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Camellia Plc

2001



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Report and Accounts 2001

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Directors and Appointments

Chairman Emeritus:	H. K. FITZGERALD
Directors:	M. C. PERKINS, F.C.A.† (Chairman) P. A. LEGGATT, M.B.E. A. K. MATHUR, F.C.A. D. A. REEVES† A. S. M. O. SUBHAN, M.Phil. C. P. T. VAUGHAN-JOHNSON, F.C.I.B.† (Non-executive director)
	† Member of audit committee
Secretary:	P. E. HILL, F.C.I.S.
Registered Office:	Wrotham Place, Wrotham, Sevenoaks, Kent TN15 7AE (Registered No. 29559)
Bankers:	HSBC BANK PLC 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:	Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ

Notice of Meeting

NOTICE IS HEREBY GIVEN that the one hundred and fourteenth Annual General Meeting of Camellia Plc will be held at The Goring Hotel, Beeston Place, London SW1W 0JW on Thursday, 30th May 2002 at 2.30 p.m. for the following purposes:

- | | |
|--|----------------|
| To receive the directors' report and statement of accounts for the year ended 31st December 2001 | (Resolution 1) |
| To declare a final dividend of 65p per ordinary share | (Resolution 2) |
| To re-elect the following directors: | |
| Mr. P. A. Leggatt | (Resolution 3) |
| Mr. A. K. Mathur | (Resolution 4) |
| Mr. M. C. Perkins | (Resolution 5) |
| Mr. D. A. Reeves | (Resolution 6) |
| Mr. A. S. M. O. Subhan | (Resolution 7) |
| Mr. C. P. T. Vaughan-Johnson | (Resolution 8) |
| To re-appoint the auditors and to authorise the directors to determine their remuneration | (Resolution 9) |

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 266,302 (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 2003 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 contracts.

(Resolution 10)

Registered Office:

Wrotham Place,
Wrotham,
Sevenoaks,
Kent TN15 7AE

By Order of the Board

P. E. HILL
Secretary

25th April 2002

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, Capita 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.

Chairman's Statement

Pre-tax profit for the year ended 31st December 2001 was £17.56 million compared with £15.21 million in 2000. Profit attributable to shareholders was £8.95 million compared with £6.95 million in 2000 and earnings increased from 247.71p to 327.75p per share.

The major influences on the profit for the year 2001 were the substantially improved results from our associate company, Siegfried AG, offset by lower tea prices and continuing very low coffee prices. On balance climatic conditions were reasonable, although there are indications that we may be moving into an "El Nino" cycle which, if substantiated, will have a far reaching impact for all our overseas agricultural operations.

Dividend

The Board is recommending a final dividend of 65p per share which, together with the interim dividend already paid of 20p per share, brings the total distribution for the year to 85p per share compared with 84p per share in 2000.

Agriculture and Horticulture

Tea

India

In 2001 the tea industry suffered one of its least profitable years for several decades. Prices which had started to drop in mid 2000, continued to erode and by year's end were some 10% behind the previous levels. The main reasons for this were lower domestic demand coupled with higher production, lower exports and the effect of cheap product from an ever increasing number of small bought leaf factories in North Bengal and Assam. Darjeeling experienced a difficult market with strong competition from the increasing amount of tea produced in Nepal at a considerably lower cost of production. The Group's profitability has been adversely affected in spite of a continuing emphasis on quality and stringent cost control. Pre-tax profit amounted to £0.8 million compared with £1.26 million the previous year. The Group estates produced 27.18 million kgs compared with 25.45 million kgs in 2000, an increase of 6.8%. Packet tea sales were reasonable although there was growing competition. The instant tea plant continues to operate below capacity and the trial storage facilities in the USA have been discontinued. However, recent developments indicate fresh interest in the instant product. Welfare facilities on all gardens are carefully monitored and improvements continue to be made within budgetary constraints. The law and order situation in all tea districts remains unsettled but fortunately the Group suffered no major problems.

Bangladesh

The ten Longbourne tea estates produced 11.18 million kgs, which was almost a record crop and 4.6% above the previous year. Market prices remained at similar levels to last year, but even after higher interest charges and expenses, pre-tax profit amounted to £150,000. In August 2001 Longbourne acquired a controlling interest in Eastland Camellia Limited, which owns Chaklapunji Estate. Whilst this estate is small, with a crop of only 300,000 kgs, it produces high quality tea and is adjacent to the Group's other Luskerpore Valley properties.

In Chittagong, the tea warehouse operated satisfactorily and extension work is in progress. The newly elected Government, which has a large majority, is now in a position to commence beneficial economic development.

Africa

Tea production by subsidiary undertakings amounted to 33.6 million kgs, including 3.8 million kgs from our new operations in South Africa. This latter figure is not representative of a full year's production and takes account of only that tea harvested during the eight-month "off" season. Climatic conditions in Kenya, Malawi and South Africa were reasonable, resulting in production consistent with our expectations. However, prices throughout the year were disappointing and in Kenya were some 23% below the previous year. Economic conditions in Kenya and Malawi remain difficult, with high interest rates and strong local

Chairman's Statement

currency. In the case of South Africa, the substantial decline in the value of the rand towards the end of the year resulted in significant exchange losses being charged to reserves. The rand has subsequently strengthened by about 20% from its low point in December. Despite the difficult conditions, the policy of replanting of old seedling tea and improving the welfare of our employees has continued.

Nepal

Crop from Himalaya Goodricke Private Limited totalled 278,000 kgs compared with 289,000 kgs in 2000. This reduction was due to an early drought and an increasing emphasis on quality, which involved the discontinuance of shear plucking. In line with India, prices were poor and the company recorded a loss of £92,000 as compared with a loss of £46,000 in 2000. The factory has now been partially re-equipped to allow for the manufacture of bought leaf and this extra production should lead to a reduction in overall costs and increased profitability.

Coffee

Our coffee operations experienced another difficult year with prices continuing to be below cost of production. Whilst prices on the world coffee markets continue at very low levels, it is pleasing to report that there has been a steady increase in the prices paid for the higher quality Kenya arabica coffee and these are now some 40% above the comparable prices at this time last year. Whilst this only takes us to a breakeven position, it nonetheless represents a substantial improvement. We continue to examine further ways of reducing the cost of production without prejudicing the health and vigour of the bushes.

The Malawi crop has however not benefited from a similar rise in price and the future of our coffee operations in Malawi must be subject to some considerable doubt. Unless prices improve quickly this operation will be phased out and the land put to alternative use.

Citrus

Yandilla Park enjoyed a record year with good production combining with reasonable market prices, particularly in the North American market. Our packing operations have attracted significant new business from outside growers as a result of our good reputation and competitive packing charges. To accommodate increasing demand we are upgrading our packing line in Renmark and during the year we acquired a packing operation in the Sunraysia district to pack our own and outside growers' fruit from that area.

The citrus operations in Chile are performing well and those in California and South Africa are proceeding towards maturity. The prospects for these operations remain encouraging.

Edible Nuts

Our new macadamia processing factory in Malawi is performing well and the production from our estates is such that expansion of processing facilities is required. The marketing of this produce continued to be most satisfactory and our macadamia operations on the newly acquired estates in South Africa have also performed well. In California our edible nut operations experienced a poor year, with production of pistachios considerably reduced due to the alternate bearing cycle of this crop. Although almond production was reasonable, prices for both pistachios and almonds were poor, resulting in a loss.

Other Horticulture

The pineapple joint venture with Del Monte was again profitable, but canned pineapples experienced another difficult year in world markets. The comparative strength of the Kenya shilling is a difficult factor as far as the Kenyan industry is concerned. Passion fruit remains disappointing, but the newly planted avocado areas are beginning to make a good contribution to profitability.

Wine grape production in Australia was reasonable, although below that of the previous year. Prices are under pressure with wineries demanding higher quality at lower prices. There appears to be continuing over-production of most varieties in Australia, although this operation makes a very worthwhile contribution towards profits. A substantial amount of our production in South Africa has been sold as bulk rather than

Chairman's Statement

as bottled wine. It is difficult to compete with large scale producers at the lower end of the market and we continue to concentrate our efforts on the premium sector. It is encouraging to report that our Linton Park '99 vintage Chardonnay was one of only two South African Chardonnays to be awarded five stars by the prestigious "Decanter" magazine. Table grape production in South Africa was encouraging, although prices were again disappointing. There are still large areas of immature plantings on our properties in South Africa and Chile.

Rubber production in Bangladesh continues to progress and reached budgeted targets, contributing to estate profits.

It is pleasing to report that our farm in Brazil produced a modest profit in 2001. Considerable operational changes have been implemented over the last two years and prospects are now much improved.

Trading and Agency

Duncan Products Limited had a poor year due to increased competition for bottled water and packet tea. A reorganisation of the marketing operations is in hand and new personnel are being recruited.

In May, Highland Fuels was sold to its management, who were backed by institutional investors and a European fuel distribution company. The company had performed well in the period of Group ownership in 2001, but was not in a strong strategic position and should benefit from an association with a business operating within the same sector.

British Traders and Shippers increased sales but only broke even in the year. Redundancy costs were incurred as a result of the decision to subcontract the physical distribution of the company's chemical products. Significant training costs were committed to improve communication with Japan.

Food Storage and Distribution

Associated Cold Stores and Transport had a disappointing year, reporting profits 18% below 2000, largely due to reductions in transport revenues at the Gloucester and Wolverhampton sites. Reduced demand for storage was experienced towards the end of the year at Wolverhampton. The food service consolidation and case picking business in Grimsby performed well, as did the transport operation at Scarborough. The senior management of the company has been reorganised from a functional to a geographic basis at the beginning of 2002. A major project has been instigated to enhance information technology systems in the business in order to improve customer service via the internet and to centralise administration. Associated Cold Stores and Transport faces a substantial increase in insurance premiums for 2002 as a result of the insurance industry's decision to impose penal rates on buildings constructed from composite panels.

