profit or loss on sale	22	–	–	–	–	(3,630)	(3,630)	–	(3,630)
Reclassification of investment to an associate	22	–	–	–	–	(2,782)	(2,782)	–	(2,782)
Minority interest subscription		–	–	–	–	–	–	230	230
Payment from minority interest		–	–	–	–	–	–	(193)	(193)
Change in composition of group		–	–	–	(157)	–	(157)	157	–
Share of associates' fair value adjustments		–	–	–	932	–	932	–	932
Share of associate's loss on cash flow hedges		–	–	–	(115)	–	(115)	–	(115)
Share of associate's change in treasury shares		–	–	–	430	–	430	–	430
Share of associate's movement in defined benefit pension schemes		–	–	–	372	–	372	–	372
Share of associate's income taxes on items recorded in equity		–	–	–	(29)	–	(29)	–	(29)
Share of associates' other equity movements		–	–	–	123	–	123	–	123
Loss on dilution of interest in associate		–	–	–	(115)	–	(115)	–	(115)
At 31 December 2007		284	15,298	(400)	212,286	38,803	266,271	20,870	287,141
<i>Company</i>									
At 1 January 2006		284	15,298	–	32,428	12,204	60,214	–	60,214
Net profit		–	–	–	4,752	–	4,752	–	4,752
Dividends	12	–	–	–	(2,530)	–	(2,530)	–	(2,530)
Available-for-sale investments:									
Transfer to profit or loss on sale	22	–	–	–	–	(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
Net profit		–	–	–	3,535	–	3,535	–	3,535
Dividends	12	–	–	–	(2,558)	–	(2,558)	–	(2,558)
At 31 December 2007		284	15,298	–	35,596	12,132	63,310	–	63,310

Other reserves of the group and company includes a £31,000 (2006: £31,000) capital redemption reserve and, in respect of the group, net exchange differences of £12,993,000 deficit (2006: £17,966,000 deficit).

Exchange differences are stated net of exchange losses of £145,000 (2006: £163,000 gain) on foreign currency borrowings used to provide a hedge against foreign equity investments.

Group retained earnings includes £31,993,000 (2006: £30,088,000) which would require exchange control permission for remittance as dividends.

Notes to the accounts

35 Reconciliation of profit from operations to cash flow

	2007	2006
	£'000	£'000
<i>Group</i>		
Profit from operations	30,267	19,195
Share of associates' results	(10,568)	(4,932)
Depreciation and amortisation	7,868	7,673
Impairment of non-current assets	–	117
Gain arising from changes in fair value of biological assets	(2,770)	(1,176)
Profit on disposal of non-current assets	(2,029)	(929)
Profit on disposal of non-current assets held for sale	(327)	(952)
Profit on part disposal of a subsidiary	(170)	–
Profit on disposal of investments	(5,259)	(364)
Increase in working capital	(7,949)	(2,743)
Net decrease/(increase) in funds of banking subsidiaries	5,108	(6,654)
	<u>14,171</u>	<u>9,235</u>

36 Reconciliation of net cash flow to movement in net debt

	2007	2006
	£'000	£'000
<i>Group</i>		
Increase in cash and cash equivalents in the year	1,266	5,849
Cash outflow/(inflow) from decrease/(increase) in debt	4,310	(3,486)
	<u>5,576</u>	<u>2,363</u>
Decrease in net debt resulting from cash flows	5,576	2,363
New finance leases	(685)	(1,734)
Exchange rate movements	(196)	881
	<u>4,695</u>	<u>1,510</u>
Decrease in net debt in the year	4,695	1,510
Net debt at beginning of year	(19,500)	(21,010)
	<u>(14,805)</u>	<u>(19,500)</u>
Net debt at end of year	(14,805)	(19,500)

Notes to the accounts**37 Acquisition of business**

	<i>2006</i>
	<i>£'000</i>
Book value of assets and liabilities:	
Property, plant and equipment	86
Cash and cash equivalents	529
Trade and other receivables	875
Trade and other payables	(359)
Current income tax liabilities	(18)
	<u>1,113</u>
Fair value adjustments:	
Intangible assets – customer relationships	1,847
Trade and other receivables	7
	<u>2,967</u>
Goodwill	1,481
	<u>4,448</u>
Satisfied by:	
Cash consideration and costs	4,199
Loan notes	249
	<u>4,448</u>
Net (outflow)/inflow of cash in respect of acquisition of business:	
Cash consideration and costs	(4,199)
Net cash balances of business acquired	529
	<u>(3,670)</u>

There were no acquisitions or disposals during the year.

