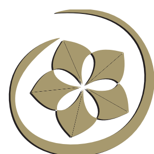

# Camellia Plc

2013

# Camellia Plc

**Report and accounts 2013**

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## Directors and advisers

| | | |
|---|---|---|
| **Directors** | M C Perkins, FCA | *Chairman (iii)* |
| | C J Relleen, FCA | *Deputy chairman, independent non-executive director and senior independent director (i) (ii) (iii)* |
| | C J Ames, MA FCA | *Joint managing director* |
| | M Dünki | *Non-executive director* |
| | P J Field | *Joint managing director* |
| | A K Mathur, FCA | *Finance director* |
| | C P T Vaughan-Johnson, FCIB | *Independent non-executive director (i) (ii) (iii)* |
| | F Vuilleumier | *Independent non-executive director (i)* |

(i) Member of audit committee
(ii) Member of remuneration committee
(iii) Member of nomination committee

**Secretary** J A Morton

| | | |
|---|---|---|
| **Executive committee** | M C Perkins | *Chairman* |
| | A K Mathur | *Finance director* |
| | 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* |
| | R J Parry | *Group marketing executive* |
| | J A Morton | *Company secretary* |

**Registered office**
Linton Park
Linton
Maidstone
Kent ME17 4AB
Registered Number 29559

**Registrars**
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

**Independent auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

**Website**
www.camellia.plc.uk

## Chairman's statement

The headline profit before tax for the year to 31 December 2013 amounted to £38.15 million compared with £48.98 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.

Yet again our accounts are distorted by the inclusion of exceptional gains mostly arising from changes in the fair value of biological assets. As in the preceding year the devaluation of the Malawian Kwacha has resulted in a substantial credit to the income statement of £11.03 million with in effect a corresponding charge made to reserves.

The International Accounting Standards Board has unfortunately not yet issued a revised IAS 41 in respect of the treatment of permanent plantings. The indication is that such plantings will be treated as fixed assets to be depreciated over their expected lifespan. The adoption of such a policy will make our accounts that much easier to understand.

After taking account of exceptional and other one off items the profit before tax for the year to 31 December 2013 amounted to £59.65 million compared with £69.71 million in the previous year.

### Dividend

The board is recommending a final dividend of 91p per share which, together with the interim dividend already paid of 34p per share, brings the total distribution for the year to 125p per share compared with 120p per share in 2012.

### Agriculture and horticulture

The group's income principally derives from our agricultural and horticultural operations. The markets in which we operate have been beneficial over the last five years and we have enjoyed reasonable profitability. The continued success of our operations depends not only on our own expertise and managerial capacity but also on events that are totally outside our control, the main one of which is, of course, climatic. There is always a fine balance between the supply and demand of our commodities and any change in weather patterns, whether in the short term or indeed as part of any long term climate change, can distort the market significantly. We experienced this during 2013 in our operations in Kenya where, as a result of oversupply, tea prices were below our cost of production for a few months.

### Tea

In 2013, profit from our tea operations was slightly lower than the previous year.

#### *India*

Production of tea from our gardens in India increased approximately 10 per cent. over the previous year due to better climatic conditions and the beneficial effect of irrigation facilities installed over the last three years. The intensive factory redevelopment programme has now come to an end and the benefits of the substantial capital investment made to our India gardens will hopefully manifest themselves in the years to come.

#### *Bangladesh*

Our production of tea for the year was almost exactly the same as the previous year. Prices were favourable at the beginning of the year but the government's withdrawal of the supplemental import tax of 20 per cent. allowed an influx of lower quality cheaper teas and this depressed the sales price of our own production.

Factory renovations continue and, as in India, we are deploying considerable resources for the improvement of our irrigation infrastructure.

#### *Kenya*

Our tea production increased in Kenya during the year as did that for the rest of the tea producing operations in that country. This led to a surplus of tea on the Mombasa auctions resulting in considerably reduced prices. During the second half of the year we were selling our tea at below cost of production, a matter of great concern. The average sale price of our Kenya production was 60US cents per kilo below that of the previous year.

***Malawi***

The recovery from the drought in the latter part of 2012 was much quicker and more widespread than had been anticipated and resulted in a substantially increased crop for the year. Sale prices were also slightly higher than the previous year. As stated above the further devaluation of the Malawi Kwacha during 2013 against both the US dollar and Sterling has led to a further exceptional gain of £11.03 million in the income statement. The lack of foreign exchange continued to be a problem making it difficult to secure essential inputs such as fertilizers and fuel.

**Edible Nuts**

2013 was an 'off-year' for our pistachio orchards at Horizon Farms in California and therefore production was minimal. The new areas of almonds planted on this farm are showing encouraging growth.

Our macadamia production in Malawi was ahead of the previous year but that in South Africa was lower. Further macadamia planting has taken place in both Kenya and South Africa. Overall, sale prices remained stable.

**Other horticulture**

Avocado production at Kakuzi, one of our Kenyan subsidiaries, declined substantially over the year. This was mainly the result of inclement weather at the time of fruit set. Sale prices were however considerably higher than the previous year.

Production and prices of rubber from our Bangladeshi operations were both lower than the previous year. Theft of latex continues to be a problem.

Our Brazilian operation reduced its planting in maize and increased that of soya. Prices for both commodities were reasonable during the year, however production costs continued to increase. A Brazilian government committee appointed to review the ownership of agricultural land by foreigners has yet to report.

Our citrus production at Horizon Farms in California was slightly in excess of the previous year. Costs declined and sale prices improved resulting in a satisfactory profit.

The wine grape harvest from our farm in South Africa declined during the year and the sale of bottled wine remains difficult. We are however concentrating our marketing effort on our higher value wine and this will hopefully improve the results of the operation in the years to come.

**Food storage and distribution**

In the UK, the profit of Associated Cold Stores and Transport improved again in 2013 against the background of a continued over supply of facilities. The results from our food distribution businesses in the Netherlands improved during the year but are still considered unsatisfactory. It is hoped that the signs of an emergence of the Netherlands from recession will improve the future viability of these businesses.

**Engineering**

The results of our engineering companies are clearly unacceptable. The main contributor to this disappointing scenario is AKD Engineering at Lowestoft. AKD has incurred substantial losses in completing a large fabrication contract for the North Sea Oil industry. It is our position that these costs were incurred mainly due to the non-compliance by our customer of their contractual obligations and we have therefore issued proceedings against that customer. Whilst we have been advised that we have a strong claim, we have not included any potential settlement which may eventuate from the proceedings in our results for this period.

The other disappointment continued to be the results of Abbey Metal Finishing where, as stated last year, it will take more time than initially anticipated for them to recover the business lost as a result of fire at their previous premises in 2010. Abbey Metal does however have state of the art facilities both at Hinckley in this country and at Atfin in Germany, where the group owns a 51 per cent. interest. We remain confident this company will return to profitability in due course.

GU Cutting and Grinding unfortunately suffered from the premature cancellation of a major contract during the year. This company continues to develop its wide ranging expertise in the cutting of materials by water jet machinery. Its other major skill is grinding, especially of large plate.

On a more positive note, AJT Engineering produced good results at its three operations in Aberdeen, East Kilbride and Port Glasgow and the prospects for this company remain encouraging.

**Banking and financial Services**

With the present lack of ability to secure any reasonable margin on depositors' funds and the ever increasing cost of compliance it remains difficult for Duncan Lawrie to make a reasonable return on its capital. The policy of expanding our customer base and raising general awareness of Duncan Lawrie has proved to be successful and facilities are in place to allow this company to prosper when interest rates return to normal. Duncan Lawrie occupies a prime position in a niche market which relies on a high level of service to its customers.

**Associates**

Despite the difficulty of operating in Bangladesh during the last year it is encouraging to report United Leasing increased profitability whilst that at United Insurance was similar to the previous year.

As previously advised, we are no longer able to exercise significant influence over BF&M Limited and therefore from 1 January 2013 we have accounted for our shareholding in this company as an investment rather than as an associate. Accordingly, we have recognised dividends received in our income statement as opposed to a share of the profits. We did nonetheless increase our holding in BF&M during the year as an opportunity arose to simplify our holdings in Bermudian companies. This increase has not changed our ability to exercise influence.

**Development**

We will continue to develop the group by organic growth, which has been a priority over the last six years, whilst examining opportunities for acquisitions. We will only make acquisitions if we are totally convinced that all our required parameters are fully satisfied. This may take a year, a decade or even longer.

In the meantime we will retain sufficient reserves to ride out such economic and political storms that seem almost inevitable until some form of stability returns.

The graveyard of failed corporations is littered with examples of companies that felt it necessary to 'do a deal' either in response to short term shareholder pressure or the bonus culture or to satisfy the ego of the chief executive. Camellia has no intention of booking a plot in such a graveyard.

**Directors**

Charles Vaughan-Johnson who has been a director of your company since 1999 is retiring as the conclusion of the annual general meeting in June. Charles has made a major contribution to the deliberation of our board and I am sorry I have been unable to persuade him to stay on longer. His experience and guidance have been invaluable.

**Staff**

The environment in which we operate gets more difficult year by year and the necessity to comply with the ever increasing burden of regulation and compliance requires considerable dedication and expertise. I am pleased to report that our staff continues to rise to this and many other challenges and have made a great contribution to our success for which I thank them.

**M C Perkins**
Chairman

24 April 2014

## Strategic report

**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 2013 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:

**Group strategy**

The board has adopted the following strategy for the group:

– to develop a worldwide group of businesses requiring management to take a long term view,

– the achievement of long-term shareholder returns through sustained and targeted investment,

– investing in the sustainability, environment and the communities in which we do business,

– ensuring that the quality and safety of our products and services meet the highest international standards,

– the continuous refinement and improvement of the group's existing businesses using our internal expertise and financial strength.

The progress against this strategy during the year is set out in further detail in the chairman's statement shown on pages 3 to 5 and within the report of the directors.

**Business model**

The group consists of a portfolio of businesses mainly in agriculture and horticulture, private banking and financial services, food storage and distribution and engineering. Each business is managed at local level with independent management who report to the board regularly on performance against an annual budget.

**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, Malawi 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. In Bangladesh, there have been instances of civil unrest during 2013 prompted by political protests in the country. 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 39 of the accounts.

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

*Pension 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.

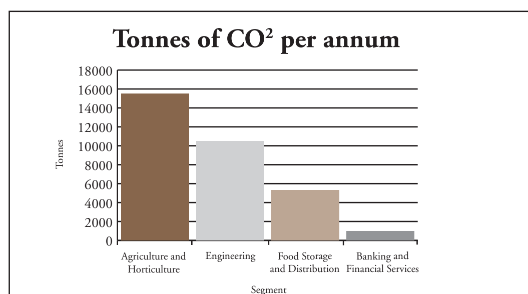
*Medical care and education:* In some countries, our workers and their children do not have access to good state provision of medical or educational services. However, the majority of tea estates in India and Bangladesh have a hospital and a qualified doctor and our operations in both these countries 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.

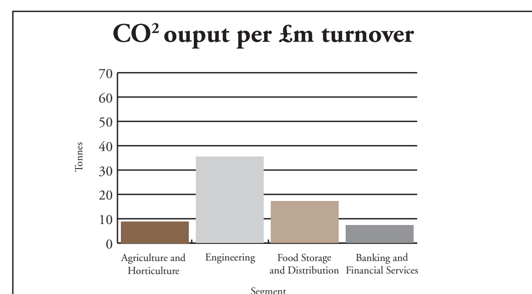
*Casual labour:* Some of our agricultural businesses rely on seasonal labour, notably at harvest time. Our agricultural companies give casual and contract workers employment rights in accordance with local legislation.

*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.

*Greenhouse Gas (GHG) Emissions*

Our emissions have been calculated based on the GHG Protocol Corporate Standard. Emissions reported correspond with our financial year.



*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.

The board has adopted an anti-bribery policy which complies with the requirements of the Bribery Act 2010. The policy has being introduced across the group and its implementation is being monitored. The board does not permit bribery as part of its business practices.

*Performance*
There is 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 legislation during the year. Abbey Metal Finishing Limited was prosecuted for a breach of environmental legislation following the fire at its former premises. 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* | 2013 | *2012* | 2013 | *2012* |
| Segment net assets (£'000) | 242,981 | *236,166* | 19,982 | *21,645* | 17,592 | *15,003* | 39,045 | *34,254* |
| Segment trading profit/(loss) (£'000) | 41,383 | *45,495* | (5,599) | *(6)* | 772 | *127* | 121 | *253* |
| Return on segmental net assets (%) | 17.03 | *19.26* | (28.02) | *(0.03)* | 4.39 | *0.85* | 0.31 | *0.74* |

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 2013 was 0.96% (*2012: 1.86%*).

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 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 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1 Compliance** | | 2013 | *2012* | *2011* | 2013 | *2012* | *2011* | 2013 | *2012* | *2011* | 2013 | *2012* | *2011* |
| 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 | – | *1* | – | – | – | – | – | – | – | – | – |
| | Worker health and safety | 1 | *1* | *1* | – | – | – | – | – | – | – | – | – |
| | Environmental protection | – | – | – | 2 | – | – | – | – | – | – | – | – |
| 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 | 1 | *3* | *2* | – | – | – | – | – | – | – | – | – |
| | Environmental protection | – | – | – | – | – | – | – | – | – | – | – | – |
| **2 Child Labour** | | | | | | | | | | | | | |
| 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 | – | – | – | – | – | – | – | – | – | – | – | – |
| **3 Accidents** | | | | | | | | | | | | | |
| a) Injury | The number of injuries received at work resulting in either absence from work for more than three days, or the injured person being unable to do the full range of their normal duties for more than three days | 281 | *579* | *565* | 6 | *5* | *1* | 3 | *2* | *11* | – | – | – |
| **4 Health** | | | | | | | | | | | | | |
| a) Sickness absence | The number of employee days absence as a result of sickness during the financial year | 224,348[i] | *228,411*[i] | *229,637*[i] | 1,578 | *2,354* | *1,563* | 1,609 | *1,628* | *1,550* | 382 | *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 | 404 | *314* | *389* | 1 | – | *2* | 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.