W. G. White had an extremely disappointing year as a result of a substantial reduction in sales of caviar to airlines and due to the costs of the wine sales team formed to take the company into a new market. An increase in the cost of caviar and the reduction of passenger traffic following September 11th led to reduced servings of the product on a number of airlines. The smaller number of tourists in London also had a negative impact on the market. Although sales of wine improved by 50% in 2001, they were insufficient to cover the costs of the sales team. A wider range of wines has been selected for sales to commence in 2002.

Affish, one of the Group's two companies in the Netherlands, improved profitability despite a reduction in sales of prawns during a period of poor commodity prices. Wylax improved sales particularly to institutional caterers, but higher labour costs offset an otherwise improved margin.

Engineering

Following the fire in 2000, Abbey Metal Finishing returned to full production capability in May 2001 and has continued to rebuild its business. The company has regained important customer approvals and turnover in 2001 exceeded budget.

AJT Engineering, AKD Engineering and the divisions of British Metal Treatments involved in oil and gas engineering support all improved turnover and profitability in a buoyant market for repair and new manufacture for the North Sea and other international offshore and onshore installations. The British Metal

Chairman's Statement

Treatments' divisions at East Kilbride and Great Yarmouth both improved their results as a consequence of investment in improved plant towards the end of the previous year and at the beginning of 2001. General Utilities did not match the results achieved in 2000 due to the quiet general engineering market for profile cutting and precision grinding.

British Metal Treatments' division at Hove was closed in December and the full costs of this have been included in results for 2001. The sale of the site is proceeding satisfactorily and is expected to be completed in 2002.

Fine Art Trading

Lumley Cazalet Limited produced a good result although not up to the levels enjoyed in the previous year. The gallery closed in early February 2002 and the remaining stock is now being disposed of in an orderly fashion. It is expected that the operations of Lumley Cazalet will be finally wound up during this year.

Property Leasing

Further rent reviews were carried out in 2001 leading to increased profits.

Banking

Duncan Lawrie Limited experienced a difficult year in 2001. Lower interest rates prevailing throughout the year resulted in decreased margins on the Bank's lending business and the fall in the Stock Markets and lack of new investment resulted in lower fees being earned on the Bank's investment management operations. During the year the Bank invested heavily in new computer systems which will enable it to improve the services offered to customers. Since the end of the year Duncan Lawrie Unit Management Limited, which managed the Duncan Lawrie Smaller Companies Fund unit trust, has been sold to Exeter Investment Group plc.

Pharmaceutical

The Siegfried Group increased its earnings after tax to 31 million Swiss Francs from 9.3 million in the previous year. Our share of these profits amounted to £4,145,000. The pharmaceutical operations increased their sales, particularly as a result of increased investment in Switzerland leading to higher output. The plant in Pennsville, USA, successfully completed its inspection by the US Food and Drug Administration and performed above expectations in the second half of the year. The medicinal and herbal tea division has been restructured and the packing of these teas has been contracted to a specialised German company, resulting in the closure of their operation in Bremen.

Other Associated Undertakings and Investments

The United Leasing Company Limited, in spite of difficult economic circumstances, produced a record profit of £2.24 million. The United Insurance Company Limited had a reasonable year with a profit of £311,000 compared with £328,000 in 2000. The Surmah Valley Tea Company Limited, which has three estates and is owned by United Insurance, reported a profit of £59,000.

Our investments in Bermuda have fared well during the year and continue to make a positive contribution to Group profits.

Development

The Group continues to carry out the capital developments necessary to enable its operations to remain competitive. Specific capital projects are presently being undertaken in Yandilla's citrus packing shed, the Malawian nut processing facility and at AKD Engineering. Development of our immature planting continues in all the countries in which we operate.

Chairman's Statement

Prospects for 2002

It is as usual too early to give any reliable forecast for the outcome of the current year, however as stated at the beginning of this report, there are indications that we may be moving into an "El Nino" cycle and there are presently drought conditions in Australia, East and South Africa. The price of tea has shown a modest increase as a result of anticipated lower production, but there is little evidence of any further improvement in the price of coffee.

Staff

On behalf of the Board I would like to extend my thanks to all employees throughout the Group in contributing to satisfactory results in a very difficult year.

25th April 2002

M. C. PERKINS

Report of the Directors

The Directors submit to the members their report and the audited accounts for the year ended 31st December 2001.

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 comprise:

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

Further details and a review of the Group's activities are included in the Chairman's Statement on pages 4 to 8.

Results and Dividends

	£'000
The profit for the year amounted to	8,951
It is recommended that this is dealt with as follows:	
Interim dividend already paid: 20p per share	544
Proposed final dividend: 65p per share	1,759
	2,303
Transfer to reserves	6,648
	8,951

Warrants in respect of the final dividend for the year ended 31st December 2001 will, if approved at the Annual General Meeting, be posted on 3rd July 2002 to shareholders registered in the books of the Company at the close of business on 14th June 2002.

Directors

Board

The present membership of the Board is set out on page 2.

Mr. H. K. FitzGerald and Mr. N. A. Grant retired from the Board on 31st May 2001. Mr. D. A. Reeves and Mr. A. S. M. O. Subhan were appointed to the Board on 1st June 2001.

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

Mr. P. A. Leggatt, Mr. A. K. Mathur, Mr. M. C. Perkins, Mr. D. A. Reeves, Mr. A. S. M. O. Subhan and Mr. C. P. T. Vaughan-Johnson therefore retire and, being eligible, seek re-election.

Report of the Directors

Executive Directors

Mr. P. A. Leggatt, M.B.E. was appointed a director in 1999, is chairman of Goodricke Group Limited and is a director of Lawrie Group Plc. Mr. Leggatt joined the Group in 1988. Age 59.

Mr. A. K. Mathur, F.C.A. was appointed Finance Director in 1999 and is a director of Lawrie Group Plc. Mr. Mathur joined the Group in 1981. Age 54.

Mr. M. C. Perkins, F.C.A. was appointed a director in 1999 and chairman in 2001. He is chairman of Linton Park Plc and a director of Lawrie Group Plc. Mr. Perkins joined Eastern Produce Holdings Limited (now Linton Park Plc) in 1972. Age 57.

Mr. D. A. Reeves was appointed a director in 2001 and is managing director of Duncan Lawrie Limited. Mr. Reeves joined the Group in 1998. Age 55.

Mr. A. S. M. O. Subhan, M.Phil. was appointed a director in 2001 and is chief executive and director of the Bangladesh group. Mr. Subhan joined the Group in 1983. Age 60.

Non-Executive Director

Mr. C. P. T. Vaughan-Johnson, F.C.I.B. was appointed a director in 1999 and is a non-executive director of both Lawrie Group Plc and Duncan Lawrie Limited. Mr. Vaughan-Johnson was a former president and chief executive officer of The Bank of Bermuda. He joined the Group in 1996. Age 68.

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</i>	<i>31st December</i>	<i>16th April</i>
	<i>2001</i>	<i>2001</i>	<i>2002</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>
M. C. Perkins	200	200	200
C. P. T. Vaughan-Johnson	700	700	700

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

	<i>Beneficial Interests</i>		
	<i>1st January</i>	<i>31st December</i>	<i>16th April</i>
	<i>2001</i>	<i>2001</i>	<i>2002</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>
M. C. Perkins	13,500	13,500	13,500

Substantial Shareholdings

As at 16th April 2002 the Company has been advised of the following interests in the share capital of the Company:

Camellia Holding AG held 1,420,000 ordinary shares (53.32%) (see note 38);

St. James's Place Capital Plc held (through one of its subsidiaries) 91,002 ordinary shares (3.42%);

Mr. D. M. Bacon held 86,000 ordinary shares (3.23%).

Report of the Directors

Changes in Group Structure

During the year the Group increased its holding in Linton Park Plc by 0.85 per cent to 79.09 per cent by the acquisition of 162,500 shares for a consideration of £542,308.

On 31st August 2001 wholly owned subsidiary companies of Camellia Plc acquired an 83.57 per cent controlling interest in Eastland Camellia Limited for a cash consideration of £521,000. Eastland Camellia is registered in Bangladesh and listed on the Dhaka Stock Exchange.

On 30th April 2001 a wholly owned subsidiary of Linton Park Plc acquired a 70 per cent controlling interest in Sapekoe (Pty) Limited in exchange for a 30 per cent minority interest in Eastern Produce Malawi Limited. The 70 per cent interest in Sapekoe (Pty) Limited comprises 70 per cent of the share capital and a 70 per cent interest in a subordinated loan which is provided pro rata by the shareholders and is regarded as quasi equity.

On 17th May 2001 Highland Fuels Limited, a wholly owned subsidiary of Linton Park Plc, and its wholly owned subsidiary Wilsons Fuels Limited was sold to Highland Fuels Holdings Limited. 23.5 per cent of Highland Fuels Holdings Limited was owned by Mr. G. Shand who was a director of Highland Fuels Limited. Net assets at completion were £2,644,000 and the consideration was £3,490,000. £2,890,000 was paid on completion and £600,000, which is guaranteed by Highland Fuels Limited and is secured by a second charge over the company's freehold property, is payable on 17th May 2006. Interest on the deferred purchase consideration is payable at the base rate of The Royal Bank of Scotland plc.

Fixed Assets

In the opinion of the directors the market value of land and buildings in the United Kingdom exceeds book value by approximately £16 million.

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 2001 represented 30 days of annual purchases.

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 £45,034 during the year.

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 determine their remuneration will be put before the Annual General Meeting.

Report of the Directors

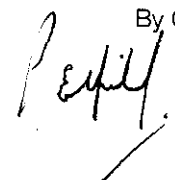
Special Business

Acquisition of Shares

At the Annual General Meeting held on 31st May 2001 shareholders gave authority for the Company to purchase up to 275,535 of the Company's issued ordinary share capital, such authority expiring on 30th May 2002. During the year the Company purchased for cancellation 67,168 ordinary shares representing 2.42 per cent of the issued share capital at a total cost of £1,894,113. A further 43,890 ordinary shares at a total cost of £1,310,387 have been purchased for cancellation since the year end. Shareholders' approval to renew the authority until the conclusion of the Annual General Meeting of the Company to be held in 2003, 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 30th May 2002.