In 2006, the group acquired 100 per cent. of the issued share capital of Hill Martin Holdings Limited and Hill Martin Limited (together “Hill Martin”). In 2007, the group paid a further £549,000 in respect of this acquisition.

Notes to the accounts

38 Commitments

Capital commitments

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

	Group	
	2007	2006
	£'000	£'000
Property, plant and equipment	1,501	1,459
Biological assets	49	48
	<u>1,550</u>	<u>1,507</u>

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	
	2007	2006
	£'000	£'000
Land and buildings:		
Within 1 year	488	454
Between 1 – 5 years	1,916	2,100
After 5 years	18,422	17,572
	<u>20,826</u>	<u>20,126</u>
Plant and machinery:		
Within 1 year	233	280
Between 1 – 5 years	884	1,146
After 5 years	6	–
	<u>1,123</u>	<u>1,426</u>

39 Financial instruments

Capital risk management

The group manages its capital to ensure that the group will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of its debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings disclosed in note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The board reviews the capital structure, with an objective to ensure that gross borrowings as a percentage of tangible net assets does not exceed 50 per cent..

The ratio at the year end is as follows:

	2007	2006
	£'000	£'000
Borrowings	<u>26,568</u>	<u>31,639</u>
Tangible net assets	<u>258,025</u>	<u>228,096</u>
Ratio	<u>10.30%</u>	<u>13.87%</u>

Borrowings are defined as current and non-current borrowings, as detailed in note 28.

Tangible net assets includes all capital and reserves of the group attributable to equity holders of the parent less intangible assets.

Notes to the accounts

39 Financial instruments (continued)

Categories of financial instruments

	Carrying value	
	2007 £'000	2006 £'000
Financial assets		
Cash and cash equivalents (excluding bank subsidiaries)	11,763	12,138
Loans and advances to banks by banking subsidiaries	223,849	198,422
Loans and advances to customers of banking subsidiaries	37,061	26,508
Trade and other receivables	27,731	22,770
Other investments	34,083	48,680
	<u>334,487</u>	<u>308,518</u>
Financial liabilities		
Amounts due to customers of banking subsidiaries	250,916	209,827
Trade and other payables	24,997	25,181
Borrowings	26,568	31,639
Other non-current liabilities	341	417
	<u>302,822</u>	<u>267,064</u>

Fair values

The fair value of the group's financial assets and liabilities are not materially different to their carrying value.

Financial risk management objectives

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.

Various financial instruments arise directly from the group's operations, for example cash and cash equivalents, trade debtors and trade creditors. 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 foreign exchange 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.

(A) Market risk

(i) Foreign exchange risk

The group has no material exposure to foreign currency exchange risk on currencies other than the functional currencies of the operating entities.

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.

(ii) Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet as available-for-sale. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

Notes to the accounts

39 Financial instruments (continued)

The majority of the group's equity investments are publicly traded and are included on the Bermudian, Swiss and Japanese stock exchanges.

Should these equity indexes increase or decrease by 5 per cent. with all other variables held constant and all the group's equity instruments move accordingly, the group's equity balance would increase/decrease by £1,361,000 (2006: £2,303,000).

The group's exposure to commodity price risk is not significant.

(iii) Cash flow and interest rate risk

The group's interest rate risk arises from interest-bearing assets and short and long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. The group has no fixed rate exposure.

At 31 December 2007, if interest rates on non-sterling denominated interest-bearing assets and borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £3,000 (2006: £21,000) lower/higher.

At 31 December 2007, if interest rates on sterling denominated interest-bearing assets and borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £27,000 (2006: £43,000) lower/higher.

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

	Assets		Liabilities	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Sterling	181,830	166,810	181,248	162,630
US Dollar	41,375	35,790	46,044	36,872
Euro	33,729	20,538	33,711	21,350
Kenyan Shilling	272	2,861	2,584	4,223
Indian Rupee	1,481	2,177	4,607	4,315
Malawi Kwacha	119	176	266	–
Bangladesh Taka	1,883	1,592	2,590	2,550
Australian Dollar	482	353	481	353
South African Rand	358	728	62	69
Swiss Franc	4,207	535	3,760	3,448
Brazilian Real	1,345	1,798	–	–
Chilean Peso	181	15	540	–
Bermudian Dollar	3,820	602	–	2,563
Canadian Dollar	403	608	403	608
Japanese Yen	644	1,550	644	1,550
Danish Krone	407	914	407	914
New Zealand Dollar	126	1	126	1
Other	11	20	11	20
	<u>272,673</u>	<u>237,068</u>	<u>277,484</u>	<u>241,466</u>

(B) Credit risk

The group has policies in place to limit its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise if there is no independent rating, management assesses the credit quality of the customer taking into account its financial position, past experience and other factors and if appropriate holding liens over stock and receiving payments in advance of services or goods as required. Management monitors the utilisation of credit limits regularly.