**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.

The table below provides a breakdown of the gender of the directors and employees at 31 December 2013:

| | Men | Women |
|---|---|---|
| Company directors (i) | 8 | 0 |
| Other senior managers (ii) | 3 | 1 |
| All employees | 42,250 | 32,740 |

(i) Company directors consists of the company's board as detailed on page 2.

(ii) "Other senior managers" is as defined in The Companies Act 2006 (Strategic report and directors report) Regulations 2013, and includes persons responsible for planning, directing or controlling the activities of the company, or a strategically significant part of the company, other than company directors and who are members of the executive committee.

By order of the board

**J A Morton**
Secretary

24 April 2014

## Report of the directors

The directors present their report together with the audited accounts for the year ended 31 December 2013.

**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 £37,543,000 (*2012: £44,048,000*). The board has proposed a final dividend for the year of 91p per share payable on 4 July 2014 to holders of ordinary shares registered at the close of business on 13 June 2014. The total dividend for 2013 is therefore 125p per share (*2012: 120p per share*). Details are shown in note 12.

**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 2013 | 1 January 2013 |
|---|---|---|
| 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* | 300 | – |

*C J Ames purchased 100 shares on 2 January 2013 and 200 shares on 10 September 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, Mr F Vuilleumier will retire and, being eligible, seek re-election at the AGM on 5 June 2014. Mr C P T Vaughan-Johnson will not seek re-election at the next AGM and will retire as a director at the conclusion of the meeting.

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 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 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 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 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 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. He will retire as a director from the Board at end of the AGM on 5 June 2014.

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.

**Substantial shareholdings**

As at 24 April 2014 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 (51.67 per cent. of total voting rights).

Alcatel Bell Pensioenfonds VZW held through HSBC Global Custody Nominees (UK) Limited 277,000 ordinary shares (10.03 per cent. of total voting rights).

Taube Hodson Stonex & Partners held through State Street Nominees Limited 87,946 ordinary shares (3.18 per cent. of total voting rights).

**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 33 to the accounts.

At the annual general meeting in 2013, shareholders gave authority for the company to purchase up to 277,950 of its own shares. Following that AGM, the company has purchased 12,300 of its own shares for cancellation during the year and a further 5,200 since 1 January 2014. This authority expires at the conclusion of this year's annual general meeting on 5 June 2014.

**Disclosure of information to 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 2014 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.

**Corporate governance**

The company's statement on corporate governance can be found in the corporate governance report on pages 15 to 18.

By order of the board

**J A Morton**
Secretary

24 April 2014

# Corporate governance

### Statement of compliance

This statement describes how the company applies the main principles of UK Corporate Governance Code 2012 ("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 area of the Code that has not been implemented:

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 eight directors. Four 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 12 and 13.

Mr Vaughan-Johnson was first appointed to the board in 1999. The board, having taken into consideration provision B.1.1 of the Code, considered it is in the best interest of the company for Mr Vaughan-Johnson to continue to act as a non-executive director. The board considered that Mr Vaughan-Johnson remained independent during year and that given the relative complexity and geographical spread of the group, his experience continues to be of considerable benefit. Mr Vaughan-Johnson 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 ten times in 2013.

## Corporate governance

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

| | Board | Audit | Remuneration |
|---|---|---|---|
| M C Perkins | 10/10 | – | – |
| C J Relleen | 9/10 | 3/3 | 1/1 |
| C J Ames | 10/10 | – | – |
| M Dünki | 9/10 | – | – |
| P J Field | 10/10 | – | – |
| A K Mathur | 10/10 | 3/3(i) | – |
| D A Reeves | 4/10(ii) | 1/3(ii) | – |
| C P T Vaughan-Johnson | 9/10 | 3/3 | 1/1 |
| F Vuilleumier | 9/10(iii) | 2/3(iv) | – |

(i) Mr Mathur attends meetings of the audit committee by invitation in his capacity as finance director.
(ii) Mr Reeves retired from the Board on 6 June 2013.
(iii) Mr Vuilleumier was appointed as a director on 7 March 2013.
(iv) Mr Vuilleumier was appointed as member of the audit committee from 1 July 2013.

### 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 |
| R J Parry* | Group marketing executive |
| J A Morton | Company secretary |

*appointed with effect from 1 January 2014.

### Nomination committee

The nomination committee is chaired by Mr Perkins. Its other members are Mr Vaughan-Johnson and Mr Relleen.

The principal responsibilities of the nomination committee are set out below:

- review the balance and composition (including gender and diversity) of the board, ensuring that they remain appropriate
- be responsible for overseeing the board's succession planning requirements including the identification and assessment of potential board candidates and making recommendations to the board for its approval
- keep under review the leadership needs of, and succession planning for, the group in relation to both its executive and non-executive directors and other senior executives

The committee did not meet during the year.

**Audit committee**

The audit committee is chaired by Mr Relleen. The other members of the committee are Mr Vuilleumier and Mr Vaughan-Johnson. Mr Reeves was a member of the committee until he retired from the board on 6 June 2013. During 2013, the committee met on three occasions.

Principal responsibilities

The principal responsibilities of the audit committee are set out below which were undertaken during the year:

- 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

Significant issues in relation to financial statements

The audit committee assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements. In the year under review, the audit committee considered the following significant matters in relation to the financial statements:

Biological assets – One of the key areas of judgment that the committee considered in reviewing the financial statements was the valuation of biological assets in accordance with IAS 41. Valuations are carried out by external professional valuers or are based on discounted cash flows. These were agreed for consistency of approach and assumptions agreed as reasonable. For more details see note 18 to the accounts.

Pensions – A key area of judgment is in relation to the value of the pension scheme obligation. Whilst this is conducted by independent expert actuaries, the size of the obligation means that a relatively minor difference in the assumptions could result in a material change in the obligation. The committee considered the competence of the actuaries and the assumptions adopted and concluded that the work performed is sufficient to support the value.

Goodwill and intangibles – The value of goodwill and intangibles is inherently complex and relies on judgment and estimation. The committee consider the performance of the underlying assets and their ability to continue to support the carrying value. As a result, the committee is satisfied that the carrying value is supported.

External auditors

To assess the effectiveness of the external audit process, the external auditor is required to report to the audit committee and confirm their independence in accordance with ethical standards and that they had maintained appropriate internal safeguards to ensure their independence and objectivity. In addition to the steps taken by the Board to safeguard auditor objectivity, PwC operates a five year rotation policy for audit partners for a listed entity.

The company's external audit was last tendered in 2009, which resulted in a change to PwC at that point. We are aware of the regulatory developments and transitional arrangements in relation to audit tendering provisions and will continue to monitor guidance.

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.

The committee confirms that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

## Corporate governance

**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 2013. The remuneration report appears on pages 20 to 22.

**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 33.

**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

24 April 2014

## 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 strategic report contained on pages 6 to 11 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.

In addition, each of the directors considers that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

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

24 April 2014

## Remuneration report

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

**Remuneration committee**

A report of the proceedings during 2013 of the remuneration committee ("the committee") is set out on page 18 and includes details of the membership of the committee.

**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 2012. The committee seeks to provide remuneration packages that will attract, retain and motivate the best possible person for each position. The committee 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.

The remuneration policy for executives reflects the overriding remuneration philosophy and principles of the wider group. When determining the remuneration policy and arrangements for directors, the committee considers pay and employment conditions elsewhere in the group to ensure that pay structures are appropriately aligned and that levels of remuneration remain appropriate in this context. It is intended that the remuneration policy, if approved by shareholders at the forthcoming AGM, will take effect from the date of this AGM and be applied for a period of 3 years until the AGM in 2017. This policy takes into account any views of the shareholders expressed to the committee on directors' remuneration.

At the AGM on 6 June 2013, the remuneration report for the year to 31 December 2012 was approved by shareholders with 98.598% of the votes cast in favour, 0.002% of the votes cast against and 1.400% of the votes withheld.

**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.

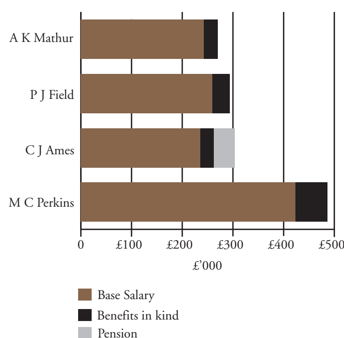
**Directors' remuneration**

| | Basic remuneration | | Benefits in kind | | Employer pension contribution | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* | 2013 | *2012* | 2013 | *2012* |
| | £ | *£* | £ | *£* | £ | *£* | £ | *£* |
| **Executive** | | | | | | | | |
| M C Perkins | 423,094 | *412,775* | 62,694 | *120,531* | – | – | 485,788 | *533,306* |
| C J Ames | 235,654 | *229,903* | 25,702 | *40,137* | 41,997 | *40,972* | 303,353 | *311,012* |
| P J Field | 259,212 | *246,730* | 34,637 | *25,231* | – | – | 293,849 | *271,961* |
| A K Mathur | 242,790 | *231,544* | 26,706 | *25,786* | – | – | 269,496 | *257,330* |
| **Non-executive** | | | | | | | | |
| M Dünki | 35,000 | *30,000* | – | – | – | – | 35,000 | *30,000* |
| D A Reeves | 12,961 | *30,000* | – | – | – | – | 12,961 | *30,000* |
| C J Relleen | 53,750 | *47,500* | – | – | – | – | 53,750 | *47,500* |
| C P J Vaughan-Johnson | 37,500 | *32,500* | 18,537 | – | – | – | 56,037 | *32,500* |
| F Vuilleumier | 29,462 | – | – | – | – | – | 29,462 | – |
| | 1,329,423 | *1,260,952* | 168,276 | *211,685* | 41,997 | *40,972* | 1,539,696 | *1,513,609* |

Notes:

1. The Executive directors' 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.
2. A contribution was made by the company to Mr Ames's personal pension arrangement during the year.
3. Mr Reeves retired as a director on 6 June 2013. Mr Vuilleuimer was appointed as a director on 7 March 2013.
4. The non-executive directors' benefit in kind includes the value attributable to spouse/partner travel.
5. Mr Relleen receives an additional annual fee for his chairmanship of the Audit Committee and for his non-executive directorship of Duncan Lawrie Limited.
6. Mr Vaughan-Johnson receives an additional annual fee for his chairmanship of the Remuneration Committee.

## Executive directors' elements of remuneration




## 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.

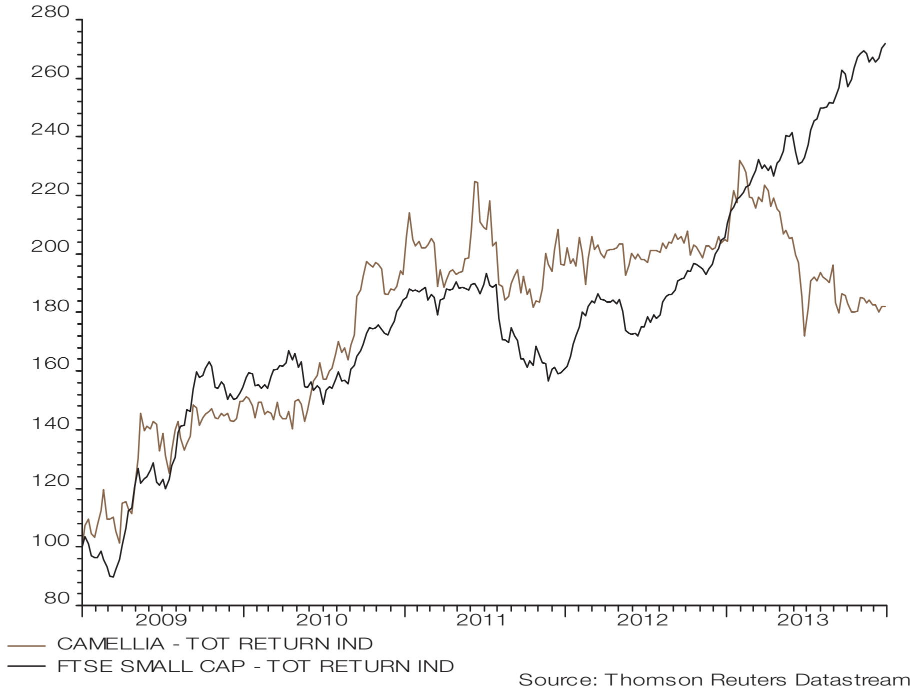
A sum of £41,997 was paid to Mr Ames's personal pension arrangement during the year. Accrual for pension for Messrs Perkins, Field and Mathur has ceased and there was no pensionable service for these directors during 2013.

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.

## Remuneration report

**Performance Review**

The following graph shows the return on an investment in the company's shares over the 5 years ended 31 December 2013 compared with a return achieved by the FTSE SmallCap Index. This index has been selected as there is no specific index that is comparable to the activities of the company.




