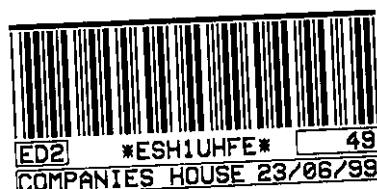


Camellia Plc

Report and Accounts 1998

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Camellia Plc

Directors and Appointments

Directors:	G. FOX, C.A., C.M.A. (Chairman) D. M. BACON, F.C.A. (Managing Director) D. F. H. GEEN (Non-Executive Director) D. W. JÖHR (Non-Executive Director)
Secretary:	P. E. HILL, F.C.I.S.
Group Chief Accountant:	A. K. MATHUR, F.C.A.
Registered Office:	25 Upper Brook Street, London W1Y 1PD (Registered No. 29559)
Bankers:	NATIONAL WESTMINSTER BANK PLC
Auditors:	MOORE STEPHENS Chartered Accountants, St. Paul's House, Warwick Lane, London EC4P 4BN
Solicitors:	TRIVERS SMITH BRAITHWAITE 10 Snow Hill, London EC1A 2AL
Registrars:	IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ

Notice of Meeting

NOTICE IS HEREBY GIVEN that the one hundred and eleventh Annual General Meeting of Camellia Plc will be held at the offices of Travers Smith Braithwaite, 10 Snow Hill, London EC1A 2AL on Thursday, 15th July 1999 at 11.30 a.m. for the following purposes:

- | | |
|--|----------------|
| To receive the directors' report and statement of accounts for the year ended 31st December 1998 | (Resolution 1) |
| To declare a final dividend | (Resolution 2) |
| To re-elect the following directors: | |
| Mr. G. Fox | (Resolution 3) |
| Mr. D. M. Bacon | (Resolution 4) |
| Mr. D. F. H. Geen | (Resolution 5) |
| Mr. D. W. Jöhr | (Resolution 6) |
| To re-appoint the auditors and to authorise the directors to agree their remuneration | (Resolution 7) |

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

SPECIAL RESOLUTION

THAT the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:

- the maximum number of ordinary shares hereby authorised to be acquired is 246,512 (representing 10 per cent of the Company's issued ordinary share capital);
- the minimum price which may be paid for such shares is 10p per share;
- the maximum price which may be paid for an ordinary share is not more than 5 per cent above the average of the middle market quotations of an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased;
- unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2000 or within 12 months from the date of passing this resolution, whichever shall be the earlier; and
- the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.

(Resolution 8)

Registered Office:

25 Upper Brook Street,
London W1Y 1PD

1st June 1999

By Order of the Board

P. E. HILL

Secretary

Notes:

- For the purposes of determining who is entitled to attend or vote at the meeting (whether on a poll or otherwise) a person must be entered in the register of members not later than 48 hours before the time of the meeting (or any adjournment thereof).
- A Member entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote in his or her place. A proxy need not be a Member.
- To be valid, forms of proxy must be lodged at the offices of the Company's registrars, IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1BR not later than 48 hours before the time appointed for holding the Meeting. A form of proxy is enclosed.
- None of the directors has a service contract with the Company.

Camellia Plc

Chairman's Statement

A Scheme of Arrangement, whereby Camellia will acquire the shares of Lawrie Group that it does not currently own, will be put to the shareholders of Lawrie Group Plc which for reasons outlined therein and recommended by independent advisers will be of considerable benefit to both groups of shareholders. I strongly urge shareholders to give their full support to this scheme. Subject to the scheme being adopted by shareholders and approved by the Court, it will be my intention together with all the other members of your board at that point to retire and be replaced by the present board of Lawrie Group Plc, which company provides virtually the entire income of Camellia and the overwhelming proportion of its operating and income-bearing assets.

I have served as your Chairman for over 30 years, and with my 70th birthday and the Millennium a matter of months away, my inner being tells me that the time has come to transfer the overall executive direction of the group to the next generation who have been managing its day-to-day affairs for many years and whose successful performance has clearly demonstrated that they are wholly equipped to assume greater overall responsibilities. David Bacon will be retiring from the board with me, and Keith FitzGerald and Nick Grant will be retiring after an appropriate transitional period in each case so as to give their successors sufficient time to assume their new responsibilities. The generational change presently taking place across the group has been many years in the planning and I can assure shareholders that every aspect has been meticulously considered. It is envisaged that Keith FitzGerald's eventual successor as Group Chairman will be Malcolm Perkins, who joined Linton Park Plc 27 years ago. During his long tenure as Managing Director and since 1996 as Chairman of Linton Park, he has played a leading role in positively transforming all aspects of that company's activities.

A Farewell

It has always seemed to me that Camellia, the flower of Tea, is an appropriately beautiful sounding name for a remarkable gift of nature both in terms of its aesthetics and, as we are becoming increasingly aware through modern research of its multiple benefits, to mankind's health and peace of mind. In the context of our group nothing could better symbolise the development, from little more than a vulnerable seedling some 35 years ago, to a world-wide enterprise with a team of more than 80,000 people, an impressive array of outstanding, if not unique, assets, and a strongly embedded philosophy which over time has enabled us to develop a culture which in all its nuances defines us. Whilst it may elude precise analysis, our people are conscious of this culture, and many of those who interact with us, be it commercially or as visitors to our offices or gardens, speak of having discerned a different perspective towards time and space – perhaps in response to courtesy and a calm thoughtful approach to the resolution of problems; or to a sense of quality and attention to detail; or perhaps it is simply an awareness of inner stillness and self-confidence flowing from being part of something differently conceived yet still financially successful and secure. In these ways our group's culture is palpable, and is to my mind the product of values, attitudes, style and the ways in which interpersonal relationships are conducted. It is this culture that is our most pervasive and precious asset, and yet it does not appear as such on our balance sheet. It is in order to nurture and protect it that I intend to arrange for the retention of long-term control of the group, and despite the transience, short-termism, greed and aggression of so much of the world around us, I will be leaving the company comforted in the knowledge that the meaningful values of life which have inspired our group philosophy will be regarded as paramount long into the future.

Chairman's Statement

As this is likely to be my last address to you as Chairman, it gives me a singular opportunity to offer my deepest gratitude to those of my oldest and closest colleagues with whom I have spent the better part of my working life. I offer my thanks beyond words to Keith FitzGerald, presently Chairman of Lawrie Group Plc, for his patience, clarity of thought, deepest sense of loyalty and a total giving of himself to Lawrie Group's welfare; to David Bacon for micro-managing Camellia's day-to-day affairs so honourably and conscientiously; to Nick Grant for his total dedication towards creating Duncan Lawrie Limited, our highly regarded private bank; to Donald Geen for his unshakeable steadfastness and to Dieter Jöhr of Switzerland, who from the earliest days accompanied me on my many trips to India and provided constant enthusiasm, encouragement and financial support. In India, I particularly wish to thank Satti Bhasin who despite great personal risk and endless difficulties never uttered a word of complaint during the more than 30 years we worked together, and had he not stood so courageously in the trenches with me for many harrowing years, your magnificent and irreplaceable Indian assets would not be what they are today.

Finally, it is not possible for me to find adequate words to express my most profound and heartfelt thanks to the company of friends, colleagues and shareholders who have enabled me to live a life surrounded by more encouragement, loyalty and love than any human being, let alone myself, deserves. I humbly bow to you in silence with a traditional Indian gesture of Namaste.

1st June 1999

GORDON FOX

Camellia Plc

Report of the Directors

The directors submit to the members their report and the audited accounts for the year ended 31st December 1998.

In the year to 31st December 1998 the Group earned record profits of £32.29 million before tax on increased turnover of £247.46 million despite severe economic conditions in important consuming markets for our products. This compares to turnover in 1997 of £233.88 million and profits before tax of £26.21 million. Net profits after tax and minorities amounted to £12.97 million or 525.92 pence per share compared to 454.08 pence per share in 1997. The Group's activities are fully reported in the Chairman's Statement in the current report and accounts of Lawrie Group Plc, a detailed extract of which constitutes an integral part of Camellia's present Report of the Directors. In order to have a fuller understanding of the depth and breadth of the Group's activities shareholders are encouraged to study that statement.

Principal Activities and Business Review

The Company is the holding company of an agricultural, industrial and financial services operating group. The principal activities of the Company, its subsidiaries and its associated undertakings comprised:

- (a) Agriculture and horticulture – The production of tea, coffee, citrus fruits, edible nuts, other horticultural produce and general farming.
- (b) Private and merchant banking services.
- (c) Food storage and distribution.
- (d) Trading and agency.
- (e) Engineering – Metal finishing, heat treatment, fabrication and precision engineering.
- (f) Chemical and pharmaceutical production.
- (g) Property leasing.
- (h) Dealing in fine art.
- (i) The holding of investments.

Results and Dividends

	£'000
The profit for the year amounted to	12,968
<hr/>	
It is recommended that this is dealt with as follows:	
Interim dividend already paid: 19p per share	469
Proposed final dividend: 28p per share	690
<hr/>	
Transfer to reserves	1,159
	11,809
<hr/>	
	12,968
<hr/>	

Warrants in respect of the final dividend for the year ended 31st December 1998 will, if approved at the Annual General Meeting, be posted on 15th July 1999 to shareholders registered in the books of the Company at the close of business on 11th June 1999.

Art Galleries

Lumley Cazalet Limited enjoyed a prosperous year with increased turnover and an acceptable level of profitability. Turnover reached £1.755 million and profit before taxation was £107,000.

The orderly disposal of the inventory of the JPL Fine Arts Limited gallery continued with further modest sales. Together with a provision for slow moving inventory, there was an all-in loss of £88,000.

International Factors Corporation

International Factors Corporation continues its activities as an investment company. A further very substantial dividend equivalent to almost twice the original cost of our investment was received in 1999 with the benefit of the final proceeds of the sale of the original factoring business.

Report of the Directors

Lawrie Group Plc

The following is an extract from the Chairman's Statement in the Report and Accounts of Lawrie Group Plc for 1998:

I am delighted to be reporting upon 1998 as another year of increased profit. For the year to 31st December 1998, pre-tax profit was £32.25 million compared with £26.40 million in 1997, and earnings per share increased from 699 pence to 787 pence.