The group's approach to customer lending through the group's banking subsidiaries is risk averse with only 1.4% of the customer loan book being unsecured. Collateralised loans are normally secured against cash or property, with property loans being restricted to 70 per cent. of recent valuations.

The group has a large number of trade receivables, with the largest five receivables at the year end only comprising 18 per cent. (2006: 13 per cent.) of total trade receivables.

Notes to the accounts

39 Financial instruments (continued)

(C) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. The group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and managing the maturity profiles of financial assets and liabilities.

The two subsidiary companies which are engaged in banking activities, Duncan Lawrie Limited and Duncan Lawrie (IOM) Limited both have restrictions contained in their memorandum and articles of association which place a ceiling on their levels of customer lending. Such restrictions effectively limit the customer loan book to the value of the share capital and reserves of Duncan Lawrie. This fact, in conjunction with the general matching of maturing customer deposits with market placements and the general use of liquid assets such as certificates of deposit, results in significantly reduced liquidity risk for Duncan Lawrie and the group.

At 31 December 2007, the group had undrawn agreed facilities of £21,234,000 (2006: £17,103,000), all of which are due to be reviewed within one year.

The table below analyses the group's financial assets and liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

At 31 December 2007	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Undated £'000	Total £'000
Assets						
Cash and cash equivalents (excluding bank subsidiaries)	11,763	–	–	–	–	11,763
Loans and advances to banks by banking subsidiaries	223,849	–	–	–	–	223,849
Loans and advances to customers of banking subsidiaries	16,250	4,628	12,996	3,187	–	37,061
Trade and other receivables	27,097	634	–	–	–	27,731
Other investments	6,700	–	–	–	27,383	34,083
Liabilities						
Deposits by banks at banking subsidiaries	451	–	502	–	–	953
Customer accounts held at banking subsidiaries	237,779	2,296	8,874	1,014	–	249,963
Trade and other payables	24,997	–	–	–	–	24,997
Borrowings	14,771	2,347	4,401	5,049	–	26,568
Other non-current liabilities	–	76	–	126	139	341

Notes to the accounts

39 Financial instruments (continued)

At 31 December 2006	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Undated £'000	Total £'000
Assets						
Cash and cash equivalents (excluding bank subsidiaries)	12,138	–	–	–	–	12,138
Loans and advances to banks by banking subsidiaries	198,422	–	–	–	–	198,422
Loans and advances to customers of banking subsidiaries	17,865	2,897	4,001	1,745	–	26,508
Trade and other receivables	22,244	526	–	–	–	22,770
Other investments	–	–	–	–	48,680	48,680
Liabilities						
Deposits by banks at banking subsidiaries	1,629	–	–	–	22	1,651
Customer accounts held at banking subsidiaries	202,956	3,795	723	494	208	208,176
Trade and other payables	25,181	–	–	–	–	25,181
Borrowings	16,688	2,103	7,234	5,614	–	31,639
Other non-current liabilities	–	76	–	193	148	417

Included in loans and advances to banks by banking subsidiaries repayable in less than 1 year is £8,772,000 (2006: £33,371,000) repayable on demand, £215,077,000 (2006: £164,300,000) repayable within 3 months and £nil (2006: £751,000) repayable between 3 and 12 months.

Included in loans and advances to customers of banking subsidiaries repayable in less than 1 year is £1,063,000 (2006: £3,660,000) repayable on demand, £3,485,000 (2006: £3,799,000) repayable within 3 months and £11,702,000 (2006: £10,406,000) repayable between 3 and 12 months.

Included in deposits by banks at banking subsidiaries repayable in less than 1 year is £170,000 (2006: £392,000) repayable on demand, £271,000 (2006: £712,000) repayable within 3 months and £10,000 (2006: £525,000) repayable between 3 and 12 months.

Included in customer accounts held at banking subsidiaries repayable in less than 1 year is £51,855,000 (2006: £54,986,000) repayable on demand, £177,607,000 (2006: £144,483,000) repayable within 3 months and £8,317,000 (2006: £3,487,000) repayable between 3 and 12 months.

Included in borrowings in less than 1 year is £11,005,000 (2006: £12,680,000) repayable on demand.

