Camellia Plc

2008

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

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

Camellia Plc

Report and accounts 2008

Contents

page

Camellia Plc

Directors and advisers

Directors	M C Perkins, FCA	*Chairman*
	C J Relleen, FCA	*Deputy chairman, independent non-executive director and senior independent director (i) (ii)*
	C J Ames, FCA	*Executive director*
	P J Field	*Executive director*
	P A Leggatt, MBE	*Executive director*
	A K Mathur, FCA	*Finance director*
	D A Reeves, MSc	*Non-executive director (i)*
	Dr B A Siegfried	*Non-executive director*
	C P T Vaughan-Johnson, FCIB	*Independent non-executive director (i) (ii)*
	(i) Member of audit committee	
	(ii) Member of remuneration committee	
Secretary	M D Conway, FCIS	
Executive committee	M C Perkins	*Chairman*
	A K Mathur	*Finance*
	C J Ames	*Managing director UK operations*
	P J Field	*Managing director banking and financial services*
	I Ahmed	*Bangladesh*
	M D Conway	*Corporate secretarial and administration*
	G A Mclean	*Kenya, Malawi and South Africa*
	A Singh	*India*
	K W Tarplee	*Africa*

Registered office

Linton Park
Linton
Near Maidstone
Kent ME17 4AB
Registered Number 29559

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors

Moore Stephens LLP
Chartered Accountants
St Paul's House
Warwick Lane
London EC4M 7BP

Website

www.camellia.plc.uk

Notice of annual general meeting

Notice is hereby given that the annual general meeting of Camellia Plc ("the company") will be held at The Goring Hotel, Beeston Place, Grosvenor Gardens, London SW1W 0JW on Wednesday, 3 June 2009 at 11.30 a.m. for the transaction of the following business:

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

1. That the company's annual accounts for the year ended 31 December 2008 together with the directors' report and the auditors' report on those accounts and the audited part of the directors' remuneration report be received.
2. That the directors' remuneration report for the year ended 31 December 2008, which is set out in the annual report of the company for that year, be approved.
3. That the final dividend recommended by the directors of 72p per ordinary share for the year ended 31 December 2008 be declared payable on 2 July 2009 to holders of ordinary shares registered at the close of business on 12 June 2009.
4. That Mr M C Perkins be re-elected as a director.
5. That Mr P A Leggatt be re-elected as a director.
6. That Mr A K Mathur be re-elected as a director.
7. That Mr D A Reeves be re-elected as a director.
8. That Mr C J Relleen be re-elected as a director.
9. That Dr B A Siegfried be re-elected as a director.
10. That Mr C P T Vaughan-Johnson be re-elected as a director.
11. That Mr C J Ames who has been appointed a director since the last annual general meeting be elected as a director.
12. That Mr P J Field who has been appointed a director since the last annual general meeting be elected as a director.
13. That Moore Stephens LLP be reappointed as auditors to the company until the conclusion of the next annual general meeting of the company.
14. That the directors be authorised to determine the auditors' remuneration.

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

Special business

15. That the company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Companies Act 2006 ("the Act") to make market purchases (as defined in Section 693 of the Act) of ordinary shares of 10p each in the capital of the company ("ordinary shares") provided that:

15.1 the maximum number of ordinary shares hereby authorised to be purchased is 277,950, representing 10 per cent. of the voting rights in the company;

15.2 the minimum price (exclusive of expenses) which may be paid for such shares is 10p per share, being the nominal amount thereof;

15.3 the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5 per cent. above the average of the middle market quotations for such shares taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which the purchase is made and (ii) the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the trading venue where the purchase is carried out;

15.4 the authority hereby conferred shall (unless previously renewed or revoked) expire at the conclusion of the annual general meeting of the company next following the meeting at which the resolution is passed or fifteen months thereafter, whichever is the earlier; and

Notice of annual general meeting

15.5 the company may, under the authority hereby conferred and prior to the expiry of that authority, make a contract to purchase its own ordinary shares which will or may be executed wholly or partly after the expiry of that authority and may make a purchase of its own ordinary shares in pursuance of any such contract.

By order of the board
M D Conway
Secretary
28 April 2009
Registered office:
Linton Park
Linton, Near Maidstone
Kent, ME17 4AB

Notes

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his place. A proxy need not be a member of the company.
2. To appoint a proxy you may use the form of proxy enclosed with this notice of annual general meeting. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited not later than 48 hours before the meeting (or any adjournment thereof) at the offices of the company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Completion of the form of proxy will not prevent you from attending and voting in person.
3. A member may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. The proxy holder's name should be provided and the number of shares in relation to which they are authorised to act as proxy (which, in aggregate, should not exceed the number of shares held by the member appointing the proxy). If the proxy instruction is one of multiple instructions being given this should be made clear. All forms must be signed and should be returned together in the same envelope. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by the shareholder may result in the appointment being invalid.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the annual general meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members of other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent, Capita Registrars (ID RA1Ø), by 1 June 2009 at 11.30 a.m.. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

   The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.
5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the company specifies that only those shareholders registered in the register of members as at 6.00 p.m. on 1 June 2009 or, in the event that the annual general meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the aforesaid annual general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 6.00 p.m. on 1 June 2009 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the company in respect of the relevant joint holding.

Notice of annual general meeting

7. In order to facilitate voting by corporate representatives at the annual general meeting, arrangements will be put in place so that:
   (a) if a corporate member has appointed the chairman of the annual general meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the annual general meeting, then, on a poll, those corporate representatives will give voting directions to the chairman and the chairman will vote or withhold a vote as corporate representative in accordance with those directions; and
   (b) if more than one corporate representative for the same corporate member attends the annual general meeting but the corporate member has not appointed the chairman of the annual general meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

   Corporate members are referred to the guidance issued by The Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk for further details of this procedure. The guidance includes a sample form of representation letter to appoint the chairman as a corporate representative as described in (a) above. **The Institute of Chartered Secretaries and Administrators recommends the use of multiple proxies wherever possible in favour of corporate representative.**
8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a nominated person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a nominated person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the company under section 527 of the Companies Act 2006, the company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the annual general meeting; or (ii) any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website.

   The business which may be dealt with at the annual general meeting includes any statement that the company has been required under section 527 of the Companies Act 2006 to publish on a website.
10. Copies of service contracts between the directors, and the company or its subsidiary undertakings are available for inspection at the registered office of the company, Linton Park, Linton, Near Maidstone, Kent, ME17 4AB, during usual business hours on any weekday (public holidays excluded) from the date of the notice until the conclusion of the annual general meeting and will be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and during the meeting.
11. As at 27 April 2009 (being the last business day prior to publication of this Notice) the company's issued share captial consisted of 2,842,000 ordinary shares of 10 pence each. The company has 62,500 issued ordinary shares of 10 pence each that are classified as treasury shares. The total number of voting rights in the company as at 27 April 2009 is therefore 2,779,500.

Chairman's statement

The profit before tax for the year to 31 December 2008 amounted to £24.04 million compared to £30.65 million in the previous year. The group enjoyed a successful year in 2008 particularly in respect of its agricultural operations and the underlying trading profit increased from £9.1 million in 2007 to £23.2 million in 2008. However, exceptional items in respect of an impairment at Siegfried of £15.7 million and a substantial increase arising from the change in the fair value of biological assets of £8.9 million resulted in a profit from operations of £24.3 million compared to £30.3 million in the previous year which latter figure included one-off exceptional gains of £7.8 million. The group has benefited from the relative weakness of sterling against other currencies.

Dividend

The board is recommending a final dividend of 72p per share, which together with the interim dividend already paid of 20p per share, brings the total distribution for the year to 92p per share thereby maintaining the dividend at the same rate as 2007.

Agriculture and horticulture

Tea

India

Tea production in India amounted to 32.4 million kilos, a marginal decline over the previous year. This decline was the result of dry weather conditions at the beginning of the year and the incidence of extensive and unprecedented pest damage in Assam. Production costs increased due to the substantial rises in the price of fuel, fertilizers and pest control measures, a situation that was repeated in Bangladesh, Kenya and Malawi. Wage rates in India also increased during the year. Tea sale prices also rose and more than compensated for the additional expenditure resulting in very satisfactory profits. The factory up-grade programme continues to justify the ongoing capital investment.

After many years of political agitation in Assam, concern must now be expressed about recent events in Darjeeling and the Dooars. A newly-formed political party, the GJMM, is pressing the government to incorporate the areas of Darjeeling and the Dooars into a new state separate from West Bengal. The local government in Darjeeling has effectively ceased to exist and there has been agitation in the Dooars. It is to be hoped that the present impasse can be peacefully resolved.

Bangladesh

Tea production in Bangladesh was marginally ahead of 2007. A large amount of replanting is being undertaken which will depress production for the next few years until the young tea reaches maturity. Tea prices increased by some 37% resulting in much improved profitability.

In December 2008 the group acquired a 100% interest in Surmah Valley Tea Company which was previously a subsidiary of our associate company, United Insurance.

Kenya

Kenya started the year in political turmoil and with a prolonged drought. Our management is to be commended for the exemplary manner in which they dealt with a potentially explosive situation during this very difficult period. The rains eventually returned and at the end of the year production was only slightly lower than the excellent crops achieved in 2007. High sales prices have resulted in a satisfactory return from our operations. Financial problems in Pakistan, a major buyer of Kenyan tea, had some impact on the market in the latter part of the year and this may also continue in 2009. The recent large increase in the cost of labour is also a cause of concern.

A further tranche of shares in Siret Tea Company was sold by Kakuzi to the local community during the year, taking their equity holding to 24%.

Malawi

Production in Malawi reduced in the year mainly as a result of climatic conditions. As elsewhere, sale prices increased and with the continued implementation of tight cost control measures we were able to maintain acceptable profits. The Malawi Kwacha has remained stubbornly strong against the dollar which resulted in a negative impact on our income from exports when converted to the local currency.

Chairman's statement

Edible nuts

Horizon Farms enjoyed a most satisfactory year for both production and prices in its pistachio orchards in California.

Our macadamia operations in both Malawi and South Africa increased their production over 2007 and achieved higher prices resulting in satisfactory profits. 258 hectares of macadamia have now been planted by Kakuzi in Kenya and further planting will take place during 2009.

Other horticulture

Kakuzi's avocado production increased but profitability was reduced due to lower sale prices. The port at Mombasa all but ceased to function during our critical shipment period and, as a result, a proportion of our fruit arrived in the market in a distressed condition. Significant claims by Kakuzi are outstanding.

Rubber production in Bangladesh was similar to the previous year but prices were somewhat lower. A further 105 hectares of rubber were planted during the year.

CC Lawrie in Brazil enjoyed a good year with production exceeding expectations and with high sales prices particularly for soya. 2008 also benefited from the sale of wheat carried over from production in 2007. A further four centre pivot irrigation systems have been installed on the farm during the year which now brings the total to thirteen covering an area of 1,370 hectares.

Citrus production in California was almost double that of the previous year on account of the orchards becoming more mature. Prices were good and the results from this operation were most encouraging.

Wine grape production in both Chile and South Africa was ahead of last year. Table grape production in Chile was similar to the previous year. Prices of both wine grapes and table grapes improved but, particularly in the case of Chile, were not sufficient to offset the costs of production. A significant problem continued to be that of a strong Chilean currency compared to the US dollar. High interest costs also contribute to the unacceptable losses being made in Chile and our strategy regarding this investment is currently under review.

Food storage and distribution

The anticipated improvement in the results of our temperature-controlled food storage and distribution operations duly materialized despite the increased costs of energy and a very competitive market. A modest profit was made and debt has been substantially reduced. Associated Cold Stores & Transport has recently become one of the first temperature-controlled logistics providers to achieve British Retail Consortium certification across all of its operating sites and is a testament to its commitment to quality of service, hygiene and product safety.

Our food distribution companies in the Netherlands produced satisfactory profits albeit slightly lower than the previous year.

Engineering

Some of our engineering companies experienced a less successful year in 2008 than in 2007. Although there were a significant number of enquiries the actual conversion of such enquiries into orders became more difficult to achieve in the prevailing global economic situation. In particular, Abbey Metal Finishing suffered from a fall-off in the defence sector and a number of oil-related projects have been deferred. It is however pleasing to note that General Utilities, our grinding and profile cutting business where a second water jet cutting machine has been installed, achieved record results as did our heat treatment operation in Scotland.

Banking and financial services

The almost total collapse of the banking industry in general in the latter part of 2008 is well known. It is pleasing therefore to report that Duncan Lawrie made a profit in the year despite exceptional expenditure in respect of amalgamation, premises and IT costs. Duncan Lawrie also had to bear a large increase in its pension costs following a triennial valuation of the pension fund.

Duncan Lawrie continues to pursue a very conservative banking policy. Its loan book is restricted to shareholder's funds and clients' deposits are placed in the money market. It has become increasingly difficult to lend into this market which is starved of borrowers who are not perceived as a risk to our deposit base and margins have suffered accordingly. Much has been written about the cause and effect of the banking crisis and I do not propose to dwell further on it here, except to say

Chairman's statement

that it is unfortunate at the least that Duncan Lawrie has been called upon, and will no doubt continue to be called upon, to contribute to banking compensation schemes that make good losses of those who embarked on hazardous lending policies that are totally contrary to accepted prudent banking practices, for reasons that must surely include corporate and personal greed, and that we now have to be party to paying for their lack of judgment and their excesses.

Pharmaceuticals

Siegfried Holding AG experienced a difficult year in 2008 resulting in an operating profit of CHF12.3 million. In addition Siegfried booked an impairment provision of CHF97 million in respect of goodwill and non-financial assets resulting in a net loss for the year of CHF74.8 million. The net loss for the year included approximately CHF12 million in respect of the development of inhalation technology for generic asthma products. This project is still in its early stages.

Siegfried has implemented a comprehensive restructuring programme and cost savings will be derived from improved processes, streamlined structures and accelerated throughput time.

Other associated undertakings and investments

United Leasing in Bangladesh saw an increase in profits over the previous year. United Insurance benefited from the increased earnings of Surmah Valley Tea Company due to the increase in the price of tea. Surmah Valley Tea Company has now become wholly owned by the group and the profit on the sale has enabled United Insurance to comply with government regulations for increased equity capital in the insurance sector.

BF&M Limited increased gross premiums written in 2008 by 9% over the previous year. The company maintains a conservative investment policy, and whilst the investment performance was affected by volatility in global and Bermudian markets, the decline in value of investments was less than 2%. However, higher claims and expenses resulted in net earnings for 2008 of BD$22.2 million compared with the record BD$27.3 million in 2007.

With effect from 1 July 2008 , the group has had representation on the board of West Hamilton Holdings Limited, a Bermudian property company that has been reclassified from a financial asset to an investment in an associate. The share prices of our other investments in Bermuda and elsewhere have fallen in dollar terms but the impact has been limited on conversion to sterling.

Development

Notwithstanding the current global economic situation we are continuing to develop our operations where we are satisfied that such expenditure will provide a positive return over the forthcoming years. In particular, we are continuing with our factory modernisation plan in India, replanting old and uneconomic tea in India and Bangladesh, planting macadamia in Kenya, up-grading factories in Malawi, increasing the number of centre pivot irrigation systems in Brazil, investing in computer systems at Duncan Lawrie, installing modern machinery in our engineering facilities and building a new powder coating facility to complement our galvanizing plant in Great Yarmouth.