United Kingdom

Duncan Lawrie Limited

1998 was a difficult year for Duncan Lawrie. A large client was lost due to its parent company being taken over, resulting in a reduction in fee income and some unavoidable and costly staff redundancies. However, a number of new customers were taken on during the year and the Isle of Man subsidiaries performed well.

It is believed that all the technical issues arising from the millennium have now been addressed so as to ensure, insofar as it is possible, that there is no disruption to the high quality of service provided to Duncan Lawrie's customers. In this context, it is reassuring that no significant difficulties were encountered after the introduction of the Euro at the beginning of 1999.

W.D.G. Properties Limited

In 1998 the profit of W.D.G. Properties was marginally less than in 1997 but all the principal properties are satisfactorily let and profitability for the current year is budgeted to increase.

British Mohair Holdings Plc

The result for the year ended 31st December 1998 was a loss of £11,000, compared with a profit of £460,000 in 1997. The reduction is attributable to an increased loss from the textile division, which continued to suffer from adverse trading conditions and the erosion of export margins due to the strength of sterling.

In his review of 1998 the Chairman referred to a number of reorganisational measures including the board's decision to close the production unit in Keighley, thereby making several of the Group's properties potentially available for disposal as well as enhancing the prospect of better results from the textile side of the business. As regards the engineering subsidiaries, profits from both T.Mat Engineering and The Jewell Blade Company exceeded those of 1997.

Linton Park Plc

1998 was a very satisfactory year for Linton Park, resulting in a pre-tax profit of £22.17 million, compared with £17.75 million in 1997. The following is an extract from the Chairman's Statement:

Our tea operations made a very positive contribution to the profits with Malawi benefiting from its main harvest coinciding with the high prices achieved in the first part of the year. The exceptional growing conditions produced a record crop in Kenya but this contributed to a substantial decline in prices from the middle of the year. The early promise of a very good year at Kakuzi was not fulfilled with the coffee crop being decimated by continual rainfall which rendered normal farming procedures impossible due to waterlogged ground conditions. The inclement weather coincided with a marked reduction in coffee prices from the levels ruling at the beginning of the year.

It is pleasing to be able to report that Yandilla Park in Australia enjoyed a record year with its significant developments now approaching maturity. Yandilla secured good prices for their fruit partly as a result of weather-related shortages and partly by improved horticultural practices. The wine grapes also made a useful contribution to profits.

Weather conditions throughout the world are still very unsettled, but the diversity of the Group's locations provides some considerable spreading of risk against uncontrollable climatic occurrences. I do hope however that 'El Nino' will now enjoy a period of respite allowing some sort of normality to return to our agricultural operations.

Camellia Plc

Report of the Directors

1998 marked the start of a downturn in some of the sectors of UK industry in which we are involved, particularly the offshore oil industry. AJT Engineering in Scotland noticed a significant decline in both new and repair work which can be directly attributed to cut backs implemented by the oil companies in their relatively high cost operations in the North Sea. However, Abbey Metal Finishing continued to perform above expectations. Abbey is presently installing new equipment which should allow continuing expansion in the years ahead. Poor summer weather in the UK had repercussions for our cold storage and distribution businesses.

Our major associated company Siegfried AG enjoyed a year comparable to that of 1997. Certain management problems have been identified in Siegfried's American operations but these are currently being vigorously addressed to enable the company to take maximum advantage of the opportunities for growth afforded by the US market.

The following is an extract from the Review of Activities published by Linton Park Plc for 1998:

Agriculture and horticulture

Tea

Tea production by subsidiary undertakings amounted to 33 million kilos. Kenya produced a record crop due to the substantial rainfall. The increased crop severely tested the capacities of our factories but management dealt with the ensuing problems admirably. The Malawi crop was satisfactory although not quite matching the record of the previous year.

Tea prices started the year at very remunerative levels but had declined significantly by the middle of the year. Tea was being sold at around cost of production in the second half of the year.

The Kenya shilling remained strong but interest rates started to decline in the latter part of the year, a welcome trend that has continued into 1999. Both Kenya and Malawi suffer from an extensive breakdown of infrastructure with roads, power supplies and telecommunications in a poor state, thus adding to management problems.

The allocation of funds for replanting, factory development and improved living conditions on the estates continued during the year. We also worked closely with our major customers on quality improvements and on the efficient packing and transport of teas.

Coffee

Kakuzi made an encouraging start to the year with good prices being achieved and the prospect of a satisfactory crop. As the year unfolded, the full extent of the damage done by the continual rain became apparent eventually resulting in a reduction of the crop of some 40 per cent. Prices declined during the year with coffee being sold at below the cost of production. The new coffee factory at Makuyu was completed during the year and the limited throughput was handled successfully.

The Malawi coffee crop was also disappointing principally as a result of disease. Replanting has continued and new irrigation systems have been installed.

Citrus

Yandilla Park produced a record profit for the year. The extensive new plantings in both Renmark and Sunraysia are slowly reaching maturity. Climatic conditions and improved working practices combined to produce large fruit which in turn had a beneficial impact on the throughput of the packing shed. The weakness of the Australian dollar contributed to a very successful marketing season in North America and progress was also made in the Pacific Rim markets which were so badly hit in 1997.

Our operations in Chile produced their first small crop from the new plantings. The initial results are encouraging and further areas are being planted. It is too early to predict whether the crop will be of sufficient quality for export.

1999 will see the planting of 80 hectares of citrus on our orchards in California and a further 30 hectares will be planted in South Africa.

Report of the Directors

Edible nuts

Almond production on Horizon Farms in California was reduced due to rain at the time of flowering but pistachio production showed a further increase. The sale price of almonds has fluctuated widely throughout the year and the final proceeds from the 1998 harvest have yet to be received. Pistachio prices are slightly lower than the 1997 levels.

Macadamia production in Malawi exceeded 100 tonnes for the first time as the orchards mature. The plantings now cover an area in excess of 1,000 hectares. The new processing plant should be complete in time for the harvest in 2000.

Other horticulture

The passion fruit crop in Kenya was also affected by the wet weather and prices were disappointing. The newly planted avocado areas showed good growth and the prospects for the first harvest in 1999 are encouraging.

Yandilla more than doubled their wine grape production in Australia and good prices led to this crop making a substantial contribution to profits. Wine grape production in South Africa was down due to the uprooting of old vine varieties that are no longer acceptable to the wine industry. The new cellar successfully pressed its first vintage in 1998 with quality being above expectations.

Table grape production increased in both South Africa and Chile. Bonathaba Farm in South Africa produced its first meaningful harvest with good results. High interest rates on borrowings in South Africa to finance immature developments make profits that much harder to achieve in the short term.

Engineering

Despite a small increase in turnover, profits of the group's engineering businesses declined in 1998. AJT Engineering and AKD Engineering both suffered from the reduction in offshore oil activity in the North Sea and West of Shetland fields, which was brought about by the low oil price experienced for much of the year.

Abbey Metal Finishing and British Metal Treatments both improved their profits. Abbey Metal Finishing benefited from the continued buoyancy of its aerospace customers, whilst sales development by British Metal Treatments' smaller plants eliminated earlier losses and helped lift that company's overall result.

General Utilities, which specialises in profile cutting and surface grinding, maintained turnover after acquiring a competitor, but its profit margins were eroded following a downturn in availability of work for a number of customers who are exporters.

The engineering division has had a difficult start in 1999 with more recent increases in oil prices yet to have a positive impact on offshore activities and many customers continuing to have only limited business to subcontract to our companies. Regrettably, some redundancies have been necessary. Sales activities have been increased to expand the customer base.

Food storage and distribution

Associated Cold Stores & Transport opened a further cold store at its Wolverhampton site in September, but this was too late to have a positive impact on results for the year. Although bulk vegetable storage is no longer so important to the company, another disappointing harvest limited availability for cold storage. The poor summer weather also restricted ice cream movement. The company continued to succeed in gaining new contracts and has established a leading position in the market for consolidating deliveries for smaller food manufacturers to catering wholesalers. Continued investment in information technology has further improved the services available to the company's customers.

Affish BV and Wylax International BV, which operate in the Netherlands distributing fish products mainly to catering outlets, advanced their sales and profits. Wylax completed an extension to its processing and distribution centre to cope with anticipated further growth.

WG White, the Group's licensed importer and distributor of caviar from the Caspian Sea, had another successful year from its new premises near Heathrow airport. The continued development of its range of fine foods broadened its product and customer base.

Camellia Plc

Report of the Directors

Trading and agency

Highland Fuels reported a strong improvement in profit on increased sales, thanks to better performance from most of the company's activities in Scotland, notably a welcome increase in contribution from the core bulk fuels distribution business.

In contrast, British Traders & Shippers, the Group's speciality chemicals distributor, had a disappointing year with sales and profits reduced by the impact on prices of the collapse of Far Eastern markets.

Chemical and pharmaceutical

Siegfried AG, of which the Group owns 32.3 per cent. produced profits similar to 1997. Sales increased by 5 per cent. but net earnings declined 1.7 per cent. from the previous year. The Group has encountered quality problems in the production processes of its subsidiary's operations in North America. A number of measures have been taken to remedy these problems as rapidly as possible and thereby take maximum advantage of the opportunities for growth afforded by the US market.

Development

Agricultural development continues in all areas of operation. Tea and coffee are being planted or replanted in Kenya and Malawi; grapes in South Africa and Chile; citrus in Australia, California, South Africa and Chile; timber in Kenya and Brazil and avocados in Kenya. The necessary processing and packing facilities to handle the increased production are also being constructed.

The development of our successful cold storage operations continues. New equipment is being installed in our UK operations where market prospects justify the necessary expenditure.

India

Our tea gardens produced an all time record crop of 29.3 million kilos. Tea prices during the first half of the year were higher than in 1997, largely because of lower crops in Kenya and Central Africa, but declined as the season progressed. However, internal demand continued to strengthen and for 1998 as a whole the average price ended ahead of the previous year.

After taking into account the 9% depreciation of the Indian rupee against Sterling in 1998, Goodricke Group Limited achieved a pre-tax profit of £5.01 million compared with £2.20 million in 1997 whilst in Assam, Stewart Holl (India) Limited and Amgoorie India Limited made pre-tax profits of £1.80 million and £1.20 million respectively compared with £1.17 million and £1.01 million in 1997. Koomber Tea Company Limited also increased its 1997 pre-tax profit from £0.62 million to £0.74 million.

