

## Camellia Plc

Annual financial report for year ended 31 December 2012

### Highlights from the results

	Year ended 31 December 2012	Year ended 31 December 2011
	£'000	£'000
Revenue	261,529	246,849
Trading profit	39,969	39,233
Profit before tax	70,734	58,650
Headline profit before tax	49,146	50,535
Profit for the year	45,072	41,790
Earnings per share	1,159.7 p	1,190.4 p
Final dividend	88 p	84 p

### Chairman's statement

The headline profit before tax for the year to 31 December 2012 amounted to £49.15 million compared with £50.54 million in the previous year. Headline profit is a measure of underlying performance which is not impacted by exceptional and other items considered non-operational in nature.

I have, for a number of years, advised shareholders that the profit after inclusion of unrealised gains on biological assets under IAS 41 should be viewed with caution. That advice is even more relevant this year as the overall gain of £30.04 million in the income statement includes a gain of £21.35 million as a result of a substantial devaluation of the Malawian Kwacha during 2012. A corresponding charge has been made to reserves. The intricacies of these adjustments are explained in more detail in note 18 to the accounts. The recognition of the gain arising from the devaluation is, in my opinion, somewhat misleading notwithstanding the fact that our accounts are prepared in accordance with IFRSs as adopted by the European Union. The better news is that the International Accounting Standards Board will shortly be re-considering the application of IAS 41 in respect of permanent plantings that yield on-going annual crops. It is to be hoped that a new policy can be implemented which will largely eliminate the unrealised amounts appearing in the income statement from year to year.

After taking account of exceptional items the profit before tax for the year to 31 December 2012 amounted to £70.73 million compared with £58.65 million in the previous year.

### Dividend

The board is recommending a final dividend of 88p per share which, together with the interim dividend already paid of 32p per share, brings the total distribution for the year to 120p per share compared with 114p per share in 2011.

### Agriculture and horticulture

#### Tea

In 2012 tea prices remained at a relatively high level resulting in the overall profit from our tea gardens being at a similar level to the previous year.

#### India

Production in the Dooars area of India was similar to that of the previous year and whilst prices increased, the cost of production was significantly higher resulting in lower profits. In Assam however, the increase in costs were more than offset by the increase in sale prices.

Progress continues to be made by both our packet tea and instant tea operations.

#### Bangladesh

Favourable weather enabled our tea gardens in Bangladesh to increase their production over the previous year. Tea prices were higher and, as a result, profitability improved.

Factory renovations continue and are proving beneficial to the efficiency of the operations.

### ***Kenya***

Our Kenyan tea gardens produced a crop and profits similar to the previous year. Prices remained firm throughout the year. The recent elections held under the new constitution were relatively peaceful and a new government has now been installed.

Kakuzi disposed of its remaining 50.5 per cent. shareholding in The Siret Tea Company during the year.

### ***Malawi***

Due to severe drought in the latter part of the year, production declined by over 10 per cent. This drought has resulted in the death of a large number of infills, some young tea areas and even some mature tea, all of which will have to be replanted. Recovery from the drought will be a slow process. In May 2012, the Malawi Kwacha devalued by 50 per cent. and further devaluation has continued. This has led to an exceptional gain being made in the income statement, reference to which has been made above. Negotiations continue with our insurance company following the fire at one of our processing factories in 2011. Payments on account have been received but it is proving somewhat difficult to finalise this matter. The lack of foreign exchange in the country continues to be a problem.

### **Edible Nuts**

2012 was an 'on-year' for our pistachio orchards at Horizon Farms in California and production was up to expectations as were sale prices.

Our macadamia production in Malawi and South Africa was slightly below the very good figures achieved in 2011, but costs were well contained. Sale prices remained firm in South Africa but declined slightly in Malawi. The new areas of macadamia planted in both Kenya and South Africa continue to mature and a small crop will be harvested in Kenya during 2013.

New areas of almonds have been planted on vacant land at Horizon Farms in California.

### **Other horticulture**

Avocado production on Kakuzi's orchards in Kenya increased but a large amount of small fruit was harvested. Sale prices reduced substantially. Nonetheless, profitability was satisfactory. Delays at Mombasa port continue to cause problems in getting this fresh product to market in a timely fashion.

Rubber production on our operations in Bangladesh was similar to the previous year but sale prices declined from the very high figures in 2011.

Changes to the planting schedule on our farm in Brazil resulted in a substantial increase in maize production but a decline in the soya tonnage harvested. Prices were slightly lower than the previous year for both crops but the profitability of CC Lawrie was satisfactory. A Government committee has been appointed to review the foreign ownership of agricultural land in Brazil and it will hopefully report soon.

Citrus production at Horizon Farms in California was similar to the previous year but sale prices were higher resulting in improved profitability.

The wine grape harvest on our estate in South Africa was ahead of the previous year but the sale of bottled wine remains difficult due to an oversupplied market.

### **Food storage and distribution**

The progress made by Associated Cold Stores and Transport (ACS&T) in 2011 was maintained in 2012. Nonetheless the market for cold storage in the United Kingdom continues to be over supplied and rates achieved remain competitive. ACS&T's balance sheet remains strong and we continue to examine the possible future expansion of the business.

2012 was a poor year for our food distribution businesses in the Netherlands. Demand was reduced by the continuing recession in that country and elsewhere in Europe.

### **Engineering**

The overall results of our engineering companies remain disappointing. Considerable effort is being deployed to improve our fortunes in this sector and there are some signs of success despite the poor economic conditions.

AJT Engineering improved its results over the previous year benefiting from increased activity in the repair businesses in the North Sea oil and gas markets. The re-commissioning of its site at Altens in Aberdeen has proved to be a material enhancement of the facilities available to our customers.

Abbey Metal Finishing has now received a number of the accreditations necessary for increased business through its new factory in Hinckley. It will however take more time to recover the business lost through the fire at its plant in 2010.

AKD Engineering in Lowestoft experienced a very difficult year with a major contract being continuously delayed from month to month resulting in considerable expenditure. We are seeking compensation for the loss incurred. Our other engineering facilities at GU Cutting and Grinding, British Metal Treatments and Loddon all experienced disappointing results in 2012.

### **Banking and financial services**

2012 was a difficult year for banks in the United Kingdom and Duncan Lawrie was not immune from the effects of this situation. We continue to operate in a very conservative manner and the capital base of the bank is well above the regulatory minimum. We also continue to raise awareness of the Duncan Lawrie name in the market place and have expanded our customer base in 2012. A high level of service to our customers is being maintained.

### **Associates**

The results to 31 December 2012 include our share of the estimated profits of BF&M Ltd in Bermuda. We are no longer able to exercise significant influence over BF&M Ltd and, on this basis, as from 1 January 2013 we intend to account for our shareholding in this company as an investment rather than as an associate. Accordingly, we will recognise dividends received in our income statement as opposed to our share of profits.

Difficult economic conditions prevailed in Bangladesh throughout 2012 and our associate companies United Leasing and United Insurance earned profits slightly below the levels of the previous year.

### **Development**

The policy of developing our existing businesses continues. In particular, progress has been made in improving the irrigation capacity of our operations in India and Bangladesh. A new tea factory has been built in Malawi and considerable efforts in upgrading our engineering facilities will hopefully show positive results in the years to come. The share capital of Duncan Lawrie is being increased to take advantage of additional lending opportunities.

### **Directors**

David Reeves, who joined the board in 2001, is retiring at the conclusion of the annual general meeting in June. I would like to thank David for his invaluable contribution to our deliberations and wish him well for the future.

Frédéric Vuilleumier joined the board as a non-executive independent director on 7 March 2013.

### **Staff**

Once again I would like to thank all of our staff for their considerable efforts in contributing to the success of the group over the last year.

### **M C Perkins**

Chairman

25 April 2013

## **Report of the directors**

The directors present their report together with the audited accounts for the year ended 31 December 2012.

### **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, edible nuts, citrus, rubber, fruits, other horticultural produce and general farming
- Engineering – metal finishing, fabrication, precision engineering and heat treatment
- Food storage and distribution
- 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 3 to 5.

### **Results and dividends**

The profit for the year amounted to £45,072,000 (2011: £41,790,000). The board has proposed a final dividend for the year of 88p per share payable on 5 July 2013 to holders of ordinary shares registered at the close of

business on 14 June 2013. The total dividend for 2012 is therefore 120p per share (2011: 114p per share). Details are shown in note 12 on page 43.

## 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 2012	1 January 2012
Camellia Plc ordinary shares of 10p each:		
M C Perkins	1,573	1,573
C P T Vaughan-Johnson	1,000	1,000

C J Ames purchased 100 shares on 2 January 2013.

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 C J Ames, Mr M Dünki, Mr P J Field, Mr A K Mathur, and Mr C P T Vaughan-Johnson retire and, being eligible, seek re-election. Mr D A Reeves will not seek re-election as a director at the forthcoming AGM and will retire from the board at the conclusion of the meeting on 6 June 2013. Mr F Vuilleumier was appointed as a non-executive director on 7 March 2013 and will seek election at the AGM on 6 June 2013.

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

### *Executive directors*

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

Mr C J Ames, a chartered accountant, is a joint managing director of Camellia Plc, a non-executive director of Kakuzi Limited and a non-executive director of Duncan Lawrie Holdings Limited. He was previously managing director of Douglas Deakin Young Limited which was acquired by the Camellia group in 2005. Prior to that he was a partner of PricewaterhouseCoopers.

Mr P J Field is a joint managing director of Camellia Plc, is chairman of Goodricke Group Limited and from 30 April 2010 a non-executive director of Duncan Lawrie Holdings Limited. Before joining the group in 1987, Mr Field was with Grindlays Bank engaged primarily with their business in the Indian subcontinent.

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.

### *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 nomination and remuneration committees.

Mr M Dünki was appointed a non-executive director on 1 April 2010. Mr Dünki was a director of Rahn & Bodmer Co., a Zurich based private bank until 31 January 2012. He is also a director of The Camellia Private Trust Company Limited and a trustee of The Camellia Foundation and a director of Camellia Holding AG.

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. Mr Reeves is a director of The Camellia Private Trust Company Limited and a trustee of The Camellia Foundation and a director of Camellia Holding AG.

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 and nomination committees. Mr Vaughan-Johnson was also a non-executive director of Duncan Lawrie Holdings Limited until 1 June 2011.

Mr F Vuilleumier was appointed as a non-executive independent director on 7 March 2013. Mr Vuilleumier is a

partner of Oberson Avocats, a law office based in Geneva, Switzerland. He is also a Swiss Certified tax expert and a lecturer in tax law at the University of Lausanne.

#### **Secretary**

Mrs J A Morton was appointed as company secretary on 8 September 2011.

#### **Change in group structure**

During the year, Kakuzi Limited sold the remainder of its 50.5 per cent. shareholding in The Siret Tea Company Limited to EPK Outgrowers Empowerment Project Company Limited.

BF&M Limited has been reclassified as an available-for-sale financial asset of the group rather than an associated company. Further details are set out in note 21 on page 50.

#### **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 2012 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 3 to 5. 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 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 been identified:

##### *Agriculture and horticulture*

The group's agricultural based businesses are located in Kenya, Malawi, South Africa, Bangladesh, India, Brazil and the USA. The success of these activities is greatly dependent on climatic conditions, the control of plant disease, the cost of labour and the market price for the produce. We export a considerable amount of produce through the port of Mombasa in Kenya. Such exports can be seriously delayed by inefficiencies in the operation of the port. In addition, exports from these businesses are subject to foreign exchange fluctuations as products, particularly those from Africa, are normally priced in US dollars.

In Kenya and South Africa there are long-term issues concerning land ownership over which the group has little control but monitors closely.

The board continues to work with local management to monitor land ownership issues that may impact the group's operations. In Kenya, the length of the leases owned by non-Kenyan citizens and corporations has been reduced from 999 years to 99 years in accordance with the new constitution. In South Africa, on land where ownership claims have been made, any substantiated claim is required to be resolved on a willing buyer willing seller basis and crops are generally only planted following notification to the Land Claims Commission.

In India, violence from separatist groups which has been a problem for some years has recently been greatly reduced in Assam, Darjeeling and the Dooars. The situation continues to be monitored and the group's operations in these regions have generally been able to trade normally.