By order of the board

**J A Morton**
Secretary

24 April 2014

## Consolidated income statement

*for the year ended 31 December 2013*

| | Notes | 2013 £'000 | *2012 £'000 restated* |
|---|---|---|---|
| **Revenue** | 2 | 251,267 | *261,529* |
| Cost of sales | | (162,665) | *(166,859)* |
| **Gross profit** | | 88,602 | *94,670* |
| Other operating income | | 2,129 | *1,699* |
| Distribution costs | | (12,264) | *(12,201)* |
| Administrative expenses | | (47,284) | *(44,370)* |
| **Trading profit** | 3 | 31,183 | *39,798* |
| Share of associates' results | 5 | 980 | *4,269* |
| Profit on disposal of non-current assets | 6 | 542 | *1,538* |
| Profit on disposal of a subsidiary | 7 | – | *396* |
| Profit on disposal of available-for-sale investments | | 1,349 | *271* |
| Loss on transfer of an associate | 8 | – | *(10,045)* |
| Gain arising from changes in fair value of biological assets: | | | |
| Excluding Malawi Kwacha exceptional gain | | 10,061 | *8,690* |
| Malawi Kwacha gain | | 11,032 | *21,353* |
| | 18 | 21,093 | *30,043* |
| **Profit from operations** | | 55,147 | *66,270* |
| Investment income | | 2,417 | *1,186* |
| Finance income | 9 | 3,417 | *3,517* |
| Finance costs | 9 | (878) | *(825)* |
| Net exchange gain | 9 | 1,031 | *1,030* |
| Employee benefit expense | 9 | (1,486) | *(1,468)* |
| Net finance income | 9 | 2,084 | *2,254* |
| **Profit before tax** | | 59,648 | *69,710* |
| **Comprising** | | | |
| – headline profit before tax | 4 | 38,150 | *48,975* |
| – exceptional items, gain arising from changes in fair value of biological assets and other financing gains and losses | 4 | 21,498 | *20,735* |
| | | 59,648 | *69,710* |
| Taxation | 10 | (22,105) | *(25,662)* |
| **Profit for the year** | | 37,543 | *44,048* |
| **Profit attributable to:** | | | |
| Owners of the parent | | 28,297 | *31,210* |
| Non-controlling interests | | 9,246 | *12,838* |
| | | 37,543 | *44,048* |
| **Earnings per share – basic and diluted** | 13 | 1,020.2p | *1,122.9p* |

## Statement of comprehensive income

***for the year ended 31 December 2013***

| | Notes | 2013 £'000 | *2012 £'000 restated* |
|---|---|---|---|
| *Group* | | | |
| **Profit for the year** | | 37,543 | *44,048* |
| Other comprehensive income/(expense): | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of post employment benefit obligations | 32 | 11,611 | *(6,085)* |
| Deferred tax movement in relation to post employment benefit obligations | 31 | 14 | *(94)* |
| | | 11,625 | *(6,179)* |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign exchange translation differences | | (23,888) | *(36,155)* |
| Release of exchange translation difference on transfer of associate | | – | *(3,998)* |
| Release of other reserves movements on transfer of associate | | – | *2,817* |
| Release of exchange translation difference on disposal of subsidiary | | – | *5* |
| Available-for-sale investments: | | | |
| Valuation gains taken to equity | 22 | 3,367 | *674* |
| Transferred to income statement on sale | 22 | (873) | *(4)* |
| Share of other comprehensive expense of associates | | – | *(769)* |
| Tax relating to components of other comprehensive income | | (142) | *46* |
| | | (21,536) | *(37,384)* |
| **Other comprehensive expense for the year, net of tax** | | (9,911) | *(43,563)* |
| **Total comprehensive income for the year** | | 27,632 | *485* |
| Total comprehensive income/(expense) attributable to: | | | |
| Owners of the parent | | 23,143 | *(4,356)* |
| Non-controlling interests | | 4,489 | *4,841* |
| | | 27,632 | *485* |
| *Company* | | | |
| **Profit for the year** | | 4,411 | *3,755* |
| **Total comprehensive income for the year** | | 4,411 | *3,755* |

## Consolidated balance sheet
*at 31 December 2013*

| | Notes | 2013 £'000 | *2012 £'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 16 | 7,349 | *7,413* |
| Property, plant and equipment | 17 | 95,840 | *93,483* |
| Biological assets | 18 | 127,215 | *119,693* |
| Prepaid operating leases | 19 | 890 | *910* |
| Investments in associates | 21 | 7,343 | *6,549* |
| Deferred tax assets | 31 | 212 | *314* |
| Available-for-sale financial assets | 22 | 60,001 | *50,501* |
| Other investments | 24 | 8,745 | *8,598* |
| Retirement benefit surplus | 32 | 653 | *678* |
| Trade and other receivables | 26 | 4,113 | *15,174* |
| **Total non-current assets** | | 312,361 | *303,313* |
| **Current assets** | | | |
| Inventories | 25 | 38,820 | *37,575* |
| Trade and other receivables | 26 | 69,754 | *72,257* |
| Held-to-maturity financial assets | 23 | 1,000 | *3,993* |
| Current income tax assets | | 433 | *822* |
| Cash and cash equivalents | 27 | 289,623 | *262,174* |
| **Total current assets** | | 399,630 | *376,821* |
| **Current liabilities** | | | |
| Borrowings | 29 | (3,051) | *(5,590)* |
| Trade and other payables | 28 | (265,117) | *(235,636)* |
| Current income tax liabilities | | (5,965) | *(5,542)* |
| Employee benefit obligations | 32 | (448) | *(409)* |
| Provisions | 30 | (360) | *(456)* |
| **Total current liabilities** | | (274,941) | *(247,633)* |
| **Net current assets** | | 124,689 | *129,188* |
| **Total assets less current liabilities** | | 437,050 | *432,501* |
| **Non-current liabilities** | | | |
| Borrowings | 29 | (78) | *(116)* |
| Trade and other payables | 28 | (2,451) | *(9,015)* |
| Deferred tax liabilities | 31 | (39,318) | *(36,225)* |
| Employee benefit obligations | 32 | (21,546) | *(32,866)* |
| Other non-current liabilities | | (103) | *(107)* |
| Provisions | 30 | (300) | *(671)* |
| **Total non-current liabilities** | | (63,796) | *(79,000)* |
| **Net assets** | | 373,254 | *353,501* |
| **Equity** | | | |
| Called up share capital | 33 | 283 | *284* |
| Share premium | | 15,298 | *15,298* |
| Reserves | | 316,885 | *298,228* |
| **Equity attributable to owners of the parent** | | 332,466 | *313,810* |
| Non-controlling interests | | 40,788 | *39,691* |
| **Total equity** | | 373,254 | *353,501* |

## Company balance sheet
***at 31 December 2013***

| | Notes | 2013 £'000 | *2012 £'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 20 | 73,508 | *73,508* |
| Available-for-sale financial assets | 22 | 170 | *170* |
| Other investments | 24 | 8,750 | *8,603* |
| **Total non-current assets** | | 82,428 | *82,281* |
| **Current assets** | | | |
| Trade and other receivables | 26 | – | *16* |
| Amounts due from group undertakings | | 1,512 | *3,005* |
| Current income tax asset | | 74 | *74* |
| Cash and cash equivalents | 27 | – | *9,458* |
| **Total current assets** | | 1,586 | *12,553* |
| **Current liabilities** | | | |
| Trade and other payables | 28 | (138) | *(160)* |
| Amounts due to group undertakings | | (17,578) | *(28,194)* |
| **Total current liabilities** | | (17,716) | *(28,354)* |
| **Net current liabilities** | | (16,130) | *(15,801)* |
| **Total assets less current liabilities** | | 66,298 | *66,480* |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 31 | (258) | *(280)* |
| **Total non-current liabilities** | | (258) | *(280)* |
| **Net assets** | | 66,040 | *66,200* |
| **Equity** | | | |
| Called up share capital | 33 | 283 | *284* |
| Share premium | | 15,298 | *15,298* |
| Reserves | | 50,459 | *50,618* |
| **Total equity** | | 66,040 | *66,200* |

The notes on pages 30 to 80 form part of the financial statements.

The financial statements were approved on 24 April 2014 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 2013***

| | Notes | 2013<br>£'000 | *2012*<br>*£'000* |
|---|---|---|---|
| **Cash generated from operations** | | | |
| Cash flows from operating activities | 34 | 34,247 | *41,162* |
| Interest paid | | (1,189) | *(822)* |
| Income taxes paid | | (12,653) | *(12,407)* |
| Interest received | | 3,393 | *3,411* |
| Dividends received from associates | | 203 | *1,275* |
| **Net cash flow from operating activities** | | 24,001 | *32,619* |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | | (399) | *(180)* |
| Purchase of property, plant and equipment | | (17,290) | *(16,557)* |
| Insurance proceeds for non-current assets | | 542 | *1,538* |
| Proceeds from sale of non-current assets | | 577 | *429* |
| Biological asset – new planting | | (4,817) | *(2,499)* |
| Part disposal of subsidiaries | | 76 | *262* |
| Disposal of a subsidiary | | – | *1,264* |
| Purchase of non-controlling interests | | – | *(223)* |
| Non-controlling interest subscription | | 21 | – |
| Purchase of own shares | | (1,107) | – |
| Proceeds from sale of investments | | 9,583 | *7,863* |
| Purchase of investments | | (14,032) | *(8,339)* |
| Income from investments | | 2,417 | *1,186* |
| **Net cash flow from investing activities** | | (24,429) | *(15,256)* |
| **Cash flows from financing activities** | | | |
| Equity dividends paid | | (3,388) | *(3,224)* |
| Dividends paid to non-controlling interests | | (3,480) | *(4,106)* |
| New loans | | 78 | *154* |
| Loans repaid | | (56) | *(230)* |
| Finance lease payments | | (38) | *(190)* |
| **Net cash flow from financing activities** | | (6,884) | *(7,596)* |
| **Net (decrease)/increase in cash and cash equivalents** | | (7,312) | *9,767* |
| **Cash and cash equivalents at beginning of year** | 27 | 81,373 | *72,626* |
| Exchange losses on cash | | (1,161) | *(1,020)* |
| **Cash and cash equivalents at end of year** | 27 | 72,900 | *81,373* |

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 2013***

| | Note | 2013 £'000 | *2012 £'000* |
|---|---|---|---|
| **Cash generated from operations** | | | |
| Profit before tax | | 4,389 | *3,734* |
| Adjustments for: | | | |
| Interest income | | (365) | *(398)* |
| Exchange (gain)/loss on cash | | (193) | *220* |
| Dividends from group companies | | (6,000) | *(6,000)* |
| Decrease in trade and other receivables | | 16 | *–* |
| (Decrease)/increase in trade and other payables | | (22) | *11* |
| Net movement in intra-group balances | | (9,123) | *2,933* |
| Cash used in operations | | (11,298) | *500* |
| Interest received | | 365 | *382* |
| **Net cash flow from operating activities** | | (10,933) | *882* |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of investments | | 10 | *–* |
| Purchase of investments | | (157) | *(230)* |
| Purchase of own shares | | (1,107) | *–* |
| Dividends received | | 6,000 | *6,000* |
| **Net cash flow from investing activities** | | 4,746 | *5,770* |
| **Cash flows from financing activities** | | | |
| Equity dividends paid | | (3,464) | *(3,297)* |
| **Net cash flow from financing activities** | | (3,464) | *(3,297)* |
| **Net movement in cash and cash equivalents** | | (9,651) | *3,355* |
| **Cash and cash equivalents at beginning of year** | 27 | 9,458 | *6,323* |
| Exchange gain/(loss) on cash | | 193 | *(220)* |
| **Cash and cash equivalents at end of year** | 27 | – | *9,458* |

## Statement of changes in equity

***for the year ended 31 December 2013***

| | Share capital £'000 | Share premium £'000 | Treasury shares £'000 | Retained earnings £'000 | Other reserves £'000 | Total £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| *Group* | | | | | | | | |
| At 1 January 2012 | 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 |
| Total comprehensive income/(expense) for the year | – | – | – | 39,805 | (16,662) | 23,143 | 4,489 | 27,632 |
| Dividends | – | – | – | (3,388) | – | (3,388) | (3,480) | (6,868) |
| Non-controlling interest subscription | – | – | – | 8 | – | 8 | 88 | 96 |
| Purchase of own shares | (1) | – | – | (1,107) | 1 | (1,107) | – | (1,107) |
| At 31 December 2013 | 283 | 15,298 | (400) | 323,680 | (6,395) | 332,466 | 40,788 | 373,254 |
| *Company* | | | | | | | | |
| At 1 January 2012 | 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 |
| Total comprehensive income for the year | – | – | – | 4,411 | – | 4,411 | – | 4,411 |
| Dividends | – | – | – | (3,464) | – | (3,464) | – | (3,464) |
| Purchase of own shares | (1) | – | – | (1,107) | 1 | (1,107) | – | (1,107) |
| At 31 December 2013 | 283 | 15,298 | – | 38,326 | 12,133 | 66,040 | – | 66,040 |

Other reserves of the group and company includes a £32,000 (*2012: £31,000*) capital redemption reserve and, in respect of the group, net exchange differences of £46,182,000 deficit (*2012: £27,166,000 deficit*).

Group retained earnings include £137,268,000 (*2012: £130,524,000*) 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.

**Adoption of IAS 19 (revised)**

IAS 19 (revised) amends the accounting for employment benefits. The group has applied the standard retrospectively in accordance with the transition provisions of the standard and the comparative figures in relation to the group's UK defined benefit pension scheme have been restated. No restatement has been made to the group's overseas schemes as the impact is immaterial. The impact on the group has been in the following areas:

The standard requires that only administrative costs relating to the cost of managing plan assets can be deducted from the actual return on assets. This has no effect on total comprehensive income as the increased charge in profit or loss is offset by a credit in other comprehensive income. The effect has been that the income statement charge for the year to 31 December 2012 has increased by £171,000.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate, this continues to reflect the yield on high-quality corporate bonds. This has increased the income statement charge as the discount rate applied to assets is lower than the expected return on assets. This has no effect on total comprehensive income as the increased charge in profit or loss is offset by a credit in other comprehensive income. The effect has been that the income statement charge for the year to 31 December 2012 has increased by £853,000.

The effect of the change in accounting policy is to decrease earnings per share from 1,159.7p to 1,122.9p for the year to 31 December 2012, the effect on the cash flow statement is immaterial.

**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 group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

(i) the group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

In respect of food storage and distribution services, revenue for handling is recognised at the point that the goods are actually handled.

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

In respect of banking and financial services, fees and commissions are generally recognised on an accrual basis when the service has been provided.

**Investment income**
Investment income is recognised when the right to receive payment of a dividend is established.

## Accounting policies

**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, liabilities and contingent liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. 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 for the other assets are as follows:

| | |
|---|---|
| Freehold and long leasehold buildings | nil to 10 per cent. per annum |
| Other short leasehold land and buildings | unexpired term of the lease |
| Plant, machinery, fixtures, fittings and equipment | 4 to 33 per cent. per annum |

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

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

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

**Biological assets**

Biological assets are measured 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.