Pensions

Two of our UK final salary pension schemes are subject to a triennial actuarial valuation as at 31 December 2008. The methodology to be used by the actuaries to calculate the likely deficits of these schemes will be based on assumptions and indices that are presently unstable due to the continually changing economic conditions, in particular in respect of inflation and interest rates.

It is my belief that the deficits will not be representative of the underlying viability of the schemes and I hope that a flexible position will be taken by those involved in deciding how such deficits are to be treated to avoid a review as to whether the schemes should be continued in their present format.

Chairman's statement

The global economic situation

Shareholders will rightly be interested to know how the present global economic situation might impact on the future of the Camellia Group. Our operations have generally enjoyed a good year in 2008 and as far as our agricultural investments are concerned, in particular tea, I see no reason why this should not continue into 2009. However, every day brings fresh reports of further economic slowdown and job losses. There is a crisis of confidence which is having an effect on the activity of some of the sectors in which we operate including banking, engineering and pharmaceuticals. The banks are still reluctant to lend but fortunately, Camellia has significantly reduced its borrowings over the last few years. This stands us in good stead to deal with the worst that the recession or even a depression might throw at us. Control of our customers' outstanding debtor balances must remain a major priority and we will do everything possible to preserve our liquidity whilst still allowing our companies to continue with their developments, some of which are mentioned above.

Staff

In many parts of the group our staff have experienced very difficult conditions and our thanks are due to them for the very competent manner in which they have discharged their responsibilities.

M C Perkins
Chairman

28 April 2009

Report of the directors

The directors present their report together with the audited accounts for the year ended 31 December 2008.

Principal activities

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

Agriculture and horticulture – the production of tea, citrus, edible nuts, grapes, other horticultural produce and general farming
Engineering – metal finishing, fabrication, precision engineering and heat treatment
Food storage and distribution
Insurance
Pharmaceuticals
Private banking and financial services
The holding of investments

Further details of the group's activities are included in the chairman's statement on pages 6 to 9.

Results and dividends

The profit for the year amounted to £16,493,000. The board has proposed a final dividend for the year of 72p per share payable on 2 July 2009 to holders of ordinary shares registered at the close of business on 12 June 2009. The total dividend for 2008 is therefore 92p per share (2007: 92p per share).

Directors

The directors of the company are listed on page 2. The following directors had beneficial interests in the share capital of the company:

	31 December 2008	1 January 2008
Camellia Plc ordinary shares of 10p each:		
M C Perkins	1,573	1,043
C P T Vaughan-Johnson	1,000	700

There have been no changes in the interests of directors between 31 December 2008 and the date of this report.

Mr C J Ames and Mr P J Field were appointed to the board as executive directors on 1 October 2008.

Under the company's articles of association all the directors are required to retire annually. Accordingly, Mr M C Perkins, Mr C J Relleen, Mr P A Leggatt, Mr A K Mathur, Mr D A Reeves, Dr B A Siegfried and Mr C P T Vaughan-Johnson retire and, being eligible, seek re-election. In addition, Mr C J Ames and Mr P J Field having been appointed to the board since the last annual general meeting will retire and seek re-election.

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

Executive directors

Mr M C Perkins was appointed a director in 1999 and chairman in 2001 having joined Eastern Produce (Holdings) Limited (now Linton Park Plc) in 1972. He is a chartered accountant. Mr Perkins is also chairman of Duncan Lawrie Holdings Limited and a director of Goodricke Group Limited and Siegfried Holding AG. Aged 64.

Mr C J Ames, a Chartered Accountant, is Managing Director UK operations and a non-executive director of Duncan Lawrie Holdings Limited and also works with the chairman on the management of the group's operations in Africa. He was previously Managing Director of Douglas Deakin Young Limited which was acquired by the Camellia group in February 2005. Prior to that he was a partner of PricewaterhouseCoopers. Aged 55.

Mr P J Field is Managing Director banking and financial services and heads Duncan Lawrie Limited. Mr Field also works with the chairman on the management of the group's operations in India and Bangladesh. Before joining the group in 1987, Mr Field was with Grindlays Bank engaged primarily with their business in the Indian subcontinent. Aged 58.

Report of the directors

Mr P A Leggatt is chairman of Goodricke Group Limited. He was appointed a director in 1999, having joined the group in 1988. Aged 66.

Mr A K Mathur, is a chartered accountant and joined the group in 1981. He was appointed finance director in 1999 and is also a director of Goodricke Group Limited. Aged 61.

Non-executive directors

Mr C J Relleen was formerly a partner in PricewaterhouseCoopers. He was appointed an independent non-executive director and deputy chairman in January 2006 having previously been a non-executive director of Linton Park Plc. Mr Relleen is also a non-executive director of Duncan Lawrie Holdings Limited. He is the senior independent director, chairman of the audit committee and a member of the remuneration committee. Aged 60.

Mr D A Reeves was appointed a director in 2001. Following a long career with the Bank of England, Mr Reeves joined the group in 1998 and was managing director of Duncan Lawrie Limited. He became a non-executive director of the company in 2002 and is a member of the audit committee. Aged 62.

Dr B A Siegfried was appointed to the board as a non-executive director in August 2006 having previously been a director of Linton Park Plc. Dr Siegfried is a director and honorary chairman of Siegfried Holding AG. Aged 74.

Mr C P T Vaughan-Johnson, who was formerly president and chief executive officer of the Bank of Bermuda, was appointed a director in 1999. He is chairman of the remuneration committee and a member of the audit committee. Mr Vaughan-Johnson is also a non-executive director of Duncan Lawrie Holdings Limited. Aged 75.

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 2008 and a description of principal risks and uncertainties facing the group. A fair review of the business of the group is incorporated within the chairman's statement on pages 6 to 9. The chairman's statement together with information contained within the report of the directors highlight the key factors affecting the group's development and performance. Other matters are dealt with below.

Principal risks and uncertainties

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

Agriculture and horticulture

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

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

In India, separatist groups have for many years been involved in episodes of violence in Assam. Whilst this is a matter of major concern, the group's operations in this region have generally been able to trade normally. More recently, there has been an increase in activity by a separatist group in Darjeeling and the Dooars.

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

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

– credit risk – the lending of money gives rise to a credit risk. The company lends money to customers and places money with other banks and holds interest bearing securities. This credit risk is managed by strict internal procedures. The company limits itself to lending no more than its share capital and reserves.

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

Duncan Lawrie Limited has no exposure to the sub-prime mortgage market but in a period of low interest rates and low stock market values, its income stream will inevitably be affected.

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

Credit risk

The global economic recession may affect some of the group's customers. Credit control procedures are in place but a 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 consistently managed across the group.

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

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

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

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

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

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

Our approach

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

Our approach is based on the implementation by group businesses of our Statement of Business Principles. The business principles were adopted by the board during 2005, and set out the group's specific policy commitments in the areas of business integrity, health and safety, environmental matters, social issues and human resources (see www.camellia.plc.uk). These principles will be reviewed by the board later in 2009.

Performance

There are no current employment or environmental issues that prejudice the continuing development of the group. No group businesses were prosecuted for any breach of employment or environmental legislation during 2008.

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

- Members of the executive committee must ensure that the businesses for which they are responsible adopt the business principles and have implementation plans in place.
- A more formal structure for business reporting and data collection against the requirements of the business principles has been established.
- A set of key non-financial performance indicators has been developed to enable better measurement of group performance.

Key financial performance indicators

Return on segmental assets

The nature of the group's principal activities is such that the board takes a long-term view on its operations, particularly in agriculture. It is also concerned to improve the quality of the group's assets over the long-term and monitors that by reference to return on segmental assets achieved in the main segments of the business which are then compared against budget.

Return on segmental assets (continued)

The return achieved in the current and prior year was as follows:

	Agriculture and horticulture		Engineering		Food storage and distribution		Banking and financial services	
	2008	*2007*	2008	*2007*	2008	*2007*	2008	*2007*
Segment net assets (£'000)	185,707	*129,008*	11,991	*12,369*	20,689	*19,969*	29,124	*29,056*
Segment profit (£'000)	23,349	*9,072*	1,814	*2,124*	1,156	*(133)*	666	*1,431*
Return on segmental assets (%)	12.57	*7.03*	15.13	*17.17*	5.59	*(0.67)*	2.29	*4.92*

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

Group borrowings ratio

The board's objective is to ensure that gross borrowings as a percentage of tangible net assets do not exceed 50%. The ratio achieved was 10.16%. (2007: 10.30%).

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

Key non-financial performance indicators

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

		KPI definition	Agriculture and horticulture		Engineering		Food storage and distribution		Banking and financial services	
1	**Compliance**		2008	*2007*	2008	*2007*	2008	*2007*	2008	*2007*
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	–	–	–	–	–	–	–	–
		Worker health and safety	–	–	–	–	–	–	–	–
		Environmental protection	–	–	–	–	–	–	–	–
b)	Formal warnings	The number of written warnings during the financial year by the official regulatory bodies responsible for enforcing regulations in the areas of:								
		Employment	–	–	–	–	–	–	–	–
		Worker health and safety	2	*1*	–	–	–	–	–	–
		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	78	*145*	1	*2*	11	*12*	–	*1*
4	**Health**									
a)	Sickness absence	The number of employee days absence as a result of sickness during the financial year	148,776[(i)]	*153,877*[(i)]	3,869	*2,945*	2,854	*3,235*	566	*166*
b)	Sickness claims	The number of claims for compensation arising from occupational health issues received during the financial year in respect of continuing operations	248	*126*	–	–	1	*3*	–	–

(i) This excludes tea garden workers in India who have a contractual entitlement to fourteen days sickness absence. It also excludes the operations in Malawi where there are high levels of sickness due to HIV/AIDS related conditions and malaria.

Report of the directors

Substantial shareholdings

As at 28 April 2009 the company had been advised of the following interests in the share capital of the company:

Camellia Private Trust Company Limited held through its subsidiary, Camellia Holding AG, 1,427,000 ordinary shares (51.34 per cent. of total voting rights).

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

Alcatel Bell Pensioenfonds VZW held (through HSBC Global Custody Nominees (UK) Limited) 223,015 ordinary shares (8.023 per cent. of total voting rights).

Charitable contributions

During the year the group made charitable donations totalling £4,770 (2007: £9,486). Of this amount £3,365 was paid to arts, sports and education related charities and £1,405 was paid to local hospitals and health related charities.

Employees

It is group policy to keep employees informed, through internal publications and other communications, on the performance of the group and on matters affecting them as employees and arrangements to that end are made by the management of individual subsidiary undertakings.

It is also group policy that proper consideration is given to applications for employment received from disabled persons and to give employees who become disabled every opportunity to continue their employment.

Payment of creditors

It is group policy to agree payment terms with suppliers when negotiating business transactions and to pay suppliers in accordance with contractual or other legal obligations. The company has no trade creditors. Group trade creditors at 31 December 2008 represented 35 days (2007: 30 days) of annual purchases.

Share capital and purchase of own shares

The company's share capital comprises one class of ordinary shares of 10 pence each which carry no restrictions on the transfer of shares or on voting rights (other than as set out in the company's articles of association). There are no agreements known to the company between shareholders in the company which may result in restrictions on the transfer of shares or on voting rights in relation to the company. Details of the issued share capital are contained in note 33 to the accounts.

At the annual general meeting in 2008, shareholders gave authority for the company to purchase up to 277,950 of its own shares. This authority expires at the conclusion of this year's annual general meeting on 3 June 2009.

Explanatory notes to the notice of annual general meeting

Resolution 1 – Company's annual report and accounts 2008 (ordinary resolution)
Company law requires the directors to present to the annual general meeting, the annual accounts, the directors' report and the auditors' report on those accounts.

Resolution 2 – Directors' remuneration report 2008 (ordinary resolution)
This resolution asks shareholders to approve the directors' remuneration report for the year ended 31 December 2008.

Resolution 3 – Final dividend (ordinary resolution)
The payment of a final dividend of 72 pence per share in respect of the year ended 31 December 2008, which is recommended by the board, requires the approval of the shareholders at the annual general meeting.

Resolutions 4 to 12 – Re-election of directors (ordinary resolutions)
At the annual general meeting, Mr M C Perkins, Mr C J Relleen, Mr P A Leggatt, Mr A K Mathur, Mr D A Reeves, Dr B A Siegfried and Mr C P T Vaughan-Johnson will retire and are offering themselves for re-election in accordance with the company's articles of association. In addition, Mr C J Ames and Mr P J Field who were appointed to the board on 1 October 2008 will retire and are offering themselves for election.

Resolutions 13 and 14 – Reappointment of auditors and determination of their remuneration (ordinary resolutions)
The company is required to appoint auditors at each annual general meeting at which accounts are presented, to hold office until the conclusion of the next such meeting. The audit committee has reviewed the effectiveness, independence and objectivity of the external auditors, Moore Stephens LLP, on behalf of the board, who now propose their reappointment as auditors of the company. Resolution 14 authorises the directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors. In practice, the audit committee will consider the audit fees for recommendation to the board.

Resolution 15 – Purchases of own shares by the company (special resolution)
Resolution 15 to be proposed at the annual general meeting seeks authority from holders of ordinary shares of 10 pence each in the capital of the company ("shares") for the company to make market purchases of its own shares, such authority being limited to the purchase of approximately 10 per cent. of the voting rights in the company as at 28 April 2009. The maximum price payable for the purchase by the company of its own shares will be limited to the higher of 5 per cent. above the average of the middle market quotations of the company's shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the purchase and the price of the last independent trade of a share and the highest current independent bid for a share as derived from the trading venue where the purchase is carried out.

The minimum price payable by the company for the purchase of its own shares will be 10 pence per share (being the amount equal to the nominal value of a share). The authority to purchase the company's own shares will only be exercised if the directors consider that there is likely to be a beneficial impact on earnings per share and that it is in the best interests of the company at the time. The company is able to hold in treasury any shares purchased by it using its distributable profits. Such shares will remain in issue and are capable of being re-sold by the company. The company may take advantage of this ability to the extent that it exercises the authority to buy back its shares, so as to hold the purchased shares in treasury.

Auditors

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

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

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

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

Action to be taken

You are asked to either:

1. Complete the form of proxy at the back of this document and return it, together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof, to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, so as to arrive no later than 11.30 a.m. on 1 June 2009.

2. If you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described at note 4 in the notes to the notice of the annual general meeting.

Completion of the form of proxy or appointment of a proxy through CREST does not prevent you from attending and voting in person.

Recommendation

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

By order of the board
M D Conway
Secretary

28 April 2009

Corporate governance

Statement of compliance

This statement describes how the company applies the main principles of the Combined Code on Corporate Governance ("the Code"). In implementing the Code, the directors have taken account of the company's size and structure and the fact that there is a controlling shareholder.

The following are those areas of the Code that have not been implemented:

(i) the roles of the chairman and the chief executive are combined;

(ii) the audit committee comprises one non-executive and two independent non-executive directors;

(iii) formal evaluation procedures for the board, its committees and directors have not been established.

(iv) the board has not established a nomination committee.

The board

The board currently comprises nine directors. Two are independent non-executive directors and two are non-executive directors. The remaining directors are executive directors, including the executive chairman. Mr Relleen, the deputy chairman, has been designated as the senior independent director. During the year, Mr Ames and Mr Field were appointed to the board, as executive directors. The increase in the number of executive directors has, in the opinion of the board enhanced the balance of the board and the management of the group generally. The names and brief biographical details of each director appears on pages 10 to 11.