##### *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 although a disaster recovery plan is in place.

### *Banking and financial services*

Duncan Lawrie Limited is now regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and has a well developed compliance process. The following risks have been identified:

- compliance risk – the FCA and the PRA have the power to stop trading activity should there be a serious breach of their regulations. Following the recent global banking crisis, there have been moves by the authorities to tighten regulatory standards and this may lead to a requirement for further capital to be invested in Duncan Lawrie Limited.
- credit risk – the lending of money gives rise to a credit risk. It lends money to customers and places money with other banks and holds interest bearing securities. This credit risk is managed by strict internal procedures. It limits itself to lending to customers 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 no exposure to the sub-prime mortgage market but in periods of low interest rates or low stock market values its income stream will inevitably be affected. Bank failures in the jurisdiction within which Duncan Lawrie operates can also impact its results as a consequence of industry wide compensation schemes to which it is required to contribute.

Further information on the group's financial risks are disclosed in note 38 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 schemes*

There is one final salary scheme in the UK, following the merger of three schemes in 2011. It is closed to new entrants and permits an element of future accrual for existing members in the defined benefit section. A material proportion of the assets of the scheme are invested in equities and the value of these assets will fluctuate in line with global equity markets. Continuing improvements in mortality rates may also increase the liabilities of the scheme.

### *Credit Risk*

Credit control procedures are in place throughout the group but the risk remains that some customers may have difficulty making payments.

## **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 appropriately 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, European 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, the majority of tea estates in India and Bangladesh have 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 related illnesses. We provide, as a very minimum, basic medical services including where appropriate antiretroviral drugs, and give support to schools that are either run by our companies, or in the local neighbourhood.

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

*Environmental management:* Our UK-based engineering businesses have the greatest potential to create pollution and hazardous waste and need to meet tight legislative standards. Where appropriate, our UK businesses have formal environmental management systems in place and most 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.

The board has a corporate social responsibility policy which is available on the company's website and which has been adopted across the group.

In December 2011, the board adopted a new anti-bribery policy which complies with the requirements of the Bribery Act 2010 which came into force in 2011. The policy has been introduced across the group and its implementation is being monitored. The board does not permit bribery as part of its business practices.

#### *Performance*

There are no current employment or environmental issues that prejudice the continuing development of the group. No group businesses were prosecuted for any significant breach of employment or environmental legislation during the year. The executive committee has established a process for ensuring that the corporate social responsibility policy is enforced across the group.

### **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 which are then compared against budget. The returns achieved in the current and prior year were as follows:

	Agriculture and horticulture		Engineering		Food storage and distribution		Banking and financial services	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment net assets (£'000)	236,166	224,549	21,645	19,379	15,003	17,366	34,254	36,549
Segment trading profit/(loss) (£'000)	45,495	43,807	(6)	253	127	51	253	485
Return on segmental net assets (%)	19.26	19.51	(0.03)	1.31	0.85	0.29	0.74	1.33

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

#### *Group borrowings ratio*

The board's objective is to ensure that gross borrowings as a percentage of tangible net assets do not exceed 50 per cent.. The ratio achieved at 31 December 2012 was 1.86% (2011: 2.39%).

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 its business principles. The board will regularly review which key non-financial performance indicators are most appropriate.

		Agriculture and horticulture			Engineering			Food storage and distribution			Banking and financial services		
		2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
<b>1 Compliance</b>													
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	-	1	-	-	-	-	-	-	-	-	-	-
	Worker health and safety	1	1	-	-	-	-	-	-	-	-	-	-
	Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
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	-	2	-	-	-	-	-	-	-	-	-	-
	Worker health and safety	3	2	-	-	-	-	-	-	-	-	-	-
	Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
<b>2 Child Labour</b>													
a) Minimum age	The number of employees who were less than 15 years old during the financial year	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-
<b>3 Accidents</b>													
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	579	565	685	5	1	6	2	11	4	-	-	-
<b>4 Health</b>													
a) Sickness absence	The number of employee days absence as a result of sickness during the financial year	228,411 <sup>(i)</sup>	229,637 <sup>(i)</sup>	180,438 <sup>(i)</sup>	2,354	1,563	3,580	1,628	1,550	1,779	417	486	571
b) Sickness claims	The number of claims for compensation arising from occupational health issues received during the financial year in respect of continuing operations	314	389	482	-	2	3	2	2	2	-	-	-

(i) This excludes tea garden workers in India who have a contractual entitlement to fourteen days sickness absence. It should be noted that in Malawi there is high level of sickness due to HIV/AIDS related conditions and malaria.

### Substantial shareholdings

As at 25 April 2013 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 1,427,000 ordinary shares (51.34 per cent. of total voting rights).

Alcatel Bell Pensioenfonds VZW held through HSBC Global Custody Nominees (UK) Limited 223,015 ordinary shares (8.02 per cent. of total voting rights).

St James's Place Unit Trust Group Limited held through State Street Nominees Limited 111,038 ordinary shares (3.99 per cent. of total voting rights).

Taube Hodson Stonex & Partners held through State Street Nominees Limited 87,946 ordinary shares (3.16 per cent. of total voting rights).

### Charitable contributions

During the year the group made charitable donations totalling £12,308 (2011: £14,638). Of this amount £11,558 was paid to arts, sports and education related charities and £750 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 2012 represented 37 days (2011: 40 days) of annual purchases.

### **Share capital and purchase of own shares**

The company's share capital comprises one class of ordinary shares of 10 pence each which carry no restrictions on the transfer of shares or on voting rights (other than as set out in the company's articles of association). There are no agreements known to the company between shareholders in the company which may result in restrictions on the transfer of shares or on voting rights in relation to the company. Details of the issued share capital are contained in note 32 to the accounts.

At the annual general meeting in 2012, 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 6 June 2013.

### **Independent auditors**

PricewaterhouseCoopers LLP has expressed its willingness to continue as auditors of the company and a resolution proposing PricewaterhouseCoopers LLP 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.

### **Going concern**

After reviewing the group's budget for 2013 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.

By order of the board

### **J A Morton**

Secretary

25 April 2013

## **Corporate governance**

### **Statement of compliance**

This statement describes how the company applies the main principles of UK Corporate Governance Code 2010 ("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 company has complied with the relevant provisions set out in the Code throughout the year with the exception of the following areas of the Code that have not been implemented:

- (i) the audit committee includes one non-executive director who is not considered to be independent;
- (ii) the roles of chairman and chief executive have continued to be fulfilled during the year by Mr Perkins and not separated as required by the Code. Mr Ames and Mr Field are joint managing directors and have

responsibility for aspects of the day to day management of the group.

### **The board**

The board currently comprises nine directors. Five are non-executive directors, of which three are considered independent. The remaining directors are executive directors, including the executive chairman. Mr Relleen, the deputy chairman, has been designated as the senior independent director. The names and brief biographical details of each director appear on pages 6 and 7.

Mr Vaughan-Johnson and Mr Reeves were first appointed to the board in 1999 and 2001 respectively. The board, having taken into consideration provision B.1.1 of the Code, considers it is in the best interest of the company for Mr Vaughan-Johnson to continue to act as non-executive directors. The board considers that Mr Vaughan-Johnson remains independent and that given the relative complexity and geographical spread of the group, his experience continues to be of considerable benefit. Mr Reeves will be retiring from the board following the forthcoming AGM.

There is on-going dialogue between the chairman and the majority shareholder whose views are reported to the board. The company is also in contact with other significant shareholders.

The board has established a nomination committee chaired by Mr Perkins, the other members being Mr Relleen and Mr Vaughan-Johnson.

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 board undertook a performance evaluation during the year by way of an internal review.

The board is responsible for managing the group's business and has adopted a schedule of matters reserved for its approval. The schedule is reviewed annually and covers, inter alia, 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.

A report summarising the group's financial and operational performance including detailed information on each of its businesses 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 judgments on matters referred to the board. The board met eight times in 2012.

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

	Board	Audit	Remuneration
M C Perkins	8/8	–	–
C J Relleen	8/8	3/3	1/1
C J Ames	8/8	–	–
M Dünki	8/8	–	–
P J Field	8/8	–	–
A K Mathur	8/8	3/3 <sup>0</sup>	–
D A Reeves	7/8	3/3	–
C P T Vaughan-Johnson	8/8	3/3	1/1

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

#### **Executive committee**

The board has delegated the day to day management of the group's operations to the executive committee which is also responsible for implementing board policy. The members of the committee are:

M C Perkins	Chairman
A K Mathur	Finance
C J Ames	Joint managing director
P J Field	Joint managing director
I Ahmed	Bangladesh
G A Mclean	Kenya, Malawi and South Africa
A Singh	India
J A Morton	Company secretary

#### **Audit committee**

The audit committee is chaired by Mr Relleen. The other members of the committee are Mr Reeves and Mr Vaughan-Johnson. During 2012, the committee met on three occasions.

The principal responsibilities of the audit committee are:

- to review and monitor the financial statements of the company and the audit of those statements – to monitor compliance with relevant financial reporting requirements and legislation
- to monitor the effectiveness and independence of the external auditor
- to review effectiveness of the group's internal control system. The committee regularly reviews the effectiveness of internal audit activities carried out by the company's group accounting function and senior management
- to review non-audit services provided by the external auditors

During the year the committee's work included discharging these responsibilities and considering enquiries from the Financial Reporting Council.

The committee reviewed those non-audit services provided by the external auditor and satisfied itself that the scale and nature of those services were such that the external auditors objectivity and independence were safeguarded.

#### **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. 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 those members of the executive committee that are employed in the United Kingdom with a view to ensuring that those individuals are fairly but responsibly rewarded
- to approve compensation packages or arrangements following the severance of any executive director's service contract
- at its discretion, the committee may make such enquiries as it sees fit concerning the remuneration packages of those members of the executive committee that are employed outside the United Kingdom

The committee met once during 2012. The remuneration report appears on pages 18 to 20.

#### **Insurance**

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.

#### **Share capital structure**

The share capital of the group is set out in note 32 on page 63.

### **Internal control and risk management systems**

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, assurance against material mis-statement or loss.

By order of the board

**J A Morton**

Secretary

25 April 2013

### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of both the group and the parent company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors, whose names and functions are listed on page 2 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group
- the report of the directors contained on pages 6 to 13 includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

On behalf of the board

**M C Perkins**  
Chairman  
25 April 2013

## Remuneration report

This report is drawn up in accordance with the Companies Act 2006 and the rules of the UK Listing Authority.

### Policy on directors' remuneration

In determining remuneration policy and the remuneration of directors, full consideration has been given to the relevant provisions of the UK Corporate Governance Code 2010. 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 and market prices for our produce), and this 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, Ames, Field and Mathur are each employed on rolling service contracts. Mr Perkins's service contract is dated 25 April 2002, Mr Mathur's service contract is dated 1 December 2003, Mr Ames's service contract is dated 24 April 2009 and Mr Field's service contract is dated 19 December 2011. 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 non-executive director's employment. The remuneration committee reviews salaries annually and will seek independent professional advice when appropriate.

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

### Directors' remuneration

	Basic remuneration 2012 £	Benefits in kind 2012 £	Total 2012 £	Total 2011 £
<b>Executive</b>				
M C Perkins	412,775	120,531	533,306	448,526
C J Ames	229,903	40,137	270,040	245,022
P J Field	246,730	25,231	271,961	244,522
A K Mathur	231,544	25,786	257,330	259,670
<b>Non-executive</b>				
M Düнки	30,000	–	30,000	30,000
D A Reeves	30,000	–	30,000	30,000
C J Relleen	47,500		47,500	47,500
C P T Vaughan-Johnson	32,500		32,500	36,705
	<u>1,260,952</u>	<u>211,685</u>	<u>1,472,637</u>	<u>1,341,945</u>

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

Mr Mathur and Mr Field withdrew from the Linton Park Pension Scheme (2011) on 5 April 2012. Their base salaries were adjusted accordingly.

### Directors' pensions

Most UK employees, including executive directors, are eligible to join pension schemes operated within the group. Mr Perkins was a member of The Linton Park Group Pension Scheme up until 28 February 2010. Mr Field and Mr Mathur were members of the Linton Park Pension Scheme 2011 until 5 April 2012. This Pension Scheme was formerly the Unochrome Group Pension Scheme and was merged with the Linton Park Pension Scheme and the Lawrie Group Pension Scheme on 1 July 2011. Under The Linton Park Group Pension Scheme the normal retirement age was 63 up until 31 December 2003 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. The Linton Park Pension Scheme (2011) provides for a lump sum death in service benefit of four times basic salary and a spouse's pension of half of the member's pension, based on prospective service.