The Group's Darjeeling estates produced slightly increased crops but suffered from lower prices reflecting the effect on quality of abnormally heavy rainfall during the season, which also caused considerable disruption and damage to housing and communications.

Sales of instant tea are not yet satisfactory, but an increase in turnover is expected in the current year in response to the intensive efforts which are being made to tailor production to customers' individual specifications.

The political situation in Assam has recently been somewhat easier and the terrorist campaign appears to be under control. However, a long-term political solution is still awaited and until this has been negotiated the situation gives cause for continued concern.

Our policy of upgrading facilities for the welfare of the workforce continues and covers medical care, housing and other improvements such as electrification and piped water.

Mr. S. K. Bhasin retired as Managing Director of Goodricke Group Limited on 31st December 1998 having served the Group for over 44 years both on the gardens and in Calcutta. Mr. Bhasin's exceptional contribution to the success and prosperity of the Group has been invaluable and we are most grateful to him. His successor is Mr. K. S. David, who has been with the Group for 30 years and was formerly Executive Director Operations.

Report of the Directors

Nepal

Himalaya Goodricke (Pvt.) Limited, in which the Group has a minority holding, further increased its tea production to 290,000 kgs and benefited from higher price levels.

Bangladesh

Our ten Longbourne gardens produced another record crop of 11.2 million kgs. However, the pre-tax profit of £2.46 million was some 15% less than in 1997 due to lower price levels.

Rubber prices were depressed but a further 140 hectares were planted during the year and another 150 hectares are planned for 1999, which will complete 1,400 hectares overall.

Duncan Products Limited had a satisfactory year and achieved a small profit. This subsidiary produces and markets mineral water and packet tea and has begun to manufacture fluid bed driers for the tea industry.

United Leasing Company Limited achieved a satisfactory profit of £1.29 million and was making steady progress in spite of the effects of the severe floods in the autumn which disrupted economic development. United Insurance Company Limited made a pre-tax profit for the year of £423,000.

Brazil

Market prices for the farm's principal products were better than had been expected, but did not offset the effect on production yields of the planting and harvesting delays caused by periods of very adverse weather conditions, and regrettably the farm incurred another loss for the year.

In January 1999 the Brazilian Real was devalued by about 33% against the US dollar, resulting in sharp increases in interest rates and inflation. Both have recently begun to subside, but the current year's costs and sale prices on the farm have so far been adversely affected.

Prospects for 1999

The Group's UK activities have been performing satisfactorily, although some of the engineering companies are suffering from the high exchange value of sterling and lack of orders from the offshore oil industry. Production on the Group's tea estates in Kenya, however, has been affected by very dry weather, and the start of the season in India and Bangladesh has also been inhibited by a lack of rainfall. As the year progresses some of the current crop shortfalls may be made good and market prices may respond to the prospect of lower production, but these possibilities can be no more than conjectural at the present time.

Directors

Board

The present membership of the Board is set out on page two.

Under the terms of the Articles of Association of the Company all the directors are required to retire annually.

Mr. G. Fox, Mr. D. M. Bacon, Mr. D. F. H. Geen and Mr. D. W. Jöhr therefore retire and, being eligible, seek re-election.

Camellia Plc

Report of the Directors

Shareholdings

The interests of the directors in the share capital of the Company, including those of their families, pursuant to the Companies Act 1985, were as follows:

	<i>Beneficial Interests</i>		
	<i>1st January 1998</i>	<i>31st December 1998</i>	<i>25th May 1999</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>
D. M. Bacon – Personal Holding	86,000	86,000	86,000
D. F. H. Geen	10,060	10,010	10,010
D. W. Jöhr	2,500	2,500	2,500
	<i>Non-Beneficial Interests</i>		
G. Fox	1,412,000	1,414,500	1,414,500
D. M. Bacon	8,000	8,000	8,000

Mr. G. Fox and members of his immediate family are interested in 57.38 per cent of Camellia Plc's issued ordinary share capital, which interest is held by Camellia Holding AG. These interests are represented by the Libra Foundation, a private family foundation whose income is utilised for charitable, educational and humanitarian causes at the discretion of the Trustees.

The following directors are interested in the undernoted holdings of ordinary shares in Linton Park Plc:

	<i>Beneficial Interests</i>		
	<i>1st January 1998</i>	<i>31st December 1998</i>	<i>25th May 1999</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>
G. Fox	–	–	50,000
D. M. Bacon	5,000	5,000	5,000
	<i>Non-Beneficial Interests</i>		
G. Fox	–	50,000	50,000
D. M. Bacon	2,500	2,500	2,500

Substantial Shareholdings

As at 25th May 1999, and in addition to interests of certain directors shown above, notification has been received from St. James's Place Capital plc. that through one of its subsidiaries it is interested in 91,002 ordinary shares (3.69 per cent) of the issued ordinary share capital of the Company.

Changes in Group Structure

The Company increased its shareholding in Lawrie Group Plc by 0.75 per cent to 85.06 per cent by the acquisition of 14,085 shares for a consideration of £637,855.

In November and December 1998 Linton Park Plc purchased 599,270 of its own shares for cancellation at a total cost of £2,000,000. As a consequence the Group's interest in the shares of Linton Park Plc increased to 77.27 per cent. In February 1999 Linton Park Plc purchased a further 142,701 of its own shares for cancellation at a cost of £432,000.

During the year Indian subsidiaries acquired a further 3.73 per cent of the equity shares of Goodricke Group Limited for a consideration of £1,159,000.

On 13th March 1998 a subsidiary company sold Duncan Lawrie Pension Consultants Limited to Abbey National Independent Consulting Group Limited.

On 7th August 1998 J Bennett (Billingsgate) Limited and Grant and May Limited, both wholly owned subsidiaries of Linton Park Plc, were sold to Jayben Limited. Jayben Limited was owned equally by Messrs. Stone, Shelton and Angliss who were directors of J Bennett (Billingsgate) Limited and Grant and May Limited. Net assets at completion were £211,000 and the consideration, net of professional fees, was £78,000.

Report of the Directors

Post Balance Sheet Event

Preliminary discussions with Lawrie Group Plc ("Lawrie Group").

On 4th May 1999 the boards of Camellia and Lawrie Group announced that they were in preliminary discussions concerning the possibility of exchanging the issued ordinary shares in Lawrie Group not currently held by Camellia (being approximately 14.94% of the issued ordinary share capital of Lawrie Group as at 30th April 1999) for new ordinary shares in Camellia by means of a Scheme of Arrangement. It was anticipated that the basis for this share exchange would be four new ordinary shares in Camellia for every three ordinary shares held in Lawrie Group.

Further to the announcement of 4th May 1999, the Boards of Lawrie and Camellia announce today that they have reached an agreement on the terms of a proposal under which Lawrie will become a wholly owned subsidiary of Camellia ("the Proposal"). This will be achieved by means of a scheme of arrangement, on the basis of four new ordinary shares in Camellia for every three ordinary shares held in Lawrie. It is currently anticipated that a copy of the document relating to the scheme of arrangement, along with a copy of a circular to shareholders and the listing particulars being issued by Camellia, will be dispatched to shareholders after the High Court has ordered Lawrie to convene a Court Meeting in relation to the Proposal. It is expected that the Court will make this order on 15th June 1999.

Fixed Assets

In the opinion of the directors the market value of land and buildings in the United Kingdom exceeds book value by approximately £14 million.

Details of the changes in the Group's fixed assets are shown in notes 13, 14 and 15.

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. Trade creditors at 31st December 1998 represented 37 days of annual purchases.

Year 2000 Compliance

The directors are aware of the possible issues relating to computer systems and other micro chip based equipment that may impact in the Year 2000. Reviews of the potential risks have been completed at each group location, both with regard to internal systems and in connection with relationships with third parties, and the directors are satisfied that sufficient action has been taken to eliminate all significant problems in advance of the year end. The total cost of ensuring Year 2000 compliance has not yet been fully quantified, but is not expected to be material.

Future Policy

The Group will continue its policy of consolidating its shareholdings in existing businesses.

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.

Donations

The Group made donations to charities amounting to £51,661 during the year.

Camellia Plc

Report of the Directors

Auditors

Moore Stephens have expressed their willingness to continue as auditors of the Company and a resolution proposing their re-appointment and empowering the directors to agree their remuneration will be put before the Annual General Meeting.

Special Business

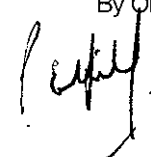
Acquisition of Shares

At the Annual General Meeting held on 6th July 1998 shareholders gave authority for the Company to purchase up to 123,300 of the Company's issued ordinary share capital, such authority expiring on 15th July 1999. During the year the Company purchased for cancellation 875 ordinary shares representing 0.03 per cent of the issued share capital at a total cost of £28,247. Shareholders' approval to renew the authority until the conclusion of the Annual General Meeting of the Company to be held in 2000 or within twelve months from the date of passing this resolution, whichever shall be the earlier, will be sought at the Meeting to be held on 15th July 1999.

The intention in seeking to propose the Resolution is to keep the option open should the price, opportunity or value occur and coincide with liquidity. All such purchases will be made through the London Stock Exchange and any shares purchased in this way will be cancelled and the number of shares in issue reduced accordingly.

1st June 1999

By Order of the Board



P. E. HILL
Secretary

Corporate Governance

In June 1998, the Hampel Committee and the London Stock Exchange published The Combined Code on Corporate Governance. This incorporates the Cadbury Code on Corporate Governance, the Greenbury Code on Directors' Remuneration and the new requirements arising from the findings of the Hampel Committee.

Statement of Compliance with The Combined Code

The Board, which comprises two executive and two non-executive directors, considers that its well established practices and controls are in general accordance with the spirit and principles of the provisions of section 1 of The Combined Code. The Company has complied throughout the year with those provisions, except in the following respects:

- the functions of the remuneration and audit committees are undertaken by the Board as a whole and are not carried out by separate committees comprising non-executive directors; and
- new Board appointments are considered by the Board as a whole.

The directors consider these departures from the provisions of section 1 of The Combined Code to be appropriate in view of the relatively small size of the Board. All directors are required to retire at each Annual General Meeting and are eligible for re-election. Shareholders thus have the opportunity to review the position of each director on an annual basis. The report of the Board on directors' remuneration is given on page 16.