Mr Vaughan-Johnson was first appointed to the board in 1999. The board, having taken into consideration provision A.7.2 of the Code, considers it is in the best interest of the company for Mr Vaughan-Johnson to continue to act as an independent non-executive director. The board considers that Mr Vaughan-Johnson remains independent and that given the relative complexity and geographical spread of the group, Mr Vaughan-Johnson's experience is of considerable benefit.

There is ongoing dialogue between the chairman and the majority shareholder whose views are reported to the board. The company is also in contact with another major shareholder. During the year, the senior independent director met with an institutional investor to discuss governance issues.

The directors believe that given the size and structure of the board and that there is a controlling shareholder and that the entire board participates in all major decisions, the combination of the roles of chairman and chief executive is appropriate. The board also considers that board appointments should remain the responsibility of the entire board and therefore a nomination committee has not been established.

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 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.

Corporate governance

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 2008.

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

	Board	Audit	Remuneration
Mr M C Perkins	10/10	–	–
Mr C J Relleen	10/10	4/4	2/2
Mr C J Ames(ii)	3/3	–	–
Mr P J Field(ii)	3/3	–	–
Mr A K Mathur	10/10	4/4(i)	–
Mr P A Leggatt	10/10	–	–
Mr D A Reeves	10/10	4/4	–
Dr B A Siegfried	8/10	–	–
Mr C P T Vaughan-Johnson	9/10	4/4	2/2

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

(ii) Mr Ames and Mr Field were appointed to the board on 1 October 2008.

The board has not established formal performance evaluation procedures of itself, the directors or its committees. The board will continue to review whether implementation of such procedures is appropriate.

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	Managing director UK operations
P J Field	Managing director banking and financial services
I Ahmed	Bangladesh
M D Conway	Corporate secretarial and administration
G A Mclean	Kenya, Malawi and South Africa
A Singh	India
K W Tarplee	Africa

Audit committee

The audit committee is chaired by Mr Relleen. The other members of the committee are Mr Reeves and Mr Vaughan-Johnson. Mr Reeves, a non-executive director, serves as a member of the audit committee as the board considers that his experience gained from a long career at the Bank of England is of considerable benefit. During 2008, the committee met on four occasions.

The principal responsibilities of the Audit committee are:

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

During the year the committee's work included discharging these responsibilities and, in addition, it reviewed its terms of reference taking into account the Guidance on Audit Committees issued by the Financial Reporting Council in October 2008.

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 auditors' objectivity and independence was safeguarded.

The audit committee will, during 2009, consider the ongoing appointment of the external auditor.

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 twice during 2008. The remuneration report appears on pages 21 to 23.

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.

Internal control

The directors acknowledge that they are responsible for maintaining a sound system of internal control. During the year, the audit committee, on behalf of the board, reviewed the effectiveness of the framework of the group's system of internal control, the principal features of which are described below.

Decentralisation is a key management philosophy with responsibility for efficient day to day operations delegated to local management. Accountability and delegation of authority are clearly defined with regular communication between group head office and local management. The performance of each company is continually monitored centrally including a critical review of annual budgets, revised forecasts and monthly sales, profits and cash reports. Financial results and key business statistics and variances from approved plans are carefully monitored. Senior management regularly visit and review the group's operating units. However, any system of internal control can provide only reasonable, and not absolute, assurances against material mis-statement or loss.

Going concern

After reviewing the group's budget for 2009 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 financial statements.

By order of the board
M D Conway
Secretary

28 April 2009

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the group and parent company 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. The directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law and Article 4 of the IAS Regulation and have elected to prepare company financial statements in accordance with IFRSs.

The group and parent company financial statements are required by law to 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 those financial statements, the directors are required to:

– select suitable accounting policies and apply them consistently;

– make judgements and estimates that are reasonable and prudent;

– state whether applicable accounting standards have been followed, subject to any material departures being 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that comply with company law.

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

By order of the board
M C Perkins
Chairman

28 April 2009

Remuneration report

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

Policy on directors' remuneration

In determining remuneration policy and the remuneration of directors, full consideration has been given to the relevant provisions of the Combined Code. The board seeks to provide remuneration packages that will attract, retain and motivate the best possible person for each position. The board also wishes to align the interests of executives with shareholders. The group's activities are based largely on agriculture and horticulture, which are highly dependent on factors outside management control (e.g. weather, market prices for our produce etc.), and is a significant consideration as to why the company does not operate profit related bonus, share option or share incentive schemes for directors.

Service contracts

Messrs Perkins, Ames, Leggatt and Mathur are each employed by Linton Park Plc on rolling service contracts. Mr Field is employed by Duncan Lawrie Limited. Mr Perkins' service contract is dated 25 April 2002, Mr Mathur's service contract is dated 1 December 2003, Mr Leggatt's service contract is dated 1 January 2004, Mr Ames' service contract is dated 24 April 2009 and Mr Field's service contract is dated 25 September 2002. The service contracts are terminable at any time by a one year period of notice from the relevant employing 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 director's employment. The remuneration committee reviews salaries annually and will seek independent professional advice when appropriate. Since March 2006, Mr Perkins has spent significantly more time on the group's operations outside of the UK and, to reflect this, Mr Perkins' salary from Linton Park Plc was reduced and he received the balance of this remuneration from Lawrie International Limited.

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

Directors' remuneration

	Basic remuneration 2008 £	Benefits in kind 2008 £	Total 2008 £	*Total 2007 £*
Executive				
M C Perkins	345,980	26,476	372,456	*338,189*
C J Ames	46,250	4,682	50,932	–
P J Field	46,250	3,720	49,970	–
P A Leggatt	129,270	17,794	147,064	*139,668*
A K Mathur	172,434	20,621	193,055	*187,332*
Non-executive				
D A Reeves	20,000	–	20,000	*20,000*
C J Relleen	37,500	–	37,500	*51,594*
Dr B A Siegfried	10,000	–	10,000	*10,000*
C P T Vaughan-Johnson	32,500	–	32,500	*32,500*
	840,184	73,293	913,477	*779,283*

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

Remuneration report

Directors' pensions

Most UK employees, including executive directors, are eligible to join pension schemes operated within the group. Mr Perkins is a member of The Linton Park Group Pension Scheme. Mr Field and Mr Mathur are members of The Lawrie Group Pension Scheme. Members of The Lawrie Group Pension Scheme contribute 6 per cent. of their basic salary. Members of The Linton Park Group Pension Scheme contributed 7 per cent. of their basic salary up until 1 May 2008 (November 2008 in some cases) and thereafter at a rate of 8 per cent.. Pension accrues at the rate of 1/60th of basic final salary per year of service for Messrs Perkins, Field and Mathur. 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. Both schemes provide for a lump sum death in service benefit of four times basic salary and a spouse's pension of half of the member's pension, based on prospective service.

All benefits are subject to H M Revenue & Customs limits. Up until 6 April 2005, under The Linton Park Group Pension Scheme, post retirement pension increases were based on the annual increase in the retail price index, subject to a maximum of 5 per cent.. From 6 April 2005, the maximum increase reduced to 2.5 per cent. per annum in respect of pension accrued on or after that date. Also, under The Linton Park Group Pension Scheme there is a minimum increase of 3 per cent. per annum in respect of service before 1 January 2002. Under The Lawrie Group Pension Scheme for entrants prior to 1 January 1996, pension earned prior to April 2003 is subject to a 5 per cent. increase per annum. From 1 May 2007, the maximum increase reduced to 2.5 per cent. in respect of pension accrual on or after that date. In respect of service before 1 March 1999 Mr Perkins was a member of a group defined contribution pension scheme. Since the date of Mr Ames' appointment as a director, a sum of £8,281 has been accrued and will be paid to Mr Ames' personal pension arrangement.

Further information on pension arrangements:

Defined benefit pension schemes

	Age	Pension accrued in year	Pension accrued in the year net of inflation	Pension accrued to 31 Dec 2008	Transfer value of pension accrued in the year net of inflation	Transfer value of pension accrued at 31 Dec 2007	Transfer value of pension accrued at 31 Dec 2008	Increase in transfer value in the year net of directors contributions
		£	£	£	£	£	£	£
M C Perkins	64	6,939	4,770	50,320	53,871	795,569	903,617	84,509
P J Field	58	650	–	61,270	–	1,266,200	1,375,000	106,445
A K Mathur	61	8,740	5,540	72,830	108,390	1,517,367	2,111,900	585,113

The increase in transfer value and the transfer value of pension accrued in the year are stated net of directors' contributions.

Notes:

(1) The accrued pension is the amount that would be paid if the director left service at the relevant date.

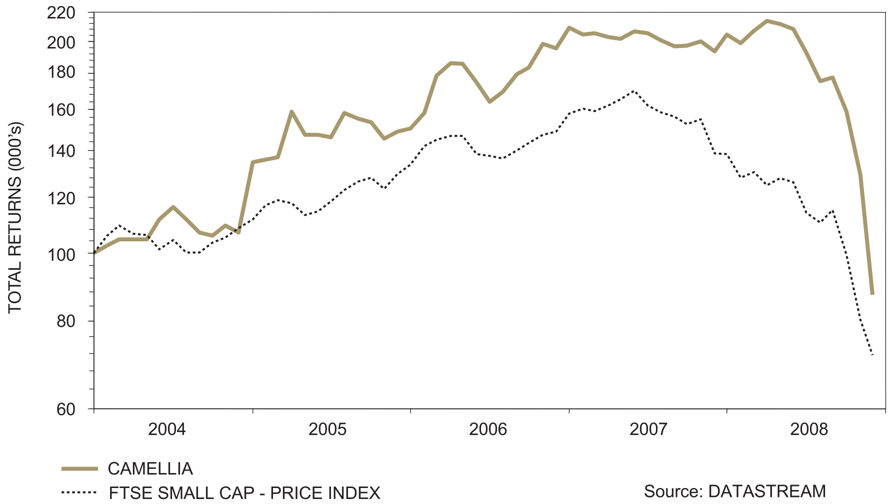
(2) The transfer values have been calculated in accordance with the guidance published by the Pensions Regulator, which came into effect from 1 October 2008. The new basis produces materially higher transfer values than last year.

(3) Mr Mathur's benefits require that a different calculation methodology is used which has the effect of increasing the transfer value amount. This approach is a feature of the disclosure requirements and leads to a higher value shown than would otherwise have been the case. The transfer value of the increase in accrued pension over the year is a more meaningful summary of the cost of benefits provided during the year. This is consistent with the basis used previously for other directors who had such rights.

(4) Mr Field became a director on the 1 October 2008 and therefore his pension at the start of the year relates to the pension as at 1 October. In Mr Field's case, all movements over the year refer to the last three months of 2008 rather than the whole year. His increase in pension entitlement net of inflation was less than zero and therefore the relevant columns have been shown as nil.

Performance review

The following graph shows the total return on an investment in the company's shares over the 5 years ended 31 December 2008 compared with the return achieved by the FTSE SmallCap index. This index has been selected as there is no specific index that is comparable to the activities of the company.



By order of the board

MD Conway
Secretary

28 April 2009

Consolidated income statement
for the year ended 31 December 2008

	Notes	2008 £'000	*2007 £'000*
Revenue	1	190,551	*161,936*
Cost of sales		(123,203)	*(107,497)*
Gross profit		67,348	*54,439*
Other operating income		2,206	*1,631*
Distribution costs		(8,765)	*(9,665)*
Administrative expenses		(37,588)	*(37,261)*
Trading profit	3	23,201	*9,144*
Share of associates' results	4	(8,612)	*10,568*
Profit on disposal of non-current assets	5	280	*2,029*
Profit on disposal of non-current assets held for sale	6	–	*327*
Profit on disposal of available-for-sale investments	7	390	*5,259*
Profit on part disposal of a subsidiary	8	104	*170*
Profit on disposal of an associate	9	50	*–*
Gain arising from changes in fair value of biological assets	19	8,916	*2,770*
Profit from operations		24,329	*30,267*
Investment income		1,070	*867*
Finance income	10	643	*701*
Finance costs	10	(2,500)	*(1,921)*
Pension schemes' net financing income	10	498	*737*
Net finance costs	10	(1,359)	*(483)*
Profit before tax		24,040	*30,651*
Taxation	11	(7,547)	*(3,205)*
Profit for the year		16,493	*27,446*
Profit attributable to minority interests		5,449	*2,129*
Profit attributable to equity shareholders		11,044	*25,317*
		16,493	*27,446*
Earnings per share – basic and diluted	14	397.3p	*910.8p*

Consolidated balance sheet
at 31 December 2008

	Notes	2008 £'000	*2007* *£'000*
Non-current assets			
Intangible assets	17	9,059	*8,246*
Property, plant and equipment	18	85,787	*76,233*
Biological assets	19	114,220	*80,633*
Prepaid operating leases	20	1,171	*982*
Investments in associates	22	109,883	*90,367*
Deferred tax assets	30	183	*1,356*
Other investments	23	33,668	*41,186*
Retirement benefit surplus	31	3,101	*5,766*
Trade and other receivables	25	979	*634*
Total non-current assets		358,051	*305,403*
Current assets			
Inventories	24	30,771	*20,137*
Trade and other receivables	25	75,960	*67,893*
Current income tax assets		1,481	*1,616*
Cash and cash equivalents	26	281,634	*235,612*
Total current assets		389,846	*325,258*
Current liabilities			
Borrowings	28	(18,629)	*(14,771)*
Trade and other payables	27	(316,514)	*(275,913)*
Current income tax liabilities		(4,605)	*(1,786)*
Other employee benefit obligations	32	(247)	*(169)*
Provisions	29	(123)	*(123)*
Total current liabilities		(340,118)	*(292,762)*
Net current assets		49,728	*32,496*
Total assets less current liabilities		407,779	*337,899*
Non-current liabilities			
Borrowings	28	(11,354)	*(11,797)*
Deferred tax liabilities	30	(32,678)	*(26,719)*
Retirement benefit obligations	31	(27,063)	*(10,608)*
Other employee benefit obligations	32	(2,052)	*(1,293)*
Other non-current liabilities		(131)	*(341)*
Total non-current liabilities		(73,278)	*(50,758)*
Net assets		334,501	*287,141*
Equity			
Called up share capital	33	284	*284*
Reserves		303,816	*265,987*
Shareholders' funds	34	304,100	*266,271*
Minority interests	34	30,401	*20,870*
Total equity		334,501	*287,141*

Balance sheet
at 31 December 2008

	Notes	2008 £'000	*2007 £'000*
Non-current assets			
Investments in subsidiaries	21	73,683	*73,683*
Other investments	23	7,316	*7,279*
Total non-current assets		80,999	*80,962*
Current assets			
Amounts due from group undertakings		5,123	*5,407*
Current income tax asset		74	*74*
Total current assets		5,197	*5,481*
Current liabilities			
Trade and other payables	27	(20)	*(20)*
Amounts due to group undertakings		(21,275)	*(22,776)*
Total current liabilities		(21,295)	*(22,796)*
Net current liabilities		(16,098)	*(17,315)*
Total assets less current liabilities		64,901	*63,647*
Non-current liabilities			
Deferred tax liabilities	30	(337)	*(337)*
Total non-current liabilities		(337)	*(337)*
Net assets		64,564	*63,310*
Equity			
Called up share capital	33	284	*284*
Reserves		64,280	*63,026*
Shareholders' funds	34	64,564	*63,310*

Approved on 28 April 2009 by the board of directors and signed on their behalf by:

M C Perkins
Chairman

Consolidated cash flow statement
for the year ended 31 December 2008

	Notes	2008 £'000	*2007 £'000*
Cash generated from operations			
Cash flows from operating activities	35	23,651	*14,171*
Interest paid		(2,503)	*(2,271)*
Income taxes paid		(4,720)	*(3,442)*
Interest received		579	*697*
Dividends received from associates		2,884	*2,252*
Net cash flow from operating activities		19,891	*11,407*
Cash flows from investing activities			
Purchase of intangible assets		(602)	*(208)*
Purchase of property, plant and equipment		(8,091)	*(6,268)*
Proceeds from sale of non-current assets		852	*2,948*
Proceeds from sale of non-current assets held for sale		–	*489*
Part disposal of a subsidiary		302	*400*
Acquisition of subsidiary (net of cash acquired)	37	(4,120)	*(549)*
Purchase of minority interests		(177)	*(193)*
Purchase of shares in associate		–	*(2)*
Proceeds from sale of associate		83	*–*
Proceeds from sale of investments		7,188	*8,235*
Purchase of investments		(1,749)	*(7,915)*
Income from investments		1,070	*867*
Net cash flow from investing activities		(5,244)	*(2,196)*
Cash flows from financing activities			
Equity dividends paid		(2,557)	*(2,502)*
Dividends paid to minority interests		(896)	*(1,132)*
New loans		738	*2,500*
Repayment of debt		(4,356)	*(6,810)*
Net cash flow from financing activities		(7,071)	*(7,944)*
Net increase in cash and cash equivalents		7,576	*1,267*
Cash and cash equivalents at beginning of year	26	758	*(542)*
Exchange gains on cash		1,585	*33*
Cash and cash equivalents at end of year	26	9,919	*758*

For the purposes of the cash flow statement, cash and cash equivalents are included net of overdrafts repayable on demand. These overdrafts are excluded from the definition of cash and cash equivalents disclosed on the balance sheet.