All benefits are subject to HM Revenue and Customs limits. Up until 6 April 2005, 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.

A sum of £40,972 was paid to Mr Ames's personal pension arrangement during the year.

Further information on pension arrangements:

#### Defined benefit pension schemes

	Age	Pension accrued in year £ p.a.	Pension of inflation £ p.a. (see note 2)	Pension accrued to 5 Apr 2012 £ p.a. (see note 2)	Transfer value of pension accrued in year net of inflation £	Transfer value of accrued pension at 31 Dec 2011 £	Transfer value of accrued pension at 31 Dec 2012 £	Increase in transfer value in year £
P J Field	62	4,199	4,199	84,156	118,295	2,065,539	2,307,127	241,588
A K Mathur	65	4,813	4,813	94,143	137,764	2,448,148	2,690,082	241,934

Notes:

1. Accrual ceased on 5 April 2012 as both members withdrew from Pensionable Service on that date.
2. No allowance has been made for the effect of inflation on the accrued pensions at the start of the year as accrual ceased during the year.
3. Transfer values have been calculated using the Cash Equivalent Transfer Value Basis adopted by the Trustee with effect from September 2011, in accordance with The Occupational Pension Schemes (Transfer Values) Regulations 1996.
4. The transfer value disclosed above does not represent a sum paid or payable to the individual Director, instead it represents a potential liability of the Pension Scheme.

In addition to the above, an unfunded pension of US\$200,000 per annum is paid to Mr G Fox, a former director of the company.

#### J A Morton

Secretary

25 April 2013

### Consolidated income statement for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Revenue</b>	2	261,529	246,849
Cost of sales		(166,859)	(155,806)
<b>Gross profit</b>		94,670	91,043
Other operating income		1,699	1,755
Distribution costs		(12,201)	(12,972)
Administrative expenses		(44,199)	(40,593)
<b>Trading profit</b>	3	39,969	39,233
Share of associates' results	5	4,269	6,862
Profit on disposal of non-current assets	6	1,538	534
Profit on disposal of a subsidiary	7	396	–
Profit on disposal of available-for-sale investments		271	178
Loss on transfer of an associate	8	(10,045)	(721)

Gain arising from changes in fair value of biological assets:

Excluding Malawi Kwacha exceptional gain

Malawi Kwacha exceptional gain

	8,690	7,320
	21,353	–
18	30,043	7,320

**Profit from operations**

Investment income

Finance income

Finance costs

Net exchange gain

Pension schemes' net financing (expense)/income

Net finance income

	66,441	53,406
	1,186	1,074
9	3,517	2,350
9	(825)	(632)
9	1,030	1,648
9	(615)	804
9	3,107	4,170

**Profit before tax**

70,734 58,650

**Comprising**

– headline profit before tax

– exceptional items, gain arising from changes in fair value of biological assets and other financing gains and losses

4	49,146	50,535
4	21,588	8,115
	70,734	58,650

Taxation

10 (25,662) (16,860)

**Profit for the year**

45,072 41,790

**Profit attributable to:**

Owners of the parent

Non-controlling interests

32,234 33,086

12,838 8,704

**Profit for the year**

45,072 41,790

**Earnings per share – basic and diluted**

13 1,159.7p 1,190.4p

**Statement of comprehensive income**

*for the year ended 31 December 2012*

2012 2011  
£'000 £'000

*Group*

**Profit for the year**

45,072 41,790

Other comprehensive (expense)/income:

Foreign exchange translation differences

Release of exchange translation difference on transfer of associate

Release of other reserves movements on transfer of associate

Release of exchange translation difference on disposal of subsidiary

Actuarial movement on defined benefit pension schemes (note 31)

Available-for-sale investments:

Valuation gains/(losses) taken to equity

Transferred to income statement on sale

Share of other comprehensive expense of associates

Tax relating to components of other comprehensive income

(36,155) (20,383)

(3,998) (429)

2,817 219

5 –

(7,109) (15,609)

674 (2,201)

(4) 2

(769) (2,446)

(48) 21

**Other comprehensive expense for the year, net of tax**

(44,587) (40,826)

**Total comprehensive income for the year**

485 964

Total comprehensive (expense)/income attributable to:

Owners of the parent

Non-controlling interests

(4,356) (4,861)

4,841 5,825

485 964

*Company*

**Profit for the year**

3,755 3,514

**Total comprehensive income for the year**

3,755 3,514

**Consolidated balance sheet**  
at 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Non-current assets</b>			
Intangible assets	16	7,413	7,643
Property, plant and equipment	17	93,483	94,575
Biological assets	18	119,693	118,180
Prepaid operating leases	19	910	992
Investments in associates	21	6,549	38,077
Deferred tax assets	30	314	158
Financial assets	22	50,501	28,545
Other investments	23	8,598	8,368
Retirement benefit surplus	31	678	437
Trade and other receivables	25	15,174	13,903
<b>Total non-current assets</b>		<b>303,313</b>	<b>310,878</b>
<b>Current assets</b>			
Inventories	24	37,575	39,177
Trade and other receivables	25	72,257	62,872
Financial assets	22	3,993	5,829
Current income tax assets		822	690
Cash and cash equivalents	26	262,174	260,916
<b>Total current assets</b>		<b>376,821</b>	<b>369,484</b>
<b>Current liabilities</b>			
Borrowings	28	(5,590)	(7,310)
Trade and other payables	27	(235,636)	(236,621)
Current income tax liabilities		(5,542)	(3,242)
Employee benefit obligations	31	(409)	(374)
Provisions	29	(456)	(214)
<b>Total current liabilities</b>		<b>(247,633)</b>	<b>(247,761)</b>
<b>Net current assets</b>		<b>129,188</b>	<b>121,723</b>
<b>Total assets less current liabilities</b>		<b>432,501</b>	<b>432,601</b>
<b>Non-current liabilities</b>			
Borrowings	28	(116)	(181)
Trade and other payables	27	(9,015)	(7,652)
Deferred tax liabilities	30	(36,225)	(35,395)
Employee benefit obligations	31	(32,866)	(26,955)
Other non-current liabilities		(107)	(111)
Provisions	29	(671)	(600)
<b>Total non-current liabilities</b>		<b>(79,000)</b>	<b>(70,894)</b>
<b>Net assets</b>		<b>353,501</b>	<b>361,707</b>
<b>Equity</b>			
Called up share capital	32	284	284
Share premium		15,298	15,298
Reserves		298,228	306,010
<b>Total shareholders' funds</b>		<b>313,810</b>	<b>321,592</b>
Non-controlling interests		39,691	40,115
<b>Total equity</b>		<b>353,501</b>	<b>361,707</b>

**Company balance sheet**  
at 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Non-current assets</b>			
Investments in subsidiaries	20	73,508	73,508

Financial assets	22	170	170
Other investments	23	8,603	8,373
<b>Total non-current assets</b>		<b>82,281</b>	<b>82,051</b>
<b>Current assets</b>			
Trade and other receivables	25	16	–
Amounts due from group undertakings		3,005	5,258
Current income tax asset		74	74
Cash and cash equivalents	26	9,458	6,323
<b>Total current assets</b>		<b>12,553</b>	<b>11,655</b>
<b>Current liabilities</b>			
Trade and other payables	27	(160)	(149)
Amounts due to group undertakings		(28,194)	(27,514)
<b>Total current liabilities</b>		<b>(28,354)</b>	<b>(27,663)</b>
<b>Net current liabilities</b>		<b>(15,801)</b>	<b>(16,008)</b>
<b>Total assets less current liabilities</b>		<b>66,480</b>	<b>66,043</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	30	(280)	(301)
<b>Total non-current liabilities</b>		<b>(280)</b>	<b>(301)</b>
<b>Net assets</b>		<b>66,200</b>	<b>65,742</b>
<b>Equity</b>			
Called up share capital	32	284	284
Share premium		15,298	15,298
Reserves		50,618	50,160
<b>Total shareholders' funds</b>		<b>66,200</b>	<b>65,742</b>

The notes on pages 28 to 73 form part of the financial statements

The financial statements were approved on 25 April 2013 by the board of directors and signed on their behalf by:

**M C Perkins**

Chairman

Registered Number 29559

**Consolidated cash flow statement  
for the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
<b>Cash generated from operations</b>			
Cash flows from operating activities	33	41,162	44,275
Interest paid		(822)	(625)
Income taxes paid		(12,407)	(16,133)
Interest received		3,411	2,257
Dividends received from associates		1,275	1,221
<b>Net cash flow from operating activities</b>		<b>32,619</b>	<b>30,995</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(180)	(89)
Purchase of property, plant and equipment		(16,557)	(20,790)
Insurance proceeds for non-current assets		1,538	534
Proceeds from sale of non-current assets		429	530
Biological assets – new planting		(2,499)	(2,525)
Part disposal of subsidiaries		262	210
Disposal of a subsidiary		1,264	–
Purchase of non-controlling interests		(223)	–

Non-controlling interest subscription		–	67
Proceeds from sale of investments		7,863	5,662
Purchase of investments		(8,339)	(11,168)
Income from investments		1,186	1,074
<b>Net cash flow from investing activities</b>		<b>(15,256)</b>	<b>(26,495)</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid		(3,224)	(3,057)
Dividends paid to non-controlling interests		(4,106)	(3,421)
New loans		154	168
Loans repaid		(230)	(138)
Finance lease payments		(190)	(490)
<b>Net cash flow from financing activities</b>		<b>(7,596)</b>	<b>(6,938)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,767</b>	<b>(2,438)</b>
<b>Cash and cash equivalents at beginning of year</b>	26	72,626	75,273
Exchange losses on cash		(1,020)	(209)
<b>Cash and cash equivalents at end of year</b>	26	<b>81,373</b>	<b>72,626</b>

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.

### **Company cash flow statement** *for the year ended 31 December 2012*

	Note	2012 £'000	2011 £'000
<b>Cash generated from operations</b>			
Profit before tax		3,734	3,502
Adjustments for:			
Gain on disposal of investments		–	(2)
Interest income		(398)	(343)
Exchange loss/(gain) on cash		220	(26)
Dividends from group companies		(6,000)	(5,000)
Increase in trade and other payables		11	132
Net movement in intra-group balances		2,933	6,821
Net cash movement from operations		500	5,084
Interest received		382	343
<b>Net cash flow from operating activities</b>		<b>882</b>	<b>5,427</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		–	5
Purchase of investments		(230)	(1,009)
Dividends received		6,000	5,000
<b>Net cash flow from investing activities</b>		<b>5,770</b>	<b>3,996</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid		(3,297)	(3,126)
<b>Net cash flow from financing activities</b>		<b>(3,297)</b>	<b>(3,126)</b>
<b>Net movement in cash and cash equivalents</b>		<b>3,355</b>	<b>6,297</b>
<b>Cash and cash equivalents at beginning of year</b>	26	6,323	–
Exchange (loss)/gain on cash		(220)	26
<b>Cash and cash equivalents at end of year</b>	26	<b>9,458</b>	<b>6,323</b>

### **Statement in changes in equity**

*for the year ended 31 December 2012*

	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Group</i>								
At 1 January 2011	284	15,298	(400)	252,529	61,782	329,493	37,479	366,972
Total comprehensive income/(expense) for the year	–	–	–	15,170	(20,031)	(4,861)	5,825	964
Dividends	–	–	–	(3,057)	–	(3,057)	(3,421)	(6,478)
Non-controlling interest subscription	–	–	–	46	–	46	232	278
Share of associate's other equity movements	–	–	–	22	–	22	–	22
Loss on dilution of interest in associate	–	–	–	(51)	–	(51)	–	(51)
At 31 December 2011	284	15,298	(400)	264,659	41,751	321,592	40,115	361,707
Total comprehensive income/(expense) for the year	–	–	–	27,129	(31,485)	(4,356)	4,841	485
Dividends	–	–	–	(3,224)	–	(3,224)	(4,106)	(7,330)
Disposal of subsidiary	–	–	–	–	–	–	(1,333)	(1,333)
Non-controlling interest subscription	–	–	–	71	–	71	226	297
Acquisition of non-controlling interest	–	–	–	(171)	–	(171)	(52)	(223)
Share of associate's other equity movements	–	–	–	221	–	221	–	221
Loss on dilution of interest in associate	–	–	–	(323)	–	(323)	–	(323)
At 31 December 2012	284	15,298	(400)	288,362	10,266	313,810	39,691	353,501
<i>Company</i>								
At 1 January 2011	284	15,298	–	37,640	12,132	65,354	–	65,354
Total comprehensive income for the year	–	–	–	3,514	–	3,514	–	3,514
Dividends	–	–	–	(3,126)	–	(3,126)	–	(3,126)
At 31 December 2011	284	15,298	–	38,028	12,132	65,742	–	65,742
Total comprehensive income for the year	–	–	–	3,755	–	3,755	–	3,755
Dividends	–	–	–	(3,297)	–	(3,297)	–	(3,297)
At 31 December 2012	284	15,298	–	38,486	12,132	66,200	–	66,200

Other reserves of the group and company includes a £31,000 (2011: £31,000) capital redemption reserve and, in respect of the group, net exchange differences of £27,166,000 deficit (2011: £984,000 surplus).

