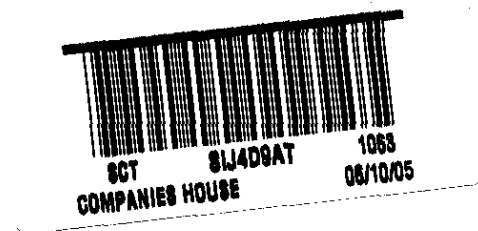


SC 7139



James Finlay Limited
Report & Accounts

2004



JAMES FINLAY LIMITED
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JAMES FINLAY LIMITED
COMPANY INFORMATION

DIRECTORS

M J B Todhunter (Chairman)
R B Hogg (Managing Director)
M S Ferguson
D J Gilmour
P A Johansen
S R S Large
P G Lockett
S Strathdee
C G H Weaver
Miss I A Wemyss

SECRETARY

D J Gilmour

REGISTERED OFFICE

163 West George Street
Glasgow
G2 2JJ

SOLICITORS

McGrigors, Glasgow

PRINCIPAL BANKERS

National Westminster Bank PLC

AUDITORS

Ernst & Young LLP, Glasgow

Registered in Scotland No. 7139



JAMES FINLAY LIMITED

DIRECTORS' REPORT

DIRECTORS REPORT

The Directors submit their Report and Accounts for the year ended 31 December 2004.

RESULTS AND DIVIDEND

The profit and loss account for the year shows a profit attributable to shareholders of £14,495,000. The Directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company is a vertically integrated tea producer whose principal activities comprise plantations, tea manufacturing and trading, beverage packing and the production of speciality teas, tea extracts and aromas. The Company is also engaged in other trading and agricultural activities including flower production and timber operations. Details of the Company's subsidiary undertakings are shown on page 34. The Directors do not envisage any change in the nature of the Company's business in the foreseeable future.

DIRECTORS

The Directors at any time during the year ended 31 December 2004 were as shown on page 2 with the exception of Mr D J Gilmour, who was appointed a Director on 1 April 2005. Mr S R S Large joined the Board on 5 July 2004.

DIRECTORS' INTERESTS

No Director at the end of the year had any beneficial interest in the capital of the Company.

The undernoted Directors who at the end of the year were not also Directors of the Company's ultimate parent company John Swire & Sons Limited have interests in that Company as follows:

Ordinary Shares of £1

	31.12.04	01.01.04
M.S. Ferguson	12,853	12,853
M.J.B. Todhunter	318,323	318,323
- non beneficial	9,649,663	9,649,663
Miss I.A. Wemyss	1,634,178	1,634,178

8% Cumulative Preference Shares of £1

M.S. Ferguson	2,506	2,506
M.J.B. Todhunter	94,500	94,500
- non-beneficial	2,881,635	2,881,635
Miss I.A. Wemyss	466,703	466,703

The above Directors have no beneficial interest in the capital of any other Group Company.



JAMES FINLAY LIMITED
DIRECTORS' REPORT (Continued)

EMPLOYEES

The Group's house magazine is made available to employees of the Company and its subsidiaries. This contains reports on all significant events and activities throughout the Group. Individual Group undertakings in addition maintain communication processes appropriate to their circumstances.

EMPLOYMENT OF DISABLED PERSONS

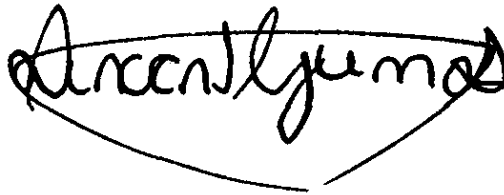
It is the Group's policy to give full consideration to suitable applications for employment by disabled persons.

In the event of employees becoming disabled during the period of their employment every effort is made to provide them with continuing employment. Training, development and promotion opportunities are available to all employees where appropriate.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as Auditors of the Company will be put to members at the Annual General Meeting.

By Order of the Board
Duncan Gilmour
Company Secretary
Glasgow, 1 April 2005



JAMES FINLAY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Accounts of James Finlay Limited

Company law requires the Directors 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 and of the profit or loss of the Group for that period. In preparing those 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 Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They 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.