**Financial assets**

The group classifies its financial assets in the following categories: loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial

assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Available-for-sale financial assets include shares of listed and unlisted companies. The fair values of listed shares are based on current bid values. Shares in unlisted companies are measured at cost as fair value cannot be reliably measured.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Profit/(loss) on disposal of available-for-sale investments'.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of investment income when the group's right to receive payments is established.

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

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

**Other investments**
Other investments comprise documents, manuscripts and philately which are measured at cost as fair value cannot be reliably measured.

**Investments in subsidiary companies**
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.

**Impairment of financial assets**

**(i) Assets carried at amortised cost**
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

**(ii) Assets classified as available-for-sale**
In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

### Impairment of non-financial 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).

### 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 non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

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

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

**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 income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 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.

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.

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 arising from experience adjustments and changes in actuarial adjustments 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.

Past service costs are recognised directly in the income statement.

**(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.

**Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

**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 32.

**(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**

As described in note 16, goodwill and identifiable intangible assets relating to customer relationships acquired are valued using industry average multiples of assets under management, with the assumption being made that the nature of the group's assets under management are not dissimilar from industry averages and therefore will be valued in a similar manner. The valuation technique used is therefore sensitive to this assumption.

### Changes in accounting policy and disclosures

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

The group has adopted the following new and amended IFRSs as of 1 January 2013:

| | |
|---|---|
| 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. |
| 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. A detailed explanation of the impact of these amendments on the group accounts has been included on page 30. |
| 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. |

**(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 2014 or later periods, but the group has not adopted them early. None of these standards are expected to have a material impact on the financial statements of the group:

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

## 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* | 2013 | *2012* | 2013 | *2012* | 2013 | *2012* | 2013 | *2012* |
| | £'000 | *£'000* | £'000 | *£'000* | £'000 | *£'000* | £'000 | *£'000* | £'000 | *£'000* | £'000 | *£'000 restated* |
| **Revenue** | | | | | | | | | | | | |
| External sales | 175,116 | *187,538* | 29,587 | *27,675* | 30,785 | *32,195* | 13,568 | *12,551* | 2,211 | *1,570* | 251,267 | *261,529* |
| **Trading profit** | | | | | | | | | | | | |
| Segment profit/(loss) | 41,383 | *45,495* | (5,599) | *(6)* | 772 | *127* | 121 | *253* | 179 | *62* | 36,856 | *45,931* |
| Unallocated corporate expenses* | | | | | | | | | | | (5,673) | *(6,133)* |
| Trading profit | | | | | | | | | | | 31,183 | *39,798* |
| Share of associates' results | | | | | | | 980 | *4,269* | | | 980 | *4,269* |
| Profit on disposal of non-current assets | | | | | | | | | | | 542 | *1,538* |
| Profit on disposal of a subsidiary | | | | | | | | | | | – | *396* |
| Profit on disposal of available-for-sale investments | | | | | | | | | | | 1,349 | *271* |
| Loss on transfer of an associate | | | | | | | | | | | – | *(10,045)* |
| Gain arising from changes in fair value of biological assets | 21,093 | *30,043* | | | | | | | | | 21,093 | *30,043* |
| Investment income | | | | | | | | | | | 2,417 | *1,186* |
| Net finance income | | | | | | | | | | | 2,084 | *2,254* |
| Profit before tax | | | | | | | | | | | 59,648 | *69,710* |
| Taxation | | | | | | | | | | | (22,105) | *(25,662)* |
| Profit after tax | | | | | | | | | | | 37,543 | *44,048* |
| **Other information** | | | | | | | | | | | | |
| Segment assets | 272,381 | *268,283* | 31,843 | 30,054 | 23,138 | 20,270 | 262,666 | *238,291* | 5,865 | *4,393* | 595,893 | *561,291* |
| Investments in associates | | | | | | | 7,343 | *6,549* | | | 7,343 | *6,549* |
| Unallocated assets | | | | | | | | | | | 108,755 | *112,294* |
| Consolidated total assets | | | | | | | | | | | 711,991 | *680,134* |
| Segment liabilities | (29,400) | *(32,117)* | (11,861) | (8,409) | (5,546) | (5,267) | (223,621) | *(204,037)* | (1,172) | *(832)* | (271,600) | *(250,662)* |
| Unallocated liabilities | | | | | | | | | | | (67,137) | *(75,971)* |
| Consolidated total liabilities | | | | | | | | | | | (338,737) | *(326,633)* |
| Capital expenditure | 10,955 | *9,495* | 3,015 | *2,988* | 2,435 | *1,788* | 589 | *993* | 296 | *1,293* | 17,290 | *16,557* |
| Depreciation | (4,909) | *(4,903)* | (1,835) | *(1,623)* | (1,811) | *(2,155)* | (345) | *(368)* | (167) | *(189)* | (9,067) | *(9,238)* |
| Amortisation | (35) | *(42)* | (5) | *(5)* | | | (420) | *(361)* | | | (460) | *(408)* |
| Impairments | | | | | | | | | (22) | *(440)* | (22) | *(440)* |

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 £881,000 (2012:£1,162,000) incurred of behalf of banking and financial services and agriculture and horticulture segments.

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

**Geographical segments**

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

United Kingdom
Continental Europe
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:

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| United Kingdom | 71,320 | *70,379* |
| Continental Europe | 27,548 | *23,885* |
| Bangladesh | 21,437 | *20,281* |
| India | 62,078 | *70,401* |
| Kenya | 24,329 | *25,563* |
| Malawi | 6,107 | *8,000* |
| North America and Bermuda | 11,448 | *9,620* |
| South Africa | 621 | *724* |
| South America | 5,093 | *5,947* |
| Other | 21,286 | *26,729* |
| | 251,267 | *261,529* |

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 | |
|---|---|---|---|---|
| | 2013 £'000 | *2012 £'000* | 2013 £'000 | *2012 £'000* |
| United Kingdom | 315,251 | *285,819* | 4,539 | *6,744* |
| Continental Europe | 5,812 | *4,693* | 1,662 | *196* |
| Bangladesh | 50,257 | *44,975* | 1,474 | *983* |
| India | 71,200 | *77,243* | 3,574 | *3,339* |
| Kenya | 69,691 | *70,991* | 1,508 | *1,709* |
| Malawi | 53,848 | *43,831* | 2,526 | *2,367* |
| North America and Bermuda | 8,634 | *8,430* | 445 | *190* |
| South Africa | 9,599 | *12,038* | 259 | *223* |
| South America | 11,601 | *13,271* | 1,303 | *806* |
| | 595,893 | *561,291* | 17,290 | *16,557* |

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

Results of banking subsidiaries

| | | 2013 £'000 | *2012 £'000* |
|---|---|---|---|
| Interest receivable | third parties | 3,303 | *3,298* |
| Interest payable | third parties | (332) | *(600)* |
| | group companies | (21) | *(26)* |
| Net interest income | | 2,950 | *2,672* |
| Fee and commission income | | 11,067 | *10,325* |
| Fee and commission expense | | (470) | *(472)* |
| Inter-segment net interest | | 21 | *26* |
| Revenue | | 13,568 | *12,551* |
| Other operating income | | 107 | *29* |
| | | 13,675 | *12,580* |
| Operating expenses | | (13,554) | *(12,327)* |
| Segment profit | | 121 | *253* |

**2 Revenue**

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

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| Sale of goods | 176,561 | *188,595* |
| Distribution and warehousing revenue | 30,785 | *32,195* |
| Engineering services revenue | 29,587 | *27,675* |
| Banking service revenue | 13,568 | *12,551* |
| Agency commission revenue | 490 | *244* |
| Property rental revenue | 276 | *269* |
| Total group revenue | 251,267 | *261,529* |
| Other operating income | 2,129 | *1,699* |
| Investment income | 2,417 | *1,186* |
| Interest income | 3,417 | *3,517* |
| Total group income | 259,230 | *267,931* |

## 3 Trading profit

| | 2013<br>£'000 | *2012*<br>*£'000*<br>*restated* |
|---|---|---|
| The following items have been included in arriving at trading profit: | | |
| Employment costs (note 14) | 76,601 | 74,064 |
| Inventories: | | |
| Cost of inventories recognised as an expense (included in cost of sales) | 92,136 | *108,364* |
| Cost of inventories provision recognised as an expense (included in cost of sales) | 215 | *326* |
| Cost of inventories provision reversed (included in cost of sales) | (59) | *(45)* |
| Business interruption income received from insurance claim | 600 | *1,750* |
| Depreciation of property, plant and equipment: | | |
| Owned assets | 8,910 | *8,995* |
| Under finance leases | 157 | *243* |
| Amortisation of intangibles (included in administrative expenses) | 460 | *408* |
| Impairment of available-for-sale financial assets (included in administrative expenses) | 22 | *440* |
| Profit on disposal of property, plant and equipment | (250) | *(248)* |
| Operating leases - lease payments: | | |
| Plant and machinery | 327 | *321* |
| Property | 760 | *885* |
| Repairs and maintenance expenditure on property, plant and equipment | 4,998 | *4,962* |
| Currency exchange (gains)/losses (credited)/charged to income include: | | |
| Revenue | (803) | *(1,914)* |
| Cost of sales | 25 | *(51)* |
| Distribution costs | (78) | *(280)* |
| Administrative expenses | (721) | *2* |
| Finance income | (1,031) | *(1,030)* |
| | (2,608) | *(3,273)* |

Included in the above is an exchange gain of £1,644,000 (*2012: £3,952,000* gain) relating to the Malawian Kwacha.

During the year the group (including its overseas subsidiaries) obtained the following services from the company's auditor and its associates:

| | 2013 | *2012* |
|---|---|---|
| Audit services: | | |
| Statutory audit: | | |
| Parent company and consolidated financial statements | 177 | *166* |
| Subsidiary companies | 672 | *663* |
| | 849 | *829* |
| Audit – related regulatory reporting | 62 | *59* |
| Tax services: | | |
| Compliance services | 38 | *16* |
| Advisory services | 12 | – |
| Other services not covered above | 62 | *69* |
| | 1,023 | *973* |

## 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:

| | 2013 | | *2012* | |
|---|---|---|---|---|
| | £'000 | £'000 | *£'000 restated* | *£'000 restated* |
| Trading profit | | 31,183 | | *39,798* |
| Share of associates' results | | 980 | | *4,269* |
| Investment income | | 2,417 | | *1,186* |
| Net finance income | 2,084 | | *2,254* | |
| Exclude | | | | |
| - Employee benefit expense | 1,486 | | *1,468* | |
| Headline finance income | | 3,570 | | *3,722* |
| Headline profit before tax | | 38,150 | | *48,975* |
| Non-headline items in profit before tax comprises: | | | | |
| Exceptional items | | | | |
| Profit on disposal of non-current assets | 542 | | *1,538* | |
| Profit on disposal of a subsidiary | – | | *396* | |
| Profit on disposal of available-for-sale investments | 1,349 | | *271* | |
| Loss on transfer of an associate | – | | *(10,045)* | |
| | | 1,891 | | *(7,840)* |
| Gain arising from changes in fair value of biological assets | | 21,093 | | *30,043* |
| Employee benefit expense | | (1,486) | | *(1,468)* |
| Non-headline items in profit before tax | | 21,498 | | *20,735* |

**5 Share of associates' results**

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

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| Operating profit | 1,643 | *4,857* |
| Net finance costs | – | *(114)* |
| Profit before tax | 1,643 | *4,743* |
| Taxation | (663) | *(474)* |
| Profit after tax | 980 | *4,269* |

The results in 2012 included the group's share of the profits of BF&M Limited. The group re-evaluated its relationship with BF&M Limited and although the group's holding is in excess of 20 per cent., the directors concluded that the group was no longer able to exercise significant influence. With effect from 31 December 2012, the group's holding in BF&M was reclassified from an associated company to an available-for-sale investment.

**6 Profit on non-current assets**

A profit of £542,000 (2012: £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.

**7 Profit on disposal of a subsidiary**

In 2012, 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.

**8 Loss on transfer of an associate**

In 2012, 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.