The intention in seeking to propose the Resolution is simply to keep the option open should the price, opportunity or value occur and coincide with liquidity. Any shares purchased in this way will be cancelled and the number of shares in issue reduced accordingly.

25th April 2002

By Order of the Board

P. E. HILL
Secretary

Corporate Governance

The Combined Code – Principles of Good Governance and Code of Best Practice (“The Combined Code”) was published by the London Stock Exchange in June 1998. This statement describes how the company applies the principles and complies with the provisions of the Combined Code.

The Board consists of the executive chairman who is also the chief executive officer, four other executive directors and one non-executive director, Mr. Vaughan-Johnson.

The Board is responsible for setting strategy, approving budgets, capital expenditure, investment and disinvestment. The Board also undertakes the functions of the nomination and remuneration committees. Each director is provided with relevant information in advance of regular Board meetings.

The company has complied with the code provisions set out in Section 1 of the Combined Code throughout the year with the following exceptions:

- the roles of the chairman and the chief executive are combined;
- non-executive directors comprise less than one third of the Board;
- the functions of the remuneration committee are undertaken by the Board as a whole and are not carried out by a separate committee comprising non-executive directors;
- the audit committee comprises one non-executive and two executive directors; and
- new Board appointments are considered by the Board as a whole.

The Directors believe that given the size and structure of the Group and the participation of the entire Board in all major decisions the combination of the roles of chairman and chief executive officer is appropriate. For the same reason the appointment of additional non-executive directors and the formation of a separate remuneration committee is not considered necessary.

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. In preparing the accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors have responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps 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.

Corporate Governance

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement or loss.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's significant risks, which has been in place throughout the year and up to the date of approval of the annual report and accounts. It is regularly reviewed by the Board and accords with the Internal Control Guidance for Directors on the Combined Code. The process established by the Board does not cover the Group's associated undertakings.

The principal elements of the Group's system of internal control consist of investment appraisal, the monthly review of financial results of operating subsidiaries and comparison with annual budgets, internal audit and regular visits by executive directors to monitor the activities of subsidiaries. The authority, responsibility, accountability and management of operating subsidiaries is delegated to the executive directors of those companies, who report to the main board at regular intervals.

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 Section A of the best practice provisions on directors' remuneration annexed to the Listing Rules of the UK Listing Authority, which recommends a remuneration committee consisting exclusively of non-executive directors should be established. In framing its remuneration policy the Board has given full consideration to all of the matters referred to in Section B of the best practice provisions.

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

The emoluments of the directors were as follows:

	<i>Basic Salary</i>	<i>Benefits in Kind</i>	<i>2001 Total</i>	<i>2000 Total</i>
	£	£	£	£
Executive Directors				
M. C. Perkins	225,573	9,667	235,240	192,359
P. A. Leggatt	100,300	13,192	113,492	105,994
A. K. Mathur	89,500	15,017	104,517	91,812
D. A. Reeves	59,208	8,342	67,550	-
A. S. M. O. Subhan	9,458	12,515	21,973	-
H. K. FitzGerald	44,450	9,537	53,987	115,177
N. A. Grant	29,583	4,468	34,051	85,705
Non-Executive Director				
C. P. T. Vaughan-Johnson	12,500	-	12,500	10,000

Emoluments for the year 2001 for Mr. FitzGerald and Mr. Grant are for the period from 1st January to 31st May and for Mr. Reeves and Mr. Subhan from 1st June to 31st December.

Benefits in kind include the value attributed to benefits such as company cars, fuel, medical insurance and accommodation. The Company does not operate an employees' share scheme or a long term incentive scheme and no directors are entitled to receive share options.

Report of the Board on Directors' Remuneration

Directors' Pensions

Benefits earned by members of Group defined benefit pension schemes:

	<i>Increase in accrued pensions during 2001</i>	<i>Transfer value of increase in accrued pension during year</i>	<i>Accrued pension at 31.12.01</i>
	£	£	£
M. C. Perkins	6,087	56,210	11,806
P. A. Leggatt	2,674	54,606	46,110
A. K. Mathur	7,526	114,960	33,680
D. A. Reeves	2,237	36,325	5,779
A. S. M. O. Subhan	1,551	10,810	8,686

Service Contracts

Mr. M. C. Perkins has a service contract with Linton Park Plc and is entitled to a period of one year's notice.

Mr. D. A. Reeves has a service contract with Duncan Lawrie Ltd and is entitled to a period of one year's notice.

Summary of Results
for the five years ended 31st December

	2001 £'000	2000 £'000	1999 £'000	1998 £'000	1997 £'000
Operating profit	17,253	19,963	18,928	38,358	31,229
Profit before taxation	17,556	15,214	13,270	32,287	26,211
Profit for the year	8,951	6,954	5,710	15,200	11,217
Profit retained for the year	6,648	4,619	3,444	14,041	10,132
Shareholders' funds:					
Ordinary capital	271	277	283	283	247
Reserves	178,757	176,814	169,949	168,190	134,598
Earnings per share	327.75p	247.71p	201.33p	535.68p	454.08p
Dividends per share:					
Interim paid	20p	20p	19p	19p	18p
Final	65p	64p	61p	28p	26p

Dividends include a foreign income dividend of 44p in 1997. Figures for 1998 have been restated.

**Consolidated Profit and Loss Account
for the year ended 31st December 2001**

	Notes	2001		2000	
		£'000	£'000	£'000	£'000
Turnover – continuing operations			174,375		173,450
– acquisitions			5,797		–
			<u>180,172</u>		<u>173,450</u>
– discontinued operations			23,175		79,925
	2		<u>203,347</u>		<u>253,375</u>
Cost of sales			156,851		202,036
Gross profit			46,496		51,339
Net operating expenses	3		<u>34,592</u>		<u>34,372</u>
Operating profit – continuing operations		11,721		16,671	
– acquisitions		(65)		–	
		<u>11,656</u>		<u>16,671</u>	
– discontinued operations		248		296	
			<u>11,904</u>		<u>16,967</u>
Share of results of associates			5,349		2,996
	2		<u>17,253</u>		<u>19,963</u>
Investment income			1,453		1,087
Profit on disposal of fixed assets	4		24		1,164
Profit on disposal of fixed asset investments			573		376
Profit on disposal of subsidiary undertaking	5		424		–
Goodwill transferred upon part disposal of a subsidiary			704		–
Share of associates profit on disposal of subsidiaries			2,065		–
Loss on disposal of associated undertaking	6		–		(1,701)
			<u>22,496</u>		<u>20,889</u>
Net interest payable and similar charges	7		4,940		5,675
			<u>17,556</u>		<u>15,214</u>
Profit on ordinary activities before taxation	2		6,322		5,722
Taxation on profit on ordinary activities	10				
Profit on ordinary activities after taxation			<u>11,234</u>		<u>9,492</u>
Interest of minority shareholders			2,283		2,538
			<u>8,951</u>		<u>6,954</u>
Profit for the year	11		2,303		2,335
Dividends	12				
Retained profit for the year	25		<u>6,648</u>		<u>4,619</u>
Earnings per share	13		<u>327.75p</u>		<u>247.71p</u>

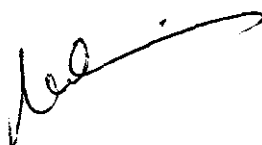
Consolidated Balance Sheet
as at 31st December 2001

	Notes	2001		2000	
		£'000	£'000	£'000	£'000
Fixed Assets					
Goodwill:					
Positive		1,219		1,290	
Negative		(4,074)		(2,529)	
	14		(2,855)		(1,239)
Tangible assets	15		172,574		168,835
Investments	16		72,219		64,053
			<u>241,938</u>		<u>231,649</u>
Current assets					
Stocks	17	34,100		32,319	
Debtors	18	55,514		66,291	
Cash at banks and in hand	19	164,493		162,052	
			<u>254,107</u>	<u>260,662</u>	
Creditors: amounts falling due within one year	20	212,562		222,444	
Net current assets			41,545		38,218
Total assets less current liabilities			283,483		269,867
Creditors: amounts falling due after more than one year	21		39,587		36,513
Provisions for liabilities and charges	22		1,624		1,734
Net assets			<u>242,272</u>		<u>231,620</u>
Capital and reserves					
Called up share capital	24		271		277
Share premium account	25		423		423
Revaluation reserve	25		38,280		38,901
Profit and loss account	25		139,812		137,248
Merger reserve	25		242		242
			<u>179,028</u>		<u>177,091</u>
Equity shareholders' funds			179,028		177,091
Minority shareholders' interest			63,244		54,529
			<u>242,272</u>		<u>231,620</u>

Approved on 25th April 2002 by the board of directors and signed on their behalf by:

M.C. PERKINS

Director



Camellia Plc

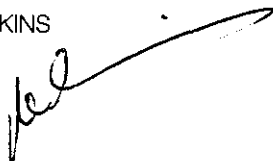
Company's Balance Sheet as at 31st December 2001

	Notes	2001		2000	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	15		2		7
Investments	16		180,524		176,849
			<u>180,526</u>		<u>176,856</u>
Current assets					
Debtors	18	5,841		8,024	
Cash at banks and in hand		415		588	
		<u>6,256</u>		<u>8,612</u>	
Creditors: amounts falling due within one year	20	3,075		2,948	
			<u>3,181</u>		<u>5,664</u>
Net current assets					
			<u>183,707</u>		<u>182,520</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	21		4,318		5,068
Provisions for liabilities and charges	22		361		361
			<u>179,028</u>		<u>177,091</u>
Net assets					
Capital and reserves					
Called up share capital	24		271		277
Share premium account	25		423		423
Revaluation reserve	25		164,730		161,242
Profit and loss account	25		13,604		15,149
			<u>179,028</u>		<u>177,091</u>

Approved on 25th April 2002 by the board of directors and signed on their behalf by:

M.C. PERKINS

Director



Consolidated Cash Flow Statement
for the year ended 31st December 2001

	Notes	2001		2000	
		£'000	£'000	£'000	£'000
Net cash flow from operating activities	31		22,033		22,346
Dividends received from associates			629		869
Returns on investments and servicing of finance					
Interest received		955		828	
Interest paid		(5,065)		(6,028)	
Income from investments		1,662		1,039	
Dividends paid to minority interests		(1,632)		(2,043)	
			(4,080)		(6,204)
Taxation					
UK corporation tax paid		(1,548)		(274)	
Overseas tax paid		(3,368)		(4,636)	
			(4,916)		(4,910)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(10,869)		(11,813)	
Sale of tangible fixed assets		936		3,790	
Purchase of investments		(4,338)		(2,374)	
Sale of investments		1,751		1,078	
			(12,520)		(9,319)
Acquisitions and disposals					
Acquisition of business	34	(557)		-	
Disposal of business	35	2,846		-	
Purchase of additional Siegfried AG shares		(1,439)		(705)	
Purchase of minority interests		(542)		(473)	
Disposal of associated undertaking		-		6,227	
			308		5,049
Equity dividends paid			(2,267)		(2,237)
Cash (outflow)/inflow before financing			(813)		5,594
Financing					
Loan repayments		(7,614)		(7,109)	
New loans		9,862		5,081	
Capital element of finance lease rental payments		(279)		(312)	
			1,969		(2,340)
Purchase of own shares			(1,693)		(1,244)
(Decrease)/increase in cash in the period	32		(537)		2,010

**Statement of Total Recognised Gains and Losses
for the year ended 31st December 2001**

	2001 £'000	2000 £'000
Profit for the year - includes associates £4,476,000 (2000 - £1,644,000)	8,951	6,954
Release of goodwill on disposal of subsidiary undertaking	515	-
Release of goodwill on part disposal of subsidiary undertaking	(704)	-
Impairment on previously revalued tangible assets	(384)	-
Share of associates fixed asset revaluation	539	-
Currency translation differences on foreign currency net investments - includes associates' profit £505,000 (2000 - £3,153,000)	(2,817)	3,791
Total recognised gains and losses for the year	<u>6,100</u>	<u>10,745</u>

**Reconciliation of Movement in Shareholders' Funds
for the year ended 31st December 2001**

	2001 £'000	2000 £'000
Profit for the year	8,951	6,954
Dividends	(2,303)	(2,335)
Retained profit for the year	6,648	4,619
Currency translation differences on foreign currency net investments	(2,817)	3,791
Purchase of own shares	(1,860)	(1,551)
Release of goodwill on disposal of subsidiary undertaking	515	-
Release of goodwill on part disposal of subsidiary undertaking	(704)	-
Impairment on previously revalued tangible assets	(384)	-
Share of associates fixed asset revaluation	539	-
Net addition in shareholders' funds	1,937	6,859
Opening shareholders' funds	177,091	170,232
Closing shareholders' funds	<u>179,028</u>	<u>177,091</u>

Notes to the Accounts

1 Accounting policies

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.

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.

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.

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.
- (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.

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*

Tangible fixed assets

Fixed assets are stated at cost or valuation. Fixed assets revalued prior to the implementation of FRS15 in 2000 are stated at revalued amounts. A policy of annual revaluation has not been adopted.

The cost or valuation of fixed assets less their residual values are depreciated over their expected useful lives on a straight line basis at the following rates per annum:

Estates and 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

The cost of upkeep and maintenance of mature areas, including replanting costs, are charged to revenue ensuring residual values of tea estates are at least equal to cost.

Stocks

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

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.

Turnover

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

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.

Pension schemes

The cost of providing pensions through 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 through defined contribution schemes and all overseas schemes is charged to the profit and loss account when payable. Pension arrangements are detailed in note 29.

Notes to the Accounts

2 Analysis of turnover, profit and net operating assets

	Turnover		Operating profit		Net operating assets	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
By activity						
Parent and subsidiary undertakings						
Agriculture and horticulture	108,955	101,654	9,557	10,377	141,826	135,954
Trading and agency	29,684	86,053	821	810	3,971	5,956
Food storage and distribution	45,215	46,723	3,076	4,513	30,398	31,930
Engineering	14,478	12,175	1,287	1,095	12,521	11,696
Fine art trading and philately	2,812	4,784	411	2,299	2,288	3,017
Property leasing	2,177	1,959	2,088	1,869	4,204	3,750
Central management and miscellaneous	26	27	(5,501)	(5,032)	8,658	8,699
	<u>203,347</u>	<u>253,375</u>	<u>11,739</u>	<u>15,931</u>	<u>203,866</u>	<u>201,002</u>
Banking			152	1,026	21,120	20,971
Net interest from group companies			13	10	-	-
			<u>11,904</u>	<u>16,967</u>	<u>224,986</u>	<u>221,973</u>
Associated undertakings						
Agriculture and horticulture			(34)	13		
Pharmaceutical			4,218	1,903		
Insurance and leasing			1,165	987		
Textile and other manufacturing			-	93		
Operating profit			<u>17,253</u>	<u>19,963</u>		
By country of origin						
United Kingdom	82,923	140,079	2,999	6,614	76,268	79,069
Continental Europe	10,628	10,800	223	301	2,970	3,419
India	34,593	35,401	902	1,559	20,329	20,409
Kenya	25,184	22,702	3,601	3,788	45,961	46,237
Malawi	11,664	11,702	2,109	2,903	23,538	23,109
Bangladesh	8,243	8,230	1,034	981	20,798	19,610
North America	403	1,430	(681)	474	3,152	3,827
South America and Bermuda	2,255	1,613	(460)	(977)	6,551	6,694
Australia	20,587	19,907	2,148	1,172	12,876	13,126
South Africa	6,867	1,511	29	152	12,543	6,473
	<u>203,347</u>	<u>253,375</u>	<u>11,904</u>	<u>16,967</u>	<u>224,986</u>	<u>221,973</u>

Notes to the Accounts

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

	2001	2000
	£'000	£'000
Net operating assets		
Net operating assets are reconciled to net assets as follows:		
Net operating assets	224,986	221,973
Net borrowings	(49,038)	(47,428)
Investments	70,760	62,563
Dividend payable	(1,759)	(1,775)
Non-operating items	(2,677)	(3,713)
	<u>242,272</u>	<u>231,620</u>

By geographical market supplied

	<i>Turnover</i>	
	2001	2000
	£'000	£'000
United Kingdom	85,636	141,860
Continental Europe	20,386	17,627
India	28,267	28,645
Bangladesh	8,020	6,882
Other Asia	13,827	12,667
Africa	29,100	24,726
North America	6,030	8,358
South America	2,209	1,600
Australasia	9,872	11,010
	<u>203,347</u>	<u>253,375</u>

The segmental analyses for the United Kingdom and trading and agency includes turnover of £23,175,000 (2000 – £79,925,000) and operating profit of £248,000 (2000 – £296,000) in respect of Highland Fuels Limited which was sold during the year.

	2001	2000
	£'000	£'000
Profit of banking subsidiaries		
Interest receivable – third parties	8,541	9,494
– group companies	33	38
	<u>8,574</u>	<u>9,532</u>
Interest payable – third parties	(5,687)	(6,671)
– group companies	(46)	(48)
	<u>2,841</u>	<u>2,813</u>
Net interest income	2,841	2,813
Other operating income	3,520	4,483
Operating expenses	(6,209)	(6,270)
	<u>152</u>	<u>1,026</u>
Profit – continuing operations	<u>152</u>	<u>1,026</u>

Notes to the Accounts

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

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation	8,731	8,490
Hire of plant and machinery	1,176	1,142
Rental on other operating leases	2,226	2,146
Auditors' remuneration	557	622

Other fees paid to Moore Stephens in respect of taxation and other advisory services were £80,056 (2000 – £44,849).

3 Net operating expenses

	2001 £'000	2000 £'000
Distribution costs	9,173	11,078
Administrative expenses	27,535	26,340
Other operating income	(2,116)	(3,046)
	<u>34,592</u>	<u>34,372</u>

Cost of sales include £3,947,000, distribution costs include £383,000, administrative expenses include £1,617,000 and other operating income includes £85,000 relating to acquisitions.

Cost of sales include £21,151,000 (2000 – £74,459,000), distribution costs include £1,501,000 (2000 – £4,494,000), administrative expenses include £283,000 (2000 – £802,000) and other operating income includes £9,000 (2000 – £37,000) relating to discontinued activities.

On 27th June 2000 a fire at Abbey Metal Treatment's Nuneaton factory caused major disruption to their business. Business interruption insurance proceeds received in respect of the year ended 31st December 2001 have been credited to cost of sales £427,000 (2000 – £493,000), administrative expenses £845,000 (2000 – £880,000) and other operating income £nil (2000 – £502,000).

4 Profit on disposal of fixed assets

	2001 £'000	2000 £'000
Profit on disposal of fixed assets (2000 – including £1,344,000 relating to assets destroyed by fire)	24	1,720
Loss on disposal of fixed assets	–	(556)
	<u>24</u>	<u>1,164</u>
Taxation	–	201
	<u>24</u>	<u>963</u>
Equity minority interests' share of profit	–	109
	<u>24</u>	<u>854</u>

Profit on disposal of fixed assets is by activity, agriculture and horticulture £nil (2000 – £180,000 loss) and engineering £24,000 (2000 – £1,344,000). By country of origin the profit arises in the United Kingdom £24,000 (2000 – £1,344,000), Kenya £nil (2000 – £376,000) and Australia £nil (2000 – £556,000 loss).

Notes to the Accounts

5 Profit on disposal of subsidiary undertaking

	2001 £'000	2000 £'000
Profit on disposal of shares in subsidiary undertaking		802
Positive goodwill transferred from reserves	(515)	
Negative goodwill transferred from fixed assets	137	
	<u> </u>	<u>(378)</u>
		<u>424</u>

6 Loss on disposal of associated undertakings

The loss of £1,701,000 in year 2000 was on disposal of the Group's entire holding of 29.8 per cent of British Mohair Holdings Plc.