Cash flow statement
for the year ended 31 December 2008

	Notes	2008 £'000	*2007 £'000*
Cash generated from operations			
Profit before tax		3,869	*3,511*
Adjustments for:			
Gain on disposal of investments		(56)	–
Interest income		(280)	*(159)*
Dividend income		(12)	–
Dividends from group companies		(4,000)	*(4,000)*
Net movement in intra-group balances		(1,217)	*(637)*
Cash used in operations		(1,696)	*(1,285)*
Interest received		280	*159*
Net cash flow from operating activities		(1,416)	*(1,126)*
Cash flows from investing activities			
Proceeds from sale of investments		119	–
Purchase of investments		(100)	*(317)*
Dividends received		4,012	*4,000*
Net cash flow from investing activities		4,031	*3,683*
Cash flows from financing activities			
Equity dividends paid		(2,615)	*(2,558)*
Net cash flow from financing activities		(2,615)	*(2,558)*
Net decrease in cash and cash equivalents		–	*(1)*
Cash and cash equivalents at beginning of year		–	*1*
Cash and cash equivalents at end of year		–	–

Statement of recognised income and expense
for the year ended 31 December 2008

	2008 £'000	*2007* *£'000*
Group		
Foreign exchange translation differences	67,513	*5,407*
Actuarial movement on defined benefit pension schemes	(21,926)	*6,030*
Movement on deferred tax relating to defined benefit pension schemes	1,784	*(639)*
Available-for-sale investments:		
Valuation (losses)/gains taken to equity	(7,025)	*2,044*
Transferred to profit or loss on sale	–	*(3,630)*
Share of associate's net movement in defined benefit pension schemes	(5,494)	*372*
Share of associates' fair value adjustments	(1,182)	*932*
Share of associate's loss on cash flow hedges	(437)	*(115)*
Share of associate's income taxes on items recorded in equity	1,729	*(29)*
Net income recognised directly in equity	34,962	*10,372*
Profit for the year	16,493	*27,446*
Total recognised income and expense for the year	51,455	*37,818*
Attributable to:		
Minority interests	10,437	*2,505*
Equity shareholders	41,018	*35,313*
	51,455	*37,818*
Company		
Profit for the year	3,869	*3,535*
Total recognised income and expense for the year	3,869	*3,535*

Accounting policies

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

Basis of preparation

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

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

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

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Associates

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of that entity.

Investments in associates are accounted for by the equity method of accounting. Under this method the group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in equity is recognised in equity.

Foreign currency translation

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Translation differences on non-monetary items carried at fair value are reported as part of the fair value gain or loss. Gains and losses arising on retranslation are included in the income statement, except for exchange differences arising on non-monetary items where the changes in fair value are recognised directly in equity.

The consolidated financial statements are presented in sterling which is the company's functional and presentation currency. On consolidation, income statements and cash flows of foreign entities are translated into pounds sterling at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings designated as hedges of such investments, are taken to shareholders' equity. When a foreign entity is sold such exchange differences arising since 1 January 2004 are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling on the date of acquisition. The group has elected to treat goodwill and fair value adjustments arising on acquisitions prior to 1 January 2004 as sterling denominated assets and liabilities.

Accounting policies

Revenue recognition

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

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

Segmental reporting

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

Intangible assets

(i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(ii) Identifiable intangible assets

Identifiable intangible assets include customer relationships and other intangible assets acquired on the acquisition of subsidiaries. Acquired intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives. Intangible assets' estimated lives are re-evaluated annually and an impairment test is carried out if certain indicators of impairment exist.

(iii) Computer software

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

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

Accounting policies

Property, plant and equipment

Land and buildings comprises mainly factories and offices. All property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of these assets.

On transition to IFRS, the group followed the transitional provisions and elected that previous UK GAAP revaluations be treated as deemed cost.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

No depreciation is provided on freehold land. Depreciation of other fixed assets is calculated to write off their cost less residual value on a straight-line basis over their expected useful lives.

The rates of depreciation used for the other assets are as follows:-

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

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

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

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

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value. Any changes in fair value are recognised in the income statement in the year in which they arise.

The fair value of livestock is based on market prices of livestock of similar age and sex. Where meaningful market-determined prices do not exist to assess the fair value of the group's other biological assets, the fair value is determined based on the net present value of expected cash flows, discounted at appropriate current market-determined pre-tax rates.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Investments

Investments are recognised and de-recognised on a trade date when a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

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

Available-for-sale financial assets include shares of listed and unlisted companies. Listed shares are measured at subsequent reporting dates at fair value. The fair values of listed shares are based on current bid values. Other investments such as shares of unlisted companies, documents, manuscripts and philately are measured at cost as fair value cannot be reliably measured.

Investments *(continued)*

Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Investments in subsidiary companies are included at cost in the parent company.

Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the income statement over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Inventories

Agricultural produce at the point of harvest is measured at fair value less estimated point-of-sale costs. Any changes arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs are recognised in the income statement in the year in which they arise.

Other inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and selling expenses.

Trade and other receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the income statement.

Amounts due from customers of banking subsidiaries 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.

Accounting policies

Borrowings

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

Taxation

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

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

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

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits

Pension obligations

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds. The group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension cost for defined benefit schemes is assessed in accordance with the advice of qualified independent actuaries using the “projected unit” funding method.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund. The group has no legal or constructive obligations to pay further contributions to the fund. Contributions are recognised as an expense in the income statement when they are due.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Independent actuaries calculate the obligation annually using the “projected unit” funding method. Actuarial gains and losses are recognised in full in the period in which they occur, they are not recognised in the income statement and are presented in the statement of recognised income and expense.

Other post-employment benefit obligations

Some group companies have unfunded obligations to pay terminal gratuities to employees. Provisions are made for the estimated liability for gratuities as a result of services rendered by employees up to the balance sheet date and any movement in the provision is recognised in the income statement.

The estimated monetary liability for employees’ accrued annual leave entitlement at the balance sheet date is recognised as an accrual.

Accounting policies

Critical accounting estimates and judgements

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

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

Impairment of assets

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

Depreciation and amortisation

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

Biological assets

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

Retirement benefit obligations

Pension accounting requires certain assumptions to be made in order to value obligations and to determine the impact on the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality, inflation rates and expected long-term rates of return on assets. Details of assumptions made are given in note 31.

Taxation

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

Identifiable intangible assets – customer relationships

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

New standards and interpretations not in force

The following standards and interpretations are in issue but not in force at 31 December 2008:

New standards and interpretations

IFRIC 15	Agreements on the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of non-cash assets to owners
IFRS 8	Operating segments

These pronouncements are unlikely to have a material impact on the financial statements.

Accounting policies

New standards and interpretations not in force *(continued)*

IFRIC 14/IAS 19 The limit on defined benefit assets, minimum funding requirements and their interaction.

IFRIC 14 is effective for accounting periods beginning on or after 1 January 2009, however the group has elected to adopt this early.

A large number of existing standards and interpretations were revised during 2008, many as a result of the IASB's annual improvement project for 2007, published in May 2008. Most of the new standards and interpretations and changes to existing standards will have no impact on the financial statements. However the following should be noted:

IAS 1 Presentation of financial statements

The revisions to this standard will prohibit the presentation of items of income and expenditure within the statement of changes in equity. All items of income and expenditure will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the 'statement of comprehensive income') or two statements (the 'income statement' and 'statement of comprehensive income'). Also, where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and the comparative period. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

IAS 19 Employee benefits

The principal effect of the amendment is to clarify that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

IAS 23 Borrowing costs

The revisions to this standard will require capitalisation of borrowing costs incurred on qualifying assets together with transitional provisions for companies who have previously written off such costs. The group's current accounting policy is to expense all borrowing costs as they are incurred. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

IAS 27 Consolidated and separate financial statements

The revisions to this standard require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. The revisions to this standard are effective for accounting periods beginning on or after 1 July 2009.

IAS 41 Agriculture

The revisions to this standard allow the use of either pre or post tax discount rates when measuring fair values. The IASB has also clarified that the impact of additional biological transformation or harvest may be taken into account in determining cash flows for the purpose of estimating fair values. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

The changes to IAS 19, IAS 23, IAS 27 and IAS 41 are not retrospective and the impact on future financial statements is not reasonably estimable.

1 Business and geographical segments

The principal activities of the group are as follows:

Agriculture and horticulture
Engineering
Food storage and distribution
Banking, insurance and financial services
Pharmaceuticals and other operations

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, insurance and financial services		Pharmaceuticals and other operations		Consolidated	
	2008	*2007*	2008	*2007*	2008	*2007*	2008	*2007*	2008	*2007*	2008	*2007*
	£'000	*£'000*	£'000	*£'000*	£'000	*£'000*	£'000	*£'000*	£'000	*£'000*	£'000	*£'000*
Revenue												
External sales	116,297	*89,004*	23,019	*20,109*	36,922	*38,561*	13,930	*13,949*	383	*313*	190,551	*161,936*
Trading profit												
Segment profit	23,349	*9,072*	1,814	*2,124*	1,156	*(133)*	666	*1,431*	75	*(113)*	27,060	*12,381*
Unallocated corporate expenses											(3,859)	*(3,237)*
Trading profit											23,201	*9,144*
Share of associates' results	139	*(6)*					3,324	*3,882*	(12,075)	*6,692*	(8,612)	*10,568*
Profit on disposal of non-current assets											280	*2,029*
Profit on disposal of assets held for resale											–	*327*
Profit on disposal of available-for-sale investments											390	*5,259*
Profit on part disposal of a subsidiary											104	*170*
Profit on disposal of an associate											50	*–*
Gain arising from changes in fair value of biological assets	8,916	*2,770*									8,916	*2,770*
Investment income											1,070	*867*
Net finance costs											(1,359)	*(483)*
Profit before tax											24,040	*30,651*
Taxation											(7,547)	*(3,205)*
Profit after tax											16,493	*27,446*
Other information												
Segment assets	222,915	*152,009*	15,725	*15,197*	26,421	*26,975*	312,596	*282,259*	3,344	*3,440*	581,001	*479,880*
Investments in associates		*935*					32,891	*20,721*	76,992	*68,711*	109,883	*90,367*
Unallocated assets											57,013	*60,414*
Consolidated total assets											747,897	*630,661*
Segment liabilities	(37,208)	*(23,001)*	(3,734)	*(2,828)*	(5,732)	*(7,006)*	(283,472)	*(253,203)*	(462)	*(268)*	(330,608)	*(286,306)*
Unallocated liabilities											(82,788)	*(57,214)*
Consolidated total liabilities											(413,396)	*(343,520)*
Capital expenditure	6,304	*4,189*	1,071	*1,152*	777	*1,095*	290	*425*	103	*92*	8,545	*6,953*
Depreciation	(3,563)	*(3,084)*	(840)	*(834)*	(2,951)	*(3,111)*	(291)	*(264)*	(173)	*(192)*	(7,818)	*(7,485)*
Amortisation	(27)	*(31)*	(5)	*(4)*			(445)	*(348)*			(477)	*(383)*

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.

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

Geographical segments

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

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

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

	2008	*2007*
	£'000	*£'000*
United Kingdom	70,995	*71,682*
Continental Europe	23,099	*18,174*
India	46,958	*37,802*
Kenya	16,042	*11,876*
Malawi	4,059	*3,120*
Bangladesh	9,921	*7,057*
North America and Bermuda	4,230	*1,951*
South Africa	2,510	*1,718*
South America	5,387	*3,400*
Other	7,350	*5,156*
	190,551	*161,936*

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	
	2008	*2007*	2008	*2007*
	£'000	*£'000*	£'000	*£'000*
United Kingdom	348,694	*320,463*	2,053	*2,631*
Continental Europe	5,799	*4,219*	173	*111*
India	58,155	*46,851*	2,893	*1,804*
Kenya	55,276	*36,788*	931	*661*
Malawi	39,576	*26,778*	813	*688*
Bangladesh	41,137	*20,170*	192	*229*
North America and Bermuda	7,428	*3,924*	149	*19*
South Africa	10,279	*7,360*	152	*179*
South America	14,657	*13,327*	1,189	*631*
	581,001	*479,880*	8,545	*6,953*

1 Business and geographical segments *(continued)*

Results of banking subsidiaries

		2008 £'000	*2007 £'000*
Interest receivable	third parties	14,304	*14,530*
	group companies	43	*56*
		14,347	*14,586*
Interest payable	third parties	(10,438)	*(11,155)*
	group companies	(291)	*(215)*
Net interest income		3,618	*3,216*
Fee and commission income		10,820	*12,231*
Fee and commission expense		(756)	*(1,657)*
Inter-segment net interest		248	*159*
Revenue		13,930	*13,949*
Other operating income		169	*186*
		14,099	*14,135*
Operating expenses		(13,433)	*(12,704)*
Segment profit		666	*1,431*

2 Revenue

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

	2008 £'000	*2007 £'000*
Sale of goods	116,297	*89,004*
Distribution and warehousing revenue	36,922	*38,561*
Engineering services revenue	23,019	*20,109*
Banking service revenue	13,930	*13,949*
Agency commission revenue	139	*114*
Property rental revenue	244	*199*
	190,551	*161,936*
Other operating income	2,206	*1,631*
Investment income	1,070	*867*
Interest income	643	*701*
Total group revenue	194,470	*165,135*

Notes to the accounts

3 Trading profit

	2008 £'000	*2007 £'000*
The following items have been included in arriving at trading profit:		
Employment costs (note 15)	61,165	*57,887*
Inventories:		
Cost of inventories recognised as an expense (included in cost of sales)	93,535	*73,007*
Cost of inventories provision recognised as an expense (included in cost of sales)	200	*152*
Cost of inventories provision reversed (included in cost of sales)	(28)	*(16)*
Depreciation of property, plant and equipment:		
Owned assets	6,747	*6,693*
Under finance leases	1,071	*792*
Amortisation of intangibles (included in administrative expenses)	477	*383*
Impairment of investments (included in administrative expenses)	350	*–*
Profit on disposal of property, plant and equipment	(239)	*(21)*
Operating leases - minimum lease payments:		
Plant and machinery	661	*783*
Property	647	*794*
Repairs and maintenance expenditure on property, plant and equipment	3,830	*2,817*

	2008 £'000	*2007 £'000*
Currency exchange losses/(gains) charged/(credited) to income include:		
Revenue	58	*23*
Cost of sales	142	*(275)*
Distribution costs	(286)	*(65)*
Administrative expenses	(45)	*17*
Other operating income	(7)	*–*
Finance costs	262	*(400)*
	124	*(700)*

	2008 £'000	*2007 £'000*
Amounts paid to the group's auditors comprised:		
Audit services:		
Statutory audit	710	*715*
Audit - related regulatory reporting	24	*21*
Tax services:		
Compliance services	16	*11*
Advisory services	37	*28*
Other services not covered above	26	*16*
	813	*791*

Included in the above group audit fees and expenses is £272,000 *(2007: £271,000)* paid to Moore Stephens LLP for statutory audit services and £14,000 *(2007: £16,000)* for tax and assurance services. Associates of Moore Stephens LLP were paid audit fees of £74,000 *(2007: £63,000),* £3,000 *(2007: £2,000)* for taxation services and £4,000 *(2007: £4,000)* for other services.