Statement of Directors' Responsibilities

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit or loss of the Group for the financial year. The directors consider that in preparing the accounts, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. In addition the directors confirm that all applicable accounting standards have been followed.

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the Group and for the prevention and detection of fraud and other irregularities.

Going Concern

After making enquiries the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

Internal Financial Control

The directors acknowledge their responsibility for the Group's system of internal financial control, the effectiveness of which has been reviewed by the Board. The principal elements of this system consist of investment appraisal and the review of financial budgets and results of operating subsidiaries with the delegation of authority, responsibility, accountability and management to the executive directors of operating subsidiaries. It should be noted that internal financial control, by its nature, provides only reasonable and not absolute assurance against material misstatement or loss. In reporting on internal controls, the directors have followed the guidance issued by the Ruttman Working Group in December 1994.

Report of the Board on Directors' Remuneration

Directors' Statement

The directors consider that, given the relatively small size of the Board, the functions of the remuneration committee should continue to be undertaken by the Board as a whole. The Company has not therefore complied with the best practice provisions on directors' remuneration included in section 1 of The Combined Code annexed to The London Stock Exchange Listing Rules, which recommends the establishment of a remuneration committee consisting exclusively of non-executive directors. In framing its remuneration policy the committee has given full consideration to all of the matters referred to in schedule B of The Combined Code.

Remuneration Policy

Remuneration of executive directors is determined by the Board as a whole. The Board seeks to provide remuneration packages which satisfy the following principles:

- to attract, retain and motivate the best possible person for each position;
- to align the interests of executives with shareholders.

The Board reviews salaries annually and will seek independent professional advice when appropriate.

Directors' Remuneration

Details of directors' remuneration are included in note 8 of the audited accounts.

The Company does not operate an employees' share scheme or a long term incentive scheme and none of the directors are entitled to receive share options.

There were no pension scheme contributions made on behalf of any of the directors.

Service Contracts

None of the directors had a service contract with the Company.

1st June 1999

GORDON FOX

Chairman

Consolidated Profit and Loss Account
for the year ended 31st December 1998

	Notes	1998		1997	
		£'000	£'000	£'000	£'000
Turnover – continuing operations			237,987		217,899
– discontinued operations			9,471		15,984
	2(a)		247,458		233,883
Cost of sales			179,068		174,148
Gross profit			68,390		59,735
Net operating expenses	3		36,797		34,402
Operating profit – continuing operations		31,506		25,215	
– discontinued operations		87		118	
	2(a)		31,593		25,333
Share of results of associates			6,765		5,896
			38,358		31,229
Investment income			554		727
Loss on disposal of subsidiary undertakings	4		(553)		–
Provision for loss on disposal of property	5		–		(543)
Profit on disposal of fixed asset investments			31		1,091
			38,390		32,504
Net interest payable and similar charges	6		6,103		6,293
Profit on ordinary activities before taxation	2(b)		32,287		26,211
Taxation on profit on ordinary activities	9		10,538		7,545
Profit on ordinary activities after taxation			21,749		18,666
Interest of minority shareholders			8,781		7,449
Profit for the year	10		12,968		11,217
Dividends	11		1,159		1,085
Retained profit for the year	24		11,809		10,132
Earnings per share	12		525.92p		454.08p

Camellia Plc

Consolidated Balance Sheet as at 31st December 1998

	Notes	1998		1997	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	13		164,094		158,620
Goodwill	14		(1,302)		-
Investments	15		65,488		60,222
			<u>228,280</u>		<u>218,842</u>
Current assets					
Stocks	16	31,807		29,871	
Debtors	17	57,580		61,288	
Investments		73		128	
Cash at banks and in hand	18	143,902		149,813	
			<u>233,362</u>		<u>241,100</u>
Creditors: amounts falling due within one year	19	200,037		199,784	
			<u>33,325</u>		<u>41,316</u>
Net current assets					
			<u>261,605</u>		<u>260,158</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	20		35,476		43,130
Provisions for liabilities and charges	21		1,859		1,847
			<u>224,270</u>		<u>215,181</u>
Net assets					
			<u>224,270</u>		<u>215,181</u>
Equity capital and reserves					
Called up share capital	22		247		247
Share premium account	24		481		481
Revaluation reserve	24		31,145		31,780
Profit and loss account	24		113,785		102,337
			<u>145,658</u>		<u>134,845</u>
Shareholders' equity					
Minority shareholders' interest			78,612		80,336
			<u>224,270</u>		<u>215,181</u>

Approved on 1st June 1999 by the board of directors
and signed on their behalf by:

GORDON FOX

DAVID BACON

Directors

David Bacon

Company's Balance Sheet
as at 31st December 1998

	Notes	1998		1997	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	13		12		11
Investments	15		146,996		135,998
			<u>147,008</u>		<u>136,009</u>
Current assets					
Debtors	17	2,099		2,282	
Cash at banks and in hand		477		596	
		<u>2,576</u>		<u>2,878</u>	
Creditors: amounts falling due within one year	19	971		1,080	
Net current assets			<u>1,605</u>		<u>1,798</u>
Total assets less current liabilities			<u>148,613</u>		<u>137,807</u>
Creditors: amounts falling due after more than one year	20		2,593		2,593
Provisions for liabilities and charges	21		<u>362</u>		<u>369</u>
Net assets			<u><u>145,658</u></u>		<u><u>134,845</u></u>
Equity capital and reserves					
Called up share capital	22		247		247
Share premium account	24		481		481
Revaluation reserve	24		128,328		118,184
Profit and loss account	24		<u>16,602</u>		<u>15,933</u>
			<u>145,658</u>		<u>134,845</u>

Approved on 1st June 1999 by the board of directors and signed on their behalf by:

GORDON FOX
 DAVID BACON

Directors

 David Bacon.

Camellia Plc

Consolidated Cash Flow Statement for the year ended 31st December 1998

	Notes	1998		1997	
		£'000	£'000	£'000	£'000
Net cash flow from operating activities	30		37,685		31,511
Dividends received from associates			811		724
Returns on investments and servicing of finance					
Interest received		1,314		761	
Interest paid		(6,747)		(6,506)	
Income from investments		515		727	
Dividends paid to minority interests		(2,618)		(2,558)	
			(7,536)		(7,576)
Taxation					
UK corporation tax paid		(283)		(1,406)	
Overseas tax paid		(8,305)		(3,378)	
			(8,588)		(4,784)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(19,565)		(14,174)	
Sale of tangible fixed assets		3,069		1,337	
Purchase of investments		(1,808)		(2,335)	
Sale of investments		1,185		2,736	
			(17,119)		(12,436)
Acquisitions and disposals					
Disposals/(acquisitions) of subsidiaries	33	456		(302)	
Purchase of additional Siegfried AG shares	33	(1,705)		(5,612)	
Purchase of minority interests		(5,728)		(3,271)	
Capital reduction by associate		362		-	
			(6,615)		(9,185)
Equity dividends paid			(1,110)		(1,052)
Cash (outflow) before financing			(2,472)		(2,798)
Financing					
Loan repayments		(13,106)		(8,183)	
New loans		10,274		16,854	
Capital element of finance lease rental payments		(810)		(849)	
			(3,642)		7,822
Purchase of own shares			(28)		(348)
(Decrease)/increase in cash in the period	31		(6,142)		4,676

Statement of Total Recognised Gains and Losses
for the year ended 31st December 1998

	1998 £'000	1997 £'000
Profit for the year – includes associates £4,168,000 (1997 – £3,757,000)	12,968	11,217
Unrealised surplus on revaluation of tangible fixed assets	–	4,045
Profit arising from sale by an associate of its own shares	–	204
Currency translation differences on foreign currency net investments – includes associates' gains £850,000 (1997 – £1,051,000 loss)	(1,848)	(2,505)
Total recognised gains and losses for the year	<u>11,120</u>	<u>12,961</u>

Reconciliation of Movement in Shareholders' Funds
for the year ended 31st December 1998

	1998 £'000	1997 £'000
Profit for the year	12,968	11,217
Dividends	(1,159)	(1,085)
Retained profit for the year	<u>11,809</u>	<u>10,132</u>
Currency translation differences on foreign currency net investments	(1,848)	(2,505)
Purchase of own shares	(28)	(348)
Goodwill transferred to profit for the year	880	(433)
Goodwill on acquisitions	–	(2,412)
Surplus on revaluation of tangible fixed assets	–	4,045
Profit arising from sale by an associate of its own shares	–	204
Net addition to shareholders' funds	<u>10,813</u>	<u>8,683</u>
Opening shareholders' funds	134,845	126,162
Closing shareholders' funds	<u><u>145,658</u></u>	<u><u>134,845</u></u>

Notes to the Accounts

1 Accounting policies

(a) Accounting convention

The Group accounts are prepared in accordance with applicable accounting standards under the historical cost convention modified to include the revaluation of certain fixed assets.

(b) Basis of consolidation

The consolidated accounts comprise the accounts of the Company and all of its subsidiary undertakings. The results of subsidiary undertakings are accounted for in the profit and loss account using the acquisition method from the effective date of acquisition and to the effective date of disposal.

The accounts of the Company and its subsidiary undertakings are made up to 31st December with the exception of Horizon Farms and SWF Citrus Inc., both of which operate in the USA and have accounting periods ending on 30th September, but are included on the basis of interim accounts to 31st December.

(c) Goodwill

Purchased goodwill arising prior to 1st January 1998 was written off directly to reserves and remains eliminated against reserves. It is transferred to the profit and loss account on the disposal or closure of the related businesses. Subsequent to that date, and in accordance with FRS10, where businesses or associates are acquired, any difference between the cost of acquisition and the fair value of the net assets acquired is capitalised as goodwill and written off on a straight line basis over the estimated useful economic life of up to 20 years.

(d) Fixed asset investments

(i) In the Company's accounts, shares in subsidiaries are stated at directors' valuation being the net asset value attributable to the Company. The surpluses on revaluation are taken to the revaluation reserve and any deficits charged to the profit and loss account.