Group retained earnings includes £130,524,000 (2011: £116,745,000) which would require exchange control permission for remittance as dividends.

## 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, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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

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

### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue to operate for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

### 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 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, the date of the group's transition from UK GAAP to IFRS, as sterling denominated assets and liabilities.

#### **Revenue recognition**

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

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**

The adoption of IFRS 8 requires operating segments to be identified on the basis of internal reports used to assess performance and allocate resources by the chief operating decision maker. The chief operating decision maker has been identified as the Executive Committee led by the Chairman. Inter segment sales are not significant.

### **Exceptional items**

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the group's financial performance. Full disclosure of exceptional items are set out in notes 6, 7 and 8.

### **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**

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

#### **(iii) Computer software**

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

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

### **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 assets' 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 property, plant and equipment is calculated to write off their cost less residual value over their expected useful lives.

The rates of depreciation used 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 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 basis under which fair value is determined for the group's biological assets are described below:

Tea and rubber are generally valued at each year end by independent professional valuers. The valuations take into account assumptions about expected life span of plantings, yields, selling prices and sales of similar assets.

Costs of new areas planted are included as "new planting additions" in the biological assets note. Growing costs for tea and rubber are accounted for as a cost of inventory in the year in which they are incurred. The group does not recognise the fair value of harvested green leaf within cost of sales in the income statement. The increase in value is in effect offset against the fair value movement in biological assets.

Annually harvested horticultural assets such as edible nuts, citrus and avocados are generally valued on the basis of net present values of expected future cash flows from those assets, discounted at appropriate pre-tax rates and including certain assumptions about expected life span of the plantings, yields, selling prices, costs and discount rates. Growing costs incurred during the year are treated as "capitalised cultivation costs" in biological assets. As the crop is harvested and sold these accumulated costs are shown as "decrease due to harvesting" in biological assets and charged to cost of sales in the income statement.

Timber is valued on the basis of expected future cash flows from scheduled harvesting dates, discounted at appropriate pre-tax rates and including certain assumptions about expected life span, yields, selling prices, costs and discount rates. Growing costs incurred during the year are treated as "new planting additions" in biological assets. As the trees are harvested the value accumulated to date of harvest is treated as "decrease due to harvesting" and charged to cost of sales in the income statement.

Agricultural crops such as soya and maize are valued at estimated selling price less future anticipated costs. Growing costs incurred during the year are treated as "capitalised cultivation costs" in biological assets. As the crops are harvested the value accumulated to date of harvest is treated as "decrease due to harvesting" and charged to cost of sales in the income statement.

### **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets' 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.

Available-for-sale financial assets include shares of listed and unlisted companies. Listed shares are measured at subsequent reporting dates at fair value. The fair values of listed shares are based on current bid values. 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 plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

### **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 included within inventory largely comprises stock of "black" tea. This is valued at the lower of cost and net realisable value. Cost includes the growing costs of 'green leaf' up to the date of harvest and factory costs incurred to bring the tea to its manufactured state.

In accordance with IAS 41, on initial recognition, agricultural produce is required to be measured at fair value less estimated point of sale costs. Given that there is no open market for green leaf, this is recognised in inventory at the lower of cost or net realisable value.

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 consist 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 include 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 include cash and nonrestricted 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.

### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **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**

#### **(i) 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 fund. The group has no legal or constructive obligations to pay further contributions to the fund. 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 comprehensive income.

#### **(ii) 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.

### **Provisions**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The provision for onerous lease commitments is based on the expected vacancy period.

### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

### **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.

#### **(i) 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.

#### **(ii) 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.

#### **(iii) 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.

#### **(iv) 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.

#### **(v) 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.

#### **(vi) 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.

### **Changes in accounting policy and disclosures**

#### **(i) New and amended standards adopted by the group**

No new or amended standards or interpretations have been adopted by the group during 2012.

**(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group**

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2013 or later periods, but the group has not adopted them early:

IAS 1 (amendment)	Financial statement presentation – effective from 1 July 2012  The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments do not address which items are presented in other comprehensive income.
IFRS 10	Consolidated financial statements – effective from 1 January 2013  This standard builds on existing principles by identifying the concept of control as the determining factor in which an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This standard has been endorsed by the EU with an effective date of 1 January 2014.
IFRS 12	Disclosures of interests in other entities – effective from 1 January 2013  This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This standard has been endorsed by the EU with an effective date of 1 January 2014.
IFRS 13	Fair value measurement – effective from 1 January 2013  This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
IAS 19 (amendment)	Employee benefits – effective from 1 January 2013  These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
IAS 27 (revised 2011)	Separate financial statements – effective from 1 January 2013  This revision includes the requirements relating to separate financial statements. This revised standard has been endorsed by the EU with an effective date of 1 January 2014
IFRS 9	Financial instruments – effective from 1 January 2015  This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. This standard has not yet been endorsed by the EU

## **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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Revenue</b>												
External sales	187,538	177,268	27,675	22,854	32,195	32,890	12,551	12,403	1,570	1,434	261,529	246,849
<b>Trading profit</b>												
Segment profit/(loss)	45,495	43,807	(6)	253	127	51	253	485	62	5	45,931	44,601
Unallocated corporate expenses*											(5,962)	(5,368)
Trading profit											39,969	39,233
Share of associates' results							4,269	6,811		51	4,269	6,862
Profit on disposal of non-current assets											1,538	534
Profit on disposal of a subsidiary											396	–
Profit on disposal of available-for-sale investments											271	178
Loss on transfer of an associate											(10,045)	(721)
Gain arising from changes in fair value of biological assets	30,043	7,320									30,043	7,320
Investment income											1,186	1,074
Net finance income											3,107	4,170
Profit before tax											70,734	58,650
Taxation											(25,662)	(16,860)
Profit after tax											45,072	41,790
<b>Other information</b>												
Segment assets	268,283	260,793	30,054	27,209	20,270	22,737	238,291	237,623	4,393	4,299	561,291	552,661
Investments in associates							6,549	38,077			6,549	38,077
Unallocated assets											112,294	89,624
Consolidated total assets											680,134	680,362
Segment liabilities	(32,117)	(36,244)	(8,409)	(7,830)	(5,267)	(5,371)	(204,037)	(201,074)	(832)	(896)	(250,662)	(251,415)
Unallocated liabilities											(75,971)	(67,240)
Consolidated total liabilities											(326,633)	(318,655)
Capital expenditure	9,495	12,349	2,988	6,275	1,788	1,135	993	660	1,293	371	16,557	20,790
Depreciation	(4,903)	(4,912)	(1,623)	(1,068)	(2,155)	(2,074)	(368)	(433)	(189)	(173)	(9,238)	(8,660)
Amortisation	(42)	(46)	(5)	(8)			(361)	(456)			(408)	(510)
Impairments									(440)	(177)	(440)	(177)

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.

\*Unallocated corporate expenses include group marketing expenses of £1,162,000 (2011: £200,000) incurred of behalf of banking and financial services and agriculture and horticulture segments.

## 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  
Bangladesh  
India  
Kenya  
Malawi  
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:

	2012 £'000	2011 £'000
United Kingdom	70,379	71,686
Continental Europe	23,885	27,750
Bangladesh	20,281	15,496
India	70,401	67,876
Kenya	25,563	21,547
Malawi	8,000	8,245
North America and Bermuda	9,620	6,708
South Africa	724	2,453
South America	5,947	4,582
Other	26,729	20,506
	<u>261,529</u>	<u>246,849</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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
United Kingdom	285,819	283,083	6,744	8,062
Continental Europe	4,693	5,900	196	377
Bangladesh	44,975	39,503	983	1,230
India	77,243	75,732	3,339	5,969
Kenya	70,991	71,626	1,709	2,071
Malawi	43,831	43,659	2,367	2,207
North America and Bermuda	8,430	7,718	190	108
South Africa	12,038	12,588	223	165
South America	13,271	12,852	806	601
	<u>561,291</u>	<u>552,661</u>	<u>16,557</u>	<u>20,790</u>

## Results of banking subsidiaries

	2012 £'000	2011 £'000
Interest receivable third parties	3,298	3,119
Interest payable third parties	(600)	(693)
group companies	(26)	(49)
Net interest income	<u>2,672</u>	<u>2,377</u>
Fee and commission income	10,325	10,404

Fee and commission expense	(472)	(427)
Inter-segment net interest	26	49
Revenue	12,551	12,403
Other operating income	29	102
	12,580	12,505
Operating expenses	(12,327)	(12,020)
Segment profit	253	485

## 2 Revenue

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

	2012	2011
	£'000	£'000
Sale of goods	188,595	178,211
Distribution and warehousing revenue	32,195	32,890
Engineering services revenue	27,675	22,854
Banking service revenue	12,551	12,403
Agency commission revenue	244	218
Property rental revenue	269	273
Total group revenue	261,529	246,849
Other operating income	1,699	1,755
Investment income	1,186	1,074
Interest income	3,517	2,350
Total group income	267,931	252,028

## 3 Trading profit

	2012	2011
	£'000	£'000
The following items have been included in arriving at trading profit:		
Employment costs (note 14)	73,893	69,730
Inventories:		
Cost of inventories recognised as an expense (included in cost of sales)	108,364	108,265
Cost of inventories provision recognised as an expense (included in cost of sales)	326	262
Cost of inventories provision reversed (included in cost of sales)	(45)	(12)
Business interruption income received from insurance claim	1,750	1,833
Depreciation of property, plant and equipment:		
Owned assets	8,995	8,299
Under finance leases	243	361
Amortisation of intangibles (included in administrative expenses)	408	510
Impairment of investments (included in administrative expenses)	440	177
Provision for claim reversed	–	(770)
Profit on disposal of property, plant and equipment	(248)	(164)
Operating leases – lease payments:		
Plant and machinery	321	334
Property	885	749
Repairs and maintenance expenditure on property, plant and equipment	4,962	4,533
Currency exchange (gains)/losses (credited)/charged to income include:		
Revenue	(1,914)	140
Cost of sales	(51)	50
Distribution costs	(280)	(30)
Administrative expenses	2	81
Other operating income	–	(26)
Finance income	(1,030)	(1,648)
	(3,273)	(1,433)

Included in the above is an exchange gain of £3,952,000 relating to the Malawian Kwacha.

Amounts paid to the group's auditors comprised:

Audit services:

Statutory audit:

Parent company and consolidated financial statements	166	154
Subsidiary companies	663	632

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829 786

Audit – related regulatory reporting

59 33

Tax services:

Compliance services

16 15

Advisory services

– 46

Other services not covered above

69 42

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973 922

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Included in the above group audit fees and expenses is £822,000 (2011: £779,000) paid to PricewaterhouseCoopers LLP and its associates for statutory audit services, £59,000 (2011: £33,000) for audit related regulatory reporting, £16,000 (2011: £61,000) for taxation services and £66,000 (2011: £38,000) for other services.

#### 4 **Headline profit**

The group seeks to present an indication of the underlying performance which is not impacted by exceptional items or items considered non-operational in nature. This measure of profit is described as 'headline' and is used by management to measure and monitor performance.