**9 Finance income and costs**

| | 2013 £'000 | *2012 £'000 restated* |
|---|---|---|
| Interest payable on loans and bank overdrafts | (874) | *(808)* |
| Interest payable on obligations under finance leases | (4) | *(17)* |
| Finance costs | (878) | *(825)* |
| Finance income - interest income on short-term bank deposits | 3,417 | *3,517* |
| Net exchange gain on foreign cash balances | 1,031 | *1,030* |
| Employee benefit expense (note 32) | (1,486) | *(1,468)* |
| Net finance income | 2,084 | *2,254* |

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

## 10 Taxation

| Analysis of charge in the year | 2013 £'000 | 2013 £'000 | *2012 £'000 restated* |
|---|---|---|---|
| **Current tax** | | | |
| **UK corporation tax** | | | |
| UK corporation tax at 23.25 per cent. *(2012: 24.5 per cent.)* | 2,425 | | *2,172* |
| Double tax relief | (2,425) | | *(2,172)* |
| | | – | *–* |
| **Foreign tax** | | | |
| Corporation tax | 14,014 | | *15,582* |
| Adjustment in respect of prior years | (73) | | *(77)* |
| | | 13,941 | *15,505* |
| **Total current tax** | | 13,941 | *15,505* |
| **Deferred tax** | | | |
| Origination and reversal of timing differences | | | |
| United Kingdom | – | | *–* |
| Overseas | 8,164 | | *10,157* |
| **Total deferred tax** | | 8,164 | *10,157* |
| **Tax on profit on ordinary activities** | | 22,105 | *25,662* |

| Factors affecting tax charge for the year | 2013 £'000 | *2012 £'000 restated* |
|---|---|---|
| Profit on ordinary activities before tax | 59,648 | *69,710* |
| Share of associated undertakings profit | (980) | *(4,269)* |
| Group profit on ordinary activities before tax | 58,668 | *65,441* |
| Tax on ordinary activities at the standard rate of corporation tax in the UK of 23.25 per cent. *(2012: 24.5 per cent.)* | 13,640 | *16,033* |
| Effects of: | | |
| Adjustment to tax in respect of prior years | (73) | *(77)* |
| Expenses not deductible for tax purposes | 1,737 | *1,339* |
| Adjustment in respect of foreign tax rates | 5,422 | *5,598* |
| Additional tax arising on dividends from overseas companies | 462 | *358* |
| Loss on transfer of an associate not allowable for tax | – | *2,461* |
| Other income not charged to tax | (691) | *(366)* |
| Increase in tax losses carried forward | 1,104 | *248* |
| Movement in other timing differences | 504 | *68* |
| Total tax charge for the year | 22,105 | *25,662* |

## 11 Profit for the year

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| The profit of the company was | 4,411 | *3,755* |

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

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend for the year ended 31 December 2012 of 88p (*2011: 84p*) per share | 2,446 | *2,335* |
| Interim dividend for the year ended 31 December 2013 of 34p (*2012: 32*p) per share | 942 | *889* |
| | 3,388 | *3,224* |

Dividends amounting to £76,000 (*2012: £73,000*) 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 2013 of 91p (*2012: 88p*) per share | 2,575 | *2,501* |

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

## 13 Earnings per share (EPS)

| | Earnings £'000 | 2013 Weighted average number of shares Number | EPS Pence | *Earnings £'000 restated* | *2012 Weighted average number of shares Number* | *EPS Pence restated* |
|---|---|---|---|---|---|---|
| **Basic and diluted EPS** | | | | | | |
| Attributable to ordinary shareholders | 28,297 | 2,773,762 | 1,020.2 | *31,210* | *2,779,500* | *1,122.9* |

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

## 14 Employees

| | 2013 Number | *2012 Number* |
|---|---|---|
| Average number of employees by activity: | | |
| Agriculture and horticulture | 74,055 | *70,204* |
| Engineering | 451 | *435* |
| Food storage and distribution | 263 | *260* |
| Banking and financial services | 131 | *123* |
| Central management | 21 | *21* |
| | 74,921 | *71,043* |

| | 2013 £'000 | *2012 £'000 restated* |
|---|---|---|
| Employment costs: | | |
| Wages and salaries | 68,177 | *65,943* |
| Social security costs | 3,258 | *3,087* |
| Employee benefit obligations (see note 32) – UK | 1,706 | *1,560* |
| – Overseas | 3,460 | *3,474* |
| | 76,601 | *74,064* |

Total remuneration paid to key employees who are members of the executive committee, excluding directors of Camellia Plc, amounted to £646,000 (*2012: £602,000*).

## 15 Emoluments of the directors

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| Aggregate emoluments excluding pension contributions | 1,498 | *1,473* |

Emoluments of the highest paid director excluding pension contributions were £486,000 (*2012: £533,000*).

Further details of directors' emoluments are set out on pages 20 and 21.

## 16 Intangible assets

| | Goodwill £'000 | Customer relationships £'000 | Computer software £'000 | Total £'000 |
|---|---|---|---|---|
| *Group* | | | | |
| Cost | | | | |
| At 1 January 2012 | 3,978 | 4,814 | 1,934 | 10,726 |
| Exchange differences | – | – | (16) | (16) |
| Additions | – | – | 180 | 180 |
| At 1 January 2013 | 3,978 | 4,814 | 2,098 | 10,890 |
| Exchange differences | – | – | (31) | (31) |
| Additions | – | – | 399 | 399 |
| At 31 December 2013 | 3,978 | 4,814 | 2,466 | 11,258 |
| Amortisation | | | | |
| At 1 January 2012 | – | 1,352 | 1,731 | 3,083 |
| Exchange differences | – | – | (14) | (14) |
| Charge for the year | – | 241 | 167 | 408 |
| At 1 January 2013 | – | 1,593 | 1,884 | 3,477 |
| Exchange differences | – | – | (28) | (28) |
| Charge for the year | – | 240 | 220 | 460 |
| At 31 December 2013 | – | 1,833 | 2,076 | 3,909 |
| Net book value at 31 December 2013 | 3,978 | 2,981 | 390 | 7,349 |
| Net book value at 31 December 2012 | *3,978* | *3,221* | *214* | *7,413* |

**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 2013. For the purpose of this impairment testing, the group's CGU components represent the wealth management element 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 2013 and 2012. The wealth 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.

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. The industry multiple applied would have to reduce to 1 per cent. before any impairment of goodwill or customer relationships would arise.

## 17 Property, plant and equipment

| *Group* | Land and buildings £'000 | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Total £'000 |
|---|---|---|---|---|
| Deemed cost | | | | |
| 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 1 January 2013 | 82,992 | 94,511 | 20,388 | 197,891 |
| Exchange differences | (3,848) | (6,144) | (325) | (10,317) |
| Additions | 4,364 | 11,989 | 937 | 17,290 |
| Disposals | (588) | (1,332) | (591) | (2,511) |
| At 31 December 2013 | 82,920 | 99,024 | 20,409 | 202,353 |
| Depreciation | | | | |
| 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 1 January 2013 | 34,751 | 57,731 | 11,926 | 104,408 |
| Exchange differences | (1,346) | (3,197) | (235) | (4,778) |
| Charge for the year | 2,401 | 5,930 | 736 | 9,067 |
| Disposals | (557) | (1,038) | (589) | (2,184) |
| At 31 December 2013 | 35,249 | 59,426 | 11,838 | 106,513 |
| Net book value at 31 December 2013 | 47,671 | 39,598 | 8,571 | 95,840 |
| Net book value at 31 December 2012 | *48,241* | *36,780* | *8,462* | *93,483* |

Land and buildings at net book value comprise:

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| Freehold | 27,162 | *27,547* |
| Long leasehold | 19,416 | *19,632* |
| Short leasehold | 1,093 | *1,062* |
| | 47,671 | *48,241* |

Plant and machinery includes assets held under finance leases. The depreciation charge for the year in respect of these assets was £15,000 (*2012: £51,000*) and their net book value was £10,000 (*2012: £49,000*).

The amount of expenditure for property, plant and equipment in the course of construction amounted to £1,811,000 (*2012: £905,000*).

## 18 Biological assets

| | Tea £'000 | Edible nuts £'000 | Timber £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|---|
| *Group* | | | | | |
| 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 1 January 2013 | 69,200 | 22,287 | 10,261 | 17,945 | 119,693 |
| Exchange differences | (9,308) | (5,032) | (958) | (557) | (15,855) |
| New planting additions | 1,804 | 2,602 | 411 | – | 4,817 |
| Capitalised cultivation costs | – | 726 | – | 4,718 | 5,444 |
| Gains arising from changes in fair value less estimated point-of-sale costs | 15,620 | 3,063 | 835 | 1,575 | 21,093 |
| Decreases due to harvesting | – | (2,327) | (356) | (5,294) | (7,977) |
| At 31 December 2013 | 77,316 | 21,319 | 10,193 | 18,387 | 127,215 |

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 2013 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 % |
|---|---|---|---|---|
| 2013 | 13.5 | 12.0 - 17.5 | 10.5 - 17.5 | 5.0 - 17.5 |
| 2012 | 13.5 | 12.0 - 13.5 | 17.5 | 5.0 - 17.5 |

## 18 Biological assets *(continued)*

During the year the Malawian kwacha depreciated in value from 544.05 (*2012: 254.49*) to the pound sterling at 1 January 2013 to 712.19 (*2012: 544.05*) to the pound sterling at 31 December 2013. 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 2013 has generated a credit of £18,631,000 (*2012: £26,366,000*) including a gain of £11,032,000 (*2012: £21,353,000*) due to the currency devaluation which is included in the overall gain of £21,093,000 (*2012: £30,043,000*) credited to the income statement. This has been largely offset by a foreign exchange translation loss charged to reserves.

### Fair value measurement

All of the biological assets fall under level 3 of the hierarchy defined in IFRS 13.

The basis upon which the valuations are determined is set out in accounting policies on page 33.

Valuations by external professional valuers and those derived from discounted cash flows both make assumptions based on unobservable inputs of: yields, an increase in which will raise the value; costs, an increase in which will decrease the value; market prices, an increase in which will raise the value; life span of the plantings, an increase in which will raise the value; discount rates, an increase in which will decrease the value. These assumptions vary significantly across different countries, crops and varieties. In preparing these valuations a long term view is taken on the yields and prices achieved.

### 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. 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 £89,092,000 (*2012: £82,923,000*) which includes a gain on initial recognition at the point of harvest of £29,225,000 (*2012: £23,169,000*).

## 18 Biological assets *(continued)*

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

| | 2013 Hectares | *2012 Hectares* |
|---|---|---|
| Tea | 34,591 | *34,591* |
| Macadamia | 2,956 | *2,774* |
| Pistachios | 130 | *130* |
| Timber | 6,498 | *6,253* |
| Arable crops | 3,530 | *2,363* |
| Avocados | 414 | *414* |
| Citrus | 178 | *178* |
| Pineapples | 48 | *45* |
| Rubber | 1,901 | *1,918* |
| Wine grapes | 72 | *70* |

| | 2013 Head | *2012 Head* |
|---|---|---|
| Livestock numbers on hand at the end of the year | 4,659 | 4,237 |

Output of agricultural produce during the year was:

| | 2013 Metric tonnes | *2012 Metric tonnes* |
|---|---|---|
| Tea | 70,871 | *67,363* |
| Macadamia | 994 | *1,033* |
| Pistachios | 55 | *647* |
| Arable crops | 16,336 | *23,530* |
| Avocados | 4,247 | *8,157* |
| Citrus | 6,577 | *6,480* |
| Pineapples | 1,478 | *1,033* |
| Rubber | 669 | *701* |
| Wine grapes | 455 | *616* |

| | 2013 Cubic metres | *2012 Cubic metres* |
|---|---|---|
| Timber | 117,463 | *128,519* |

## 19 Prepaid operating leases

| | £'000 |
|---|---|
| *Group* | |
| Cost | |
| At 1 January 2012 | 1,011 |
| Exchange differences | (56) |
| Company leaving the group | (26) |
| At 1 January 2013 | 929 |
| Exchange differences | (19) |
| At 31 December 2013 | 910 |
| Amortisation | |
| At 1 January 2012 | 19 |
| Exchange differences | (1) |
| Charge for the year | 1 |
| At 1 January 2013 | 19 |
| Charge for the year | 1 |
| At 31 December 2013 | 20 |
| Net book value at 31 December 2013 | 890 |
| Net book value at 31 December 2012 | *910* |

## 20 Investments in subsidiaries

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| *Company* | | |
| Cost | | |
| At 1 January and 31 December | 73,508 | *73,508* |

## 21 Investments in associates

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| *Group* | | |
| At 1 January | 6,549 | *38,077* |
| Exchange differences | 17 | *(1,533)* |
| Impairment on transfer to available-for-sale financial assets | – | *(11,226)* |
| Disposals | – | *(323)* |
| Share of profit (note 5) | 980 | *4,269* |
| Dividends | (203) | *(1,275)* |
| Other equity movements | – | *(769)* |
| Transfer to available-for-sale financial assets | – | *(20,671)* |
| At 31 December | 7,343 | *6,549* |

## 21 Investments in associates *(continued)*

At 31 December 2012, the group re-evaluated its relationship with BF&M Limited. Although the group's holding is in excess of 20 per cent., the directors 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 have accounted 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 2012 of £10,045,000.

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

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 value |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 31 December 2013 | 43,239 | (35,896) | 6,101 | 980 | 14,657 |
| 31 December 2012 | *36,195* | *(29,646)* | *43,471* | *4,269* | *12,533* |

## 22 Available-for-sale financial assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* |
| | £'000 | *£'000* | £'000 | *£'000* |
| Cost or fair value | | | | |
| At 1 January | 52,205 | *29,868* | 170 | *170* |
| Exchange differences | (1,646) | *(1,357)* | – | – |
| Fair value adjustment | 3,367 | *674* | – | – |
| Additions | 12,875 | *4,116* | – | – |
| Disposals | (5,075) | *(1,763)* | – | – |
| Fair value adjustment for disposal | (29) | *(4)* | – | – |
| Transfer from investment in associates | – | *20,671* | – | – |
| At 31 December | 61,697 | *52,205* | 170 | *170* |
| Provision for diminution in value | | | | |
| At 1 January | 1,704 | *1,323* | | |
| Exchange differences | (30) | *(59)* | | |
| Provided during year | 22 | *440* | | |
| At 31 December | 1,696 | *1,704* | | |
| Net book value at 31 December | 60,001 | *50,501* | 170 | *170* |

## 22 Available-for-sale financial assets *(continued)*

Available-for-sale financial assets include the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* |
| | £'000 | *£'000* | £'000 | *£'000* |
| Listed securities: | | | | |
| Equity securities – UK | 845 | *631* | | |
| Equity securities – Bermuda | 36,910 | *32,499* | | |
| Equity securities – Japan | 9,794 | *7,735* | | |
| Equity securities – Switzerland | 6,553 | *5,422* | | |
| Equity securities – US | 2,869 | *2,343* | | |
| Equity securities – India | 1,230 | *1,105* | | |
| Equity securities – Europe | 363 | *267* | | |
| Equity securities – Other | 348 | *319* | | |
| Debentures with fixed interest of 12.5% and repayable twice yearly until 31 October 2019 – Kenya | 908 | *–* | | |
| Unlisted investments | 181 | *180* | 170 | *170* |
| | 60,001 | *50,501* | 170 | *170* |

Available-for-sale financial assets are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* |
| | £'000 | *£'000* | £'000 | *£'000* |
| Sterling | 1,015 | *801* | 170 | *170* |
| US Dollar | 2,869 | *2,343* | | |
| Euro | 363 | *267* | | |
| Swiss Franc | 6,553 | *5,422* | | |
| Indian Rupee | 1,230 | *1,105* | | |
| Bermudian Dollar | 36,910 | *32,499* | | |
| Japanese Yen | 9,794 | *7,735* | | |
| Kenyan Shilling | 914 | *5* | | |
| Other | 353 | *324* | | |
| | 60,001 | *50,501* | 170 | *170* |

## 23 Held-to-maturity financial assets

| | Group | |
|---|---|---|
| | 2013 | *2012* |
| | £'000 | *£'000* |
| Cost or fair value | | |
| At 1 January | 3,993 | *5,829* |
| Additions | 1,000 | *3,993* |
| Disposals | (3,993) | *(5,829)* |
| At 31 December | 1,000 | *3,993* |
| Net book value comprises: | | |
| Bank and building society certificates of deposit | 1,000 | *3,993* |

Bank and building society certificates of deposit are held by the group's banking operation.