(ii) Associated undertakings are entities in which the Group has a long-term investment and is in a position to exercise significant influence over the undertaking in which the investment is made. The Group's interest in the net assets of the associated undertakings is included as an investment in the consolidated balance sheet at the Group's share of net assets, after attributing fair values at the date of acquisition, plus the Group's share of retained profits. The Group's share of the profits less losses of associated undertakings is included in the consolidated profit and loss account.

Following the full adoption of FRS9 in 1998 interest recorded by associated undertakings has been recorded as interest in the Group's consolidated profit and loss account. 1997 comparatives have been restated.

(iii) Shares of listed and unlisted companies are stated at cost less provision for permanent diminution in value.

(iv) Classical postage stamps, documents and manuscripts, antiques and *objets d'art* held as investments are stated at cost less amounts written off for permanent diminution in value.

(e) Foreign currencies

Assets, liabilities and trading results in foreign currencies are translated at the rates of exchange ruling at the respective accounting year end dates. Exchange differences arising on the retranslation of the opening net assets at the year end rates are taken directly to reserves. Exchange differences arising from trading transactions are included in the results for the year.

The transactions, assets and liabilities of subsidiary undertakings which operate in countries with high levels of inflation are reported in a stable currency.

Notes to the Accounts

1 Accounting policies *continued*

(f) Depreciation

No depreciation is provided in respect of certain estates, listed freehold buildings, freehold land or works of art (see note 13). Depreciation of leasehold premises is provided over the term of each lease. Depreciation of other tangible fixed assets is calculated at varying rates to reduce the cost or valuation to residual values over their expected useful lives at the following rates per annum:

Buildings	1 to 20 per cent
Plant and machinery	4 to 33 per cent
Vehicles	10 to 33 per cent
Fixtures, tools and equipment	4 to 33 per cent

(g) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost where appropriate includes a proportion of production and administrative overheads.

(h) Deferred taxation

Provision is made under the liability method at current rates for taxation deferred by timing differences between profits as stated in the accounts and as computed for taxation purposes, except to the extent that timing differences are expected to continue for the foreseeable future. In these cases no provision is made.

(i) Turnover

Turnover is based on proceeds receivable, agency income and sales at invoiced values excluding value added tax and inter-company dealings.

(j) Lease accounting

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

(k) Pension schemes

The cost of providing pensions for defined benefit schemes is charged to the profit and loss account systematically over the periods benefiting from the employees' services. The cost of providing pensions to defined contribution schemes and to overseas schemes is charged to the profit and loss account when payable. Pension arrangements are detailed in note 28.

Camellia Plc

Notes to the Accounts

2(a) Analysis of turnover, profit and net operating assets

	Turnover		Operating profit		Net operating assets	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000	1998 £'000	1997 £'000
By activity						
Parent and subsidiary undertakings						
Agriculture and horticulture	109,878	97,170	26,990	19,466	128,243	128,500
Trading and agency	64,622	59,825	935	1,023	6,326	5,813
Food storage and distribution	43,330	40,491	4,437	4,840	34,630	29,519
Engineering	16,245	15,815	2,653	2,845	9,901	9,146
Fine art trading and philately	1,911	1,456	(29)	(141)	4,524	4,408
Property leasing	1,969	1,692	1,571	1,629	3,774	3,056
Central management and miscellaneous	32	1,450	(5,343)	(4,971)	8,770	12,735
	<u>237,987</u>	<u>217,899</u>	<u>31,214</u>	<u>24,691</u>	<u>196,168</u>	<u>193,177</u>
Discontinued	9,471	15,984	87	118	-	302
	<u>247,458</u>	<u>233,883</u>	<u>31,301</u>	<u>24,809</u>	<u>196,168</u>	<u>193,479</u>
Banking – note 2(c)			316	529	21,070	20,628
Less: Net interest from group companies			(24)	(5)	-	-
			<u>31,593</u>	<u>25,333</u>	<u>217,238</u>	<u>214,107</u>
Associated undertakings						
Agriculture and horticulture			184	185		
Textile and other manufacturing			33	183		
Insurance and leasing			625	512		
Chemical and pharmaceutical			5,869	4,952		
Other			54	64		
Operating profit			<u>38,358</u>	<u>31,229</u>		
By country of origin						
United Kingdom	125,597	126,019	4,228	5,406	83,692	80,973
Continental Europe	10,942	9,802	287	251	2,655	2,475
India	36,255	32,894	9,635	5,869	19,745	20,724
Kenya	27,126	23,455	7,315	7,255	47,680	44,242
Malawi	15,919	12,428	5,931	3,271	17,574	18,314
Bangladesh	8,995	10,080	2,899	3,453	18,313	17,736
North America	1,015	1,010	369	272	3,108	3,155
South America and Bermuda	2,021	1,624	(718)	(1,110)	5,991	6,175
Australia	18,500	15,882	1,512	596	12,333	13,792
South Africa	1,088	689	135	70	6,147	6,521
	<u>247,458</u>	<u>233,883</u>	<u>31,593</u>	<u>25,333</u>	<u>217,238</u>	<u>214,107</u>

Notes to the Accounts

2(a) Analysis of turnover, profit and net operating assets *continued*

Net operating assets	1998	1997
	£'000	£'000
Net operating assets are reconciled to net assets as follows:		
Net operating assets	217,238	214,107
Net borrowings	(50,976)	(50,739)
Investments	63,987	58,608
Dividend payable	(690)	(641)
Non-operating items	(5,289)	(6,154)
	<u>224,270</u>	<u>215,181</u>

By geographical market supplied

	Turnover	
	1998	1997
	£'000	£'000
United Kingdom	132,118	130,883
Continental Europe	20,995	20,137
India	29,527	27,667
Bangladesh	7,283	8,026
Other Asia	10,728	10,271
Africa	28,131	23,501
North America	5,041	3,461
South America	1,819	1,494
Australasia	11,816	8,443
	<u>247,458</u>	<u>233,883</u>

Discontinued operations were, by segmental activity – food storage and distribution, and by country of origin – United Kingdom. The cold storage, transport and warehousing and food trading segments are now combined.

(b) Profit on ordinary activities before taxation is stated after charging

	1998	1997
	£'000	£'000
Depreciation	8,082	7,784
Hire of plant and machinery	826	652
Rental on other operating leases	1,756	1,696
Auditors' remuneration	600	545

Other fees paid to Moore Stephens in respect of taxation and other advisory services were £36,378 (1997 – £34,031).

(c) Profit of banking subsidiaries

	1998	1997
	£'000	£'000
Interest receivable – third parties	11,822	9,264
– group companies	67	42
	<u>11,889</u>	<u>9,306</u>
Interest payable – third parties	(8,976)	(6,742)
– group companies	(43)	(37)
	<u>2,870</u>	<u>2,527</u>
Net interest income	2,870	2,527
Other operating income	3,629	3,514
Operating expenses	(6,183)	(5,512)
	<u>2,316</u>	<u>509</u>

Camellia Plc

Notes to the Accounts

3 Net operating expenses

	1998 £'000	1997 £'000
Distribution costs	11,317	8,109
Administrative expenses	26,931	28,112
Other operating income	(1,451)	(1,819)
	<u>36,797</u>	<u>34,402</u>

Cost of sales include £8,662,000 (1997 – £14,445,000), distribution costs include £44,000 (1997 – £96,000) and administrative expenses include £678,000 (1997 – £1,325,000) relating to discontinued activities.

4 Loss on disposal of subsidiary undertakings

	1998 £'000	1997 £'000
Profit on disposal of subsidiary undertakings	327	–
Attributable goodwill transferred from reserves	(880)	–
	<u>(553)</u>	<u>–</u>

On 13th March 1998 the Group sold Duncan Lawrie Pension Consultants Limited to Abbey National Independent Consulting Group Limited realising a profit on disposal of £460,000. This profit is offset by attributable goodwill of £1,006,000 which was charged to reserves between 1991 and 1995.

On 7th August 1998 the Group sold J. Bennett (Billingsgate) Limited and Grant and May Limited to Jayben Limited, realising a loss on disposal of £133,000. This loss is offset by attributable goodwill of £126,000.

5 Provision for loss on disposal of property

During 1998 the Group closed an office which was formerly the Associated Fisheries Plc head office in London. The provision in 1997 comprised a charge of £976,000 to reduce the carrying value of the property to its anticipated net realisable value, offset by the attributable negative goodwill of £433,000. The minority interest in the results for 1997 reduced by £171,000 as a result of this provision.

6 Net interest payable and similar charges

	1998 £'000	1997 £'000
Bank loans, overdrafts and other loans	6,816	6,324
Finance lease and hire purchase charges	132	130
Net exchange losses	32	281
	<u>6,980</u>	<u>6,735</u>
Share of interest of associates	628	396
	<u>7,608</u>	<u>7,131</u>
Less interest receivable, including for associates £141,000 (1997 – £79,000)	1,505	838
	<u>6,103</u>	<u>6,293</u>

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

Notes to the Accounts

7 Employees, including directors

(a) Average number of employees by activity

	1998 Number	1997 Number
Agriculture and horticulture	83,746	81,926
Food storage and distribution	716	629
Engineering	349	353
Fine art trading and philately	5	5
Banking	85	78
Central management and miscellaneous	57	88
	<u>84,958</u>	<u>83,079</u>

(b) Employee costs

	1998 £'000	1997 £'000
Wages and salaries	47,458	45,150
Social security costs	2,742	2,566
Pension costs	4,262	3,430
	<u>54,462</u>	<u>51,146</u>

8 Directors

	1998 £	1997 £
Emoluments of the directors of the parent company:		
Fees	20,438	20,496
Other emoluments	238,554	239,394
	<u>258,992</u>	<u>259,890</u>
The emoluments of the chairman were	<u>143,373</u>	<u>144,242</u>

The emoluments of the directors were as follows:

	1998 £	1997 £
Executive directors		
G. Fox	143,373	144,242
D. M. Bacon	100,000	100,000
Non-executive directors		
D. F. H. Geen	5,800	5,800
D. W. Jöhr	9,819	9,848

None of the directors received benefits in kind or bonuses.