The following items have been excluded from the headline measure:

- Exceptional items, including profit and losses from disposal of non-current assets and available-for-sale investments.
- Gains and losses arising from changes in fair value of biological assets, which are a non-cash item, and the directors believe should be excluded to give a better understanding of the group's underlying performance
- Financing income and expense relating to retirement benefits

Headline profit before tax comprises:

	2012		2011	
	£'000	£'000	£'000	£'000
Trading profit		39,969		39,233
Share of associates' results		4,269		6,862
Investment income		1,186		1,074
Net finance income	3,107		4,170	
Exclude				
- Pension schemes' net financing expense/ (income)	615		(804)	
Headline finance costs		3,722		3,366
Headline profit before tax		49,146		50,535
Non-headline items profit before tax comprises:				
Exceptional items				
Profit on disposal of non-current assets	1,538		534	
Profit on disposal of a subsidiary	396		-	
Profit on disposal of available-for-sale investments	271		178	
Loss on transfer of an associate	(10,045)		(721)	
		(7,840)		(9)
Gain arising from changes in fair value biological assets		30,043		7,320
Pension schemes' net financing (expense) /income		(615)		804
Non-headline items in profit before tax		21,588		8,115

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

	2012	2011
	£'000	£'000
Operating profit	4,857	7,696
Net finance costs	(114)	(28)
Profit before tax	4,743	7,668
Taxation	(474)	(806)
Profit after tax	4,269	6,862

## 5 Share of associates' results

The results in 2011 included the group's share of the profits of West Hamilton Holdings Limited until 1 August 2011, as the group's shareholding fell from 28.2 per cent. to 14.1 per cent. following a rights issue which was not taken up by the group. With effect from 1 August 2011, the group's holding in West Hamilton was reclassified from an associated company to an available-for-sale investment.

## 6 Profit on non-current assets

A profit of £1,538,000 has been realised following part recovery of insurance claims received in relation to the property, plant and equipment destroyed by the fire in 2011 at one of the tea processing factories owned by Eastern Produce Malawi Limited.

In 2011, an additional profit of £534,000 was realised in relation to the property, plant and equipment destroyed by the fire in 2010 at the Nuneaton premises of Abbey Metal Finishing Company Limited.

## 7 Profit on disposal of a subsidiary

A profit of £396,000, after the transfer of £5,000 of exchange difference previously included in reserves, was realised on the disposal by the group (through Kakuzi Limited) of its remaining 50.5 per cent. interest in Siret Tea Company Limited to EPK Outgrowers Empowerment Project Company Limited, a company mainly owned by smallholders in Kenya. Further details are included in note 35.

## 8 Loss on transfer of an associate

A loss of £10,045,000, after the transfer of £1,181,000 of exchange difference and other movements previously included in other comprehensive income, was realised in relation to the reclassification of the group's investment in BF&M Limited from an associated company. Further details are included in note 21.

In 2011, a loss of £721,000, after the transfer of £210,000 of exchange difference and other movements previously included in other comprehensive income, was realised in relation to the reclassification of the group's investment in West Hamilton Holdings Limited from an associated company.

## 9 Finance income and costs

	2012	2011
	£'000	£'000
Interest payable on loans and bank overdrafts	(808)	(584)
Interest payable on obligations under finance leases	(17)	(48)
Finance costs	(825)	(632)
Finance income – interest income on short-term bank deposits	3,517	2,350
Net exchange gain on foreign cash balances	1,030	1,648
Pension schemes' net financing (expense)/income (note 31)	(615)	804
Net finance income	3,107	4,170

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

## 10 Taxation

	£'000	£'000	£'000
<b>Current tax</b>			
<b>UK corporation tax</b>			
UK corporation tax at 24.5 per cent. (2011: 26.5 per cent.)	2,172		1,484
Double tax relief	<u>(2,172)</u>		<u>(1,484)</u>
		–	–
<b>Foreign tax</b>			
Corporation tax	15,582		12,651
Adjustment in respect of prior years	<u>(77)</u>		<u>35</u>
		15,505	12,686
<b>Total current tax</b>		15,505	12,686
<b>Deferred tax</b>			
Origination and reversal of timing differences			
United Kingdom	–		–
Overseas	<u>10,157</u>		<u>4,174</u>
<b>Total deferred tax</b>		10,157	4,174
Tax on profit on ordinary activities		<u>25,662</u>	<u>16,860</u>
<b>Factors affecting tax charge for the year</b>			
Profit on ordinary activities before tax		70,734	58,650
Share of associated undertakings profit		<u>(4,269)</u>	<u>(6,862)</u>
Group profit on ordinary activities before tax		66,465	51,788
Tax on ordinary activities at the standard rate of corporation tax in the UK of 24.5 per cent. (2011: 26.5 per cent.)		16,284	13,724
Effects of:			
Adjustment to tax in respect of prior years		(77)	35
Expenses not deductible for tax purposes		1,088	623
Adjustment in respect of foreign tax rates		5,598	3,064
Additional tax arising on dividends from overseas companies		358	381
Loss on transfer of an associate not allowable for tax		2,461	191
Other income not charged to tax		(366)	(510)
Increase in tax losses carried forward		248	220
Movement in other timing differences		68	(868)
Total tax charge for the year		<u>25,662</u>	<u>16,860</u>

## 11 Profit for the year

	2012 £'000	2011 £'000
The profit of the company was	<u>3,755</u>	<u>3,514</u>

The company has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to disclose its income statement.

## 12 Equity dividends

	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 84p (2010: 80p) per share	2,335	2,223
Interim dividend for the year ended 31 December 2012 of 32p (2011: 30p) per share	889	839
	<u>3,224</u>	<u>3,057</u>

Dividends amounting to £73,000 (2011: £69,000) 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 2012 of 88p (2011: 84p) per share

2,501      2,387

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)

	2012			2011		
	Earnings	Weighted Average Number of Shares	EPS	Earnings	Weighted Average Number of Shares	EPS
	£'000	Number	Pence	£'000	Number	Pence
<b>Basic and diluted EPS</b>						
Attributable to ordinary shareholders	32,234	2,779,500	1,159.7	33,086	2,779,500	1,190.4

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 32).

### 14 Employees

	2012	2011
	Number	Number
Average number of employees by activity:		
Agriculture and horticulture	70,204	72,556
Engineering	435	403
Food storage and distribution	260	262
Banking and financial services	123	119
Central management	21	20
	<u>71,043</u>	<u>73,360</u>
	2012	2011
	£'000	£'000
Employment costs:		
Wages and salaries	65,943	62,387
Social security costs	3,087	2,681
Employee benefit obligations (see note 31) – UK	1,389	1,277
– Overseas	3,474	3,385
	<u>73,893</u>	<u>69,730</u>

Total remuneration paid to key employees who are members of the executive committee, excluding directors of Camellia Plc, amounted to £602,000 (2011: £528,000).

### 15 Emoluments of the directors

	2012	2011
	£'000	£'000
Aggregate emoluments excluding pension contributions	<u>1,473</u>	<u>1,342</u>

Emoluments of the highest paid director excluding pension contributions were £533,000 (2011: £449,000).

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

### 16 Intangible assets

Goodwill	Customer	Computer	Total
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	£'000	relationships £'000	software £'000	£'000
<i>Group</i>				
Cost				
At 1 January 2011	3,978	4,814	1,882	10,674
Exchange differences	–	–	(37)	(37)
Additions	–	–	89	89
At 1 January 2012	3,978	4,814	1,934	10,726
Exchange differences	–	–	(16)	(16)
Additions	–	–	180	180
At 31 December 2012	3,978	4,814	2,098	10,890
Amortisation				
At 1 January 2011	–	1,111	1,487	2,598
Exchange differences	–	–	(25)	(25)
Charge for the year	–	241	269	510
At 1 January 2012	–	1,352	1,731	3,083
Exchange differences	–	–	(14)	(14)
Charge for the year	–	241	167	408
At 31 December 2012	–	1,593	1,884	3,477
Net book value at 31 December 2012	3,978	3,221	214	7,413
Net book value at 31 December 2011	3,978	3,462	203	7,643

### Impairment testing

#### Timing of impairment testing

The group's impairment test in respect of intangible assets allocated to each component of the cash-generating unit ('CGU') is performed as at 31 December each year. In line with the accounting policy, impairment testing is also performed whenever there is an indication that the assets may be impaired. There was no indication of impairment in the year to 31 December 2012. For the purpose of this impairment testing, the group's CGU components represent the asset management and financial planning elements of the holistic private banking service provided by Duncan Lawrie.

#### Basis of the recoverable amount – value in use or fair value less costs to sell

The recoverable amount of the CGU to which customer relationships and goodwill have been allocated was assessed at each respective testing date in 2012 and 2011.

The asset management component of the CGU is assessed on the basis of the fair value less costs to sell by applying industry average multiples to the value of assets under management.

The financial planning component of the CGU is assessed on the basis of value in use (VIU) by discounting management's projections of future cash flows. Given the inherent uncertainty in assessing the most appropriate discount rate to use when assessing the goodwill and customer relationships VIU, the group again has used a range of rates from 5 per cent. to 15 per cent. to assess the VIU under a number of scenarios. These discount rates have been applied to the expected cash flows that will be generated by the VIU over a 20 year period, being the length of time over which the group believes that value will accrue given the inherently long term nature of private banking relationships. Management's judgement in estimating the cash flows of a CGU are based on both contracts that are in place and plans prepared by management.

Based on the conditions at the balance sheet date, a change in any of the key assumptions described above would not cause an impairment to be recognised in respect of goodwill and customer relationships.

## 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 2011	81,706	90,793	20,329	192,828
Exchange differences	(5,316)	(6,283)	(621)	(12,220)
Additions	5,623	14,098	1,069	20,790
Disposals	(105)	(2,616)	(148)	(2,869)
At 1 January 2012	81,908	95,992	20,629	198,529
Exchange differences	(4,629)	(7,688)	(467)	(12,784)

Additions	6,727	8,846	984	16,557
Disposals	(382)	(1,658)	(717)	(2,757)
Disposal of subsidiary	(632)	(981)	(41)	(1,654)
At 31 December 2012	82,992	94,511	20,388	197,891
Depreciation				
At 1 January 2011	33,909	58,477	11,766	104,152
Exchange differences	(2,048)	(3,839)	(468)	(6,355)
Charge for the year	2,024	5,614	1,022	8,660
Disposals	(64)	(2,208)	(231)	(2,503)
At 1 January 2012	33,821	58,044	12,089	103,954
Exchange differences	(1,452)	(3,405)	(348)	(5,205)
Charge for the year	3,007	5,323	908	9,238
Disposals	(323)	(1,570)	(682)	(2,575)
Disposal of subsidiary	(302)	(661)	(41)	(1,004)
At 31 December 2012	34,751	57,731	11,926	104,408
Net book value at 31 December 2012	48,241	36,780	8,462	93,483
Net book value at 31 December 2011	48,087	37,948	8,540	94,575

Land and buildings at net book value comprise:

	2012	2011
	£'000	£'000
Freehold	27,547	25,877
Long leasehold	19,632	20,596
Short leasehold	1,062	1,614
	48,241	48,087

Plant and machinery includes assets held under finance leases. The depreciation charge for the year in respect of these assets was £51,000 (2011: £175,000) and their net book value was £49,000 (2011: £1,469,000).

The amount of expenditure for property, plant and equipment in the course of construction amounted to £905,000 (2011: £5,511,000).

## 18 Biological assets

	Tea	Edible nuts	Timber	Other	Total
	£'000	£'000	£'000	£'000	£'000
<i>Group</i>					
At 1 January 2011	74,442	18,823	9,794	17,941	121,000
Exchange differences	(8,080)	(1,885)	(549)	(1,459)	(11,973)
New planting additions	1,795	420	273	37	2,525
Capitalised cultivation costs	–	2,751	–	4,575	7,326
Gains arising from changes in fair value less estimated point-of-sale costs	1,416	1,842	1,813	2,249	7,320
Decreases due to harvesting	–	(3,032)	(206)	(4,780)	(8,018)
At 1 January 2012	69,573	18,919	11,125	18,563	118,180
Exchange differences	(13,777)	(9,873)	(1,726)	(935)	(26,311)
New planting additions	1,720	622	157	–	2,499
Capitalised cultivation costs	–	2,634	–	4,283	6,917
Gains arising from changes in fair value less estimated point-of-sale costs	13,257	13,151	2,433	1,202	30,043
Decreases due to harvesting	–	(3,166)	(824)	(5,168)	(9,158)
Company leaving the group	(1,573)	–	(904)	–	(2,477)
At 31 December 2012	69,200	22,287	10,261	17,945	119,693

Other includes avocados, citrus, grapes, livestock, maize, pineapples, rubber and soya.