Notes to the accounts

40 Principal subsidiary and associated undertakings

Subsidiary undertakings

The principal operating subsidiary undertakings of the group at 31 December 2007, 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 Participações 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 – 82.2 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 – 92.7 per cent. holding)	India
Longbourne Holdings Limited	Bangladesh
Siret Tea Company Limited (Incorporated in Kenya – 86.0 per cent. owned by Kakuzi Limited)	Kenya
Stewart Holl (India) Limited (Incorporated in India – 92.0 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

Notes to the accounts

40 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 Holdings 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 2007 were:

	Principal country of operation	Accounting date 2007	Group interest in equity capital per cent.
Chemical and pharmaceutical			
Siegfried Holding AG (Incorporated in Switzerland – registered shares)	Switzerland	31 December	32.3
Insurance and Leasing			
BF&M Limited (Incorporated in Bermuda – common stock)	Bermuda	31 December	25.4
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

Notes to the accounts

41 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.

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 2007 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 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Corporate Governance Statement and the five year record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the 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 2007 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 2007; 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.

St. Paul's House,
Warwick Lane,
London EC4M 7BP
24 April 2008

MOORE STEPHENS LLP
Chartered Accountants
and Registered Auditors

Five year record

	IFRS 2007 £'000	IFRS 2006 £'000	IFRS 2005 £'000	IFRS 2004 £'000	UK GAAP 2003 £'000
Revenue – continuing operations	161,936	160,552	152,743	156,288	174,685
Profit before tax	30,651	19,982	22,275	8,013	27,522
Taxation	(3,205)	(4,808)	(1,764)	(2,741)	(1,192)
Profit from continuing operations	27,446	15,174	20,511	5,272	26,330
Profit attributable to equity shareholders	25,317	12,903	20,326	5,515	25,982
Equity dividends paid	2,502	2,474	2,284	2,258	2,258
Equity					
Called up share capital	284	284	284	260	260
Reserves	265,987	235,677	241,632	187,229	186,222
Shareholders' funds	266,271	235,961	241,916	187,489	186,482
Earnings per share	910.8p	464.2p	793.2p	217.8p	999.2p
Dividend paid per share	90.00p	89.00p	88.00p	87.00p	87.00p

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

Form of proxy

FORM OF PROXY FOR USE BY MEMBERS OF CAMELLIA PLC AT THE ANNUAL GENERAL MEETING TO BE HELD AT 11.30 A.M. ON 5 JUNE 2008

I/We being 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, speak and vote on my/our behalf at the annual general meeting of the company to be held at 11.30 a.m. on 5 June 2008 at The Goring Hotel, Beeston Place, Grosvenor Gardens, London SW1W 0JW (or at any adjournment thereof). I/We direct that my/our proxy will vote (or abstain from voting) 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			
2 To approve the directors' remuneration report			
3 To declare a final dividend of 72p per ordinary share			
4 To re-elect Mr M C Perkins as a director			
5 To re-elect Mr P A Leggatt as a director			
6 To re-elect Mr A K Mathur as a director			
7 To re-elect Mr D A Reeves as a director			
8 To re-elect Mr C J Relleen as a director			
9 To re-elect Dr B A Siegfried as a director			
10 To re-elect Mr C P T Vaughan-Johnson as a director			
11 To reappoint Moore Stephens LLP as auditors to the company			
12 To authorise the directors to fix the auditors' remuneration			
13 To alter the articles of association (special resolution)			
14 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 FORM BELOW IN BLOCK CAPITALS AND SIGN AND DATE WHERE INDICATED

.....

Signature of shareholder or common seal/signature of two directors or a director and secretary or other 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 using the prepaid form or to the alternative address of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive by 11.30 a.m. on 3 June 2008. Alternatively, if you hold your shares in uncertificated form, you may appoint a proxy using the CREST electronic proxy appointment service, details of which are set out in note 3 to the notice of annual general meeting.

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 persons of your own choice by inserting their names in the space provided. If no name is inserted in the space provided the chairman will be deemed appointed as the proxy. Where more than one proxy is to be appointed in respect of different shares or if a member wishes to exercise their votes in different ways an additional form of proxy is available from the registrars on request.
2. If you appoint as your proxy a person who is himself a member of the company or who is appointed as proxy by more than one member of the company, such person will be able to cast your vote only on a poll, not on a show of hands.
3. 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.
4. 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 by not later than 11.30 a.m. on 3 June 2008.
5. 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.
6. In the case of a corporate shareholder, this form of proxy should either be executed by the company under seal or signed by two directors or a director and the secretary or other duly authorised officer or attorney.
7. 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. MB122



Capita Registrars
(Proxies)
PO Box 25
Beckenham
KENT BR3 4BR

First Fold

Third Fold (Tuck in)