Camellia Plc

Notes to the Accounts

9 Taxation on profit on ordinary activities

	1998	1997
	£'000	£'000
Overseas tax	8,796	5,866
UK corporation tax	3,672	3,106
Double taxation relief	(2,743)	(1,931)
Advance corporation tax	(147)	(336)
Tax credits on franked investment income	26	39
	<u>9,604</u>	<u>6,744</u>
Associated undertakings	1,240	1,377
Deferred taxation	2	(410)
Overprovision in respect of previous years	(308)	(166)
	<u>10,538</u>	<u>7,545</u>

10 Profit for the year of the company

As permitted by Section 230 of the Companies Act 1985 the parent company has not presented its own profit and loss account. The parent company's profit for the year amounted to £1,856,000 (1997 - £1,635,000).

11 Dividends

	1998	1997
	£'000	£'000
Interim dividend paid - 19p per share (1997 - foreign income dividend 18p)	469	444
Proposed final dividend - 28p per share (1997 - foreign income dividend 26p)	690	641
	<u>1,159</u>	<u>1,085</u>

12 Earnings per share

Earnings per share have been calculated by dividing profit after tax and minority interest of £12,968,000 (1997 - £11,217,000) by the weighted average number of shares in issue at 31st December 1998 of 2,465,781 (1997 - 2,470,255).

Notes to the Accounts

13 Tangible fixed assets

(a) Group

	<i>Estates</i>	<i>Other land and buildings</i>	<i>Plant and machinery</i>	<i>Vehicles</i>	<i>Fixtures, fittings, tools and equipment</i>	<i>Assets in course of construction</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1st January 1998	63,402	70,679	54,483	12,410	12,252	2,558	215,784
Exchange differences	(2,332)	(1,258)	(1,154)	(209)	(201)	(107)	(5,261)
Reclassification	(136)	452	1	38	162	(517)	-
Additions	1,563	6,280	7,559	1,010	1,785	1,807	20,004
Subsidiaries leaving the group	-	(55)	(11)	(32)	(246)	-	(344)
Disposals	(177)	(2,968)	(671)	(953)	(164)	-	(4,933)
At 31st December 1998	<u>62,320</u>	<u>73,130</u>	<u>60,207</u>	<u>12,264</u>	<u>13,588</u>	<u>3,741</u>	<u>225,250</u>
Depreciation							
At 1st January 1998	739	14,622	27,419	8,350	6,034	-	57,164
Exchange differences	(22)	(377)	(644)	(133)	(131)	-	(1,307)
Provision for the year	174	2,828	3,217	873	990	-	8,082
Reclassification	(54)	170	(85)	(9)	(22)	-	-
Subsidiaries leaving the group	-	(54)	(11)	(32)	(175)	-	(272)
Disposals	-	(981)	(597)	(774)	(159)	-	(2,511)
At 31st December 1998	<u>837</u>	<u>16,208</u>	<u>29,299</u>	<u>8,275</u>	<u>6,537</u>	<u>-</u>	<u>61,156</u>
Net book value							
At 31st December 1998	<u>61,483</u>	<u>56,922</u>	<u>30,908</u>	<u>3,989</u>	<u>7,051</u>	<u>3,741</u>	<u>164,094</u>
At 31st December 1997	<u>62,663</u>	<u>56,057</u>	<u>27,064</u>	<u>4,060</u>	<u>6,218</u>	<u>2,558</u>	<u>158,620</u>
Cost or valuation at 31st December 1998 is represented by:							
Valuation in 1988	-	5,513	-	-	-	-	5,513
Valuation in 1991	9,425	-	-	-	-	-	9,425
Valuation in 1993	6,870	2,987	1,034	117	106	-	11,114
Valuation in 1997	25,678	11,501	-	-	-	-	37,179
Cost	20,347	53,129	59,173	12,147	13,482	3,741	162,019
Total cost or valuation	<u>62,320</u>	<u>73,130</u>	<u>60,207</u>	<u>12,264</u>	<u>13,588</u>	<u>3,741</u>	<u>225,250</u>

Camellia Plc

Notes to the Accounts

13 Tangible fixed assets *continued*.

(a) Group *continued*

Plant and machinery and vehicles include assets held under finance leases. The depreciation charge for the year in respect of these assets was £450,000 (1997 – £572,000) and their net book value was £2,031,000 (1997 – £2,577,000).

Land and buildings at net book value comprise:

	Estates		Other land and buildings	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Freehold	24,813	25,230	37,073	38,247
Long leaseholds	36,670	37,433	18,371	16,281
Short leaseholds	–	–	1,478	1,529
	<u>61,483</u>	<u>62,663</u>	<u>56,922</u>	<u>56,057</u>

The historical cost of assets shown at valuation amounted to £25,020,000 (1997 – £37,003,000) and the accumulated depreciation thereon would have been £4,662,000 (1997 – £11,230,000).

Tangible fixed assets with a cost or valuation of £69,200,000 have not been depreciated by the Group. This comprises estates and land, listed buildings, antique furniture and works of art.

Estates have not been depreciated where the cost of replanting and upkeep required to maintain estates at capitalised values is charged to revenue.

Listed buildings have not been depreciated as it is the Group's policy to maintain these properties in such condition that values are not impaired.

In both of the above cases the difference between carrying values and residual values is considered to be insignificant and therefore the depreciation thereon would be immaterial.

(b) Company

	Fixtures and fittings £'000
Cost	
At 1st January 1998	41
Additions	7
Disposals	(15)
At 31st December 1998	<u>33</u>
Depreciation	
At 1st January 1998	30
Provision for the year	5
Disposals	(14)
At 31st December 1998	<u>21</u>
Net book value	
At 31st December 1998	<u>12</u>
At 31st December 1997	<u>11</u>

Notes to the Accounts

14 Goodwill

	<i>Positive Goodwill</i>	<i>Negative Goodwill</i>	<i>Total</i>
	£'000	£'000	£'000
Cost			
Additions	933	(2,303)	(1,370)
Amortisation			
Provision for the year	(47)	115	68
At 31st December 1998	<u>886</u>	<u>(2,188)</u>	<u>(1,302)</u>

Goodwill has arisen on the purchase of additional shares in subsidiary undertakings.

Positive and negative goodwill have not been disclosed separately on the face of the balance sheet due to immateriality.

15 Fixed asset investments

(a) Group

	<i>Associated undertakings</i>	<i>Other investments</i>	<i>Total</i>
	£'000	£'000	£'000
Cost or valuation			
At 1st January 1998	47,333	12,993	60,326
Additions	71	1,719	1,790
Disposals	-	(738)	(738)
Capital reduction	(362)	-	(362)
Share of retained post acquisition reserves	4,168	-	4,168
Exchange differences	849	(75)	774
At 31st December 1998	<u>52,059</u>	<u>13,899</u>	<u>65,958</u>
Provision for diminution in value			
At 1st January 1998	7	97	104
Amounts written off in year	-	369	369
Exchange differences	(1)	(2)	(3)
At 31st December 1998	<u>6</u>	<u>464</u>	<u>470</u>
Net book value at 31st December 1998	<u>52,053</u>	<u>13,435</u>	<u>65,488</u>
Net book value at 31st December 1997	<u>47,326</u>	<u>12,896</u>	<u>60,222</u>

Camellia Plc

Notes to the Accounts

15 Fixed asset investments *continued*

(a) Group *continued*

	Associated undertakings		Other investments	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Cost comprises:				
Listed investments	37,882	37,433	9,616	8,819
Unlisted investments	222	224	1,620	1,577
Collections	—	—	2,663	2,597
	<u>38,104</u>	<u>37,657</u>	<u>13,899</u>	<u>12,993</u>
Market value of listed investments	<u>67,619</u>	<u>77,837</u>	<u>12,541</u>	<u>12,787</u>

Associated undertakings include Siegfried AG, a listed company incorporated in Switzerland. On 31st December 1998 the Group held 90,368 registered shares, representing 32.3 per cent of the issued shares. The consolidated capital and reserves of Siegfried AG on 31st December 1998 were £124,614,000 (1997 – £109,963,000) and consolidated profit after tax for the year ended 31st December 1998 was £13,916,000 (1997 – £13,472,000).

The Group's share of the results and balance sheet of Siegfried AG was:

	1998 £'000	1997 £'000
Profit and loss account:		
Turnover	<u>48,004</u>	<u>37,656</u>
Operating profit	5,869	4,952
Net interest payable	451	271
Profit before taxation	<u>5,418</u>	<u>4,681</u>
Taxation	926	1,249
Profit after taxation	<u>4,492</u>	<u>3,432</u>
Balance sheet:		
Fixed assets	33,256	28,944
Current assets	30,733	26,444
Liabilities due within one year	(8,702)	(8,689)
Liabilities due after one year	(15,069)	(11,209)
Group share of net assets	<u>40,218</u>	<u>35,490</u>

Collections comprise the Group's and Company's investments in fine art, documents and manuscripts and classical postage stamps.

Other investments include 62,500 (1997 – 62,500) ordinary shares of 10p each in Camellia Plc held by certain subsidiaries of Lawrie Group Plc, at a cost of £400,000 (1997 – £400,000) and having a market value of £2,156,250 (1997 – £1,906,250).

Notes to the Accounts

15 Fixed asset investments *continued*

(b) Company

	<i>Group undertakings</i> £'000	<i>Associated undertakings</i> £'000	<i>Other investments</i> £'000	<i>Total</i> £'000
Cost or valuation				
At 1st January 1998	133,256	88	2,669	136,013
Additions	787	–	67	854
Revaluation of subsidiaries	10,144	–	–	10,144
At 31st December 1998	<u>144,187</u>	<u>88</u>	<u>2,736</u>	<u>147,011</u>
Amounts written off				
At 1st January and 31st December 1998	–	–	15	15
Net book value at 31st December 1998	<u>144,187</u>	<u>88</u>	<u>2,721</u>	<u>146,996</u>
<i>Net book value at 31st December 1997</i>	<u>133,256</u>	<u>88</u>	<u>2,654</u>	<u>135,998</u>
	<i>Associated undertakings</i>		<i>Other investments</i>	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Listed investments	–	–	54	54
Unlisted investments	88	88	12	12
Collections	–	–	2,670	2,603
	<u>88</u>	<u>88</u>	<u>2,736</u>	<u>2,669</u>
Market value of listed investments	<u>–</u>	<u>–</u>	<u>63</u>	<u>97</u>

Camellia Plc

Notes to the Accounts

16 Stocks

	1998 £'000	1997 £'000
Tea and other produce	11,273	9,442
Other trading stocks	5,620	5,297
Raw materials and consumables	5,994	5,960
Fine art and antiquities	3,128	3,310
Philatelic items	1,289	1,175
Work in progress and growing crops	4,503	4,687
	<u>31,807</u>	<u>29,871</u>

As stocks of fine art, antiquities and philatelic items are largely unique the directors consider the determination of replacement values inappropriate. In respect of other stocks there was no material difference between the replacement cost and the values shown above.