Biological assets are carried at fair value. 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. At 31 December 2012 professional valuations were obtained on a significant proportion of assets. 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.

New planting additions represents new areas planted to the particular crop at cost.

For crops other than tea and rubber capitalised cultivation costs represent annual growing costs incurred. Growing costs for tea and rubber are charged directly to inventory which are included in cost of sales and do not include any uplift on initial recognition as no appropriate market value can be determined for green leaf and rubber produced at harvest prior to manufacturing.

Decreases due to harvesting represent values transferred to cost of sales at the point of harvest for agricultural produce other than tea and rubber.

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 %	Edible nuts %	Timber %	Other %
2012	13.5	12.0 – 13.5	17.5	5.0 – 17.5
2011	13.5	12.0 – 13.5	17.5	5.0 – 17.5

During the year the Malawian kwacha depreciated in value from 254.49 to the pound sterling at 1 January 2012 to 544.05 to the pound sterling at 31 December 2012. The functional currency of our Malawian subsidiaries is the kwacha. Our principal assets in Malawi are our agricultural assets. As they generate revenues in currencies other than the kwacha their value in hard currency has not fallen in the year. Accordingly, the revaluation of the agricultural assets in kwacha under IAS 41 at 31 December 2012 has generated a credit of £26,366,000 including a gain of £21,353,000 due to the currency devaluation which is included in the overall gain of £30,043,000 credited to the income statement. This has been largely offset by a foreign exchange translation loss charged to the statement of comprehensive income.

### Financial risk management strategies

The group is exposed to financial risks arising from changes in the prices of the agricultural products it produces. The group does not anticipate that these prices will decline significantly in the foreseeable future. There are no futures markets available for the majority of crops grown by the group. Further the group's exposure to this risk is mitigated by the geographical spread of its operations, selective forward selling in certain instances when considered appropriate, and regular review of available market data on sales and production. The group monitors closely the returns it achieves from its crops and considers replacing its biological assets when yields decline with age or markets change.

Further financial risk arises from changes in market prices of key cost components, such costs are closely monitored.

The estimated fair value of agricultural output from our tea operations after deducting estimated points of sales costs is £82,923,000 (2011: £76,171,000) which includes a gain on initial recognition at the point of harvest of £23,169,000 (2011: £21,012,000).

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

	2012 Hectares	2011 Hectares
Tea	34,591	35,280
Macadamia	2,774	2,713
Pistachios	130	130
Timber	6,253	6,321
Arable crops	2,363	3,297
Avocados	414	411
Citrus	178	178
Pineapples	45	45
Rubber	1,918	1,960
Wine grapes	70	84
	2012	2111
	Head	Head

Livestock numbers on hand at the end of the year	4,237	4,436
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Output of agricultural produce during the year was:

	2012 Metric tonnes	2011 Metric tonnes
Tea	67,363	68,667
Macadamia	1,033	1,094
Pistachios	647	21
Arable crops	23,530	13,923
Avocados	8,157	5,822
Citrus	6,480	6,217
Pineapples	1,033	1,777
Rubber	701	700
Wine grapes	616	553
	2012 Cubic metres	2011 Cubic metres
Timber	128,519	48,297

## 19 Prepaid operating leases

	£'000
<i>Group</i>	
Cost	
At 1 January 2011	1,059
Exchange differences	(48)
At 1 January 2012	1,011
Exchange differences	(56)
Company leaving the group	(26)
At 31 December 2012	929
Amortisation	
At 1 January 2011	19
Exchange differences	(1)
Charge for the year	1
At 1 January 2012	19
Exchange differences	(1)
Charge for the year	1
At 31 December 2012	19
Net book value at 31 December 2012	910
Net book value at 31 December 2011	992

## 20 Investments in subsidiaries

	2012 £'000	2011 £'000
<i>Company</i>		
Cost		
At 1 January and 31 December	73,508	73,508

## 21 Investments in associates

2012 £'000	2011 £'000
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<i>Group</i>		
At 1 January	38,077	31,778
Exchange differences	(1,533)	(611)
Transfer from held for sale	–	6,161
Impairment on transfer to financial assets	(11,226)	(931)
Disposals	(323)	(51)
Share of profit (note 5)	4,269	6,862
Dividends	(1,275)	(1,221)
Other equity movements	(769)	(2,424)
Transfer to financial assets	(20,671)	(1,486)
At 31 December	6,549	38,077

At 31 December 2012, the group has re-evaluated its relationship with BF&M Limited. Although the group's holding is in excess of 20 per cent., the directors have concluded that the group is no longer able to exercise significant influence due to the cumulative result of, inter alia, the composition of the board of BF&M and the inability of the group to be a party to important strategic decisions concerning the operations and development of BF&M. Accordingly the directors intend to account for the group's holding as an available-for-sale financial asset with effect from 1 January 2013 and the investment has been reclassified at 31 December 2012. In conjunction with this reclassification the investment has been written down to current market value at 31 December 2012 giving rise to an exceptional charge in the Income Statement of £10,045,000 (note 8).

In 2011, the transfer to other investments related to the group's investment in West Hamilton Holdings Limited, as the group's shareholding fell from 28.2 per cent. to 14.1 per cent. following a rights issue which was not taken up by the group. As a result, West Hamilton was reclassified from an associated company to an available-for-sale investment.

In 2011, the group's holding in its Bangladeshi associated undertakings United Insurance Company Limited and United

Leasing Company Limited of £6,161,000 were reclassified from assets held for sale to investments in associates, as the proposed sale did not materialise.

Details of the group's associates are shown in note 39.

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

	Assets	Liabilities	Revenues	Profit	Market
	£'000	£'000	£'000	£'000	£'000
31 December 2012	36,195	(29,646)	43,471	4,269	12,533
31 December 2011	176,055	(137,978)	41,076	6,862	38,253

## 22 Financial assets

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Cost or fair value				
At 1 January	35,697	31,632	170	170
Exchange differences	(1,357)	99	–	–
Fair value adjustment	674	(2,201)	–	–
Additions	8,109	10,159	–	–
Disposals	(7,592)	(5,480)	–	–
Fair value adjustment for disposal	(4)	2	–	–
Transfer from investment in associates	20,671	1,486	–	–
At 31 December	56,198	35,697	170	170
Provision for diminution in value				

At 1 January	1,323	1,135		
Exchange differences	(59)	11		
Provided during year	440	177		
At 31 December	1,704	1,323		
Net book value at 31 December	54,494	34,374	170	170
Net book value comprises:				
Held-to-maturity investments:				
UK Treasury bills	–	3,228		
Bank and building society certificates of deposit	3,993	2,601		
	3,993	5,829		
Available-for-sale financial assets:				
Listed investments	50,321	28,366		
Unlisted investments	180	179	170	170
	50,501	28,545		
	54,494	34,374	170	170
Current element	3,993	5,829	–	–
Non-current element	50,501	28,545	170	170
	54,494	34,374	170	170

UK Treasury bills and bank and building society certificates of deposit are held by the group's banking operation.

## 23 Other investments

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cost				
At 1 January	8,368	7,362	8,373	7,367
Additions	230	1,009	230	1,009
Disposals	–	(3)	–	(3)
At 31 December	8,598	8,368	8,603	8,373

Other investments comprise the group's and company's investment in fine art, philately, documents and manuscripts. The market value of collections is expected to be in excess of book value.

## 24 Inventories

	2012 £'000	2011 £'000
<i>Group</i>		
Made tea	21,818	22,371
Other agricultural produce	520	1,342
Work in progress	3,224	1,460
Trading stocks	3,377	2,893
Raw materials and consumables	8,636	11,111
	37,575	39,177

Made tea is included in inventory at cost as no reliable fair value is available to reflect the uplift in value upon initial recognition of harvested green leaf.

Included within the inventory value of made tea of £21,818,000 (2011: £22,371,000) are costs associated with the growing and cultivation of green leaf from our own estates of £10,103,000 (2011: £11,007,000). This would increase by £4,042,000 (2011: £3,962,000) if estimated green leaf fair values at harvest were applied. The impact on the income statement would be an increase in profit for the year to 31 December 2012 of £80,000 and an increase in taxation of £25,000.

The year end inventories balance is stated after a provision of £214,000 (2011: £152,000).

## 25 Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Current:</b>				
Amounts due from customers of banking subsidiaries	30,410	23,576	–	–
Trade receivables	28,010	25,886	–	–
Amounts owed by associated undertakings	258	282	–	–
Other receivables	7,527	6,988	–	–
Prepayments and accrued income	6,052	6,140	16	–
	<u>72,257</u>	<u>62,872</u>	<u>16</u>	<u>–</u>
<b>Non-current:</b>				
Amounts due from customers of banking subsidiaries	14,096	12,936		
Other receivables	1,078	967		
	<u>15,174</u>	<u>13,903</u>		

Included within trade receivables is a provision for doubtful debts of £391,000 (2011: £365,000).

Trade receivables include receivables of £4,373,000 (2011: £5,025,000) which are past due at the reporting date against 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:

	2012 £'000	2011 £'000
Up to 30 days	1,791	3,613
30-60 days	1,654	800
60-90 days	346	148
Over 90 days	582	464
	<u>4,373</u>	<u>5,025</u>

## 26 Cash and cash equivalents

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash at bank and in hand	181,134	196,852	–	–
Short-term bank deposits	56,728	45,226	9,458	6,323
Short-term liquid investments	24,312	18,838	–	–
	<u>262,174</u>	<u>260,916</u>	<u>9,458</u>	<u>6,323</u>

Included in the amounts above are cash and short-term funds, time deposits with banks and building societies, UK treasury bills and certificates of deposit amounting to £175,302,000 (2011: £181,278,000) 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		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash and cash equivalents (excluding banking operations)	86,872	79,638	9,458	6,323
Bank overdrafts (note 28)	(5,499)	(7,012)	–	–
	<u>81,373</u>	<u>72,626</u>	<u>9,458</u>	<u>6,323</u>

	2012	2011	2012	2011
Effective interest rate:				
Short-term deposits	0.00-13.75%	0.00-25.00%	1.05%	1.05%
Short-term liquid investments	0.01-0.10%	0.01-0.10%	–	–
Average maturity period:				
Short-term deposits	92 days	78 days	163 days	163 days
Short-term liquid investments	41 days	35 days	–	–

## 27 Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Current:				
Amounts due to customers of banking subsidiaries	193,715	192,145	–	–
Trade payables	22,477	23,419	–	–
Other taxation and social security	2,066	1,871	–	–
Other payables	12,534	15,025	160	144
Accruals	4,844	4,161	–	5
	<u>235,636</u>	<u>236,621</u>	<u>160</u>	<u>149</u>
Non-current:				
Amounts due to customers of banking subsidiaries	9,015	7,652	–	–

## 28 Financial liabilities – borrowings

	2012	2011
	£'000	£'000
<i>Group</i>		
<b>Current</b>		
Bank overdrafts	5,499	7,012
Bank loans	63	110
Finance leases	28	188
	<u>5,590</u>	<u>7,310</u>

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

Bank overdrafts	5,499	5,383
Bank loans	63	110
Finance leases	28	188
	<u>5,590</u>	<u>5,681</u>

### Non-current

Bank loans	90	123
Finance leases	26	58
	<u>116</u>	<u>181</u>

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

Bank loans	90	123
Finance leases	26	58
	<u>116</u>	<u>181</u>

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

Within one year or on demand (included in current liabilities)

	5,562	7,122
Between 1 – 2 years	27	36
Between 2 – 5 years	39	57

After 5 years	24	30
	5,652	7,245
<b>Minimum finance lease payments fall due as follows:</b>		
Within one year or on demand (included in current liabilities)		
	30	200
Between 1 – 2 years	16	38
Between 2 – 5 years	12	23
	58	261
Future finance charges on finance leases	(4)	(15)
Present value of finance lease liabilities	54	246

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

	2012	2011
	£'000	£'000
Within one year or on demand (included in current liabilities)	28	188
Between 1 – 2 years	15	36
Between 2 – 5 years	11	22
	54	246

The rates of interest payable by the group ranged between:

	2012	2011
	%	%
Overdrafts	2.25 – 33.00	2.25 – 13.00
Bank loans	9.00 – 13.00	9.00 – 13.00
Finance leases	7.54 – 18.00	4.29 – 18.00

## 29 Provisions

	Onerous leases	Others	Total
	£'000	£'000	£'000
<i>Group</i>			
At 1 January 2011	900	963	1,863
Exchange differences	–	(93)	(93)
Utilised in the period	(150)	(36)	(186)
Unused amounts reversed in period	–	(770)	(770)
At 1 January 2012	750	64	814
Utilised in the period	(150)	(8)	(158)
Provided in the period	71	400	471
At 31 December 2012	671	456	1,127
<b>Current</b>			
At 31 December 2012	150	306	456
At 31 December 2011	150	64	214
<b>Non-current</b>			
At 31 December 2012	521	150	671
At 31 December 2011	600	–	600

The provision for onerous leases relates to two leases with commitments of two and four years, which is the expected period of vacancy, both relate to warehouse premises. The leases expire in 2014 and 2016 respectively.