4 Share of associates' results

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

	2008 £'000	*2007 £'000*
Operating profit	6,448	*8,561*
Net finance costs	(825)	*(650)*
Impairment	(15,691)	*–*
(Loss)/profit before tax	(10,068)	*7,911*
Taxation	1,456	*(1,026)*
(Loss)/profit after tax	(8,612)	*6,885*
Net profit from discontinued operations	–	*3,683*
	(8,612)	*10,568*

The impairment of £15,691,000 relates to goodwill and non-financial assets of the Siegfried Group.

In 2007, the net profit from discontinued operations relates to the disposal by the Siegfried Group of its Sidroga division and its biologics business unit. The profit resulting from the disposal of the Sidroga division of £4,804,000, included in net profit from discontinued operations, is provisional due to an arbitration procedure initiated by the purchaser.

The results include the group's share of the profits of West Hamilton Holdings Limited, a Bermudian based property company, which became an associate with effect from 1 July 2008.

5 Profit on disposal of non-current assets

	2008 £'000	*2007 £'000*
Profit on disposal of property	280	*2,029*

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

In 2007, a profit of £327,000 was realised on the sale of property, plant and equipment of Eastern Produce South Africa (Pty) Limited, previously used in the group's production of tea in South Africa and reclassified as being held for sale in 2005.

7 Profit on disposal of available-for-sale investments

In 2007, the profit of £5,259,000 included a profit of £4,801,000 relating to the disposal of the group's entire shareholding in Gétaz Romang Holding SA, a public quoted company on the SWX Swiss Exchange.

8 Profit on part disposal of a subsidiary

A profit of £104,000 *(2007: £170,000)* was realised on the disposal by Kakuzi Limited of 10 per cent. (2007: 14 per cent.) of its interest in Siret Tea Company Limited to EPK Outgrowers Empowerment Project Company Limited, a company mainly owned by smallholders in Kenya.

9 Profit on disposal of an associate

In the year the group realised a net profit of £50,000 on the disposal of its associate interest in Himalaya Goodricke PVT. Limited.

Notes to the accounts

10 Finance income and costs

	2008 £'000	*2007 £'000*
Interest payable on loans and bank overdrafts	(2,057)	*(2,141)*
Interest payable on obligations under finance leases	(181)	*(180)*
Total borrowing costs	(2,238)	*(2,321)*
Net exchange (loss)/gain on foreign currency borrowings	(262)	*400*
Finance costs	(2,500)	*(1,921)*
Finance income - interest income on short-term bank deposits	643	*701*
Pension schemes' net financing income (note 31)	498	*737*
Net finance costs	(1,359)	*(483)*

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

11 Taxation on profit on ordinary activities

Analysis of charge in the year

	2008 £'000	2008 £'000	*2007 £'000*
Current tax			
UK corporation tax			
UK corporation tax at 28.0 per cent. *(2007: 30.0 per cent.)*	2,474		*1,681*
Adjustment in respect of prior years	(61)		*(14)*
Double tax relief	(2,459)		*(1,560)*
		(46)	*107*
Foreign tax			
Corporation tax	7,021		*2,936*
Adjustment in respect of prior years	(239)		*(1)*
		6,782	*2,935*
Total current tax		6,736	*3,042*
Deferred tax			
Origination and reversal of timing differences			
United Kingdom	(2,310)		*(483)*
Overseas	3,121		*646*
Total deferred tax		811	*163*
Tax on profit on ordinary activities		7,547	*3,205*
Factors affecting tax charge for the year			
Profit on ordinary activities before tax		24,040	*30,651*
Share of associated undertakings (loss)/profit		(8,612)	*10,568*
Group profit on ordinary activities before tax		32,652	*20,083*
Tax on ordinary activities at the standard rate of corporation tax in the UK of 28.0 per cent. *(2007: 30.0 per cent.)*		9,143	*6,025*
Effects of:			
Adjustment to tax in respect of prior years		(300)	*(15)*
Expenses not deductible for tax purposes		413	*479*
Adjustment in respect of foreign tax rates		45	*251*
Additional tax arising on dividends from overseas companies		188	*316*
Profit on disposal of non taxable assets		(86)	*(2,173)*
Other income not charged to tax		(214)	*(1,168)*
Increase in tax losses carried forward		887	*400*
Decrease in tax losses carried forward		(167)	*(226)*
Effect of abolition of industrial buildings allowance on deferred tax		–	*(732)*
Movement in unremitted earnings of overseas associates		(2,223)	*–*
Movement in other temporary differences		(139)	*48*
		7,547	*3,205*

12 Profit for the year

	2008 £'000	*2007 £'000*
The profit of the company was	3,869	*3,535*

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

13 Equity dividends

	2008 £'000	*2007 £'000*
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2007 of 72.00p *(2006: 70.00p)* per share	2,001	*1,946*
Interim dividend for the year ended 31 December 2008 of 20.00p *(2007: 20.00p)* per share	556	*556*
	2,557	*2,502*

Dividends amounting to £58,000 *(2007: £56,000)* have not been included as group companies hold 62,500 issued shares in the company. These are classified as treasury shares.

Proposed final dividend for the year ended 31 December 2008 of 72.00p *(2007: 72.00p)* per share	2,046	*2,046*

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

14 Earnings per share (EPS)

	Earnings £'000	2008 Weighted average number of shares Number	EPS Pence	*Earnings £'000*	*2007 Weighted average number of shares Number*	*EPS Pence*
Basic and diluted EPS						
Attributable to ordinary shareholders	11,044	2,779,500	397.3	*25,317*	*2,779,500*	*910.8*

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).

15 Employees

	2008 Number	*2007 Number*
Average number of employees by activity:		
Agriculture and horticulture	69,424	*72,255*
Engineering	392	*349*
Food storage and distribution	399	*469*
Banking and financial services	137	*138*
Central management	24	*27*
	70,376	*73,238*

		2008 £'000	*2007 £'000*
Employment costs:			
Wages and salaries		54,007	*51,728*
Social security costs		2,652	*2,631*
Other pension costs (see note 31)	– UK	1,803	*1,341*
	– Overseas	2,703	*2,187*
		61,165	*57,887*

Total remuneration paid to key employees, excluding directors of Camellia Plc, amounted to £650,000 *(2007: £785,000)*.

16 Emoluments of the directors

	2008 £'000	*2007 £'000*
Aggregate emoluments excluding pension contributions	913	*779*

Emoluments of the highest paid director excluding pension contributions were £372,000 *(2007: £338,000)*.

Further details of directors' emoluments are set out on pages 21 and 22.

17 Intangible assets

	Goodwill £'000	Customer relationships £'000	Licenses, patents and trade marks £'000	Computer software £'000	Total £'000
Group					
Cost					
At 1 January 2007	2,734	4,814	247	787	8,582
Exchange differences	–	–	9	5	14
Additions	549	–	2	206	757
At 1 January 2008	3,283	4,814	258	998	9,353
Exchange differences	–	–	16	25	41
Additions	661	–	3	599	1,263
At 31 December 2008	3,944	4,814	277	1,622	10,657
Amortisation					
At 1 January 2007	–	148	140	429	717
Exchange differences	–	–	4	3	7
Charge for the year	–	241	10	132	383
At 1 January 2008	–	389	154	564	1,107
Exchange differences	–	–	7	7	14
Charge for the year	–	241	9	227	477
At 31 December 2008	–	630	170	798	1,598
Net book value at 31 December 2008	3,944	4,184	107	824	9,059
Net book value at 31 December 2007	*3,283*	*4,425*	*104*	*434*	*8,246*

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

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

18 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Group				
Deemed cost				
At 1 January 2007	67,396	71,362	17,480	156,238
Exchange differences	1,425	1,859	133	3,417
Additions	1,636	4,207	1,110	6,953
Disposals	(1,061)	(4,814)	(1,120)	(6,995)
At 1 January 2008	69,396	72,614	17,603	159,613
Exchange differences	7,384	6,658	1,033	15,075
Additions	1,700	6,127	718	8,545
Acquisition of subsidiary	1,757	883	113	2,753
Disposals	(866)	(1,474)	(108)	(2,448)
At 31 December 2008	79,371	84,808	19,359	183,538
Depreciation				
At 1 January 2007	25,596	45,928	8,457	79,981
Exchange differences	685	1,202	112	1,999
Charge for the year	1,851	4,581	1,053	7,485
Disposals	(503)	(4,493)	(1,089)	(6,085)
At 1 January 2008	27,629	47,218	8,533	83,380
Exchange differences	2,835	3,929	810	7,574
Charge for the year	1,923	4,819	1,076	7,818
Disposals	(769)	(1,252)	(94)	(2,115)
Acquisition of subsidiary	416	580	98	1,094
At 31 December 2008	32,034	55,294	10,423	97,751
Net book value at 31 December 2008	47,337	29,514	8,936	85,787
Net book value at 31 December 2007	*41,767*	*25,396*	*9,070*	*76,233*

Land and buildings at net book value comprise:

	2008 £'000	*2007 £'000*
Freehold	35,139	*30,456*
Long leasehold	10,264	*9,287*
Short leasehold	1,934	*2,024*
	47,337	*41,767*

Plant and machinery includes assets held under finance leases. The depreciation charge for the year in respect of these assets was £829,000 *(2007: £792,000)* and their net book value was £2,568,000 *(2007: £2,913,000)*.

The amount of expenditure during the year for property, plant and equipment in the course of construction amounted to £1,086,000 *(2007: £955,000)*.

19 Biological assets

	Tea £'000	Citrus £'000	Edible nuts £'000	Other £'000	Total £'000
Group					
At 1 January 2007	46,127	1,794	10,883	16,749	75,553
Exchange differences	1,659	(24)	(143)	583	2,075
Increases due to purchases	1,075	550	1,373	3,066	6,064
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	(91)	166	(677)	3,372	2,770
Decreases due to harvesting	(343)	(279)	(1,347)	(3,860)	(5,829)
At 1 January 2008	48,427	2,207	10,089	19,910	80,633
Exchange differences	12,910	906	3,149	4,343	21,308
Increases due to purchases	1,175	579	1,890	4,302	7,946
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	5,185	58	1,809	1,864	8,916
Decreases due to harvesting	–	(392)	(1,496)	(5,036)	(6,924)
Companies joining the group	2,199	–	–	142	2,341
At 31 December 2008	69,896	3,358	15,441	25,525	114,220

Other includes grapes, avocados, pineapples, plums, livestock, forestry, rubber and arable crops.

Biological assets are carried at fair value less estimated point-of-sale costs. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value has been determined based on the net present value of expected future cash flows from those assets, discounted at appropriate pre-tax rates. At 31 December 2008 professional valuations were obtained on a significant proportion of assets which had previously been valued using the net present value of expected future cash flows. In determining the fair value of biological assets where the discounting of expected future cash flows has been used, the directors have made certain assumptions about the expected life-span of the plantings, yields, selling prices and costs. The fair value of livestock is based on market prices of livestock of similar age and sex.

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

	Tea %	Citrus %	Edible nuts %	Other %
2008	13.5	12.0 - 12.5	12.0 - 13.5	5.0 - 17.5
2007	*10.5 - 13.5*	*12.0 - 14.5*	*12.0 - 15.5*	*5.0 - 17.5*

19 Biological assets *(continued)*

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

	2008 Hectares	*2007 Hectares*
Tea	34,629	*33,476*
Macadamia	2,293	*2,193*
Table grapes	82	*80*
Wine grapes	214	*200*
Citrus	227	*227*
Avocados	367	*339*
Pineapples	48	*376*
Plums	17	*20*
Pistachios	136	*136*
Timber	5,995	*4,949*
Rubber	1,760	*1,609*
Arable crops	3,546	*3,375*

	2008 Head	*2007 Head*
Livestock numbers on hand at the end of the year	4,458	*4,878*

Output of agricultural produce during the year was:

	2008 Metric tonnes	*2007 Metric tonnes*
Tea	72,987	*70,120*
Macadamia	1,185	*957*
Table grapes	2,093	*1,876*
Wine grapes	1,771	*1,489*
Citrus	4,188	*3,221*
Avocados	5,983	*4,558*
Pineapples	26,628	*51,055*
Plums	346	*493*
Pistachios	651	*117*
Rubber	731	*721*
Arable crops	29,204	*26,353*

	2008 Cubic metres	*2007 Cubic metres*
Timber	59,277	*53,566*

	2008 £'000	*2007 £'000*
Fair value of agricultural output after deducting estimated point-of-sale costs	93,976	*66,628*

20 Prepaid operating leases

	£'000
Group	
Cost	
At 1 January 2007	982
Exchange differences	14
At 1 January 2008	996
Exchange differences	194
At 31 December 2008	1,190
Amortisation	
At 1 January 2007	13
Charge for the year	1
At 1 January 2008	14
Exchange differences	4
Charge for the year	1
At 31 December 2008	19
Net book value at 31 December 2008	1,171
Net book value at 31 December 2007	*982*

21 Investments in subsidiaries

	2008 £'000	*2007* *£'000*
Company		
Cost		
At 1 January and 31 December	73,683	*73,683*

22 Investments in associates

	2008 £'000	*2007* *£'000*
Group		
At 1 January	90,367	*63,672*
Exchange differences	34,616	*2,331*
Additions	–	*2*
Reclassification from financial assets	2,043	*14,449*
Effect of an associate becoming a subsidiary	(261)	–
Disposals	(33)	–
Share of (loss)/profit (note 4)	(8,612)	*10,568*
Dividends	(2,884)	*(2,252)*
Other equity movements	(5,353)	*1,597*
At 31 December	109,883	*90,367*

With effect from 1 July 2008, West Hamilton Holdings Limited was reclassified from other investments to an investment in associate (note 23). In 2007, BF&M Limited was reclassified from other investments to an investment in associate.