17 Debtors

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Amounts falling due within one year:				
Amounts due from customers of banking subsidiaries	16,882	18,125	-	-
Trade debtors	25,289	28,191	-	-
Amounts owed by group undertakings	-	-	1,444	1,391
Amounts owed by associated undertakings	702	933	-	-
Other debtors	6,303	5,207	-	-
Taxation	3,093	3,510	-	-
Prepayments and accrued income	3,281	3,006	25	25
	<u>55,550</u>	<u>58,972</u>	<u>1,469</u>	<u>1,416</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	630	866
Other debtors	2,030	2,061	-	-
Taxation	-	255	-	-
	<u>57,580</u>	<u>61,288</u>	<u>2,099</u>	<u>2,282</u>

18 Cash at banks and in hand

Included in cash at banks and in hand of £143,902,000 (1997 - £149,813,000) are cash and short-term funds, time deposits with banks and building societies and certificates of deposit amounting to £131,550,000 (1997 - £137,744,000) which are held by banking subsidiaries and which are an integral part of the banking operations of the Group.

Notes to the Accounts

19 Creditors

	<i>Group</i>		<i>Company</i>	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Amounts falling due within one year:				
Amounts due to customers of banking subsidiaries	131,316	139,135	-	-
Trade creditors	18,034	17,615	-	-
Bank loans and overdrafts (secured)	14,576	13,098	200	100
Bank loans and overdrafts (unsecured)	15,788	9,897	-	-
Hire purchase and finance leases	463	741	-	-
Bills of exchange payable	312	419	-	-
Amounts owed to group undertakings	-	-	-	1
Amounts owed to associated undertakings	28	25	-	-
Dividend	690	641	690	641
Corporate taxation	4,148	4,446	-	-
Other taxation and social security payable	1,492	1,815	7	3
Other creditors	4,829	3,819	19	271
Accruals and deferred income	7,599	7,226	55	64
Deferred purchase consideration	762	907	-	-
	<u>200,037</u>	<u>199,784</u>	<u>971</u>	<u>1,080</u>

20 Creditors

	<i>Group</i>		<i>Company</i>	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Amounts falling due after more than one year:				
Bank loans	29,152	35,258	2,400	2,400
Other loans	2,639	2,993	-	-
Hire purchase and finance leases	710	821	-	-
Other creditors	689	431	-	-
Amounts due to group undertakings	-	-	193	193
Deferred purchase consideration	2,286	3,627	-	-
	<u>35,476</u>	<u>43,130</u>	<u>2,593</u>	<u>2,593</u>

Creditors include the following amounts secured on certain group assets:

	<i>Group</i>	
	1998 £'000	1997 £'000
Bank loans	36,042	32,593
Other loans	2,587	2,776
Finance leases	1,173	1,562
Deferred purchase consideration	3,048	4,534
	<u>42,850</u>	<u>41,465</u>

Camellia Plc

Notes to the Accounts

20 Creditors *continued*

	<i>Group</i>	
	1998	1997
	£'000	£'000
Bank and other loans include the following amounts repayable over more than five years by instalments:		
Aggregate amount of loans	22,773	25,104
Amounts due beyond five years	11,425	12,672
	<u>22,773</u>	<u>25,104</u>
The repayments of bank loans and overdrafts, finance leases and other loans fall due as follows:		
Within 12 months or on demand (included in Creditors: amounts falling due within one year)	30,827	23,736
Between 1 – 2 years	5,342	9,264
Between 2 – 5 years	15,734	17,136
After 5 years	11,425	12,672
	<u>63,328</u>	<u>62,808</u>

The rates of interest payable at 31st December 1998 vary between 2 per cent and 30 per cent.

21 Provisions for liabilities and charges

	<i>Group</i>		<i>Company</i>	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Deferred taxation:				
At 1st January	1,847	1,847	369	362
Exchange differences	10	(13)	–	–
Profit and loss account	2	(410)	(7)	7
Advance corporation tax	–	420	–	–
Subsidiaries joining the group	–	3	–	–
At 31st December	<u>1,859</u>	<u>1,847</u>	<u>362</u>	<u>369</u>
The balance at the end of the year comprises:				
Accelerated capital allowances	1,129	1,114	–	–
Other timing differences	368	364	–	–
Sale of subsidiary	362	369	362	369
	<u>1,859</u>	<u>1,847</u>	<u>362</u>	<u>369</u>
Total potential liability:				
Accelerated capital allowances	10,095	8,064	–	–
Other timing differences	1,216	851	–	–
Taxation losses	–	(896)	–	–
Sale of subsidiary	362	369	362	369
	<u>11,673</u>	<u>8,388</u>	<u>362</u>	<u>369</u>

Notes to the Accounts

22 Called up share capital

	1998	1997
Authorised 3,000,000 ordinary shares of 10p each	£300,000	£300,000
Allotted and fully paid:	£	£
Ordinary shares of 10p each		
At 1st January	246,600	248,000
Purchase of own shares	(87)	(1,400)
At 31st December	246,513	246,600

23 Transactions involving officers of Duncan Lawrie Limited, the banking subsidiary

Duncan Lawrie Limited, the banking subsidiary, has carried out transactions with officers of the bank during the year on similar terms to those offered to other customers.

The aggregate amount of loans and agreements of a type described in Section 232 of the Companies Act 1985 to officers of the bank outstanding at 31st December 1998, and the number of persons concerned, were as follows:

	<i>Aggregate amount outstanding</i>	<i>Number of persons</i>
Loans	£122,290	5

24 Reserves

(a) Group

	<i>Share premium account £'000</i>	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>
At 1st January 1998	481	31,780	102,337
Exchange adjustments	-	(635)	(1,213)
Purchase of own shares	-	-	(28)
Goodwill transferred to profit for the year	-	-	880
Retained profit for the year	-	-	11,809
At 31st December 1998	481	31,145	113,785

Goodwill transferred to profit for the year was that attributable to companies sold in the year, which were Duncan Lawrie Pension Consultants Limited, J. Bennett (Billingsgate) Limited and Grant and May Limited. Since 1987 goodwill on acquisitions written off amounted to £5,787,000 (1997 - £6,793,000) and negative goodwill on acquisitions credited to reserves amounted to £20,423,000 (1997 - £20,549,000). It is impractical to obtain information for earlier years.

The Group profit and loss account reserve includes £38,086,000 which would require exchange control permission for remittance.

No tax has been provided on surpluses arising on revaluation of fixed assets as it is not the board's intention to sell those assets.

Group reserves include £13,955,000 (1997 - £9,676,000) attributable to associated undertakings.

Camellia Plc

Notes to the Accounts

24 Reserves *continued*

(b) Company

	<i>Share premium account</i> £'000	<i>Revaluation reserve</i> £'000	<i>Profit and loss account</i> £'000
At 1st January 1998	481	118,184	15,933
Revaluation of shares in subsidiaries to net asset value	-	10,144	-
Purchase of own shares	-	-	(28)
Profit for the year	-	-	697
At 31st December 1998	<u>481</u>	<u>128,328</u>	<u>16,602</u>

25 Commitments of the Group for capital expenditure

	1998 £'000	1997 £'000
Contracted for	<u>1,169</u>	<u>1,198</u>

26 Group leasing commitments

	1998 £'000	1997 £'000
Annual commitments in respect of operating leases		
Land and buildings – operating leases expiring:		
Within 1 year	13	12
Between 2 – 5 years	72	92
After 5 years	576	646
	<u>661</u>	<u>750</u>
Other assets – operating leases expiring:		
Within 1 year	129	72
Between 2 – 5 years	1,328	1,381
After 5 years	505	152
	<u>1,962</u>	<u>1,605</u>

27 Guarantees

The Group's banking subsidiaries have given guarantees in the normal course of business which at 31st December 1998 amounted to £6,375,000 (1997 – £6,822,000). In 1997 group companies had guaranteed bank loans and overdrafts amounting to £208,000 in respect of fellow subsidiaries and £75,000 to fishing vessel partnerships.

28 Pensions

Certain Group subsidiaries operate defined contribution and defined benefit pension schemes principally in the UK. The assets of the schemes are administered by trustees and are kept separate from those of the Group.

Notes to the Accounts

28 Pensions *continued*

In the UK the pension cost for defined benefit schemes is assessed in accordance with the advice of independent qualified actuaries using various recognised methods. Actuarial surpluses and deficiencies are recognised over the expected average remaining service lives of the employees.

Valuations are prepared every three years. At the last valuations the following growth rate assumptions were used:

Investment return	8.5% to 8.9% per annum
Salary inflation	6.5% to 7.0% per annum
Pension increases	4.5% to 5.0% per annum

At the dates of the latest actuarial valuations the market value of the assets of the UK schemes was £60,920,000 which represented 115 per cent of the benefits accrued to members allowing for expected future increases in earnings. Actuarial valuations for all material UK schemes were completed in 1995 and 1997. The actuarial valuation in respect of the scheme last valued in 1995 is currently being prepared by the scheme's actuaries.

The pension costs charged were £1,118,000 (1997 – £1,277,000) in respect of defined benefit schemes and £1,520,000 (1997 – £987,000) in respect of defined contribution schemes. Costs in respect of overseas schemes amounted to £1,624,000 (1997 – £1,166,000).

29 Related party transactions

During the year Linton Park Plc paid £1,705,000 of the deferred consideration which arose on the purchase of 7,833 registered shares in Siegfried AG, an associated undertaking, from Sigamed AG, a wholly owned subsidiary of Siegfried AG. The balance remaining at 31st December 1998 of £3,048,000 is payable by four equal annual instalments commencing December 1999. The deferred consideration is secured by a charge on 7,833 Siegfried AG shares and interest is payable on the deferred consideration at the 6-month London Interbank Offer Rate for Swiss Francs plus 0.7 per cent per annum.

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 AG and a non-executive director of Linton Park Plc), both parties have the first right of refusal to buy Siegfried AG shares offered for sale by the other party.