Others relate to provisions for claims and dilapidations.

## 30 Deferred tax

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 January	35,237	34,393	301	313
Exchange differences	(8,671)	(3,309)	–	–
Charged/(credited) to the income statement	10,157	4,174	(21)	(12)
Charged/(credited) to equity	48	(21)	–	–
Company leaving the group	(860)	–	–	–
At 31 December	<u>35,911</u>	<u>35,237</u>	<u>280</u>	<u>301</u>

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

### Deferred tax liabilities

	Accelerated tax depreciation	Pension scheme liability	Other	Total
	£'000	£'000	£'000	£'000
At 1 January 2011	38,018	278	(1)	38,295
Exchange differences	(3,722)	(37)	12	(3,747)
Charged/(credited) to the income statement	2,651	(3)	831	3,479
(Credited)/charged to equity	–	(20)	5	(15)
Transfers between categories	340	(63)	(52)	225
At 1 January 2012	<u>37,287</u>	<u>155</u>	<u>795</u>	<u>38,237</u>
Exchange differences	(8,519)	(1)	(325)	(8,845)
Charged/(credited) to the income statement	9,698	218	(33)	9,883
Charged/(credited) to equity	–	98	(46)	52
Transfers between categories	–	(198)	–	(198)
Company leaving the group	(801)	–	(59)	(860)
At 31 December 2012	<u>37,665</u>	<u>272</u>	<u>332</u>	<u>38,269</u>
Deferred tax assets offset				(2,044)
Net deferred tax liability after offset				<u>36,225</u>

### Deferred tax assets

	Tax losses	Pension scheme asset	Other	Total
	£'000	£'000	£'000	£'000
At 1 January 2011	1,796	912	1,194	3,902
Exchange differences	(234)	(132)	(72)	(438)
(Charged)/credited to the income statement	(633)	111	(173)	(695)
Credited/(charged) to equity	–	62	(56)	6
Transfers between categories	–	(62)	287	225
At 1 January 2012	<u>929</u>	<u>891</u>	<u>1,180</u>	<u>3,000</u>
Exchange differences	(54)	(44)	(76)	(174)
(Charged)/credited to the income statement	(612)	249	89	(274)
Credited to equity	–	4	–	4
Transfers between categories	–	(198)	–	(198)
At 31 December 2012	<u>263</u>	<u>902</u>	<u>1,193</u>	<u>2,358</u>
Offset against deferred tax liabilities				(2,044)
Net deferred tax asset after offset				<u>314</u>

Included within deferred tax liabilities are £33,396,000 (2011: £32,087,000) of accelerated tax depreciation relating to biological assets.

Deferred tax liabilities of £10,142,000 (2011: £8,684,000) 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 has not recognised deferred tax assets of £4,997,000 (2011: £5,076,000) in respect of losses that can be carried forward against future taxable income.

### 31 Employee benefit obligations

#### (i) Pensions

Certain group subsidiaries operate defined contribution and funded defined benefit pension schemes. The most significant is the UK funded, final salary defined benefit scheme. The assets of this scheme is administered by trustees and are kept separate from those of the group. On 1 July 2011, the three UK defined benefit pension schemes were merged to form the Linton Park Pension Scheme (2011). A full actuarial valuation was undertaken as at 1 July 2011 and updated to 31 December by a qualified independent actuary. The UK final salary defined benefit pension scheme is closed to new entrants and new employees are eligible to join a group personal pension plan. Members who formerly belonged to the Unochrome Group Pension Scheme are closed to future accruals and active members participate in a defined contribution scheme. From 1 July 2011, active members of the Linton Park Pension Scheme (2011) earn accruals at a rate of 1/80th per year of service from a rate of 1/60th per year of service previously earned as members of the Linton Park Pension Scheme or the Lawrie Group Pension Scheme.

The overseas schemes are operated in group subsidiaries located in Bangladesh, India and The Netherlands. Actuarial valuations have been updated to 31 December 2012 by qualified actuaries for these schemes.

#### Assumptions

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

	2012 % per annum	2011 % per annum
<b>UK scheme</b>		
Rate of increase in salaries	2.00	2.00
Rate of increase to LPI (Limited Price Indexation) pensions in payment	2.00 – 5.00	2.00 – 5.00
Discount rate applied to scheme liabilities	4.20	4.70
Inflation assumption (CPI/RPI)	2.00/2.80	2.00/3.00

Assumptions regarding future mortality experience are based on advice received from independent actuaries. The current mortality tables used are SIPA, on a year of birth basis, with CMI\_2010 future improvement factors and subject to a long term annual rate of future improvement of 1% per annum. This results in males and females aged 65 having life expectancies of 22 years and 24 years respectively.

#### Overseas schemes

Rate of increase in salaries	2.00 – 7.00	2.00 – 7.00
Rate of increase to LPI (Limited Price Indexation) pensions in payment	0.00 – 3.00	0.00 – 3.00
Discount rate applied to scheme liabilities	3.20 – 10.50	4.60 – 9.00
Inflation assumption	0.00 – 7.00	0.00 – 7.00

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

#### UK scheme

Equities and property	6.50	7.80
Bonds	3.60	4.70
Cash	0.50	0.50

#### Overseas schemes

Bonds	7.51 – 9.00	7.51 – 9.00
Cash	7.51 – 9.00	7.51 – 9.00

Other	4.60	4.60
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**(ii) Post-employment benefits**

Certain group subsidiaries located in Kenya, India and Bangladesh have an obligation to pay terminal gratuities, based on years of service. These obligations are estimated annually using the projected unit method by qualified independent actuaries. Schemes operated in Bangladesh and India are funded but the schemes operated in Kenya are unfunded. Operations in India and Bangladesh also have an obligation to pay medical benefits upon retirement, these schemes are unfunded.

**Assumptions**

The major assumptions used in the valuation to determine the present value of the post-employment benefit obligations were as follows:

Rate of increase in salaries	5.00 – 10.00	5.00 – 10.00
Discount rate applied to scheme liabilities	8.00 – 12.00	8.50 – 13.50
Inflation assumptions	0.00 – 10.00	0.00 – 10.00

**(iii) Actuarial valuations**

	UK £'000	2012 Overseas £'000	Total £'000	UK £'000	2011 Overseas £'000	Total £'000
Equities and property	91,471	419	91,890	84,107	352	84,459
Bonds	39,334	12,339	51,673	36,679	12,555	49,234
Cash	1,761	2,816	4,577	1,624	2,479	4,103
Other	–	3,420	3,420	–	2,547	2,547
Total fair value of plan assets	132,566	18,994	151,560	122,410	17,933	140,343
Present value of defined benefit obligations	(160,427)	(23,730)	(184,157)	(144,403)	(22,832)	(167,235)
Total deficit in the schemes	(27,861)	(4,736)	(32,597)	(21,993)	(4,899)	(26,892)
Amount recognised as asset in the balance sheet	–	678	678	–	437	437
Amount recognised as current liability in the balance sheet	–	(409)	(409)	–	(374)	(374)
Amount recognised as non-current liability in the balance sheet	(27,861)	(5,005)	(32,866)	(21,993)	(4,962)	(26,955)
	(27,861)	(4,736)	(32,597)	(21,993)	(4,899)	(26,892)
Related deferred tax asset (note 30)	–	902	902	–	891	891
Related deferred tax liability (note 30)	–	(272)	(272)	–	(155)	(155)
Net deficit	(27,861)	(4,106)	(31,967)	(21,993)	(4,163)	(26,156)

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

	2012			2011		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
At 1 January	122,410	17,933	140,343	126,039	19,852	145,891
Expected return on plan assets	6,492	1,290	7,782	8,274	1,343	9,617
Employer contributions	2,196	1,206	3,402	818	716	1,534
Contributions paid by plan	–	4	4	179	5	184
Benefit payments	(6,560)	(1,193)	(7,753)	(6,083)	(1,534)	(7,617)
Actuarial gains/(losses)	8,028	866	8,894	(6,817)	285	(6,532)
Exchange differences	–	(1,112)	(1,112)	–	(2,734)	(2,734)
At 31 December	132,566	18,994	151,560	122,410	17,933	140,343

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

	UK £'000	2012 Overseas £'000	Total £'000	UK £'000	2011 Overseas £'000	Total £'000
At 1 January	(144,403)	(22,832)	(167,235)	(133,805)	(24,455)	(158,260)
Current service cost	(671)	(1,262)	(1,933)	(726)	(1,132)	(1,858)
Past service cost	–	(5)	(5)	164	–	164
Contributions paid by plan	–	(4)	(4)	(179)	(5)	(184)
Interest cost	(6,633)	(1,764)	(8,397)	(7,081)	(1,732)	(8,813)
Benefit payments	6,560	1,193	7,753	6,083	1,534	7,617
Actuarial losses	(15,280)	(723)	(16,003)	(8,859)	(218)	(9,077)
Disposal of subsidiary	–	250	250	–	–	–
Exchange differences	–	1,417	1,417	–	3,176	3,176
At 31 December	(160,427)	(23,730)	(184,157)	(144,403)	(22,832)	(167,235)

In 2010, the total fair value of plan assets was £145,891,000, present value of defined benefit obligations was £158,260,000 and the deficit was £12,369,000. In 2009, the total fair value of plan assets was £122,063,000, present value of defined benefit obligations was £146,054,000 and the deficit was £23,991,000 and in 2008, the total fair value of plan assets was £106,142,000, present value of defined benefit obligations was £130,104,000 and the deficit was £23,962,000.

#### Income statement

The amounts recognised in the income statement are as follows:

	UK £'000	2012 Overseas £'000	Total £'000	UK £'000	2011 Overseas £'000	Total £'000
Amounts (charged)/credited to operating profit:						
Current service cost	(671)	(1,262)	(1,933)	(726)	(1,132)	(1,858)
Past service cost	–	(5)	(5)	164	–	164
Total operating charge	(671)	(1,267)	(1,938)	(562)	(1,132)	(1,694)
Amounts credited/(charged) to other finance costs:						
Expected return on pension scheme assets	6,492	1,290	7,782	8,274	1,343	9,617
Interest on pension scheme liabilities	(6,633)	(1,764)	(8,397)	(7,081)	(1,732)	(8,813)
Net financing income/(charge) (note 9)	(141)	(474)	(615)	1,193	(389)	804
Total credited/(charged) to income statement	(812)	(1,741)	(2,553)	631	(1,521)	(890)

Employer contributions to defined contribution schemes are charged to profit when payable and the costs charged were £2,925,000 (2011: £2,968,000).