## 24 Other investments

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* |
| | £'000 | *£'000* | £'000 | £'000 |
| Cost | | | | |
| At 1 January | 8,598 | *8,368* | 8,603 | *8,373* |
| Additions | 157 | *230* | 157 | *230* |
| Disposals | (10) | – | (10) | – |
| At 31 December | 8,745 | *8,598* | 8,750 | 8,603 |

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.

## 25 Inventories

| | 2013 | *2012* |
|---|---|---|
| | £'000 | *£'000* |
| *Group* | | |
| Made tea | 22,734 | *21,818* |
| Other agricultural produce | 828 | *520* |
| Work in progress | 3,096 | *3,224* |
| Trading stocks | 2,416 | *3,377* |
| Raw materials and consumables | 9,746 | *8,636* |
| | 38,820 | *37,575* |

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 £22,734,000 (*2012: £21,818,000*) are costs associated with the growing and cultivation of green leaf from our own estates of £10,604,000 (*2012: £10,103,000*). This would increase by £5,103,000 (*2012: £4,042,000*) 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 2013 of £1,061,000 (*2012: £80,000*) and an increase in taxation of £370,000 (*2012: £25,000*).

The year end inventories balance is stated after a write-down provision of £117,000 (2012: £214,000).

## 26 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* |
| | £'000 | *£'000* | £'000 | £'000 |
| Current: | | | | |
| Amounts due from customers of banking subsidiaries | 29,930 | *30,410* | – | – |
| Trade receivables | 27,137 | *28,010* | – | – |
| Amounts owed by associated undertakings | 34 | *258* | – | – |
| Other receivables | 6,792 | *7,527* | – | – |
| Prepayments and accrued income | 5,861 | *6,052* | – | *16* |
| | 69,754 | *72,257* | – | *16* |
| Non-current: | | | | |
| Amounts due from customers of banking subsidiaries | 3,036 | *14,096* | | |
| Other receivables | 1,077 | *1,078* | | |
| | 4,113 | *15,174* | | |

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

| | 2013 | *2012* |
|---|---|---|
| | £'000 | *£'000* |
| Current: | | |
| Sterling | 45,670 | *42,523* |
| US Dollar | 3,176 | *5,516* |
| Euro | 1,104 | *2,629* |
| Kenyan Shilling | 1,538 | *1,012* |
| Indian Rupee | 14,467 | *15,021* |
| Malawian Kwacha | 899 | *1,784* |
| Bangladesh Taka | 2,070 | *2,684* |
| South African Rand | 65 | *138* |
| Brazilian Real | 548 | *913* |
| Other | 217 | *37* |
| | 69,754 | *72,257* |
| Non-current: | | |
| Sterling | 1,920 | *10,487* |
| US Dollar | 464 | *3,016* |
| Euro | 652 | *592* |
| Kenyan Shilling | 272 | *359* |
| Indian Rupee | 370 | *526* |
| Malawian Kwacha | 185 | – |
| Bangladesh Taka | 250 | *194* |
| | 4,113 | *15,174* |

Included within trade receivables is a provision for doubtful debts of £450,000 (*2012: £391,000*).

## 26 Trade and other receivables *(continued)*

Trade receivables include receivables of £3,710,000 (*2012: £4,373,000*) 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:

| | 2013<br>£'000 | *2012*<br>*£'000* |
|---|---|---|
| Up to 30 days | 2,450 | *1,791* |
| 30-60 days | 639 | *1,654* |
| 60-90 days | 365 | *346* |
| Over 90 days | 256 | *582* |
| | 3,710 | 4,373 |

## 27 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>£'000 | *2012*<br>*£'000* | 2013<br>£'000 | *2012*<br>*£'000* |
| Cash at bank and in hand | 218,611 | *181,134* | – | – |
| Short-term bank deposits | 51,611 | *56,728* | – | *9,458* |
| Short-term liquid investments | 19,401 | *24,312* | – | – |
| | 289,623 | *262,174* | – | *9,458* |

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 £213,785,000 (*2012: £175,302,000*) 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:

| | 2013<br>£'000 | *2012*<br>*£'000* | 2013<br>£'000 | *2012*<br>*£'000* |
|---|---|---|---|---|
| Cash and cash equivalents (excluding banking operations) | 75,838 | *86,872* | – | *9,458* |
| Bank overdrafts (note 29) | (2,938) | *(5,499)* | – | – |
| | 72,900 | *81,373* | – | *9,458* |

| | 2013 | *2012* | 2013 | *2012* |
|---|---|---|---|---|
| Effective interest rate: | | | | |
| Short-term deposits | 0.00 – 14.75% | *0.00 – 13.75%* | – | *1.05%* |
| Short-term liquid investments | 0.00 – 0.80% | *0.01 – 0.10%* | – | – |
| Average maturity period: | | | | |
| Short-term deposits | 67 days | *92 days* | – | *163 days* |
| Short-term liquid investments | 20 days | *41 days* | – | – |

## 28 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* |
| | £'000 | *£'000* | £'000 | *£'000* |
| Current: | | | | |
| Amounts due to customers of banking subsidiaries | 219,517 | *193,715* | – | – |
| Trade payables | 22,609 | *22,477* | – | – |
| Other taxation and social security | 2,061 | *2,066* | – | – |
| Other payables | 12,629 | *12,534* | 138 | *160* |
| Accruals | 8,301 | *4,844* | – | – |
| | 265,117 | *235,636* | 138 | *160* |
| Non-current: | | | | |
| Amounts due to customers of banking subsidiaries | 2,451 | *9,015* | – | – |

## 29 Financial liabilities – borrowings

| | 2013 | *2012* |
|---|---|---|
| *Group* | £'000 | *£'000* |
| Current: | | |
| Bank overdrafts | 2,938 | *5,499* |
| Bank loans | 107 | *63* |
| Finance leases | 6 | *28* |
| | 3,051 | *5,590* |
| Current borrowings include the following amounts secured on biological assets and property, plant and equipment: | | |
| Bank overdrafts | 1,164 | *5,499* |
| Bank loans | 107 | *63* |
| Finance leases | 6 | *28* |
| | 1,277 | *5,590* |
| Non-current: | | |
| Bank loans | 66 | *90* |
| Finance leases | 12 | *26* |
| | 78 | *116* |
| Non-current borrowings include the following amounts secured on biological assets and property, plant and equipment: | | |
| Bank loans | 66 | *90* |
| Finance leases | 12 | *26* |
| | 78 | *116* |

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

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

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| Within one year or on demand (included in current liabilities) | 3,045 | *5,562* |
| Between 1 - 2 years | 22 | *27* |
| Between 2 - 5 years | 25 | *39* |
| After 5 years | 19 | *24* |
| | 3,111 | *5,652* |

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| Minimum finance lease payments fall due as follows: | | |
| Within one year or on demand (included in current liabilities) | 7 | *30* |
| Between 1 - 2 years | 12 | *16* |
| Between 2 - 5 years | – | 12 |
| | 19 | *58* |
| Future finance charges on finance leases | (1) | *(4)* |
| Present value of finance lease liabilities | 18 | *54* |

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

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| Within one year or on demand (included in current liabilities) | 6 | *28* |
| Between 1 - 2 years | 12 | *15* |
| Between 2 - 5 years | – | *11* |
| | 18 | *54* |

The rates of interest payable by the group ranged between:

| | 2013 % | *2012 %* |
|---|---|---|
| Overdrafts | 2.25 - 35.00 | *2.25 - 33.00* |
| Bank loans | 9.00 - 13.00 | *9.00 - 13.00* |
| Finance leases | 6.25 - 18.00 | *7.54 - 18.00* |

## 30 Provisions

| | Onerous lease £'000 | Others £'000 | Total £'000 |
|---|---|---|---|
| *Group* | | | |
| At 1 January 2012 | 750 | 64 | 814 |
| Utilised in the period | (150) | (8) | (158) |
| Provided in the period | 71 | 400 | 471 |
| At 1 January 2013 | 671 | 456 | 1,127 |
| Utilised in the period | (150) | (206) | (356) |
| Provided in the period | – | 60 | 60 |
| Unused amounts reversed in period | (71) | (100) | (171) |
| At 31 December 2013 | 450 | 210 | 660 |
| Current: | | | |
| At 31 December 2013 | 150 | 210 | 360 |
| At 31 December 2012 | *150* | *306* | *456* |
| Non-current: | | | |
| At 31 December 2013 | 300 | – | 300 |
| At 31 December 2012 | *521* | *150* | *671* |

The provision for onerous lease relates to three years lease commitments, which is the expected period of vacancy, for warehouse premises. The lease expires in 2016.

Others relate to provisions for claims and dilapidations.

## 31 Deferred tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £'000 | *2012 £'000* | 2013 £'000 | *2012 £'000* |
| At 1 January | 35,911 | *35,237* | 280 | *301* |
| Exchange differences | (5,097) | *(8,671)* | – | – |
| Charged/(credited) to the income statement | 8,164 | *10,157* | (22) | *(21)* |
| Charged to equity | 128 | *48* | – | – |
| Company leaving the group | – | *(860)* | – | – |
| At 31 December | 39,106 | *35,911* | 258 | *280* |

## 31 Deferred tax *(continued)*

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

### Deferred tax liabilities

| | Accelerated tax depreciation £'000 | Pension scheme liability £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 January 2012 | 37,287 | 155 | 795 | 38,237 |
| 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 1 January 2013 | 37,665 | 272 | 332 | 38,269 |
| Exchange differences | (5,187) | 3 | (68) | (5,252) |
| Charged/(credited) to the income statement | 8,442 | 28 | (60) | 8,410 |
| Credited to equity | – | (65) | – | (65) |
| At 31 December 2013 | 40,920 | 238 | 204 | 41,362 |
| Deferred tax assets offset | | | | (2,044) |
| Net deferred tax liability after offset | | | | 39,318 |

### Deferred tax assets

| | Tax losses £'000 | Pension scheme asset £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 January 2012 | 929 | 891 | 1,180 | 3,000 |
| 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 1 January 2013 | 263 | 902 | 1,193 | 2,358 |
| Exchange differences | (45) | (57) | (53) | (155) |
| (Charged)/credited to the income statement | (5) | 39 | 212 | 246 |
| Charged to equity | – | (51) | (142) | (193) |
| At 31 December 2013 | 213 | 833 | 1,210 | 2,256 |
| Offset against deferred tax liabilities | | | | (2,044) |
| Net deferred tax asset after offset | | | | 212 |

Included within deferred tax liabilities are £35,937,000 (*2012: £33,396,000*) of accelerated tax depreciation relating to biological assets.

## 31 Deferred tax *(continued)*

Deferred tax liabilities of £10,827,000 (*2012: £10,142,000*) 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 £4,858,000 (*2012: £4,997,000*) in respect of losses that can be carried forward against future taxable income.

## 32 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 are 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 2013 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 2013 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:

| | 2013<br>% per annum | *2012*<br>*% per annum* |
|---|---|---|
| **UK schemes** | | |
| Rate of increase in salaries | 2.50 | *2.00* |
| Rate of increase to LPI (Limited Price Indexation) pensions in payment | 2.50 – 5.00 | *2.00 – 5.00* |
| Discount rate applied to scheme liabilities | 4.50 | *4.20* |
| Inflation assumption (CPI/RPI) | 2.50/3.50 | *2.00/2.80* |

Assumptions regarding future mortality experience are based on advice received from independent actuaries. The current mortality tables used are S1PA, 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.

| | 2013 | *2012* |
|---|---|---|
| **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 – 5.00 | *0.00 – 3.00* |
| Discount rate applied to scheme liabilities | 3.50 – 11.50 | *3.20 – 10.50* |
| Inflation assumption | 0.00 – 7.00 | *0.00 – 7.00* |

## 32 Employee benefit obligations *(continued)*

### (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 India are funded but the schemes operated in Kenya and Bangladesh 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:

| | 2013<br>% per annum | *2012*<br>*% per annum* |
|---|---|---|
| Rate of increase in salaries | 6.00 – 10.00 | *5.00 – 10.00* |
| Discount rate applied to scheme liabilities | 5.00 – 13.50 | *8.00 – 12.00* |
| Inflation assumptions | 0.00 – 10.00 | *0.00 – 10.00* |

**Sensitivity analysis**

The sensitivity of the UK defined benefit obligation to changes in the weighted principal assumptions is:

| | Change in assumption | Impact on defined benefit obligation |
|---|---|---|
| Pre-retirement discount rate | 1.0% lower | 4.0% increase |
| Post-retirement discount rate | 0.5% lower | 5.0% increase |
| Salary increase rate | 0.2% lower | 0.5% decrease |
| Inflation rate | 0.2% lower | 2.0% decrease |
| Long-term rate of improvement of mortality | 0.5% higher | 3.0% increase |

The above sensitivity analysis assumes that each assumption is changed independently of the others. Therefore, the disclosures are only a guide because the effect of changing more than one assumption is not cumulative. The sensitivity analysis was calculated by rerunning the figures as at the last formal actuarial valuation at 1 July 2011. Therefore the analysis is only approximate for the purpose of these IAS19 disclosures as they are on a different set of assumptions and do not reflect subsequent scheme experience.