7 Net interest payable and similar charges

	2001 £'000	2000 £'000
Bank loans, overdrafts and other loans	5,137	6,008
Finance lease and hire purchase charges	225	49
Net exchange gains	(68)	(77)
	<u>5,294</u>	<u>5,980</u>
Share of interest of associates	743	803
	<u>6,037</u>	<u>6,783</u>
Less interest receivable, including for associates £153,000 (2000 – £268,000)	1,097	1,108
	<u>4,940</u>	<u>5,675</u>

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

8 Employees, including directors

Average monthly number of employees by activity

	2001 Number	2000 Number
Agriculture and horticulture	86,831	82,054
Food storage and distribution	653	703
Engineering	316	304
Fine art trading and philately	5	5
Banking	84	84
Central management and miscellaneous	47	46
	<u>87,936</u>	<u>83,196</u>

Notes to the Accounts

8 Employees, including directors *continued*

Employee costs

	2001 £'000	2000 £'000
Wages and salaries	53,658	49,895
Social security costs	2,477	2,443
Pension costs	6,044	5,156
	<u>62,179</u>	<u>57,494</u>

9 Emoluments of the directors

	2001 £	2000 £
Aggregate emoluments excluding pension contributions	<u>643,310</u>	<u>606,224</u>
The emoluments of the highest paid director	<u>235,240</u>	<u>192,359</u>

Further details of directors' emoluments are set out on pages 15 and 16.

10 Taxation on profit on ordinary activities

	2001 £'000	2000 £'000
Overseas tax	3,440	3,725
UK corporation tax	2,389	2,768
Double taxation relief	(1,698)	(1,840)
	<u>4,131</u>	<u>4,653</u>
Associated undertakings	2,348	816
Deferred taxation	(115)	269
Overprovision in respect of previous years	(42)	(16)
	<u>6,322</u>	<u>5,722</u>

11 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 £2,612,000 (2000 – £2,397,000).

12 Dividends

	2001 £'000	2000 £'000
Interim dividend paid – 20p per share (2000 – 20p)	544	560
Proposed final dividend – 65p per share (2000 – 64p)	1,759	1,775
	<u>2,303</u>	<u>2,335</u>

Notes to the Accounts

13 Earnings per share

Earnings per share have been calculated by dividing profit after tax and minority interest of £8,951,000 (2000 – £6,954,000) by the weighted average number of shares in issue at 31st December 2001 of 2,731,019 (2000 – 2,807,325).

14 Goodwill

	<i>Positive Goodwill</i> £'000	<i>Negative Goodwill</i> £'000	<i>Total</i> £'000
Cost			
At 1st January 2001	1,480	(3,034)	(1,554)
Additions	–	(2,095)	(2,095)
Disposals	–	158	158
	<u>1,480</u>	<u>(4,971)</u>	<u>(3,491)</u>
At 31st December 2001			
Amortisation			
At 1st January 2001	(190)	505	315
Provision for the year	(71)	413	342
Disposals	–	(21)	(21)
	<u>(261)</u>	<u>897</u>	<u>636</u>
At 31st December 2001			
Net book value			
At 31st December 2001	<u>1,219</u>	<u>(4,074)</u>	<u>(2,855)</u>
At 31st December 2000	<u>1,290</u>	<u>(2,529)</u>	<u>(1,239)</u>

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

Notes to the Accounts

15 Tangible fixed assets

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 2001	69,068	75,016	63,976	10,778	14,974	3,704	237,516
Exchange differences	(3,434)	(1,614)	(3,537)	(568)	(347)	(539)	(10,039)
Reclassification	1,261	275	(263)	(3)	(1)	(1,269)	-
Subsidiaries joining group	7,573	3,388	8,327	1,266	507	-	21,061
Subsidiaries leaving group	-	(1,060)	(1,762)	(38)	(515)	-	(3,375)
Additions	2,323	1,840	3,816	887	1,470	1,031	11,367
Disposals	(108)	(779)	(607)	(1,696)	(415)	(58)	(3,663)
At 31st December 2001	<u>76,683</u>	<u>77,066</u>	<u>69,950</u>	<u>10,626</u>	<u>15,673</u>	<u>2,869</u>	<u>252,867</u>
Depreciation							
At 1st January 2001	1,201	19,745	32,535	7,666	7,534	-	68,681
Exchange differences	(1,205)	(790)	(2,293)	(502)	(270)	-	(5,060)
Provision for the year	495	2,418	3,647	1,089	1,082	-	8,731
Reclassification	225	(200)	(23)	(1)	(1)	-	-
Subsidiaries joining group	3,467	1,767	5,633	1,176	467	-	12,510
Subsidiaries leaving group	-	(116)	(1,591)	(27)	(451)	-	(2,185)
Impairment provision charged to revaluation reserve	204	283	-	-	-	-	487
Disposals	(30)	(510)	(487)	(1,506)	(338)	-	(2,871)
At 31st December 2001	<u>4,357</u>	<u>22,597</u>	<u>37,421</u>	<u>7,895</u>	<u>8,023</u>	<u>-</u>	<u>80,293</u>
Net book value							
At 31st December 2001	<u>72,326</u>	<u>54,469</u>	<u>32,529</u>	<u>2,731</u>	<u>7,650</u>	<u>2,869</u>	<u>172,574</u>
At 31st December 2000	<u>67,867</u>	<u>55,271</u>	<u>31,441</u>	<u>3,112</u>	<u>7,440</u>	<u>3,704</u>	<u>168,835</u>
Cost or valuation at 31st December 2001 is represented by:							
Valuation in 1988	-	5,513	-	-	-	-	5,513
Valuation in 1991	9,175	-	-	-	-	-	9,175
Valuation in 1993	-	1,606	-	-	-	-	1,606
Valuation in 1997	21,162	10,229	-	-	-	-	31,391
Valuation in 1999	15,707	2,491	2,166	467	356	-	21,187
Cost	30,639	57,227	67,784	10,159	15,317	2,869	183,995
Total cost or valuation	<u>76,683</u>	<u>77,066</u>	<u>69,950</u>	<u>10,626</u>	<u>15,673</u>	<u>2,869</u>	<u>252,867</u>

Notes to the Accounts

15 Tangible fixed assets *continued*

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 £189,000 (2000 – £223,000) and their net book value was £1,148,000 (2000 – £1,048,000).

Land and buildings at net book value comprise:

	<i>Estates</i>		<i>Other land and buildings</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Freehold	32,555	31,169	35,580	36,509
Long leaseholds	39,258	36,530	17,667	17,400
Short leaseholds	513	168	1,222	1,362
	<u>72,326</u>	<u>67,867</u>	<u>54,469</u>	<u>55,271</u>

The historical cost of assets shown at valuation amounted to £23,676,000 (2000 – £23,814,000) and the accumulated depreciation thereon would have been £5,058,000 (2000 – £4,586,000).

Company

	<i>Fixtures and fittings £'000</i>
Cost	
At 1st January 2001	31
Disposals	(9)
At 31st December 2001	<u>22</u>
Depreciation	
At 1st January 2001	24
Provision for the year	3
Disposals	(7)
At 31st December 2001	<u>20</u>
Net book value	
At 31st December 2001	<u>2</u>
At 31st December 2000	<u>7</u>

Notes to the Accounts

16 Fixed asset investments

Group

	<i>Associated undertakings</i>	<i>Other investments</i>	<i>Total</i>
	£'000	£'000	£'000
Cost or valuation			
At 1st January 2001	45,193	19,508	64,701
Additions	–	4,338	4,338
Subsidiaries joining the group	–	50	50
Disposals	–	(1,178)	(1,178)
Share of retained reserves	3,808	–	3,808
Share of associate's fixed asset revaluation	681	–	681
Exchange differences	505	221	726
At 31st December 2001	<u>50,187</u>	<u>22,939</u>	<u>73,126</u>
Provision for diminution in value			
At 1st January 2001	6	642	648
Amounts written off in year	–	261	261
Exchange differences	–	(2)	(2)
At 31st December 2001	<u>6</u>	<u>901</u>	<u>907</u>
Net book value			
At 31st December 2001	<u>50,181</u>	<u>22,038</u>	<u>72,219</u>
At 31st December 2000	<u>45,187</u>	<u>18,866</u>	<u>64,053</u>
	<i>Associated undertakings</i>	<i>Other investments</i>	
	2001	2000	2001
	2000	2001	2000
	£'000	£'000	£'000
Cost comprises:			
Listed investments	32,486	32,716	17,700
Unlisted investments	134	134	2,623
Collections	–	–	2,616
	<u>32,620</u>	<u>32,850</u>	<u>22,939</u>
	<u>52,506</u>	<u>58,881</u>	<u>25,216</u>
Market value of listed investments			<u>19,633</u>

Notes to the Accounts

16 Fixed asset investments *continued*

Group *continued*

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

Other investments include the following companies in which the Group has a significant interest:

	<i>Principal country of origin</i>	<i>% held</i>
Bermuda Bakery Limited	Bermuda	25
B. F. & M. Limited	Bermuda	23

At 31st December 2001 Bermuda Bakery's aggregate capital and reserves amounted to £4,216,000 and its profit for the year then ended was £379,000.

At 31st December 2001 B.F. & M. Limited's aggregate capital and reserves amounted to £36,164,000 and its profit for the year then ended was £7,186,000.

Other investments also include 62,500 (2000 – 62,500) ordinary shares of 10p each in Camellia Plc held by Group companies at a cost of £400,000 (2000 – £400,000) and having a market value of £1,937,500 (2000 – £1,875,000).

Associated undertakings include Siegfried AG, a listed company incorporated in Switzerland. On 31st December 2001 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 2001, drawn up in accordance with International Accounting Standards, were £142,009,000 (2000 – £130,382,000) and consolidated profit after tax for the year ended 31st December 2001 was £12,843,000 (2000 – £2,995,000).