On 6th April 1998 Lawrie Group Plc entered into an agreement with its subsidiary company, Linton Park Plc, whereby procedures were established for implementation in circumstances involving a conflict of interest between the two companies.

30 Reconciliation of operating profit to net cash flow from operating activities

	1998	1997
	£'000	£'000
Operating profit	31,593	25,333
Depreciation	8,082	7,784
Amortisation of goodwill	(68)	–
Profit on sale of fixed assets	(647)	(426)
Increase in stocks	(2,174)	(963)
Decrease in debtors	339	3,293
(Decrease)/increase in creditors	(4,467)	15,395
Net decrease/(increase) in funds of banking subsidiaries	6,194	(17,358)
Currency adjustment	(1,167)	(1,547)
	<u>37,685</u>	<u>31,511</u>

The cash flows of businesses sold and acquired in 1998 and 1997 are included in the following table:

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Notes to the Accounts

31 Reconciliation of net cash flow to movements in net debt

	1998		1997	
	£'000	£'000	£'000	£'000
(Decrease)/increase in cash in the period	(6,142)		4,676	
Cash outflow/(inflow) from decrease in debt and financing	3,642		(7,822)	
Change in net debt resulting from cash flows		(2,500)		(3,146)
Loans and finance leases acquired with subsidiaries		–		(326)
New finance leases		(439)		(953)
Cash balances of businesses sold and acquired		930		196
Translation differences		1,772		1,553
Change in net debt in the period		(237)		(2,676)
Net debt at 1st January		(50,739)		(48,063)
Net debt at 31st December		<u>(50,976)</u>		<u>(50,739)</u>

32 Analysis of net debt

	At 1st January 1998 £'000	Cash flow £'000	Disposals £'000	Other non-cash movements £'000	Exchange movements £'000	At 31st December 1998 £'000
Cash at banks and in hand	149,813					143,902
Less: held by banking subsidiaries (note 18)	(137,744)					(131,550)
	12,069	604	(7)	–	(314)	12,352
Overdrafts	(16,070)	(6,746)	937	488	673	(20,718)
	(4,001)	(6,142)	930	488	359	(8,366)
Debt due after one year	(38,251)	5,310	–	–	1,150	(31,791)
Debt due within one year	(6,925)	(2,478)	–	(488)	245	(9,646)
Finance leases	(1,562)	810	–	(439)	18	(1,173)
	(46,738)	3,642	–	(927)	1,413	(42,610)
Net debt	<u>(50,739)</u>	<u>(2,500)</u>	<u>930</u>	<u>(439)</u>	<u>1,772</u>	<u>(50,976)</u>

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £439,000.

Notes to the Accounts

33 Acquisitions and disposals

(a) Subsidiaries

	<i>Disposals</i> 1998 £'000	<i>Acquisitions</i> 1997 £'000	<i>Disposals</i> 1997 £'000
Fair value of assets and liabilities:			
Tangible fixed assets	72	52	75
Investments	-	3	-
Cash and deposits	7	210	14
Stocks	238	42	79
Debtors	2,836	1,323	270
Creditors	(1,884)	(1,051)	(414)
Net amount due to group undertaking	(100)	-	-
Short term loans	(937)	(196)	-
Long term loans	-	(130)	-
Provisions for liabilities and charges	(3)	(5)	(2)
Minority interests	-	(17)	-
	<u>229</u>	<u>231</u>	<u>22</u>
Goodwill transferred from/to reserves	880	93	-
Loss on disposal	(553)	-	-
	<u>556</u>	<u>324</u>	<u>22</u>
Satisfied by:			
Cash consideration and costs	456	324	22
Deferred consideration	100	-	-
	<u>556</u>	<u>324</u>	<u>22</u>
Net inflow/(outflow) of cash in respect of acquisitions and disposal of businesses:			
Cash consideration and costs	456	(324)	22
Cash balances of businesses acquired	-	210	-
Overdrafts/(cash balances) of businesses sold	930	-	(14)
	<u>1,386</u>	<u>(114)</u>	<u>8</u>

The fair values are the same as the net book values of the acquired businesses and acquisition accounting has been adopted.

Further details on acquisitions and disposals are set out in the report of the directors on pages 6 to 14.

(b) Purchase of additional shares in Siegfried AG

The 1997 cash flow statement did not include £4,534,000 deferred purchase consideration relating to the purchase of Siegfried AG shares in 1997. In 1998 £1,705,000 of deferred purchase consideration has been paid and is included in the cash flow statement as acquisition expenditure.

Camellia Plc

Notes to the Accounts

34 Principal subsidiary and associated undertakings

Subsidiary undertakings

Listed below are the principal subsidiaries at 31st December 1998. Except where otherwise stated, all the subsidiaries were registered in England.

	<i>Class of capital</i>	<i>% held</i>	<i>Principal country of operation</i>
Agriculture and horticulture			
Amgoorie India Ltd. (Incorporated in India)	Equity Shares	{ 52 34†	India
Bonathaba Farms (Pty) Ltd. (Incorporated in South Africa)	Ordinary Shares	100	South Africa
Die Baken Farms (Pty) Ltd. (Incorporated in South Africa)	Ordinary Shares	100	South Africa
E. P. Lawrie Agropecuaria e Participacoes Ltda. (Incorporated in Brazil)	Quotas	100	Brazil
Eastern Produce Kenya Ltd. (Incorporated in Kenya)	Ordinary Shares	81.6	Kenya
Eastern Produce Malawi Ltd. (Incorporated in Malawi)	Ordinary Shares	100	Malawi
Goodricke Group Ltd. (Incorporated in India)	Equity Shares	{ 74 8†	India
Hacienda Chada S.A. (Incorporated in Chile)	Ordinary Shares	75	Chile
Horizon Farms (a United States of America general partnership)	Partners' Capital	80	U.S.A.
Kakuzi Ltd. (Incorporated in Kenya)	Stock Units	50.01	Kenya
Koomber Tea Company Ltd. (Incorporated in India)	Equity Shares	{ 51 34†	India
Longbourne Holdings Ltd.	Ordinary Shares	100	Bangladesh
Stewart Holl (India) Ltd. (Incorporated in India)	Equity Shares	{ 74 18†	India
SWF Citrus Inc. (Incorporated in U.S.A.)	Ordinary Stock	100	U.S.A.
Tiru Tea Company Ltd. (Incorporated in India)	Equity Shares	100†	India
Yandilla Park Ltd. (Incorporated in Australia)	"A" & "B" Ordinary Shares Redeemable Participating Preference Shares	86.8 100	Australia
Food storage and distribution			
Affish BV (Incorporated in Holland)	Ordinary Shares	100	Holland
Associated Cold Stores & Transport Ltd.	Ordinary Shares	100	U.K.
W. G. White Ltd.	Ordinary Shares	100	U.K.
Wylax International BV (Incorporated in Holland)	Ordinary Shares Preference Shares	100 100	Holland

Notes to the Accounts

34 Principal subsidiary and associated undertakings *continued*

Subsidiary undertakings *continued*

	<i>Class of capital</i>	<i>% held</i>	<i>Principal country of operation</i>
Trading and agency			
British Traders & Shippers Ltd.	Ordinary Shares	100	U.K.
Highland Fuels Ltd. (Registered in Scotland)	Ordinary Shares	100	U.K.
Lawrie Plantation Services Ltd.	Ordinary Shares	100	U.K.
Engineering			
AJT Engineering Ltd. (Registered in Scotland)	Ordinary Shares	100	U.K.
Unochrome Industries Ltd.	Ordinary Shares	100	U.K.
Fine art and philately			
JPL Fine Arts Ltd.	Shares	100*	U.K.
Lumley Cazalet Ltd.	Shares	75*	U.K.
David Field Ltd.	Shares	100*	U.K.
Property			
W.D.G. Properties Ltd.	Ordinary Shares	100	U.K.
Banking and financial services			
Duncan Lawrie Ltd.	Shares	100	U.K.
Duncan Lawrie International Holdings Ltd. (Incorporated in Isle of Man)	Shares	100	Isle of Man
Investment/holding			
Assam-Dooars Holdings Ltd.	Ordinary Shares	100	U.K.
Associated Fisheries Ltd.	Ordinary Shares	100	U.K.
Bordure Ltd.	Ordinary Shares	100	U.K.
East African Coffee Plantations Ltd. (Incorporated in Australia)	Ordinary Shares	67.3	Australia
Lawrie (Bermuda) Ltd. (Incorporated in Bermuda)	Shares	100	Bermuda
Lawrie Group Plc	Ordinary Shares	85.06*	U.K.
Lawrie International Ltd. (Incorporated in Bermuda)	Shares	100	Bermuda
Linton Park Plc	Ordinary Shares	{ 72.50 4.77*	U.K.
Sterling Industrial Securities Ltd.	Ordinary Shares	100	U.K.
Walter Duncan & Goodricke Ltd.	Shares	100	U.K.
Western Dooars Tea Holdings Ltd.	Ordinary Shares	100	U.K.

Camellia Plc

Notes to the Accounts

34 Principal subsidiary and associated undertakings *continued*

Associated undertakings

Listed below are the principal associated undertakings at 31st December 1998.

	<i>Class of capital</i>	<i>% held</i>	<i>Principal country of operation</i>
Chemical and pharmaceutical			
Siegfried AG (Incorporated in Switzerland)	Registered Shares	32.3	Switzerland
Textiles			
British Mohair Holdings Plc	Ordinary Shares	29.8	U.K.
Other			
International Factors Corporation (Incorporated in Canada)	Common Shares	20*	Canada
United Insurance Company Ltd. (Incorporated in Bangladesh)	Ordinary Shares	31.9	Bangladesh
United Leasing Company Ltd. (Incorporated in Bangladesh)	Ordinary Shares	40.1	Bangladesh

† Indicates held by Indian subsidiaries of Lawrie Group Plc

* Indicates held directly by Camellia Plc

Auditors' Report

We have audited the accounts on pages 17 to 44 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 22 and 23.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 15, the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on page 15 reflects the Company's compliance with those provisions of The Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 1998 and of the Group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moore Stephens
MOORE STEPHENS

Chartered Accountants
and Registered Auditors

St. Paul's House,
Warwick Lane,
London EC4P 4BN

1st June 1999