## 32 Employee benefit obligations *(continued)*

### (iii) Actuarial valuations

| | UK | 2013 Overseas | Total | *UK* | *2012 Overseas* | *Total* |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | *£'000* | *£'000* | *£'000* |
| Equities and property | 99,185 | 454 | 99,639 | *91,471* | *419* | *91,890* |
| Bonds | 44,370 | 11,652 | 56,022 | *39,334* | *12,339* | *51,673* |
| Cash | 1,731 | 3,035 | 4,766 | *1,761* | *2,816* | *4,577* |
| Other | – | 3,607 | 3,607 | *–* | *3,420* | *3,420* |
| Total fair value of plan assets | 145,286 | 18,748 | 164,034 | *132,566* | *18,994* | *151,560* |
| Present value of defined benefit obligations | (162,294) | (23,081) | (185,375) | *(160,427)* | *(23,730)* | *(184,157)* |
| Total deficit in the schemes | (17,008) | (4,333) | (21,341) | *(27,861)* | *(4,736)* | *(32,597)* |
| Amount recognised as asset in the balance sheet | – | 653 | 653 | *–* | *678* | *678* |
| Amount recognised as current liability in the balance sheet | – | (448) | (448) | *–* | *(409)* | *(409)* |
| Amount recognised as non-current liability in the balance sheet | (17,008) | (4,538) | (21,546) | *(27,861)* | *(5,005)* | *(32,866)* |
| | (17,008) | (4,333) | (21,341) | *(27,861)* | *(4,736)* | *(32,597)* |
| Related deferred tax asset (note 31) | – | 833 | 833 | *–* | *902* | *902* |
| Related deferred tax liability (note 31) | – | (238) | (238) | *–* | *(272)* | *(272)* |
| Net deficit | (17,008) | (3,738) | (20,746) | *(27,861)* | *(4,106)* | *(31,967)* |

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

| | UK | 2013 Overseas | Total | *UK* | *2012 Overseas* | *Total* |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | *£'000 restated* | *£'000* | *£'000 restated* |
| At 1 January | 132,566 | 18,994 | 151,560 | *122,410* | *17,933* | *140,343* |
| Expected return on plan assets | 5,443 | 1,345 | 6,788 | *5,639* | *1,290* | *6,929* |
| Employer contributions | 1,780 | 1,206 | 2,986 | *2,196* | *1,206* | *3,402* |
| Contributions paid by plan participants | – | 22 | 22 | *–* | *4* | *4* |
| Benefit payments | (7,704) | (1,244) | (8,948) | *(7,058)* | *(1,193)* | *(8,251)* |
| Actuarial gains | 13,201 | 94 | 13,295 | *9,379* | *866* | *10,245* |
| Exchange differences | – | (1,669) | (1,669) | *–* | *(1,112)* | *(1,112)* |
| At 31 December | 145,286 | 18,748 | 164,034 | *132,566* | *18,994* | *151,560* |

## 32 Employee benefit obligations *(continued)*

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

| | 2013 UK £'000 | 2013 Overseas £'000 | 2013 Total £'000 | *2012 UK £'000 restated* | *2012 Overseas £'000* | *2012 Total £'000 restated* |
|---|---|---|---|---|---|---|
| At 1 January | (160,427) | (23,730) | (184,157) | *(144,403)* | *(22,832)* | *(167,235)* |
| Current service cost | (883) | (989) | (1,872) | *(842)* | *(1,262)* | *(2,104)* |
| Past service cost | – | (266) | (266) | – | *(5)* | *(5)* |
| Contributions paid by plan participants | – | (22) | (22) | – | *(4)* | *(4)* |
| Interest cost | (6,576) | (1,698) | (8,274) | *(6,633)* | *(1,764)* | *(8,397)* |
| Benefit payments | 7,704 | 1,244 | 8,948 | *7,058* | *1,193* | *8,251* |
| Actuarial gains/(losses) | (2,112) | 428 | (1,684) | *(15,607)* | *(723)* | *(16,330)* |
| Disposal of subsidiary | – | – | – | – | *250* | *250* |
| Exchange differences | – | 1,952 | 1,952 | – | *1,417* | *1,417* |
| At 31 December | (162,294) | (23,081) | (185,375) | *(160,427)* | *(23,730)* | *(184,157)* |

In 2011, the total fair value of plan assets was £140,343,000, present value of defined benefit obligations was £167,235,000 and the deficit was £26,892,000. 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 and 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.

### Income statement

The amounts recognised in the income statement are as follows:

| | 2013 UK £'000 | 2013 Overseas £'000 | 2013 Total £'000 | *2012 UK £'000 restated* | *2012 Overseas £'000* | *2012 Total £'000 restated* |
|---|---|---|---|---|---|---|
| Amounts charged to operating profit: | | | | | | |
| Current service cost | (883) | (989) | (1,872) | *(842)* | *(1,262)* | *(2,104)* |
| Past service cost | – | (266) | (266) | – | *(5)* | *(5)* |
| Total operating charge | (883) | (1,255) | (2,138) | *(842)* | *(1,267)* | *(2,109)* |
| Amounts charged to other finance costs: | | | | | | |
| Interest expense | (1,133) | (353) | (1,486) | *(994)* | *(474)* | *(1,468)* |
| Total charged to income statement | (2,016) | (1,608) | (3,624) | *(1,836)* | *(1,741)* | *(3,577)* |

Employer contributions to defined contribution schemes are charged to profit when payable and the costs charged were £3,028,000 (*2012: £2,925,000*).

## 32 Employee benefit obligations *(continued)*

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

The amounts included in the statement of comprehensive income:

| | 2013 | | | *2012* | | |
|---|---|---|---|---|---|---|
| | UK £'000 | Overseas £'000 | Total £'000 | *UK £'000 restated* | *Overseas £'000* | *Total £'000 restated* |
| Actual return less expected return on pension scheme assets | 13,201 | 94 | 13,295 | *9,379* | *866* | *10,245* |
| Experience losses arising on scheme liabilities | (2,398) | (612) | (3,010) | *(2,335)* | *(723)* | *(3,058)* |
| Changes in assumptions underlying present value of scheme liabilities | 286 | 1,040 | 1,326 | *(13,272)* | *–* | *(13,272)* |
| Actuarial gain/(loss) | 11,089 | 522 | 11,611 | *(6,228)* | *143* | *(6,085)* |

Cumulative actuarial losses recognised in the statement of comprehensive income are £23,774,000 (*2012: £35,385,000*).

The employer contributions to be paid to the UK defined benefit pension scheme for the year commencing 1 January 2014 is 19.8% of pensionable salary for active members plus £912,000 additional contribution to reduce the scheme's funding deficit.

## 33 Share capital

| | 2013 £'000 | *2012 £'000* |
|---|---|---|
| Authorised: 2,842,000 (*2012: 2,842,000*) ordinary shares of 10p each | 284 | *284* |
| Allotted, called up and fully paid: ordinary shares of 10p each: | | |
| At 1 January – 2,842,000 (*2012: 2,842,000*) shares | 284 | *284* |
| Purchase of own shares – 12,300 (*2012: nil*) shares | (1) | *–* |
| At 31 December – 2,829,700 (*2012: 2,842,000*) shares | 283 | *284* |

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

On 6 June 2013 the directors were authorised to purchase up to a maximum of 277,950 ordinary shares and during the period 12,300 shares were purchased. Total consideration was £1,107,000 (*2012: £nil*). Upon cancellation of the shares purchased, a capital redemption reserve is created representing the nominal value of the shares cancelled.

## 34 Reconciliation of profit from operations to cash flow

| | 2013<br>£'000 | *2012*<br>*£'000*<br>*restated* |
|---|---|---|
| *Group* | | |
| Profit from operations | 55,147 | *66,270* |
| Share of associates' results | (980) | *(4,269)* |
| Depreciation and amortisation | 9,527 | *9,646* |
| Impairment of non-current assets | 22 | *440* |
| Gain arising from changes in fair value of biological assets | (21,093) | *(30,043)* |
| Profit on disposal of non-current assets | (792) | *(1,786)* |
| Loss on transfer of an associate | – | *10,045* |
| Profit on disposal of a subsidiary | – | *(396)* |
| Profit on disposal of investments | (1,348) | *(271)* |
| Increase in working capital | (671) | *(10,336)* |
| Pensions and similar provisions less payments | (392) | *(1,294)* |
| Biological assets capitalised cultivation costs | (5,444) | *(6,917)* |
| Biological assets decreases due to harvesting | 7,977 | *9,158* |
| Net (increase)/decrease in funds of banking subsidiaries | (7,706) | *915* |
| | 34,247 | *41,162* |

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

| | 2013<br>£'000 | *2012*<br>*£'000* |
|---|---|---|
| *Group* | | |
| (Decrease)/increase in cash and cash equivalents in the year | (7,312) | *9,767* |
| Net cash outflow from decrease in debt | 16 | *266* |
| (Decrease)/increase in net cash resulting from cash flows | (7,296) | *10,033* |
| Exchange rate movements | (1,161) | *(1,014)* |
| (Decrease)/increase in net cash in the year | (8,457) | *9,019* |
| Net cash at beginning of year | 81,166 | *72,147* |
| Net cash at end of year | 72,709 | *81,166* |

## 36 Disposal of business

*Group*

In 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 | *(860)* |
| | *2,688* |
| Less direct non-controlling interest | *(1,333)* |
| Profit on disposal | *396* |
| | *1,751* |
| Satisfied by: | |
| Cash consideration | *1,751* |
| Net inflow of cash in respect of disposal of business: | |
| Cash consideration | *1,751* |
| Net cash and overdrafts of business | *(487)* |
| | *1,264* |

## 37 Commitments

**Capital commitments**

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

| | 2013<br>£'000 | *2012*<br>*£'000* |
|---|---|---|
| *Group* | | |
| Property, plant and equipment | 1,812 | *1,304* |

**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:

| | 2013<br>£'000 | *2012*<br>*£'000* |
|---|---|---|
| *Group* | | |
| Land and buildings: | | |
| Within 1 year | 817 | *859* |
| Between 1 – 5 years | 1,940 | *2,263* |
| After 5 years | 13,675 | *13,557* |
| | 16,432 | *16,679* |
| Plant and machinery: | | |
| Within 1 year | 81 | *104* |
| Between 1 – 5 years | 80 | *101* |
| | 161 | *205* |

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

## 38 Contingencies

During the year, one of the group's trading subsidiaries has made a legal claim against one of its customers. The customer has subsequently raised a counter claim. Neither the contingent asset arising from the claim nor a provision for the counter claim have been recognised at 31 December 2013.

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 2013, the directors do not anticipate the outcome of any such claim to result in a material loss.

## 39 Financial instruments

**Capital risk management**

The group manages its capital to ensure that the group will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of its debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings disclosed in note 29, 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:

| | 2013<br>£'000 | *2012*<br>*£'000* |
|---|---|---|
| Borrowings | 3,129 | *5,706* |
| Tangible net assets | 325,117 | *306,397* |
| Ratio | 0.96% | *1.86%* |

Borrowings are defined as current and non-current borrowings, as detailed in note 29.

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

**Financial instruments by category**

At 31 December 2013

| | Loans and receivables<br>£'000 | Available for sale<br>£'000 | Held to maturity<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| Assets as per balance sheet | | | | |
| Available-for-sale financial assets | – | 60,001 | – | 60,001 |
| Trade and other receivables excluding prepayments | 35,040 | – | – | 35,040 |
| Loans and advances to customers of banking subsidiaries | 32,966 | – | – | 32,966 |
| Held-to-maturity financial assets | – | – | 1,000 | 1,000 |
| Cash and cash equivalents (excluding bank subsidiaries) | 75,838 | – | – | 75,838 |
| Loans and advances to banks by banking subsidiaries | 213,785 | – | – | 213,785 |
| | 357,629 | 60,001 | 1,000 | 418,630 |

## 39 Financial instruments *(continued)*

| | Other financial liabilities at amortised cost £'000 | Total £'000 |
|---|---|---|
| Liabilities as per balance sheet | | |
| Borrowings (excluding finance lease liabilities) | 3,111 | 3,111 |
| Finance lease liabilities | 18 | 18 |
| Amounts due to customers of banking subsidiaries | 221,968 | 221,968 |
| Trade and other payables | 43,539 | 43,539 |
| Other non-current liabilities | 103 | 103 |
| | 268,739 | 268,739 |

At 31 December 2012

| | Loans and receivables £'000 | Available for sale £'000 | Held to maturity £'000 | Total £'000 |
|---|---|---|---|---|
| Assets as per balance sheet | | | | |
| Available-for-sale financial assets | – | 50,501 | – | 50,501 |
| Trade and other receivables excluding prepayments | 36,873 | – | – | 36,873 |
| Loans and advances to customers of banking subsidiaries | 44,506 | – | – | 44,506 |
| Held-to-maturity financial assets | – | – | 3,993 | 3,993 |
| Cash and cash equivalents (excluding bank subsidiaries) | 86,872 | – | – | 86,872 |
| Loans and advances to banks by banking subsidiaries | 175,302 | – | – | 175,302 |
| | 343,553 | 50,501 | 3,993 | 398,047 |

| | Other financial liabilities at amortised cost £'000 | Total £'000 |
|---|---|---|
| Liabilities as per balance sheet | | |
| Borrowings (excluding finance lease liabilities) | 5,652 | 5,652 |
| Finance lease liabilities | 54 | 54 |
| Amounts due to customers of banking subsidiaries | 202,730 | 202,730 |
| Trade and other payables | 39,855 | 39,855 |
| Other non-current liabilities | 107 | 107 |
| | 248,398 | 248,398 |

**Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

## 39 Financial instruments *(continued)*

The following table presents the group's financial assets and liabilities that are measured at fair value. See note 18 for disclosures of biological assets that are measured at fair value.

At 31 December 2013

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Assets | | | | |
| Available-for sale financial assets: | | | | |
| – Equity securities | 58,912 | – | – | 58,912 |
| Debt investments: | | | | |
| – Debentures | 908 | – | – | 908 |
| | 59,820 | – | – | 59,820 |

At 31 December 2012

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Assets | | | | |
| Available-for sale financial assets: | | | | |
| – Equity securities | 50,321 | – | – | 50,321 |

**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 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 £675,000 (2012: £808,000).