The Group's share of the profit and loss account of Siegfried AG was:

	2001 £'000	2000 £'000
Turnover – continuing operations	47,098	40,988
– discontinued operations	–	5,336
	<u>47,098</u>	<u>46,324</u>
Operating profit – continuing operations	6,302	1,845
– discontinued operations	–	58
	<u>6,302</u>	<u>1,903</u>
Asset impairment	(2,084)	–
Profit on disposal of subsidiaries	2,065	–
Net interest payable	(518)	(520)
	<u>5,765</u>	<u>1,383</u>
Profit before taxation	5,765	1,383
Taxation	1,620	417
	<u>4,145</u>	<u>966</u>
Profit after taxation	4,145	966

Notes to the Accounts

16 Fixed asset investments *continued*

Group *continued*

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

	2001 £'000	2000 £'000
Fixed assets	42,400	38,837
Non current assets	4,977	4,446
Current assets	28,522	27,880
Liabilities due within one year	(8,013)	(10,799)
Liabilities due after one year	(20,886)	(18,285)
Group share of net assets	<u>47,000</u>	<u>42,079</u>

Company

	Group undertakings £'000	Other investments £'000	Total £'000
Cost or valuation			
At 1st January 2001	173,938	2,912	176,850
Additions	206	61	267
Disposals	–	(80)	(80)
Revaluation of subsidiaries	3,488	–	3,488
At 31st December 2001	<u>177,632</u>	<u>2,893</u>	<u>180,525</u>
Provision for diminution in value			
At 1st January 2001 and 31st December 2001	–	1	1
Net book value			
At 31st December 2001	<u>177,632</u>	<u>2,892</u>	<u>180,524</u>
At 31st December 2000	<u>173,938</u>	<u>2,911</u>	<u>176,849</u>

Other investments at cost or valuation comprise:

	2001 £'000	2000 £'000
Listed investments	100	100
Unlisted investments	177	177
Collections	2,616	2,635
	<u>2,893</u>	<u>2,912</u>
Market value of listed investments	<u>142</u>	<u>114</u>

Notes to the Accounts

17 Stocks

	2001 £'000	2000 £'000
Tea and other produce	14,274	12,795
Other trading stocks	4,570	5,497
Raw materials and consumables	6,352	6,193
Fine art and antiquities	524	1,523
Philatelic items	1,590	1,427
Work in progress and growing crops	6,790	4,884
	<u>34,100</u>	<u>32,319</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.

18 Debtors

	<i>Group</i>		<i>Company</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts falling due within one year:				
Amounts due from customers of banking subsidiaries	20,081	21,970	-	-
Trade debtors	20,797	28,917	-	-
Amounts owed by group undertakings	-	-	5,833	7,984
Amounts owed by associated undertakings	1,092	904	-	-
Other debtors	4,653	5,856	4	-
Taxation	1,969	1,957	-	-
Prepayments and accrued income	3,391	3,832	4	40
	<u>51,983</u>	<u>63,436</u>	<u>5,841</u>	<u>8,024</u>
Amounts falling due after more than one year:				
Other debtors	3,262	2,726	-	-
Amounts owed by associated undertakings	269	129	-	-
	<u>55,514</u>	<u>66,291</u>	<u>5,841</u>	<u>8,024</u>

19 Cash at banks and in hand

Included in cash at banks and in hand of £164,493,000 (2000 – £162,052,000) are cash and short-term funds, time deposits with banks and building societies and certificates of deposit amounting to £147,689,000 (2000 – £141,523,000) which are held by banking subsidiaries and which are an integral part of the banking operations of the Group.

Notes to the Accounts

20 Creditors

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts falling due within one year:				
Amounts due to customers of banking subsidiaries	150,611	145,145	-	-
Trade creditors	12,914	21,165	-	-
Bank loans and overdrafts (secured)	17,291	18,071	750	750
Bank loans and overdrafts (unsecured)	10,156	15,527	-	-
Hire purchase and finance leases	254	295	-	-
Bills of exchange payable	141	213	-	-
Amounts due to group undertakings	-	-	299	-
Amounts owed to associated undertakings	-	51	-	-
Dividend	1,759	1,775	1,759	1,775
Corporate taxation	1,528	2,240	-	-
Other taxation and social security payable	1,804	1,754	1	5
Other creditors	5,019	5,098	21	20
Accruals and deferred income	11,085	10,391	245	398
Deferred purchase consideration	-	719	-	-
	<u>212,562</u>	<u>222,444</u>	<u>3,075</u>	<u>2,948</u>

21 Creditors

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts falling due after more than one year:				
Bank loans	36,506	32,422	4,125	4,875
Other loans	1,231	1,397	-	-
Hire purchase and finance leases	404	247	-	-
Other creditors	1,446	1,728	-	-
Amounts due to group undertakings	-	-	193	193
Deferred purchase consideration	-	719	-	-
	<u>39,587</u>	<u>36,513</u>	<u>4,318</u>	<u>5,068</u>

Creditors include the following amounts secured on certain group assets:

	Group	
	2001 £'000	2000 £'000
Bank loans	37,676	40,035
Other loans	1,190	1,348
Finance leases	658	542
Deferred purchase consideration	-	1,438
	<u>39,524</u>	<u>43,363</u>

Notes to the Accounts

21 Creditors *continued*

	<i>Group</i>	
	2001	2000
	£'000	£'000
Bank and other loans include the following amounts repayable over more than five years by instalments:		
Aggregate amount of loans	19,797	17,676
Amounts due beyond five years	6,787	11,264
	<u> </u>	<u> </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)	27,701	33,893
Between 1 – 2 years	8,228	6,022
Between 2 – 5 years	23,126	16,780
After 5 years	6,787	11,264
	<u> </u>	<u> </u>
	<u>65,842</u>	<u>67,959</u>

The rates of interest payable at 31st December 2001 vary between 3 per cent and 45 per cent.

22 Provisions for liabilities and charges

	<i>Group</i>		<i>Company</i>	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Deferred taxation:				
At 1st January	1,734	1,468	361	354
Exchange differences	(3)	(3)	–	–
Acquisitions	8	–	–	–
Profit and loss account	(115)	269	–	7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December	1,624	1,734	361	361
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
The balance at the end of the year comprises:				
Accelerated capital allowances	1,449	1,321	–	–
Other timing differences	(186)	52	–	–
Sale of subsidiary	361	361	361	361
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,624</u>	<u>1,734</u>	<u>361</u>	<u>361</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total potential liability:				
Accelerated capital allowances	10,540	9,482	–	–
Other timing differences	2,240	4,079	–	–
Taxation losses	(1,941)	–	–	–
Sale of subsidiary	361	361	361	361
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>11,200</u>	<u>13,922</u>	<u>361</u>	<u>361</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Accounts

23 Loans to directors and officers

Loan to a director

	<i>Maximum Amount</i>	<i>At 31st December 2001</i>
	£	£
A.S.M.O. Subhan	84,353	73,206

The loan is interest free and was provided by the Group's Bangladesh operations, in line with common practice in that country.

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 2001, and the number of persons concerned, were as follows:

	<i>Aggregate amount outstanding</i>	<i>Number of persons</i>
Loans	£6,305	2

24 Share capital

	2001	2000
Authorised: 3,000,000 ordinary shares of 10p each	£300,000	£300,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid: Ordinary shares of 10p each	£	£
At 1st January	277,408	283,223
Purchase of own shares	(6,717)	(5,815)
	<u> </u>	<u> </u>
At 31st December	270,691	277,408
	<u> </u>	<u> </u>

Notes to the Accounts

25 Reserves

Group

	<i>Merger reserve £'000</i>	<i>Share premium account £'000</i>	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>
At 1st January 2001	242	423	38,901	137,248
Exchange adjustments	-	-	(237)	(2,580)
Purchase of own shares	-	-	-	(1,854)
Release of goodwill on disposal of subsidiary undertaking	-	-	-	515
Release of goodwill on part disposal of subsidiary undertaking	-	-	-	(704)
Retained profit for the year	-	-	-	6,648
Impairment on previously revalued tangible assets	-	-	(384)	-
Share of associate's fixed asset revaluation	-	-	-	539
At 31st December 2001	<u>242</u>	<u>423</u>	<u>38,280</u>	<u>139,812</u>

Since 1989 goodwill on acquisitions written off amounted to £6,036,000 (2000 - £6,872,000) and negative goodwill on acquisitions credited to reserves amounted to £20,785,000 (2000 - £21,810,000). It is impractical to obtain information for earlier years.

The Group profit and loss account reserve includes £32,809,000 which would require exchange control permission for remittance and a £20,000 capital redemption reserve.

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 £17,567,000 (2000 - £12,546,000) attributable to associated undertakings.

Company

	<i>Share premium account £'000</i>	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>
At 1st January 2001	423	161,242	15,149
Revaluation of shares in subsidiaries to net asset value	-	3,488	-
Purchase of own shares	-	-	(1,854)
Profit for the year	-	-	309
At 31st December 2001	<u>423</u>	<u>164,730</u>	<u>13,604</u>

The profit and loss account includes a £20,000 capital redemption reserve.

26 Commitments of the Group for capital expenditure

	2001 £'000	2000 £'000
Contracted for	<u>1,407</u>	<u>1,387</u>

Notes to the Accounts

27 Group leasing commitments

	2001 £'000	2000 £'000
Annual commitments in respect of operating leases		
Land and buildings – operating leases expiring:		
Within 1 year	41	23
Between 2 – 5 years	127	20
After 5 years	951	659
	<u>1,119</u>	<u>702</u>
Other assets – operating leases expiring:		
Within 1 year	450	285
Between 2 – 5 years	1,672	1,104
After 5 years	386	1,002
	<u>2,508</u>	<u>2,391</u>

28 Guarantees

The Group's banking subsidiaries have given guarantees in the normal course of business which at 31st December 2001 amounted to £5,652,000 (2000 – £5,183,000).

29 Pensions

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

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	7.2% to 8.9% per annum
Salary inflation	5.5% to 7.0% per annum
Pension increases	3.0% to 5.0% per annum

At the dates of the latest actuarial valuations the market value of the assets of the UK schemes was £95,528,000 which represented 150 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 1998 and 2000 and there were no significant surpluses or deficits disclosed.

For overseas schemes the pension cost for defined benefit schemes is provided on the basis of amounts paid, based upon actuaries' recommendations.

The pension costs charged were £3,933,000 (2000 – £2,997,000) in respect of defined benefit schemes and £2,111,000 (2000 – £2,159,000) in respect of defined contribution schemes.