JAMES FINLAY LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
James Finlay Limited

We have audited the Group's accounts for the year ended 31 December 2004 which comprise the Principal Accounting Policies, the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Other Statements and the related notes 1 to 26. These accounts have been prepared on the basis of the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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



JAMES FINLAY LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
James Finlay Limited (Continued)

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor

Ernst & Young LLP

Glasgow, 1 April 2005



JAMES FINLAY LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The Group has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with related parties that are part of the John Swire & Sons Limited Group or investees of the Group.

BASIS OF CONSOLIDATION

The accounts of all subsidiary undertakings have been consolidated. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated accounts from the date of acquisition or to the date of disposal. All principal subsidiary undertakings have their financial year end on 31 December.

As permitted by S.230 of the Companies Act 1985 no profit and loss account is presented for the Company.

GOODWILL

On acquisition of a subsidiary undertaking fair values are assigned to the net assets acquired. Positive goodwill represents the excess of the purchase price over fair value and is capitalised and amortised on a straight line basis through the profit and loss account over its estimated economic life up to a maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Where the fair value of the net assets exceeds the purchase price, the difference is treated as negative goodwill and is released through the profit and loss account in the period in which the non-monetary assets acquired are recovered. The gain or loss on disposal of a subsidiary or associate is calculated by comparing the carrying value of the net assets (including any unamortised goodwill or negative goodwill) with the proceeds received.

Prior to 1998, all goodwill and negative goodwill (capital reserve) was written off/added to reserves and on disposal of the business to which it relates, goodwill and negative goodwill (capital reserve) previously written off/added to reserves is included in determining the gain or loss on disposal.

EXCHANGE

(a) Individual undertakings

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

(b) Overseas branches and subsidiaries

The accounts of overseas branches and subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising on the retranslation of opening net assets are taken directly to reserves.



JAMES FINLAY LIMITED

PRINCIPAL ACCOUNTING POLICIES (Continued)

STOCK VALUATION

Stocks are valued at the lower of cost and net realisable value. Cost is defined as actual purchase price in the case of raw materials and stocks bought for resale. In the case of stocks of produce of tea growing undertakings it is all costs incurred in bringing the stock to a realisable state. For work in progress and finished goods it is raw material cost plus direct labour and an attributable proportion of production overheads. Net realisable value is defined as estimated selling price less all further costs to completion and disposal.

The stocks of undertakings whose business is to warehouse inventory include costs of purchasing, processing and racking.

INVESTMENTS

Fixed asset investments, other than associated undertakings, are included at cost less any provision for permanent diminution in value.

Listed and unlisted investments included in current assets are stated at the lower of cost and market value/Directors' valuation respectively.

TANGIBLE FIXED ASSETS

The following tangible fixed assets have been depreciated by equal annual instalments over their expected useful lives:

Leasehold properties	- 50 years or unexpired term of the lease
Freehold buildings	- 40 to 50 years
Tea development	- 50 years
Machinery, equipment, vehicles etc	- 4 to 20 years

Freehold land has not been depreciated.

On disposal the profit or loss is calculated by reference to the net book value and any unamortised revaluation surplus is transferred from revaluation reserve to profit and loss account reserve.

AGRICULTURAL DEVELOPMENT

(a) Tea

Tea development cost being the cost of major infilling and replanting tea areas is capitalised and depreciated in line with the Group's standard policy for depreciation.

(b) Flowers

The cost of the planting material is written off to the profit and loss account in the year the expenditure is incurred and the structures, including polythene sheet, netting, etc., under which the flowers are grown are amortised over 4 years. More permanent structures, refrigeration equipment, etc., are treated in line with the Group's standard policy for depreciation.



JAMES FINLAY LIMITED
PRINCIPAL ACCOUNTING POLICIES (Continued)

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Group's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is recognised in respect of the future remittance of retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

TURNOVER

Turnover comprises sale proceeds as principals and gross commissions and fees as agents and secretaries.