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.

## 39 Financial instruments *(continued)*

*(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 £2,946,000 (*2012: £2,516,000*).

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 2013, 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 £296,000 (*2012: £340,000*) higher/lower.

At 31 December 2013, 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 £196,000 (*2012: £171,000*) higher/lower.

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2013 | *2012* | 2013 | *2012* |
| | £'000 | *£'000* | £'000 | *£'000* |
| Sterling | 176,233 | *164,912* | 137,005 | *130,646* |
| US Dollar | 66,953 | *50,486* | 55,100 | *40,988* |
| Euro | 20,871 | *18,729* | 20,488 | *18,839* |
| Swiss Franc | 19,609 | *23,104* | 6,103 | *6,939* |
| Kenyan Shilling | 17,591 | *19,236* | – | – |
| Indian Rupee | 6,585 | *6,622* | 739 | *4,716* |
| Malawian Kwacha | 44 | *12* | 1,055 | – |
| Bangladesh Taka | 6,465 | *5,565* | 336 | *190* |
| Australian Dollar | 681 | *978* | 678 | *974* |
| South African Rand | 1,930 | *1,821* | 149 | *146* |
| Brazilian Real | 2,834 | *4,044* | – | – |
| Bermudian Dollar | 355 | *790* | – | – |
| Canadian Dollar | 460 | *10,064* | 459 | *602* |
| Japanese Yen | 959 | *1,609* | 962 | *1,607* |
| Other | 2,019 | *2,791* | 2,023 | *2,789* |
| | 323,589 | *310,763* | 225,097 | *208,436* |

## 39 Financial instruments *(continued)*

**(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 24 per cent. (*2012: 20 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 2013, the group had undrawn committed facilities of £23,998,000 (*2012: £24,078,000*), all of which are due to be reviewed within one year.

## 39 Financial instruments *(continued)*

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 2013 | | | | | | |
| Assets | | | | | | |
| Available-for-sale financial assets | 151 | 151 | 455 | 151 | 59,093 | 60,001 |
| Trade and other receivables | 33,963 | 1,077 | – | – | – | 35,040 |
| Loans and advances to customers of banking subsidiaries | 26,967 | 928 | 2,013 | 95 | 2,963 | 32,966 |
| Held-to-maturity financial assets | 1,000 | – | – | – | – | 1,000 |
| Cash and cash equivalents (excluding bank subsidiaries) | 75,838 | – | – | – | – | 75,838 |
| Loans and advances to banks by banking subsidiaries | 213,545 | – | – | – | 240 | 213,785 |
| | 351,464 | 2,156 | 2,468 | 246 | 62,296 | 418,630 |
| Liabilities | | | | | | |
| Borrowings (excluding finance lease liabilities) | 3,045 | 22 | 25 | 19 | – | 3,111 |
| Finance lease liabilities | 6 | 12 | – | – | – | 18 |
| Deposits by banks at banking subsidiaries | 2,465 | – | – | – | – | 2,465 |
| Customer accounts held at banking subsidiaries | 216,989 | 1,729 | 627 | 95 | 63 | 219,503 |
| Trade and other payables | 43,539 | – | – | – | – | 43,539 |
| Other non-current liabilities | – | – | – | 103 | – | 103 |
| | 266,044 | 1,763 | 652 | 217 | 63 | 268,739 |
| At 31 December 2012 | | | | | | |
| Assets | | | | | | |
| Available-for-sale financial assets | – | – | – | – | 50,501 | 50,501 |
| Trade and other receivables | 35,795 | 1,078 | – | – | – | 36,873 |
| Loans and advances to customers of banking subsidiaries | 23,201 | 3,418 | 10,575 | 103 | 7,209 | 44,506 |
| Held-to-maturity financial assets | 3,993 | – | – | – | – | 3,993 |
| Cash and cash equivalents (excluding bank subsidiaries) | 86,872 | – | – | – | – | 86,872 |
| Loans and advances to banks by banking subsidiaries | 175,084 | – | – | – | 218 | 175,302 |
| | 324,945 | 4,496 | 10,575 | 103 | 57,928 | 398,047 |
| Liabilities | | | | | | |
| Borrowings (excluding finance lease liabilities) | 5,562 | 27 | 39 | 24 | – | 5,652 |
| Finance lease liabilities | 28 | 15 | 11 | – | – | 54 |
| 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 |
| Other non-current liabilities | – | – | – | 107 | – | 107 |
| | 239,081 | 2,165 | 6,839 | 234 | 79 | 248,398 |

## 39 Financial instruments *(continued)*

Included in loans and advances to banks by banking subsidiaries repayable in less than 1 year is £196,505,000 (*2012: £139,210,000*) repayable on demand, £15,156,000 (2012: £35,874,000) repayable within 3 months and £1,884,000 (*2012: £nil*) repayable between 3 and 12 months.

Included in loans and advances to customers of banking subsidiaries repayable in less than 1 year is £11,779,000 (*2012: £7,615,000*) repayable on demand, £5,905,000 (*2012: £10,438,000*) repayable within 3 months and £9,283,000 (*2012: £5,148,000*) repayable between 3 and 12 months.

Included in held-to-maturity financial assets repayable in less than 1 year is £1,000,000 (*2012: £3,993,000*) repayable between 3 and 12 months.

Included in deposits by banks at banking subsidiaries repayable in less than 1 year is £2,268,000 (*2012: £2,631,000*) repayable on demand and £197,000 (*2012: £201,000*) repayable between 3 and 12 months.

Included in customer accounts held at banking subsidiaries repayable in less than 1 year is £163,143,000 (2012: £155,390,000) repayable on demand, £47,209,000 (*2012: £26,529,000*) repayable within 3 months and £6,637,000 (*2012: £8,885,000*) repayable between 3 and 12 months.

Included in borrowings in less than 1 year is £2,938,000 (*2012: £5,499,000*) repayable on demand.

## 40 Principal subsidiary and associated undertakings

**Subsidiary undertakings**
The principal operating subsidiary undertakings of the group at 31 December 2013, which are wholly owned and incorporated in Great Britain unless otherwise stated, were:

| | Principal country of operation |
|---|---|
| **Agriculture and horticulture** | |
| Amgoorie India Limited (Incorporated in India – 99.8 per cent. holding) | India |
| C.C. Lawrie Comércio e Participacões Ltda. (Incorporated in Brazil) | Brazil |
| Eastern Produce Cape (Pty) Limited (Incorporated in South Africa) | South Africa |
| Eastern Produce Kenya Limited (Incorporated in Kenya – 70.0 per cent. holding) | Kenya |
| Eastern Produce Malawi Limited (Incorporated in Malawi – 73.2 per cent. holding) | Malawi |
| Eastern Produce South Africa (Pty) Limited (Incorporated in South Africa – 73.2 per cent. holding) | South Africa |
| Goodricke Group Limited (Incorporated in India – 78.2 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 |
| Atfin GmbH (Incorporated in Germany – 51.0 per cent. holding) | Germany |
| British Metal Treatments Limited | UK |
| GU Cutting and Grinding Services Limited | UK |
| Loddon Engineering Limited | UK |

## 40 Principal subsidiary and associated undertakings *(continued)*

**Subsidiary undertakings** *(continued)*

| | Principal country of operation |
|---|---|
| **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 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 |
| **Other** | |
| XiMo AG (Incorporated in Switzerland – 51.0 per cent. holding) | Switzerland |

**Associated undertakings**

The principal associated undertakings of the group at 31 December 2013 were:

| | Principal country of operation | Accounting date 2013 | Group interest in equity capital per cent. |
|---|---|---|---|
| **Insurance and leasing** | | | |
| 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 |

**41 Control of Camellia Plc**

Camellia Holding AG holds 1,427,000 ordinary shares of Camellia Plc (representing 51.67 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 who is a director of The Camellia Private Trust Company Limited and acts as a trustee 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**

## Report on the financial statements

**Our opinion**

In our opinion:

- The financial statements, defined below, give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2013 and of the group's profit and of the group's and company's cash flows for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The 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.

This opinion is to be read in the context of what we say in the remainder of this report.

**What we have audited**

The group financial statements and company financial statements (the "financial statements"), which are prepared by Camellia Plc, comprise:

- the consolidated and company balance sheets as at 31 December 2013;
- the consolidated income statement and the group and company statement of comprehensive income for the year then ended;
- the group and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the company, as applied in accordance with the provisions of the Companies Act 2006.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 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 Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Report of the independent auditors

### Overview of our audit approach

*Materiality*

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the group financial statements as a whole to be £2.3million. This represents approximately 5% of the average headline profit before taxes (as defined in the annual report) over the last three years.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £0.1m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

*Overview of the scope of our audit*

The group is structured along four business lines being: Agriculture and horticulture, Engineering, Food storage and distribution and Banking and financial services. The group financial statements are a consolidation of 59 reporting units, comprising the group's operating businesses and centralised functions.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, or component auditors within PwC UK and from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

Accordingly, of the group's 59 reporting units, 46 reporting units were subject to an audit of their complete financial information, either due to their size or their risk characteristics. Specific audit procedures on certain balances and transactions were performed at a further reporting unit.

This, together with additional procedures performed at the group level including testing of the consolidation and audit of pensions and tax, gave us the evidence we needed for our opinion on the group financial statements as a whole.

*Areas of particular audit focus*

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the audit committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 17.

### *Area of focus* / *How the scope of our audit addressed the area of focus*

#### *Biological assets valuation*

**Area of focus**

We focused on this area due to the significance of biological assets to the balance sheet and the change in their valuation during the year, which is dependent upon a number of key assumptions and judgements determined by management.

**How the scope of our audit addressed the area of focus**

We developed an understanding of the valuation model adopted and met with management's valuation experts to challenge and test their assumptions and judgements, including life-span of the plantings, yields, selling prices, costs and discount rates.

For biological assets valued using management's own models, we recalculated the present value and tested their inputs and assumptions.

We assessed the consistency of the judgements made with the group's accounting policies and compared to those applied in prior periods.

We also physically inspected a sample of assets to evaluate their condition to determine whether the valuation ascribed to them was supportable.

#### *Risk of fraud in revenue recognition*

**Area of focus**

ISAs (UK&I) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the forecasted results.

We focussed on the timing and accuracy of revenue recognition, including whether the right to recognise revenue had been earned, because of the inherent risks associated with:

– Showing improved results across all revenue streams by reporting sales that have not occurred; and

– Risk of recognising revenue in the wrong period, especially where judgement is required to determine when contractual obligations have been met.

**How the scope of our audit addressed the area of focus**

We evaluated the appropriateness of the group's accounting policies with respect to revenue recognition.

Our audit procedures included:

– Testing relevant financial controls over revenue;

– Performing certain substantive procedures, including testing revenue recognised to cash received to test that, on a sample basis, the transactions had occurred;

– Identifying and testing a sample of material manual journal adjustments posted to revenue ,obtaining appropriate evidence ;

– Reading a sample of contracts to determine whether revenue was recognised in the correct period based on the contractual terms; and

– Testing whether transactions recorded around the financial year end had actually taken place and were accounted for in the correct period.

#### *Risk of management override of internal controls*

**Area of focus**

ISAs (UK&I) require that we consider this.

We assessed the risks arising from incentive plans and considered whether opportunities arose from any control weaknesses.

We focused our work on areas with significant accounting estimates or underlying judgments that could potentially be manipulated.

**How the scope of our audit addressed the area of focus**

We assessed the overall control environment at the group.

We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the senior, individually and in aggregate, that may represent a risk of material misstatement due to fraud.

We tested key accounts which require subjective judgements to be applied in their accounting e.g. biological assets and tested manual journal entries.

We tested non-standard or significant transactions outside the normal course of business.

We also incorporated an element of unpredictability into our audit procedures.

**Going Concern**

Under the Listing Rules we are required to review the directors' statement, set out on page 14, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the group's and company's financial statements using the going concern basis of accounting. The going concern basis presumes that the group and company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and the company's ability to continue as a going concern.

## Opinions on matters prescribed by the Companies Act 2006

In our opinion:

– the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements;

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

– the information given in the corporate governance statement set out on pages 15 to 18 in the annual report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

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

– we have not received all the information and explanations we require for our audit; or

– adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

– the company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from these responsibilities.

**Corporate Governance Statement**

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the corporate governance statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 19 of the annual report, as required by the Code Provision C.1.1, the directors state that they consider the annual report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy. On page 17, as required by C.3.8 of the Code, the audit committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the group acquired in the course of performing our audit; or
- the section of the annual report describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

We have no exceptions to report arising from this responsibility.

### Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 19, the directors are responsible for the preparation of the group and company 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 group and company financial statements in accordance with applicable law and ISAs (UK & 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.

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

24 April 2014

***Notes:***

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

## Five year record

| | 2013 £'000 | *2012 £'000 restated* | *2011 £'000* | *2010 £'000* | *2009 £'000* |
|---|---|---|---|---|---|
| Revenue – continuing operations | 251,267 | *261,529* | *246,849* | *251,181* | *230,270* |
| Profit before tax | 59,648 | *69,710* | *58,650* | *73,141* | *34,143* |
| Taxation | (22,105) | *(25,662)* | *(16,860)* | *(22,107)* | *(11,702)* |
| Profit from continuing operations | 37,543 | *44,048* | *41,790* | *51,034* | *22,441* |
| Profit attributable to owners of the parent | 28,297 | *31,210* | *33,086* | *41,984* | *15,897* |
| Equity dividends paid | 3,388 | *3,224* | *3,057* | *2,891* | *2,557* |
| **Equity** | | | | | |
| Called up share capital | 283 | *284* | *284* | *284* | *284* |
| Reserves | 332,183 | *313,526* | *321,308* | *329,209* | *293,570* |
| **Total shareholders' funds** | 332,466 | *313,810* | *321,592* | *329,493* | *293,854* |
| Earnings per share | 1,020.2p | *1,122.9p* | *1,190.4p* | *1,510.5p* | *571.9p* |
| Dividend paid per share | 122p | *116p* | *110p* | *104p* | *92p* |