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

22 Investments in associates *(continued)*

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

	Country of incorporation	Assets £'000	Liabilities £'000	Revenues £'000	Profit/(loss) £'000	Interest held %	Market value £'000
2007							
Listed							
Siegfried Holding AG	*Switzerland*	*94,340*	*(25,629)*	*42,846*	*6,692*	*32.3*	*77,392*
BF&M Limited	*Bermuda*	*82,270*	*(64,368)*	*22,814*	*3,465*	*25.4*	*19,090*
United Leasing Company Limited	*Bangladesh*	*20,092*	*(17,574)*	*2,267*	*352*	*33.6*	*3,238*
*United Insurance Company Limited**	*Bangladesh*	*1,999*	*(811)*	*483*	*65*	*33.2*	*1,586*
2008							
Listed							
Siegfried Holding AG	Switzerland	112,792	(38,541)	46,711	(12,106)	32.3	53,738
BF&M Limited	Bermuda	119,938	(92,491)	26,351	3,022	25.2	23,369
West Hamilton Holdings Limited	Bermuda	3,741	(1,000)	130	31	28.2	2,262
United Leasing Company Limited	Bangladesh	33,621	(29,499)	2,785	405	38.4	6,774
United Insurance Company Limited	Bangladesh	2,126	(804)	673	51	37.0	6,556

* Includes its wholly owned subsidiary, the Surmah Valley Tea Company Limited. On 14 December 2008, United Insurance Company Limited sold its interest in Surmah Valley Tea Company Limited to group companies.

Under an agreement between Linton Park Plc on one hand and Sigamed AG and others (who include Dr B A Siegfried, a director of Siegfried Holding AG and a director of Camellia Plc), both parties have the first right of refusal to buy Siegfried Holding AG shares offered for sale by the other party.

23 Other investments

	2008 £'000	*2007 £'000*
Group		
Cost or fair value		
At 1 January	41,336	*55,765*
Exchange differences	7,687	*(398)*
Fair value adjustment	(7,025)	*2,044*
Additions	1,749	*7,915*
Transfer to investment in associates	(2,696)	*(17,231)*
Disposals	(6,797)	*(3,129)*
Fair value adjustment for disposal	–	*(3,630)*
At 31 December	34,254	*41,336*
Provision for diminution in value		
At 1 January	150	*299*
Exchange differences	86	*3*
Provided during year	350	*–*
Amounts released in year	–	*(152)*
At 31 December	586	*150*
Net book value		
At 31 December	33,668	*41,186*
Net book value comprises:		
Held-to-maturity investments:		
Bank and building society certificates of deposit	–	*6,700*
Available-for-sale financial assets:		
Listed investments	26,284	*27,192*
Unlisted investments	247	*191*
	26,531	*27,383*
Collections	7,137	*7,103*
	33,668	*41,186*

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

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

With effect from 1 July 2008, the group has representation on the board of West Hamilton Holdings Limited and is in a position to exert significant influence. As a result the investment in this company has been reclassified from other investments to an investment in associate. The result of this reclassification is that investments in associates increase by £2,043,000, being the equity value and other investments decline by £2,696,000, being the market value. The difference of £653,000 has been transferred to reserves. In 2007, BF&M Limited was reclassified from other investments to an investment in associate.

23 Other investments *(continued)*

	2008 £'000	*2007 £'000*
Company		
Cost or fair value		
At 1 January	7,279	*6,962*
Additions	100	*317*
Disposals	(63)	*–*
At 31 December	7,316	*7,279*
Cost or fair value comprises:		
Listed investments	4	*–*
Unlisted investments	170	*170*
Collections	7,142	*7,109*
	7,316	*7,279*

24 Inventories

	2008 £'000	*2007 £'000*
Group		
Raw materials and consumables	8,959	*5,518*
Work in progress	1,002	*618*
Produce on hand	14,027	*8,830*
Finished goods	6,783	*5,171*
	30,771	*20,137*

The year end inventories balance includes a write-down provision of £205,000 *(2007: £183,000)*.

25 Trade and other receivables

	2008 £'000	*2007 £'000*
Group		
Due within one year:		
Amounts due from customers of banking subsidiaries	40,096	*37,061*
Trade debtors	24,642	*19,788*
Amounts owed by associated undertakings	346	*291*
Other debtors	6,126	*7,018*
Prepayments and accrued income	4,750	*3,735*
	75,960	*67,893*
Due after one year:		
Other debtors	979	*634*

Included within trade debtors is a provision for doubtful debts of £375,000 *(2007: £326,000)*.

25 Trade and other receivables *(continued)*

Trade debtors include receivables of £5,151,000 *(2007: £3,735,000)* 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:

	2008 £'000	*2007 £'000*
Up to 30 days	3,700	*2,536*
30-60 days	639	*513*
60-90 days	370	*116*
Over 90 days	442	*570*
	5,151	*3,735*

26 Cash and cash equivalents

	2008 £'000	*2007 £'000*
Group		
Cash at bank and in hand	254,621	*203,786*
Short-term bank deposits	11,951	*3,944*
Short-term liquid investments	15,062	*27,882*
	281,634	*235,612*

Included in the amounts above are cash and short-term funds, time deposits with banks and building societies and certificates of deposit amounting to £256,859,000 *(2007: £223,849,000)* 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:

	2008 £'000	*2007 £'000*
Cash and cash equivalents (excluding banking operations)	24,775	*11,763*
Bank overdrafts (note 28)	(14,856)	*(11,005)*
	9,919	*758*

	2008 %	*2007 %*
Effective interest rate:		
Short-term deposits	1.00 - 13.70	*3.10 - 15.00*
Short-term liquid investments	1.70 - 2.60	*6.14 - 6.65*
Average maturity period:		
Short-term deposits	57 days	*58 days*
Short-term liquid investments	21 days	*39 days*

27 Trade and other payables

	Group		Company	
	2008	*2007*	2008	*2007*
	£'000	*£'000*	£'000	*£'000*
Amounts due to customers of banking subsidiaries	281,340	*250,916*	–	–
Trade creditors	17,160	*12,604*	–	–
Other taxation and social security	1,412	*1,398*	–	–
Other creditors	11,490	*5,806*	20	*20*
Accruals	5,112	*5,189*	–	–
	316,514	*275,913*	20	*20*

28 Financial liabilities - borrowings

	2008	2007
Group	£'000	*£'000*
Current		
Bank overdrafts	14,856	*11,005*
Bank loans	2,884	*2,889*
Finance leases	889	*877*
	18,629	*14,771*
Current borrowings include the following amounts secured on biological assets and property, plant and equipment:		
Bank overdrafts	13,639	*9,212*
Bank loans	2,384	*2,389*
Finance leases	889	*877*
	16,912	*12,478*
Non-current		
Bank loans	10,002	*9,907*
Finance leases	1,352	*1,890*
	11,354	*11,797*
Non-current borrowings include the following amounts secured on biological assets and property, plant and equipment:		
Bank loans	5,260	*5,395*
Finance leases	1,352	*1,890*
	6,612	*7,285*
The repayment of bank loans and overdrafts fall due as follows:		
Within one year or on demand (included in current liabilities)	17,740	*13,894*
Between 1 - 2 years	5,972	*1,544*
Between 2 - 5 years	1,116	*3,314*
After 5 years	2,914	*5,049*
	27,742	*23,801*
Minimum finance lease payments fall due as follows:		
Within one year or on demand (included in current liabilities)	1,016	*1,045*
Between 1 - 2 years	780	*925*
Between 2 - 5 years	715	*1,182*
	2,511	*3,152*
Future finance charges on finance leases	(270)	*(385)*
Present value of finance lease liabilities	2,241	*2,767*

28 Financial liabilities - borrowings *(continued)*

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

	2008 £'000	*2007 £'000*
Within one year or on demand (included in current liabilities)	889	*877*
Between 1 - 2 years	702	*803*
Between 2 - 5 years	650	*1,087*
	2,241	*2,767*

The rates of interest payable by the group ranged between:

	2008 %	*2007 %*
Bank overdrafts	3.00 - 15.50	*5.50 - 17.50*
Bank loans	1.88 - 13.00	*3.85 - 12.00*
Finance leases	3.25 - 18.00	*3.25 - 16.00*

29 Provisions

	Onerous lease £'000	Other £'000	Total £'000
Group			
At 1 January 2007	78	92	170
Provided in the period	123	–	123
Utilised in the period	(78)	(92)	(170)
At 1 January 2008	123	–	123
Provided in the period	123	–	123
Utilised in the period	(123)	–	(123)
At 31 December 2008	123	–	123

	2008 £'000	*2007 £'000*
Current element	123	*123*
Non-current element	–	–
	123	*123*

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

30 Deferred tax

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

	Group		Company	
	2008	*2007*	2008	*2007*
	£'000	*£'000*	£'000	*£'000*
At 1 January	25,363	*23,817*	337	*361*
Exchange differences	7,748	*744*	–	–
Charged/(credited) to the income statement	811	*163*	–	*(24)*
(Credited)/charged to equity	(1,784)	*639*	–	–
Companies joining the group	357	–	–	–
At 31 December	32,495	*25,363*	337	*337*

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

Deferred tax liabilities

	Accelerated tax depreciation £'000	Unremitted earnings of overseas associates £'000	Pension scheme liability £'000	Other £'000	Total £'000
At 1 January 2007	26,395	2,856	1,170	60	30,481
Exchange differences	568	172	105	–	845
(Credited)/charged to the income statement	(1,136)	272	404	–	(460)
Charged to equity	–	–	907	–	907
Transfer between categories	247	–	(793)	–	(546)
At 1 January 2008	26,074	3,300	1,793	60	31,227
Exchange differences	6,442	1,560	135	(3)	8,134
(Credited)/charged to the income statement	2,167	(2,223)	129	242	315
Credited to equity	–	–	(1,069)	–	(1,069)
Companies joining the group	357	–	–	–	357
Transfer between categories	310	–	–	–	310
At 31 December 2008	35,350	2,637	988	299	39,274
Deferred tax assets offset					(6,596)
Net deferred tax liability after offset					32,678

30 Deferred tax *(continued)*

Deferred tax assets

	Decelerated tax depreciation £'000	Tax losses £'000	Pension scheme asset £'000	Other £'000	Total £'000
At 1 January 2007	165	2,054	3,720	725	6,664
Exchange differences	–	27	65	9	101
Credited/(charged) to the income statement	23	(311)	(195)	(140)	(623)
Credited to equity	–	–	268	–	268
Transfer between categories	141	–	(793)	106	(546)
At 1 January 2008	329	1,770	3,065	700	5,864
Exchange differences	(13)	58	141	200	386
(Charged)/credited to the income statement	(302)	(112)	(462)	380	(496)
Credited to equity	–	–	715	–	715
Transfer between categories	307	27	(4)	(20)	310
At 31 December 2008	321	1,743	3,455	1,260	6,779
Offset against deferred tax liabilities					(6,596)
Net deferred tax asset after offset					183

Deferred tax liabilities of £21,941,000 *(2007: £14,389,000)* have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred tax assets of £5,801,000 *(2007: £5,991,000)* in respect of losses that can be carried forward against future taxable income.

31 Pensions

Certain group subsidiaries operate defined contribution and funded defined benefit pension schemes. The most significant are the UK funded, final salary defined benefit schemes. The assets of these schemes are administered by trustees and are kept separate from those of the group. Valuations of the three UK defined benefit pension schemes are produced and updated annually to 31 December by qualified independent actuaries. All the UK final salary defined benefit pension schemes were closed to new entrants on 1 November 2006 and new employees are eligible to join a group personal pension plan. In addition with effect from 1 May 2007, The Unochrome Group Pension Scheme was closed to future accruals in respect of current members. Since that date these members have participated in a defined contribution scheme.

The overseas schemes are operated in group subsidiaries located in Bangladesh, India and The Netherlands. Actuarial valuations have been updated to 31 December 2008 by qualified actuaries for these schemes.

31 Pensions *(continued)*

Assumptions

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

	2008	*2007*
	% per annum	*% per annum*
UK schemes		
Rate of increase in salaries	2.85 - 3.00	*3.50*
Rate of increase to LPI (Limited Price Indexation) pensions in payment	2.50 - 5.00	*2.50 - 5.00*
Discount rate applied to scheme liabilities	6.25	*5.90*
Inflation assumption	2.75	*3.40*

Assumptions regarding future mortality experience are based on advice received from independent actuaries. The current mortality table used is PCA00 with medium cohort improvement factors and subject to a minimum rate of improvement of 1% per annum, projected by year of birth and with an age rating of +2 years.

Overseas schemes		
Rate of increase in salaries	2.00 - 7.00	*2.00 - 7.00*
Rate of increase to LPI (Limited Price Indexation) pensions in payment	0.00 - 3.00	*0.00 - 3.00*
Discount rate applied to scheme liabilities	5.30 - 11.70	*4.65 - 12.50*
Inflation assumption	0.00 - 7.00	*0.00 - 7.00*

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

UK schemes		
Equities and property	7.10	*7.10*
Bonds	5.00	*5.00*
Cash	2.00	*5.50*
Overseas schemes		
Bonds	7.79 - 12.50	*7.25 - 12.39*
Cash	7.79 - 12.50	*7.25 - 12.39*
Other	5.30 - 5.60	*5.50*

31 Pensions *(continued)*

Actuarial valuations

	2008 UK £'000	2008 Overseas £'000	2008 Total £'000	*2007 UK £'000*	*2007 Overseas £'000*	*2007 Total £'000*
Equities and property	63,567	300	63,867	*85,628*	*257*	*85,885*
Bonds	23,249	12,681	35,930	*25,004*	*8,984*	*33,988*
Cash	1,354	3,183	4,537	*1,735*	*4,106*	*5,841*
Other	–	1,808	1,808	*–*	*1,323*	*1,323*
Total fair value of plan assets	88,170	17,972	106,142	*112,367*	*14,670*	*127,037*
Present value of defined benefit obligations	(111,819)	(18,285)	(130,104)	*(118,488)*	*(13,391)*	*(131,879)*
Total (deficit)/surplus in the schemes	(23,649)	(313)	(23,962)	*(6,121)*	*1,279*	*(4,842)*
Amount recognised as asset in the balance sheet	–	3,101	3,101	*1,875*	*3,891*	*5,766*
Amount recognised as liability in the balance sheet	(23,649)	(3,414)	(27,063)	*(7,996)*	*(2,612)*	*(10,608)*
	(23,649)	(313)	(23,962)	*(6,121)*	*1,279*	*(4,842)*
Related deferred tax asset (note 30)	2,435	1,020	3,455	*2,239*	*826*	*3,065*
Related deferred tax liability (note 30)	–	(988)	(988)	*(525)*	*(1,268)*	*(1,793)*
Net (deficit)/surplus	(21,214)	(281)	(21,495)	*(4,407)*	*837*	*(3,570)*

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

	2008 UK £'000	2008 Overseas £'000	2008 Total £'000	*2007 UK £'000*	*2007 Overseas £'000*	*2007 Total £'000*
At 1 January	112,367	14,670	127,037	*109,529*	*13,307*	*122,836*
Expected return on plan assets	7,209	1,153	8,362	*6,930*	*1,024*	*7,954*
Employer contributions	3,060	1,070	4,130	*3,085*	*658*	*3,743*
Contributions paid by plan participants	425	9	434	*525*	*8*	*533*
Benefit payments	(5,923)	(1,364)	(7,287)	*(6,066)*	*(1,029)*	*(7,095)*
Actuarial losses	(28,968)	(94)	(29,062)	*(1,636)*	*(511)*	*(2,147)*
Exchange differences	–	2,528	2,528	*–*	*1,213*	*1,213*
At 31 December	88,170	17,972	106,142	*112,367*	*14,670*	*127,037*

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

	2008 UK £'000	2008 Overseas £'000	2008 Total £'000	*2007 UK £'000*	*2007 Overseas £'000*	*2007 Total £'000*
At 1 January	(118,488)	(13,391)	(131,879)	*(125,779)*	*(11,253)*	*(137,032)*
Current service cost	(1,140)	(636)	(1,776)	*(1,614)*	*(547)*	*(2,161)*
Contributions paid by plan participants	(425)	(9)	(434)	*(525)*	*(8)*	*(533)*
Interest cost	(6,864)	(1,000)	(7,864)	*(6,304)*	*(913)*	*(7,217)*
Settlement gain	–	–	–	*902*	*–*	*902*
Benefit payments	5,923	1,364	7,287	*6,066*	*1,029*	*7,095*
Actuarial gains/(losses)	9,175	(2,040)	7,135	*8,766*	*(589)*	*8,177*
Exchange differences	–	(2,573)	(2,573)	*–*	*(1,110)*	*(1,110)*
At 31 December	(111,819)	(18,285)	(130,104)	*(118,488)*	*(13,391)*	*(131,879)*

31 Pensions *(continued)*

In 2006, the total fair value of plan assets was £122,836,000, present value of defined benefit obligations was £137,032,000 and the deficit was £14,196,000. In 2005, the total fair value of plan assets was £116,235,000, present value of defined benefit obligations was £134,885,000 and the deficit was £18,650,000, and in 2004, the total fair value of plan assets was £98,928,000, present value of defined benefit obligations was £122,005,000 and the deficit was £23,077,000.