Notes to the Accounts

29 Pensions *continued*

The additional disclosures required by FRS17 'Retirement Benefits' are:-

Full actuarial valuations of the three UK defined benefit pension schemes were last undertaken as at 1st January 2000, 15th April 2000 and 31st December 1998. These have been updated to 31st December 2001 by qualified independent actuaries. For the three overseas defined benefit pension schemes full actuarial valuations were completed as at 31st December 2001. The major assumptions used by the actuaries as at 31st December 2001 were as follows:

	<i>UK Schemes</i>	<i>Overseas Schemes</i>
Rate of increase in salaries	4.25% to 4.5% per annum	5.0% to 7.0% per annum
Rate of increase to LPI pensions in payment	2.5% to 2.75% per annum	0.0% to 3.0% per annum
Discount rate applied to scheme liabilities	5.8% to 6.0% per annum	9.0% to 10.0% per annum
Inflation assumption	2.5% to 2.75% per annum	0.0% to 7.0% per annum

Allowances have also been made for any minimum level of pension increase provided under the rules of the schemes.

The market value of the assets held and the expected rates of return assumed at 31st December 2001 for the defined benefit schemes were:

	<i>UK Schemes</i>		<i>Overseas Schemes</i>	
	<i>Expected</i>		<i>Expected</i>	
	<i>Value</i>	<i>Rate of</i>	<i>Value</i>	<i>Rate of</i>
	<i>£'000</i>	<i>Return</i>	<i>£'000</i>	<i>Return</i>
		<i>%</i>		<i>%</i>
Market value of assets				
Equities and property	62,339	7.5	-	-
Bonds	17,305	5.5	5,210	10.0
Cash	5,409	4.0	-	-
	<hr/>		<hr/>	
Total	85,053		5,210	
Present value of scheme liabilities	(86,988)		(5,399)	
	<hr/>		<hr/>	
Deficit in the schemes	(1,935)		(189)	
Related deferred tax asset	549		-	
	<hr/>		<hr/>	
Net pension deficit	(1,386)		(189)	
	<hr/> <hr/>		<hr/> <hr/>	

In accordance with the transitional arrangements of FRS17, the deficits on the above schemes have not been recognised in the accounts.

30 Related party transactions

During 2001 Linton Park Plc repaid £1,438,000, being the outstanding 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. Interest was 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.

Notes to the Accounts

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

	2001 £'000	2000 £'000
Operating profit	11,904	16,967
Depreciation	8,731	8,490
Amortisation of goodwill	(342)	(72)
Profit on sale of fixed assets	(120)	(134)
Decrease/(increase) in stocks	947	(228)
Decrease/(increase) in debtors	6,037	(4,999)
Increase in creditors	3,038	16,168
Net increase in funds of banking subsidiaries	(6,166)	(14,046)
Currency adjustment	(1,996)	200
	<u>22,033</u>	<u>22,346</u>

32 Reconciliation of net cash flow to movements in net debt

	2001		2000	
	£'000	£'000	£'000	£'000
(Decrease)/increase in cash in the period	(537)		2,010	
Cash (inflow)/outflow from changes in debt and financing	(1,969)		2,340	
Change in net debt resulting from cash flows		(2,506)		4,350
Cash balances of businesses acquired		1,773		-
Cash balances of businesses sold		(1,460)		-
Loan and finance lease balances of businesses sold		94		-
New finance leases		(498)		-
Translation differences		987		213
Change in net debt in the period		(1,610)		4,563
Net debt at 1st January		(47,428)		(51,991)
Net debt at 31st December		<u>(49,038)</u>		<u>(47,428)</u>

Notes to the Accounts

33 Analysis of net debt

	<i>At 1st January 2001 £'000</i>	<i>Cash flow £'000</i>	<i>Acquisitions/ disposals £'000</i>	<i>Other non-cash movements £'000</i>	<i>Exchange movements £'000</i>	<i>At 31st December 2001 £'000</i>
Cash at bank and in hand	162,052					164,493
Less: held by banking subsidiaries (note 19)	(141,523)					(147,689)
	<u>20,529</u>	<u>(6,443)</u>	<u>2,405</u>	<u>-</u>	<u>313</u>	<u>16,804</u>
Overdrafts	(25,937)	5,906	(2,092)	-	-	(22,123)
	<u>(5,408)</u>	<u>(537)</u>	<u>313</u>	<u>-</u>	<u>313</u>	<u>(5,319)</u>
Debt due within one year	(7,659)	7,614	(31)	(5,373)	125	(5,324)
Debt due after one year	(33,819)	(9,862)	74	5,373	497	(37,737)
Finance leases	(542)	279	51	(498)	52	(658)
	<u>(42,020)</u>	<u>(1,969)</u>	<u>94</u>	<u>(498)</u>	<u>674</u>	<u>(43,719)</u>
Net debt	<u>(47,428)</u>	<u>(2,506)</u>	<u>407</u>	<u>(498)</u>	<u>987</u>	<u>(49,038)</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 £498,000.

Notes to the Accounts

34 Acquisition of business

	Sapekoe (Pty) Limited 2001 £'000	Eastland Camellia Limited 2001 £'000
Fair value of assets and liabilities:		
Tangible fixed assets	7,649	902
Investments	50	-
Net cash and deposits	1,766	7
Stocks	3,537	46
Debtors	1,618	24
Creditors	(1,699)	(153)
Short term loans	-	(56)
Long term loans	(11)	(78)
Provisions for liabilities and charges	(8)	-
	<u>12,902</u>	<u>692</u>
Minority interest	(4,645)	(114)
	<u>8,257</u>	<u>578</u>
Purchase consideration		
30% share of Eastern Produce Malawi Limited	6,817	-
Costs of acquisition	36	-
Cash consideration	-	521
	<u>1,404</u>	<u>57</u>
Negative goodwill	1,404	57
	<u>1,730</u>	<u>(514)</u>
Net (outflow)/inflow of cash in respect of acquisition of business:		
Costs of acquisition	(36)	(521)
Net cash balance of business acquired	1,766	7
	<u>1,730</u>	<u>(514)</u>

The fair values of assets and liabilities of Sapekoe (Pty) Limited, which was acquired on 30th April 2001, are the same as the net book values.

The profit after taxation and minority interest of Sapekoe (Pty) Limited for the ten months to the date of acquisition was £434,000 and the loss after taxation and minority interest for the year ended 30th June 2000 was £2,275,000.

The fair values of assets and liabilities of Eastland Camellia Limited, which was acquired on 31st August 2001, were £712,000 more than the net book values.

The loss after taxation of Eastland Camellia Limited for eight months to date of acquisition was £2,500 and the loss after taxation for the year ended 31st December 2000 was £11,472.

Further details on the acquisitions are set out in the Report of the Directors on page 11.

Notes to the Accounts

35 Disposal of business

	2001 £'000
Book value of assets and liabilities:	
Tangible fixed assets	1,190
Cash and deposits	1,460
Stocks	855
Debtors	7,022
Creditors	(7,436)
Net amount due to group undertaking	(162)
Short term loans	(76)
Long term loans	(163)
Accruals and deferred income	(46)
	<hr/>
	2,644
Goodwill transferred from reserves	378
Profit on disposal	424
	<hr/>
	3,446
	<hr/> <hr/>
Satisfied by:	
Cash consideration and cost	2,846
Deferred consideration	600
	<hr/>
	3,446
	<hr/> <hr/>
Net (outflow)/inflow of cash in respect of disposal of businesses:	
Cash consideration and costs	2,846
Cash balances of businesses sold	(1,460)
	<hr/>
	1,386
	<hr/> <hr/>

Further details on the disposal of Highland Fuels Limited are set out in the Report of the Directors on page 11.

36 Derivatives and financial instruments

The group operates through its subsidiary and associated undertakings throughout the world. These undertakings arrange financing locally, primarily in their own functional currencies, with the group's exposure to currency movements restricted to its investment in share capital and retained profits. The board believes that the geographical spread and diversity of the group's operations reduces the group's overall exposure to risk, and perceives no significant requirement to use financial instruments to mitigate risk, except in very occasional circumstances. This approach has remained unchanged since the beginning of 1998.

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

Rates of interest are negotiated locally, with a significant proportion of group borrowings being at variable rates linked to bank base rates.

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

Notes to the Accounts

36 Derivatives and financial instruments *continued*

Duncan Lawrie Limited

As a banking group most of the items making up Duncan Lawrie's balance sheet are financial instruments with the most significant ones being loans and deposits in various currencies but mainly in sterling. Interest rates applied to loans and deposits are normally variable at the discretion of the bank and are linked to LIBOR or the base rate. The bank's interest rate exposure is summarised below in the form of an interest rate repricing table. The table reflects the repricing profile of the bank's assets and liabilities by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

	<i>Not more than three months</i>	<i>Over three months but not more than six months</i>	<i>Over six months but not more than one year</i>	<i>Over one year but not more than three years</i>	<i>Non-interest bearing</i>	<i>Total</i>
	£	£	£	£	£	£
Assets:						
Loans and advances to banks	131,060,087	-	-	-	3,387,110	134,447,197
Loans and advances to customers	20,157,497	100,031	335,135	-	-	20,592,663
Debt securities and equity shares	8,011,485	-	-	5,058,094	284,332	13,353,911
Other assets	-	-	-	-	4,825,081	4,825,081
	<u>159,229,069</u>	<u>100,031</u>	<u>335,135</u>	<u>5,058,094</u>	<u>8,496,523</u>	<u>173,218,852</u>
Liabilities:						
Deposits by banks	2,799,263	-	-	-	-	2,799,263
Deposits by customers	136,858,554	126,933	107,967	-	10,652,983	147,746,437
Other liabilities	-	-	-	-	1,510,616	1,510,616
Minority interests & shareholders funds	-	-	-	-	21,162,536	21,162,536
	<u>139,657,817</u>	<u>126,933</u>	<u>107,967</u>	<u>-</u>	<u>33,326,135</u>	<u>173,218,852</u>
Interest rate repricing gap at 31st December 2001	<u>19,571,252</u>	<u>(26,902)</u>	<u>227,168</u>	<u>5,058,094</u>	<u>(24,829,612)</u>	<u>-</u>
Cumulative gap	<u>19,571,252</u>	<u>19,544,350</u>	<u>19,771,518</u>	<u>24,829,612</u>	<u>-</u>	<u>-</u>

Duncan Lawrie's exposure to currency risk is actively monitored and managed by matching the currencies of loans with those of deposits and the net positions at 31st December 2001 were as follows:

	£'000
Euro (including legacy currencies)	12
US Dollar	16
Canadian Dollar	11
Swiss Franc	10
Australian Dollar	10
Swedish Kroner	9
Other	30
	<u>98</u>

Notes to the Accounts

36 Derivatives and financial instruments *continued*

Group – excluding Duncan Lawrie Limited

The maturity profile of the group's financial liabilities, excluding short-term creditors such as trade creditors and accruals, at 31st December was as follows:

	2001 £'000	2000 £'000
Within one year, or on demand	27,701	34,612
Between 1 – 2 years	9,674	8,469
Between 2 – 5 years	23,126	16,780
After 5 years	6,787	11,264
	<u>67,288</u>	<u>71,125</u>

At 31st December 2001 the group had undrawn committed facilities of £28,687,000 (2000 – £19,264,000), all of which are due to be reviewed within one year.