#### Actuarial gains and losses recognised in the statement of comprehensive income

The amounts included in the statement of comprehensive income:

	UK £'000	2012 Overseas £'000	Total £'000	UK £'000	2011 Overseas £'000	Total £'000
Actual return less expected return on pension scheme assets	8,028	866	8,894	(6,817)	285	(6,532)
Experience losses arising on scheme liabilities	(2,008)	(723)	(2,731)	(1,946)	(218)	(2,164)
Changes in assumptions underlying present value of scheme liabilities	(13,272)	–	(13,272)	(6,913)	–	(6,913)
Actuarial (loss)/gain	(7,252)	143	(7,109)	(15,676)	67	(15,609)



Share of associates' results	(4,269)	(6,862)
Depreciation and amortisation	9,646	9,170
Impairment of non-current assets	440	180
Gain arising from changes in fair value of biological assets	(30,043)	(7,320)
Profit on disposal of non-current assets	(1,786)	(698)
Loss on transfer of an associate	10,045	721
Profit on disposal of a subsidiary	(396)	-
Profit on disposal of investments	(271)	(178)
Increase in working capital	(10,336)	(7,542)
Pensions and similar provisions less payments	(1,465)	160
Biological assets capitalised cultivation costs	(6,917)	(7,326)
Biological assets decreases due to harvesting	9,158	8,018
Net decrease in funds of banking subsidiaries	915	2,546
	<u>41,162</u>	<u>44,275</u>

### 34 Reconciliation of net cash flow to movement in net cash

	2012	2011
	£'000	£'000
<i>Group</i>		
Increase/(decrease) in cash and cash equivalents in the year	9,767	(2,438)
Net cash outflow from decrease in debt	<u>266</u>	<u>460</u>
Increase/(decrease) in net cash resulting from cash flows	10,033	(1,978)
Exchange rate movements	<u>(1,014)</u>	<u>(163)</u>
Increase/(decrease) in net cash in the year	9,019	(2,141)
Net cash at beginning of year	<u>72,147</u>	<u>74,288</u>
Net cash at end of year	<u>81,166</u>	<u>72,147</u>

### 35 Disposal of business

#### *Group*

On 31 August 2012 the group disposed of its 50.5 per cent. holding in Siret Tea Company Limited, a tea company operating in Kenya.

Details of net assets disposed are as follows:

	2012
	£'000
Book value of assets and liabilities:	
Property plant and equipment	650
Biological assets	2,477
Prepaid operating leases	26
Inventories	1,108
Trade and other receivables	631
Cash and cash equivalents	487
Trade and other payables	(1,452)
Current income tax liabilities	(129)
Employee benefit obligations	(250)
Deferred tax liabilities	<u>(860)</u>
	2,688
Less direct non-controlling interest	(1,333)

Profit on disposal	396
	<u>1,751</u>
Satisfied by:	
Cash consideration	<u>1,751</u>
Net inflow of cash in respect of disposal of business:	
Cash consideration	1,751
Net cash and cash equivalents of business	<u>(487)</u>
	<u>1,264</u>

There were no disposals in 2011.

### 36 Commitments

#### Capital commitments

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

	2012	2011
	£'000	£'000
<i>Group</i>		
Property, plant and equipment	<u>1,304</u>	<u>1,800</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:

	2012	2011
	£'000	£'000
<i>Group</i>		
Land and buildings:		
Within 1 year	859	809
Between 1 – 5 years	2,263	2,602
After 5 years	13,557	13,315
	<u>16,679</u>	<u>16,726</u>
Plant and machinery:		
Within 1 year	104	124
Between 1 – 5 years	101	98
	<u>205</u>	<u>222</u>

The group's most significant operating lease commitments are long term property leases with renewal terms in excess of 60 years.

### 37 Contingent liabilities

The group operates in certain countries where its operations are potentially subject to a number of legal claims including taxation. When required, appropriate provisions are made for the expected cost of such claims. At 31 December 2012, the directors do not anticipate the outcome of any such claim to result in a material loss.

### 38 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:

	2012 £'000	2011 £'000
Borrowings	<u>5,706</u>	<u>7,491</u>
Tangible net assets	<u>306,397</u>	<u>313,949</u>
Ratio	<u>1.86%</u>	<u>2.39%</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.

#### Categories of financial instruments

	Carrying value	
	2012 £'000	2011 £'000
<b>Financial assets</b>		
Cash and cash equivalents (excluding banking subsidiaries)	86,872	79,638
Loans and advances to banks by banking subsidiaries	175,302	181,278
Loans and advances to customers of banking subsidiaries	44,506	36,512
Trade and other receivables	36,873	34,123
Other investments	54,494	34,374
	<u>398,047</u>	<u>365,925</u>
<b>Financial liabilities</b>		
Amounts due to customers of banking subsidiaries	202,730	199,797
Trade and other payables	39,855	42,605
Borrowings	5,706	7,491
Provisions	1,127	814
Other non-current liabilities	107	111
	<u>249,525</u>	<u>250,818</u>

#### Fair values

Financial assets and liabilities are subject to market variations in respect of price, exchange and interest rates. The group assesses fair values based on available market data and does not make use of valuation techniques.

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 receivables and trade payables. 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, with the exception of significant Swiss Franc and Canadian Dollar cash deposits. A movement by 5 per cent. in the exchange rate of the Swiss Franc with Sterling would increase/decrease profit and net assets by £808,000 (2011: £1,044,000) and a movement by 5 per cent. in the exchange rate of the Canadian Dollar with Sterling would increase/decrease profit and net assets by £473,000 (2011: £316,000).

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.

The majority of the group's equity investments are publicly traded and are quoted on stock exchanges located in Bermuda, Japan, Switzerland, UK and US. 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 £2,516,000 (2011: £1,418,000).

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 2012, 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 £340,000 (2011: £303,000) higher/lower.

At 31 December 2012, 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 £171,000 (2011: £177,000) higher/lower.

The interest rate exposure of the group's interest bearing assets and liabilities by currency at 31 December was:

	Assets		Liabilities	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Sterling	164,912	162,044	130,646	126,665
US Dollar	50,486	53,202	40,988	48,076
Euro	18,729	19,220	18,839	19,952
Swiss Franc	23,104	24,002	6,939	3,131
Kenyan Shilling	19,236	20,478	–	–
Indian Rupee	6,622	3,716	4,716	2,545
Malawian Kwacha	12	203	–	–
Bangladesh Taka	5,565	3,233	190	1,911
Australian Dollar	978	678	974	682
South African Rand	1,821	2,196	146	83
Brazilian Real	4,044	2,956	–	–
Bermudian Dollar	790	755	–	–
Canadian Dollar	10,064	7,093	602	769

Japanese Yen	1,609	1,767	1,607	1,761
Other	2,791	1,714	2,789	1,713
	<u>310,763</u>	<u>303,257</u>	<u>208,436</u>	<u>207,288</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 1.5 per cent. 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 valuation although corporate or personal guarantees are also acceptable in some instances.

The group has a large number of trade receivables, the largest five receivables at the year end comprise 20 per cent. (2011: 24 per cent.) of total trade receivables.

## (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 each banking subsidiary. 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 2012, the group had undrawn committed facilities of £24,078,000 (2011: £24,943,000), 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 date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	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
At 31 December 2012						
<b>Assets</b>						
Cash and cash equivalents (excluding banking subsidiaries)	86,872	–	–	–	–	86,872
Loans and advances to banks by banking subsidiaries	175,084	–	–	–	218	175,302
Loans and advances to customers of banking subsidiaries	23,201	3,418	10,575	103	7,209	44,506
Trade and other receivables	35,795	1,078	–	–	–	36,873
Other investments	3,993	–	–	–	50,501	54,494
	<u>324,945</u>	<u>4,496</u>	<u>10,575</u>	<u>103</u>	<u>57,928</u>	<u>398,047</u>
<b>Liabilities</b>						
Deposits by banks at banking subsidiaries	2,832	–	–	–	–	2,832
Customer accounts held at banking subsidiaries	190,804	2,123	6,789	103	79	199,898
Trade and other payables	39,855	–	–	–	–	39,855
Borrowings	5,590	42	50	24	–	5,706
Provisions	456	221	450	–	–	1,127
Other non-current liabilities	–	–	–	107	–	107

	239,537	2,386	7,289	234	79	249,525
At 31 December 2011						
<b>Assets</b>						
Cash and cash equivalents (excluding banking subsidiaries)	79,638	–	–	–	–	79,638
Loans and advances to banks by banking subsidiaries	181,056	–	–	–	222	181,278
Loans and advances to customers of banking subsidiaries	16,246	5,116	6,997	823	7,330	36,512
Trade and other receivables	33,156	967	–	–	–	34,123
Other investments	5,829	–	–	–	28,545	34,374
	<b>315,925</b>	<b>6,083</b>	<b>6,997</b>	<b>823</b>	<b>36,097</b>	<b>365,925</b>
<b>Liabilities</b>						
Deposits by banks at banking subsidiaries	1,024	1,800	900	–	–	3,724
Customer accounts held at banking subsidiaries	191,050	1,706	2,423	823	71	196,073
Trade and other payables	42,605	–	–	–	–	42,605
Borrowings	7,310	72	79	30	–	7,491
Provisions	214	150	450	–	–	814
Other non-current liabilities	–	–	–	111	–	111
	<b>242,203</b>	<b>3,728</b>	<b>3,852</b>	<b>964</b>	<b>71</b>	<b>250,818</b>

Included in loans and advances to banks by banking subsidiaries repayable in less than 1 year is £139,210,000 (2011: £133,642,000) repayable on demand and £35,874,000 (2011: £47,414,000) repayable within 3 months.

Included in loans and advances to customers of banking subsidiaries repayable in less than 1 year is £7,615,000 (2011: £7,952,000) repayable on demand, £10,438,000 (2011: £5,137,000) repayable within 3 months and £5,148,000 (2011: £3,157,000) repayable between 3 and 12 months.

Included in other investments repayable in less than 1 year is £3,993,000 (2011: £5,829,000) repayable between 3 and 12 months.

Included in deposits by banks at banking subsidiaries repayable in less than 1 year is £2,631,000 (2011: £459,000) repayable on demand, £nil (2011: £355,000) repayable within 3 months and £201,000 (2011: £210,000) repayable between 3 and 12 months.

Included in customer accounts held at banking subsidiaries repayable in less than 1 year is £155,390,000 (2011: £130,695,000) repayable on demand, £26,529,000 (2011: £55,041,000) repayable within 3 months and £8,885,000 (2011: £5,314,000) repayable between 3 and 12 months.

Included in borrowings in less than 1 year is £5,499,000 (2011: £7,012,000) repayable on demand.

### 39 Principal subsidiary and associated undertakings

#### Subsidiary undertakings

The principal operating subsidiary undertakings of the group at 31 December 2012, which are wholly owned and incorporated in Great Britain unless otherwise stated, were:

	Principal country of operation
<b>Agriculture and horticulture</b>	
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 – 78.5 per cent. holding)	India
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)	India

Longbourne Holdings Limited	Bangladesh
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
GU Cutting and Grinding Services Limited	UK
Loddon Engineering 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**

Linton Park Services Limited	UK
Robertson Bois Dickson Anderson Limited	UK

#### **Banking and financial services**

Duncan Lawrie Limited	UK
Duncan Lawrie Asset Management Limited	UK
Duncan Lawrie Holdings Limited	UK
Duncan Lawrie (IOM) Limited (Incorporated in Isle of Man)	Isle of Man

#### **Investment holding**

Affish Limited	UK
Assam Dooars Investments Limited	UK
Associated Fisheries Limited	UK
Bordure Limited	UK
John Ingham & Sons Limited	UK
Lawrie (Bermuda) Limited (Incorporated in Bermuda)	Bermuda
Lawrie Group Plc (Owned directly by the company)	UK
Lawrie International Limited (Incorporated in Bermuda)	Bermuda
Linton Park Plc (Owned directly by the company)	UK
Unochrome Industries Limited	UK
Western Dooars Investments Limited	UK

#### **Associated undertakings**

The principal associated undertakings of the group at 31 December 2012 were:

	Principal country of operation	Accounting date 2012	Group interest in equity capital per cent.
<b>Insurance and leasing</b>			
United Insurance Company Limited (Incorporated in Bangladesh – ordinary shares)	Bangladesh	31 December	37.0
United Leasing Company Limited (Incorporated in Bangladesh – ordinary shares)	Bangladesh	31 December	38.4

## **40 Control of Camellia Plc**

Camellia Holding AG holds 1,427,000 ordinary shares of Camellia Plc (representing 51.34 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 as trustee of The Camellia Foundation (“the 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 M Dünki 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 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 interest in any assets in which the Foundation also has a material interest otherwise than through Camellia Plc.

## **Report of the independent auditors**

### **Independent auditors' report to the members of Camellia Plc**

We have audited the financial statements of Camellia Plc for the year ended 31 December 2012 which comprise the consolidated income statement, the group and parent company statements of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the group and parent company statement of changes in equity, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether: the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Camellia Plc report and accounts 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;

- the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 14 to 16 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 13, in relation to going concern;
- the parts of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

John Waters (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 April 2013

**Notes:**

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For further enquiries please contact Camellia Plc  
Malcolm Perkins, Chairman  
01622 746655  
25 April 2013