Income statement

The amounts recognised in the income statement are as follows:

	2008			*2007*		
	UK £'000	Overseas £'000	Total £'000	*UK £'000*	*Overseas £'000*	*Total £'000*
Amounts charged to operating profit:						
Current service cost	(1,140)	(636)	(1,776)	*(1,614)*	*(547)*	*(2,161)*
Settlement gain	–	–	–	*902*	*–*	*902*
Total operating charge	(1,140)	(636)	(1,776)	*(712)*	*(547)*	*(1,259)*
Amounts charged/(credited) to other finance costs:						
Expected return on pension scheme assets	7,209	1,153	8,362	*6,930*	*1,024*	*7,954*
Interest on pension scheme liabilities	(6,864)	(1,000)	(7,864)	*(6,304)*	*(913)*	*(7,217)*
Net financing income (note 10)	345	153	498	*626*	*111*	*737*
Total charged to income statement	(795)	(483)	(1,278)	*(86)*	*(436)*	*(522)*

Contributions to defined contribution schemes are charged to profit when payable and the costs charged were £2,730,000 (*2007: £2,269,000*).

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

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

	2008			*2007*		
	UK £'000	Overseas £'000	Total £'000	*UK £'000*	*Overseas £'000*	*Total £'000*
Actual return less expected return on pension scheme assets	(28,968)	(94)	(29,062)	*(1,636)*	*(511)*	*(2,147)*
Experience gains/(losses) arising on scheme liabilities	194	(2,040)	(1,846)	*(1,114)*	*(589)*	*(1,703)*
Changes in assumptions underlying present value of scheme liabilities	8,981	–	8,981	*9,880*	*–*	*9,880*
Actuarial (loss)/gain recognised in the SORIE	(19,793)	(2,134)	(21,927)	*7,130*	*(1,100)*	*6,030*
Taxation on actuarial movement in the SORIE	1,137	647	1,784	*(998)*	*359*	*(639)*
Net actuarial (loss)/gain recognised in the SORIE	(18,656)	(1,487)	(20,143)	*6,132*	*(741)*	*5,391*

Cumulative actuarial loss recognised through the SORIE is £15,467,000 (*2007: £6,460,000* gain).

31 Pensions *(continued)*

History of experience gains and losses

	2008			*2007*			*2006*		
	UK	Overseas	Total	*UK*	*Overseas*	*Total*	*UK*	*Overseas*	*Total*
Difference between expected and actual return on scheme assets:									
Amount (£'000)	(28,968)	(94)	(29,062)	*(1,636)*	*(511)*	*(2,147)*	*2,127*	*65*	*2,192*
Percentage of scheme assets	(32.9%)	(0.5%)	(27.4%)	*(1.5%)*	*(3.5%)*	*(1.7%)*	*1.9%*	*0.5%*	*1.8%*
Experience gains and losses on scheme liabilities:									
Amount (£'000)	194	(2,040)	(1,846)	*(1,114)*	*(589)*	*(1,703)*	*1,416*	*1,790*	*3,206*
Percentage of present value of scheme liabilities	0.2%	(11.2%)	(1.4%)	*(0.9%)*	*(4.4%)*	*(1.3%)*	*1.1%*	*15.9%*	*2.3%*
Effects to changes in assumptions underlying the present value of the scheme liabilities:									
Amount (£'000)	8,981	–	8,981	*9,880*	*–*	*9,880*	*(1,858)*	*–*	*(1,858)*
Percentage of present value of scheme liabilities	8.0%	–	6.9%	*8.3%*	*–*	*7.5%*	*(1.5%)*	*–*	*(1.4%)*
Total amount recognised in the SORIE:									
Amount (£'000)	(19,793)	(2,134)	(21,927)	*7,130*	*(1,100)*	*6,030*	*1,685*	*1,855*	*3,540*
Percentage of present value of scheme liabilities	(17.7%)	(11.7%)	(16.9%)	*6.0%*	*(8.2%)*	*4.6%*	*1.3%*	*16.5%*	*2.6%*

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

The current best estimate of employer contributions to be paid to UK defined benefit pension schemes for the year commencing 1 January 2009 is £3,857,000.

32 Other employee benefit obligations

The movement in other employee benefit obligations is as follows:

	2008 £'000	*2007 £'000*
Group		
At 1 January	1,462	*1,305*
Exchange differences	335	*20*
Charged to the income statement	676	*343*
Payments made	(174)	*(206)*
At 31 December	2,299	*1,462*
Current element	247	*169*
Non-current element	2,052	*1,293*
	2,299	*1,462*

33 Share capital

	2008 £'000	*2007 £'000*
Authorised: 2,842,000 (*2007: 2,842,000*) ordinary shares of 10p each	284	*284*
Allotted, called up and fully paid: ordinary shares of 10p each:		
At 1 January and 31 December - 2,842,000 (*2007: 2,842,000*) shares	284	*284*

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

34 Statement of changes in shareholders' equity

	Notes	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Other reserves £'000	Total £'000	Minority interest £'000	Total equity £'000
Group									
At 1 January 2007		284	15,298	(400)	182,543	38,236	235,961	19,303	255,264
Exchange differences		–	–	–	–	4,973	4,973	434	5,407
Net profit		–	–	–	25,317	–	25,317	2,129	27,446
Dividends	13	–	–	–	(2,502)	–	(2,502)	(1,132)	(3,634)
Actuarial gain	31	–	–	–	6,171	–	6,171	(141)	6,030
Deferred tax on actuarial gain	31	–	–	–	(684)	–	(684)	45	(639)
Available-for-sale investments:									
Valuation gains taken to equity	23	–	–	–	–	2,006	2,006	38	2,044
Transfer to profit or loss on sale	23	–	–	–	–	(3,630)	(3,630)	–	(3,630)
Reclassification of investment to an associate	23	–	–	–	–	(2,782)	(2,782)	–	(2,782)
Minority interest subscription		–	–	–	–	–	–	230	230
Payment from minority interest		–	–	–	–	–	–	(193)	(193)
Change in composition of group		–	–	–	(157)	–	(157)	157	–
Share of associates' fair value adjustments		–	–	–	932	–	932	–	932
Share of associate's loss on cash flow hedges		–	–	–	(115)	–	(115)	–	(115)
Share of associate's change in treasury shares		–	–	–	430	–	430	–	430
Share of associate's movement in defined benefit pension schemes		–	–	–	372	–	372	–	372
Share of associate's income taxes on items recorded in equity		–	–	–	(29)	–	(29)	–	(29)
Share of associates' other equity movements		–	–	–	123	–	123	–	123
Loss on dilution of interest in associate		–	–	–	(115)	–	(115)	–	(115)
At 1 January 2008		284	15,298	(400)	212,286	38,803	266,271	20,870	287,141
Exchange differences		–	–	–	–	62,303	62,303	5,210	67,513
Net profit		–	–	–	11,044	–	11,044	5,449	16,493
Dividends	13	–	–	–	(2,557)	–	(2,557)	(896)	(3,453)
Actuarial loss	31	–	–	–	(21,601)	–	(21,601)	(325)	(21,926)
Deferred tax on actuarial loss	31	–	–	–	1,676	–	1,676	108	1,784
Available-for-sale investments:									
Valuation losses taken to equity	23	–	–	–	–	(7,020)	(7,020)	(5)	(7,025)
Reclassification of investment to an associate	23	–	–	–	–	(653)	(653)	–	(653)
Minority interest subscription		–	–	–	–	–	–	260	260
Change in composition of group		–	–	–	126	–	126	(270)	(144)
Share of associates' fair value adjustments		–	–	–	(1,182)	–	(1,182)	–	(1,182)
Share of associate's loss on cash flow hedges		–	–	–	(437)	–	(437)	–	(437)
Share of associate's change in treasury shares		–	–	–	(49)	–	(49)	–	(49)
Share of associate's movement in defined benefit pension schemes		–	–	–	(5,494)	–	(5,494)	–	(5,494)
Share of associate's income taxes on items recorded in equity		–	–	–	1,729	–	1,729	–	1,729
Share of associates' other equity movements		–	–	–	268	–	268	–	268
Loss on dilution of interest in associate		–	–	–	(324)	–	(324)	–	(324)
At 31 December 2008		284	15,298	(400)	195,485	93,433	304,100	30,401	334,501
Company									
At 1 January 2007		284	15,298	–	34,619	12,132	62,333	–	62,333
Net profit		–	–	–	3,535	–	3,535	–	3,535
Dividends	13	–	–	–	(2,558)	–	(2,558)	–	(2,558)
At 1 January 2008		284	15,298	–	35,596	12,132	63,310	–	63,310
Net profit		–	–	–	3,869	–	3,869	–	3,869
Dividends	13	–	–	–	(2,615)	–	(2,615)	–	(2,615)
At 31 December 2008		284	15,298	–	36,850	12,132	64,564	–	64,564

Other reserves of the group and company includes a £31,000 (*2007: £31,000*) capital redemption reserve and, in respect of the group, net exchange differences of £49,310,000 surplus (*2007:£12,993,000* deficit).

Exchange differences are stated net of exchange losses of £1,369,000 (*2007: £145,000*) on foreign currency borrowings used to provide a hedge against foreign equity investments.

Group retained earnings includes £60,253,000 (*2007: £31,993,000*) which would require exchange control permission for remittance as dividends.

35 Reconciliation of profit from operations to cash flow

	2008 £'000	*2007 £'000*
Group		
Profit from operations	24,329	*30,267*
Share of associates' results	8,612	*(10,568)*
Depreciation and amortisation	8,294	*7,868*
Impairment of non-current assets	350	*–*
Gain arising from changes in fair value of biological assets	(8,916)	*(2,770)*
Profit on disposal of non-current assets	(519)	*(2,029)*
Profit on disposal of non-current assets held for sale	–	*(327)*
Profit on disposal of an associate	(50)	*–*
Profit on part disposal of a subsidiary	(104)	*(170)*
Profit on disposal of investments	(390)	*(5,259)*
Increase in working capital	(2,335)	*(7,949)*
Net (increase)/decrease in funds of banking subsidiaries	(5,620)	*5,108*
	23,651	*14,171*

36 Reconciliation of net cash flow to movement in net debt

	2008 £'000	*2007 £'000*
Group		
Increase in cash and cash equivalents in the year	7,392	*1,266*
Cash outflow from decrease in debt	3,618	*4,310*
Decrease in net debt resulting from cash flows	11,010	*5,576*
New finance leases	(453)	*(685)*
Exchange rate movements	(960)	*(196)*
Decrease in net debt in the year	9,597	*4,695*
Net debt at beginning of year	(14,805)	*(19,500)*
Net debt at end of year	(5,208)	*(14,805)*

37 Acquisition of business

Group

On 14 December 2008, the group acquired 100 per cent. of the share capital of Surmah Valley Tea Company Limited, a tea company operating in Bangladesh. The company was acquired from United Insurance Company, an associate company.

Details of net assets acquired are as follows:

	£'000
Fair value of assets and liabilities:	
Property, plant and equipment	1,660
Biological assets	2,342
Inventories	436
Trade and other receivables	244
Cash and cash equivalents	531
Borrowings – current - overdrafts	(1,234)
Borrowings – current - loans	(48)
Trade and other payables	(184)
Current income tax liabilities	(203)
Borrowings – non current	(136)
Deferred tax liabilities	(357)
Net effect of associates acquisition/disposal	(295)
	2,756
Satisfied by:	
Cash consideration and costs	2,756
Net outflow of cash in respect of acquisition of business:	
Cash consideration and costs	(2,756)
Net cash and overdrafts of business acquired	(703)
	(3,459)

In the year to 31 December 2008 Surmah Valley Tea Company Limited recorded revenue of £1,694,000 and a profit after tax of £464,000.

In 2006, the group acquired 100 per cent. of the issued share capital of Hill Martin Holdings Limited and Hill Martin Limited (together "Hill Martin"). In 2008, the group paid a further £661,000 in respect of this acquisition.

38 Commitments

Capital commitments

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

Group	2008 £'000	*2007 £'000*
Property, plant and equipment	2,281	*1,501*
Biological assets	47	*49*
	2,328	*1,550*

Operating leasing commitments – minimum lease payments

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

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

Group	2008 £'000	*2007 £'000*
Land and buildings:		
Within 1 year	533	*488*
Between 1 – 5 years	1,898	*1,916*
After 5 years	16,997	*18,422*
	19,428	*20,826*
Plant and machinery:		
Within 1 year	123	*233*
Between 1 – 5 years	565	*884*
After 5 years	–	*6*
	688	*1,123*

39 Financial instruments

Capital risk management

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

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

The ratio at the year end is as follows:

	2008 £'000	2007 £'000
Borrowings	29,983	26,568
Tangible net assets	295,041	258,025
Ratio	10.16%	10.30%

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

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

39 Financial instruments *(continued)*

Categories of financial instruments

	Carrying value 2008 £'000	*2007 £'000*
Financial assets		
Cash and cash equivalents (excluding bank subsidiaries)	24,775	*11,763*
Loans and advances to banks by banking subsidiaries	256,859	*223,849*
Loans and advances to customers of banking subsidiaries	40,096	*37,061*
Trade and other receivables	32,093	*27,731*
Other investments	26,531	*34,083*
	380,354	*334,487*
Financial liabilities		
Amounts due to customers of banking subsidiaries	281,340	*250,916*
Trade and other payables	35,174	*24,997*
Borrowings	29,983	*26,568*
Other non-current liabilities	131	*341*
	346,628	*302,822*

Fair values

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

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

Financial risk management objectives

The group finances its operations by a mixture of retained profits, bank borrowings, long-term loans and leases. The objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. To achieve this, the maturity profile of borrowings and facilities are regularly reviewed. The group also seeks to maintain sufficient undrawn committed borrowing facilities to provide flexibility in the management of the group's liquidity.