Fair values

Set out below is a comparison by category of book values of the group's financial assets and liabilities as at 31st December 2001.

	<i>Net carrying amount</i> £'000	<i>Estimated fair value</i> £'000
Primary financial instruments:		
Borrowings due within one year, including overdrafts	(27,701)	(27,747)
Borrowings due after one year	(38,141)	(38,867)
Cash at banks and in hand	16,804	16,804
Investments – excluding associated undertakings	22,038	30,154
Other:		
Other financial liabilities	(1,446)	(1,446)
Other financial assets	2,694	2,694

Notes to the Accounts

36 Derivatives and financial instruments *continued*

Interest rate risk

The currency and interest rate exposure of the financial assets and liabilities of the group as at 31st December 2001 was:

Financial assets

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	<u>Fixed rate financial assets</u>		
			Total £'000	Weighted average interest rate %	Weighted average period for which rate is fixed Months
Sterling	6,091	19	6,110	4.1	3.0
US Dollar	3,287	2,707	5,994	1.4	1.0
Kenya Shilling	517	-	517	-	-
Indian Rupee	1,396	1,567	2,963	9.9	12.6
Malawi Kwacha	193	-	193	-	-
Bangladesh Taka	164	851	1,015	4.5	4.5
Australian Dollar	2,174	-	2,174	-	-
Netherlands Guilder	50	-	50	-	-
Chilean Peso	19	-	19	-	-
Brazilian Real	212	-	212	-	-
Swiss Franc	5	-	5	-	-
South African Rand	232	-	232	-	-
Other	14	-	14	-	-
	<u>14,354</u>	<u>5,144</u>	<u>19,498</u>		

Financial liabilities

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	<u>Fixed rate financial liabilities</u>		
			Total £'000	Weighted average interest rate %	Weighted average period for which rate is fixed Months
Sterling	29,110	-	29,110	-	-
US Dollar	4,342	-	4,342	-	-
Kenya Shilling	6,107	-	6,107	-	-
Indian Rupee	1,271	2,813	4,084	10.4	4.5
Bangladesh Taka	-	10,098	10,098	10.5	17.1
South African Rand	2,019	-	2,019	-	-
Australian Dollar	2,731	-	2,731	-	-
Netherlands Guilder	1,251	-	1,251	-	-
Swiss Franc	7,255	-	7,255	-	-
Other	291	-	291	-	-
	<u>54,377</u>	<u>12,911</u>	<u>67,288</u>		

The benchmark for determining rates of interest on financial assets and liabilities are mainly bank base and six month inter bank rates.

Notes to the Accounts

36 Derivatives and financial instruments *continued*

Currency risk

The table below shows the group's currency exposures being those monetary assets and liabilities that are not denominated in the operating or the functional currency of the operating unit involved.

	<i>Sterling</i>	<i>US Dollar</i>	<i>Malawi</i>	<i>Australian</i>	
	<i>£'000</i>	<i>£'000</i>	<i>Kwacha</i>	<i>Dollar</i>	<i>Other</i>
			<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Functional currency of group operation:					
Sterling	-	473	-	15	74
US Dollar	47	-	(1,286)	-	-
Kenya Shilling	154	(1,070)	-	-	-
Indian Rupee	27	475	-	-	2
Bangladesh Taka	20	199	-	-	-
Chilean Peso	-	(1,913)	-	-	-

The group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency.

Notes to the Accounts

37 Principal subsidiary and associated undertakings

Subsidiary undertakings

Listed below are the principal subsidiaries at 31st December 2001. 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	{ 50 50*	Brazil
Eastern Produce Kenya Ltd. (Incorporated in Kenya)	Ordinary Shares	78*	Kenya
Eastern Produce Malawi Ltd. (Incorporated in Malawi)	Ordinary Shares	70*	Malawi
Goodricke Group Ltd. (Incorporated in India)	Equity Shares	{ 74 10†	India
Hacienda Chada S.A. (Incorporated in Chile)	Ordinary Shares	100*	Chile
Horizon Farms (a United States of America general partnership)	Partners' Capital	80*	U.S.A.
Kakuzi Ltd. (Incorporated in Kenya)	Stock Units	50.7*	Kenya
Koomber Tea Company Ltd. (Incorporated in India)	Equity Shares	{ 51 34†	India
Longbourne Holdings Ltd.	Ordinary Shares	100	Bangladesh
Sapekoe (Pty) Ltd. (Incorporated in South Africa)	Ordinary Shares	70*	South Africa
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
Trading and agency			
British Traders & Shippers Ltd.	Ordinary Shares	74.9*	U.K.
Lawrie Plantation Services Ltd.	Ordinary Shares	100	U.K.

Notes to the Accounts

37 Principal subsidiary and associated undertakings *continued*

	<i>Class of capital</i>	<i>% held</i>	<i>Principal country of operation</i>
Engineering			
AJT Engineering Ltd. (Registered in Scotland)	Ordinary Shares	100*	U.K.
Unochrome Industries Ltd.	Ordinary Shares	100*	U.K.
Fine art and philately			
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 (IOM) Ltd. (Incorporated in Isle of Man)	Ordinary Shares	100	Isle of Man
Duncan Lawrie Offshore Services Ltd. (Incorporated in Isle of Man)	Ordinary 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	70.5*	Australia
Lawrie (Bermuda) Ltd. (Incorporated in Bermuda)	Shares	100	Bermuda
Lawrie Group Plc	Ordinary Shares	100	U.K.
Lawrie International Ltd. (Incorporated in Bermuda)	Shares	100	Bermuda
Linton Park Plc	Ordinary Shares	79.09	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.
Associated undertakings			
Listed below are the principal associated undertakings at 31st December 2001.			
Pharmaceutical			
Siegfried AG (Incorporated in Switzerland)	Registered Shares	32.3*	Switzerland
Other			
United Insurance Company Ltd. (Incorporated in Bangladesh)	Ordinary Shares	31.9	Bangladesh
United Leasing Company Ltd. (Incorporated in Bangladesh)	Ordinary Shares	48.9	Bangladesh

† Indicates held by Indian subsidiaries of Camellia Plc

* Indicates held by Linton Park Plc

** Indicates held by East African Coffee Plantations Ltd.

Notes to the Accounts

38 Control of Camellia Plc

Camellia Holding AG holds 1,420,000 ordinary shares of Camellia Plc (representing 53.32 per cent of the issued share capital). Camellia Holding AG is owned by Camellia Private Trust Company Ltd (a corporate trustee incorporated in Bermuda to hold on trust the investments of the Camellia Foundation). The Camellia Foundation is a Bermudan Trust, associated with Mr. Gordon Fox, whose income is utilised for charitable, educational and humanitarian causes at the discretion of the Trustees.

In relation to Linton Park Plc:

- Camellia Holding AG holds 50,000 ordinary shares of 50p each in Linton Park Plc (representing 0.3 per cent of the issued share capital);
- Lawrie Group Plc (being a wholly-owned subsidiary of Camellia Plc) holds 15,057,499 ordinary shares of 50p each in Linton Park Plc (representing 79.09 per cent of the issued share capital); and
- Jetinga Holding Inc. (which is 50 per cent owned by International Factors Corporation, a company which is 80 per cent owned by Mr. Gordon Fox) holds 50,000 ordinary shares of 50p each in Linton Park Plc (representing 0.3 per cent of the issued share capital).

The activities of Camellia Plc and its group (the "Camellia Group") are conducted independently of the Foundation and none of the Directors of Camellia Plc is currently connected with the Foundation, other than Mr. P. A Leggatt who is one of the Trustees. While the Foundation maintains its rights as a shareholder, it has not participated in, and has confirmed to the Board of Camellia Plc that it has no intention of participating in, the day-to-day running of the business of the Camellia Group. The Foundation has also confirmed its agreement that where any Director of Camellia Plc is for the time being connected with the Foundation, he should not exercise any voting rights as a Director of Camellia Plc in relation to any matter concerning the Camellia Group's shareholding in Siegfried AG or any other assets in which the Foundation also has a material interest otherwise than through Camellia Plc. Since the Foundation is a non-trading entity, no other transactions or relationships between the Camellia Group and the Foundation are envisaged, but the Board of Camellia Plc will not in any event conduct any transaction or relationship with the Foundation other than on an arm's length and normal commercial basis.

Auditors' Report

Independent Auditors' Report to the Shareholders of Camellia Plc

We have audited the financial statements of Camellia Plc for the year ended 31st December 2001 set out on pages 18 to 53. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 23 and 24.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 and other members of the group is not disclosed.

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

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

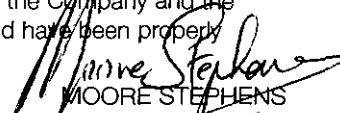
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2001 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


MOORE STEPHENS
Chartered Accountants
and Registered Auditors

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

25th April 2002