Given the nature and diversity of the group's operations, the board does not believe a highly complex use of financial instruments would be of significant benefit to the group. However, where appropriate, the board does authorise the use of certain financial instruments to mitigate financial risks that face the group, where it is effective to do so.

Various financial instruments arise directly from the group's operations, for example cash and cash equivalents, trade debtors and trade creditors. In addition, the group uses financial instruments for two main reasons, namely:

– To finance its operations (to mitigate liquidity risk);

– To manage currency risks arising from its operations and arising from its sources of finance (to mitigate foreign exchange risk).

The group, including Duncan Lawrie, the group's banking subsidiary, did not, in accordance with group policy, trade in financial instruments throughout the period under review.

(A) Market risk

(i) Foreign exchange risk

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

Currency risks are primarily managed through the use of natural hedging and regularly reviewing when cash should be exchanged into either sterling or another functional currency.

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 included on the Bermudian, Swiss and Japanese stock exchanges.

Should these equity indexes increase or decrease by 5 per cent. with all other variables held constant and all the group's equity instruments move accordingly, the group's equity balance would increase/decrease by £1,314,000 (*2007: £1,361,000*).

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 2008, if interest rates on non-sterling denominated interest-bearing assets and borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £3,000 (*2007: £27,000*) higher/lower.

At 31 December 2008, 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 £49,000 (*2007: £3,000*) lower/higher.

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

	Assets		Liabilities	
	2008	*2007*	2008	*2007*
	£'000	*£'000*	£'000	*£'000*
Sterling	188,065	*181,830*	178,350	*181,248*
US Dollar	75,102	*45,195*	73,829	*46,044*
Euro	26,901	*33,729*	26,893	*33,711*
Kenyan Shilling	3,990	*272*	2,731	*2,584*
Indian Rupee	2,845	*1,481*	4,255	*4,607*
Malawi Kwacha	106	*119*	–	*266*
Bangladesh Taka	6,141	*1,883*	8,769	*2,590*
Australian Dollar	5,604	*482*	5,602	*481*
South African Rand	423	*358*	315	*62*
Swiss Franc	9,138	*4,207*	8,613	*3,760*
Brazilian Real	816	*1,345*	–	*–*
Chilean Peso	287	*181*	–	*540*
Bermudian Dollar	342	*–*	–	*–*
Canadian Dollar	1,072	*403*	1,072	*403*
Japanese Yen	287	*644*	286	*644*
Danish Krone	560	*407*	559	*407*
New Zealand Dollar	5	*126*	4	*126*
Other	46	*11*	45	*11*
	321,730	*272,673*	311,323	*277,484*

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 3.0 per cent. of the customer loan book being unsecured. Collateralised loans are normally secured against cash or property, with property loans being restricted to a maximum of 70 per cent. of recent valuation.

The group has a large number of trade receivables, with the largest five receivables at the year end only comprising 19 per cent. (*2007: 18 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 Duncan Lawrie. This fact, in conjunction with the general matching of maturing customer deposits with market placements and the general use of liquid assets such as certificates of deposit, results in significantly reduced liquidity risk for Duncan Lawrie and the group.

At 31 December 2008, the group had undrawn agreed facilities of £26,985,000 (*2007: £21,234,000*), 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 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

At 31 December 2007	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Undated £'000	Total £'000
Assets						
Cash and cash equivalents (excluding bank subsidiaries)	*11,763*	–	–	–	–	*11,763*
Loans and advances to banks by banking subsidiaries	*223,849*	–	–	–	–	*223,849*
Loans and advances to customers of banking subsidiaries	*16,250*	*4,628*	*12,996*	*3,187*	–	*37,061*
Trade and other receivables	*27,097*	*634*	–	–	–	*27,731*
Other investments	*6,700*	–	–	–	*27,383*	*34,083*
Liabilities						
Deposits by banks at banking subsidiaries	*451*	–	*502*	–	–	*953*
Customer accounts held at banking subsidiaries	*237,779*	*2,296*	*8,874*	*1,014*	–	*249,963*
Trade and other payables	*24,997*	–	–	–	–	*24,997*
Borrowings	*14,771*	*2,347*	*4,401*	*5,049*	–	*26,568*
Other non-current liabilities	–	*76*	–	*126*	*139*	*341*
At 31 December 2008						
Assets						
Cash and cash equivalents (excluding bank subsidiaries)	24,775	–	–	–	–	24,775
Loans and advances to banks by banking subsidiaries	256,268	–	–	–	591	256,859
Loans and advances to customers of banking subsidiaries	19,578	3,247	13,377	3,632	262	40,096
Trade and other receivables	31,114	979	–	–	–	32,093
Other investments	–	–	–	–	26,531	26,531
Liabilities						
Deposits by banks at banking subsidiaries	210	–	–	–	–	210
Customer accounts held at banking subsidiaries	268,317	980	10,191	1,176	466	281,130
Trade and other payables	35,174	–	–	–	–	35,174
Borrowings	18,629	6,674	1,766	2,914	–	29,983
Other non-current liabilities	–	–	–	122	9	131

Included in loans and advances to banks by banking subsidiaries repayable in less than 1 year is £21,303,000 (*2007: £8,772,000*) repayable on demand, £229,529,000 (*2007: £215,077,000*) repayable within 3 months and £5,436,000 (*2007: £nil*) repayable between 3 and 12 months.

Included in loans and advances to customers of banking subsidiaries repayable in less than 1 year is £3,288,000 (*2007: £1,063,000*) repayable on demand, £4,105,000 (2007: £3,485,000) repayable within 3 months and £12,185,000 (*2007: £11,702,000*) repayable between 3 and 12 months.

39 Financial instruments *(continued)*

Included in deposits by banks at banking subsidiaries repayable in less than 1 year is £210,000 (*2007: £170,000*) repayable on demand, £nil (*2007: £271,000*) repayable within 3 months and £nil (*2007: £10,000*) repayable between 3 and 12 months.

Included in customer accounts held at banking subsidiaries repayable in less than 1 year is £100,102,000 (*2007: £51,855,000*) repayable on demand, £161,143,000 (*2007: £177,607,000*) repayable within 3 months and £7,072,000 (*2007: £8,317,000*) repayable between 3 and 12 months.

Included in borrowings in less than 1 year is £14,856,000 (*2007: £11,005,000*) repayable on demand.

40 Principal subsidiary and associated undertakings

Subsidiary undertakings

The principal operating subsidiary undertakings of the group at 31 December 2008, 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 - 80.3 per cent. holding)	India
Hacienda Chada S.A. (Incorporated in Chile)	Chile
Horizon Farms (An United States of America general partnership - 80.0 per cent. holding)	USA
Kakuzi Limited (Incorporated in Kenya - 50.7 per cent. holding)	Kenya
Koomber Tea Company Limited (Incorporated in India)	India
Longbourne Holdings Limited	Bangladesh
Siret Tea Company Limited (Incorporated in Kenya - 76.0 per cent. owned by Kakuzi Limited)	Kenya
Stewart Holl (India) Limited (Incorporated in India - 92.0 per cent. holding)	India
Engineering	
Abbey Metal Finishing Company Limited	UK
AJT Engineering Limited	UK
AKD Engineering Limited	UK
British Metal Treatments Limited	UK
General Utilities (Stockport) Limited	UK
Food storage and distribution	
Affish BV (Incorporated in The Netherlands)	The Netherlands
Associated Cold Stores & Transport Limited	UK
Wylax International BV (Incorporated in The Netherlands)	The Netherlands
Trading and agency	
Robertson Bois Dickson Anderson Limited	UK

40 Principal subsidiary and associated undertakings *(continued)*

Subsidiary undertakings *(continued)*

	Principal country of operation
Banking and financial services	
Duncan Lawrie Limited	UK
Duncan Lawrie Asset Management Limited	UK
Duncan Lawrie Holdings Limited	UK
Duncan Lawrie (IOM) Limited (Incorporated in Isle of Man)	Isle of Man
Investment holding	
Affish Limited	UK
Assam Dooars Investments Limited	UK
Associated Fisheries Limited	UK
Bordure Limited	UK
John Ingham & Sons Limited	UK
Lawrie (Bermuda) Limited (Incorporated in Bermuda)	Bermuda
Lawrie Group Plc	UK
Lawrie International Limited (Incorporated in Bermuda)	Bermuda
Linton Park Plc	UK
Unochrome Industries Limited	UK
Western Dooars Investments Limited	UK

Associated undertakings

The principal associated undertakings of the group at 31 December 2008 were:

	Principal country of operation	Accounting date 2008	Group interest in equity capital per cent.
Chemical and pharmaceutical			
Siegfried Holding AG (Incorporated in Switzerland - registered shares)	Switzerland	31 December	32.3
Insurance and leasing			
BF&M Limited (Incorporated in Bermuda - common stock)	Bermuda	31 December	25.2
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
Property			
West Hamilton Holdings Limited (incorporated in Bermuda - common stock)	Bermuda	31 December	28.2

41 Control of Camellia Plc

Camellia Holding AG holds 1,427,000 ordinary shares of Camellia Plc (representing 51.34 per cent. of the total voting rights). Camellia Holding AG is owned by The Camellia Private Trust Company Limited (a private trust company incorporated under the laws of Bermuda to act as a Trustee of The Camellia Foundation). The Camellia Foundation ("the Foundation") is a Bermudian Trust, the income of which is utilised for charitable, educational and humanitarian causes at the discretion of the Trustees.

The activities of Camellia Plc and its group (the "Camellia Group") are conducted independently of the Foundation and, other than Mr P A Leggatt and Mr D A Reeves who are directors of The Camellia Private Trust Company Limited and act as trustees of the Foundation, none of the directors of Camellia Plc are currently connected with The Camellia Private Trust Company Limited or the Foundation. While The Camellia Private Trust Company Limited as a Trustee of the Foundation maintains its rights as a shareholder, it has not participated in, and has confirmed to the board of Camellia Plc that it has no intention of participating in, the day to day running of the business of the Camellia Group. The Camellia Private Trust Company Limited has also confirmed its agreement that where any director of Camellia Plc is for the time being connected with the Foundation, he should not exercise any voting rights as a director of Camellia Plc in relation to any matter concerning the Camellia Group's shareholding in Siegfried Holding AG* or any other assets in which the Foundation also has a material interest otherwise than through Camellia Plc.

Since the Foundation is a non-trading entity, no other transactions or relationships between the Camellia Group and the Foundation are envisaged, but the board of Camellia Plc will not in any event conduct any transaction or relationship with the Foundation other than on an arm's length and normal commercial basis.

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

Report of the auditors

Independent Auditors' Report to the Shareholders of Camellia Plc

We have audited the group and parent company financial statements (the "financial statements") of Camellia Plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the Business Review section of the Directors' Report.

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Corporate Governance Statement and the five year record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Report of the auditors

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended; and
- the parent company financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

MOORE STEPHENS LLP
Chartered Accountants
and Registered Auditors
St. Paul's House,
Warwick Lane,
London EC4M 7BP

28 April 2009

Five year record

	2008 £'000	*2007 £'000*	*2006 £'000*	*2005 £'000*	*2004 £'000*
Revenue – continuing operations	190,551	*161,936*	*160,552*	*152,743*	*156,288*
Profit before tax	24,040	*30,651*	*19,982*	*22,275*	*8,013*
Taxation	(7,547)	*(3,205)*	*(4,808)*	*(1,764)*	*(2,741)*
Profit from continuing operations	16,493	*27,446*	*15,174*	*20,511*	*5,272*
Profit attributable to equity shareholders	11,044	*25,317*	*12,903*	*20,326*	*5,515*
Equity dividends paid	2,557	*2,502*	*2,474*	*2,284*	*2,258*
Equity					
Called up share capital	284	*284*	*284*	*284*	*260*
Reserves	303,816	*265,987*	*235,677*	*241,632*	*187,229*
Shareholders' funds	304,100	*266,271*	*235,961*	*241,916*	*187,489*
Earnings per share	397.3p	*910.8p*	*464.2p*	*793.2p*	*217.8p*
Dividend paid per share	92.00p	*90.00p*	*89.00p*	*88.00p*	*87.00p*

Camellia Plc

Form of proxy

FORM OF PROXY FOR USE BY MEMBERS OF CAMELLIA PLC AT THE ANNUAL GENERAL MEETING TO BE HELD AT 11.30 A.M. ON 3 JUNE 2009

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

....

or, failing whom, the chairman of the meeting as my/our proxy to attend, speak and vote on my/our behalf at the annual general meeting of the company to be held at 11.30 a.m. on 3 June 2009 at The Goring Hotel, Beeston Place, Grosvenor Gardens, London SW1W 0JW (or at any adjournment thereof). I/We direct that my/our proxy will vote (or abstain from voting) on the resolutions set out in the notice of annual general meeting as indicated below:

Please tick here if this proxy appointment is one of multiple appointments being made. ☐

Please insert the number of shares in relation to which the proxy holder is authorised to act. ☐

Resolutions		For	Against	Vote withheld
1	To receive the company's annual accounts and the directors' and auditors' reports			
2	To approve the directors' remuneration report			
3	To declare a final dividend of 72p per ordinary share			
4	To re-elect Mr M C Perkins as a director			
5	To re-elect Mr P A Leggatt as a director			
6	To re-elect Mr A K Mathur as a director			
7	To re-elect Mr D A Reeves as a director			
8	To re-elect Mr C J Relleen as a director			
9	To re-elect Dr B A Siegfried as a director			
10	To re-elect Mr C P T Vaughan-Johnson as a director			
11	To elect Mr C J Ames as a director			
12	To elect Mr P J Field as a director			
13	To reappoint Moore Stephens LLP as auditors to the company			
14	To authorise the directors to determine the auditors' remuneration			
15	To authorise the company to make market purchases of its own ordinary shares (special resolution)			

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

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

....

....

Signature of shareholder or common seal/signature of two directors or a director and secretary or other duly authorised officer of corporate shareholder.

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

Print Name .... Date ....

Please return this form of proxy to Capita Registrars, either by using the prepaid form or to the alternative address of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive by 11.30 a.m. on 1 June 2009. Alternatively, if you hold your shares in uncertificated form, you may appoint a proxy using the CREST electronic proxy appointment service, details of which are set out in note 4 to the notice of annual general meeting.

Notes

1. A proxy need not be a member of the company but must attend the meeting to represent you. You may appoint as your proxy persons of your own choice by inserting their names in the space provided. If no name is inserted in the space provided the chairman will be deemed appointed as the proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which he is authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement [(or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account)].
2. A member may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy you may photocopy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy (which in aggregate, should not exceed the number of shares held by you). Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by you may result in the appointment being invalid.
3. If you appoint as your proxy a person who is themself a member of the company or who is appointed as proxy by more than one member of the company, such person will be able to cast your vote only on a poll, not on a show of hands.
4. Please indicate with a cross in the appropriate box how you wish your votes to be cast. In the absence of any specific direction, the proxy will vote (or abstain from voting) at his or her discretion. On any other business which properly comes before the annual general meeting (including any motion to amend any resolution or to adjourn the meeting) the proxy will vote or abstain at his or her discretion.
5. To be valid, this form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be received by Capita Registrars, by not later than 11.30 a.m. on 1 June 2009.
6. Completion and return of this form of proxy will not prevent you from attending and voting at the annual general meeting if you so wish.
7. In the case of a corporate shareholder, this form of proxy should either be executed by the company under seal or signed by two directors or a director and the secretary or other duly authorised officer or attorney.
8. In the case of joint holders, the vote of the first-named in the register of members of the company will be accepted to the exclusion of that of other joint holders.