LEASES

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight line basis over the term of the lease.

PENSIONS

The cost of providing funded pensions is spread over the period benefiting from the employees' services, with any difference between the charge to the profit and loss account and the contributions paid to the scheme being included as an asset or liability in the balance sheet. The regular cost for the Group's major funds is attributed to individual years. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs.



JAMES FINLAY LIMITED
PRINCIPAL ACCOUNTING POLICIES (Continued)

OTHER RETIREMENT BENEFITS

Provision of retirement gratuities for the estate labour force in Sri Lanka is on an actuarial basis using the projected unit credit method and is carried out every two years. The provision for staff other than estate labour force has been provided on the basis of half a month's salary for each completed year of service. These benefits are payable on retirement.

Provision is made for ex gratia payments to former employees when payments first arise. The amount provided is calculated on an actuarial basis using assumptions in line with those used in the calculation of pension liabilities for the purpose of FRS17 "retirement benefits" disclosures.



JAMES FINLAY LIMITED
GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Turnover	1	185,672	172,592
Cost of sales		140,741	140,397
		<hr/>	<hr/>
Gross profit		44,931	32,195
Net operating expenses	2	28,320	23,723
		<hr/>	<hr/>
Group operating profit			
- before exceptional items		18,106	13,764
- exceptional items	3	(1,495)	(5,292)
		<hr/>	<hr/>
	1	16,611	8,472
Non-operating exceptional item			
Gain on disposal of Bangladesh operations	3	2,937	-
		<hr/>	<hr/>
		19,548	8,472
Net interest	4	(728)	(1,253)
Profit on ordinary activities before taxation	5	18,820	7,219
Taxation	8	4,037	6,112
		<hr/>	<hr/>
Profit on ordinary activities after taxation		14,783	1,107
Minority interests		(288)	1,149
		<hr/>	<hr/>
Profit attributable to shareholders transferred to reserves		14,495	2,256
		<hr/>	<hr/>



JAMES FINLAY LIMITED

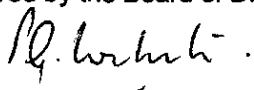
BALANCE SHEET

At 31 December 2004

		GROUP		COMPANY	
		2004 £'000	2003 £'000	2004 £'000	2003 £'000
	Notes				
Fixed assets					
Intangible assets - positive goodwill	9	1,225	1,288	-	-
Tangible assets	10	99,552	102,568	644	8,965
Investments - subsidiary undertakings	11	-	-	17,333	17,333
		<u>100,777</u>	<u>103,856</u>	<u>17,977</u>	<u>26,298</u>
Current assets					
Stocks	12	35,593	34,260	-	957
Debtors - due within one year	13	27,105	25,613	71,725	72,600
- due after more than one year	13	3,236	2,834	1,328	2,170
Investments	14	173	208	27	27
Cash at bank and on hand		23,176	13,767	11,953	2,674
		<u>89,283</u>	<u>76,682</u>	<u>85,033</u>	<u>78,428</u>
Creditors: amounts falling due within one year					
Loans and overdrafts	15	9,013	10,725	-	3,030
Other	17	25,476	23,910	19,369	28,419
		<u>34,489</u>	<u>34,635</u>	<u>19,369</u>	<u>31,449</u>
Net current assets		<u>54,794</u>	<u>42,047</u>	<u>65,664</u>	<u>46,979</u>
Total assets less current liabilities		<u>155,571</u>	<u>145,903</u>	<u>83,641</u>	<u>73,277</u>
Creditors: amounts falling due after more than one year					
Loans	16	6,780	4,355	-	-
Finance leases	17	1,395	1,590	-	-
Provisions for liabilities and charges - deferred tax	18(a)	5,299	5,010	-	-
- other	18(b)	13,762	13,368	8,770	5,841
		<u>27,236</u>	<u>24,323</u>	<u>8,770</u>	<u>5,841</u>
Net assets		<u>128,335</u>	<u>121,580</u>	<u>74,871</u>	<u>67,436</u>
Capital and reserves					
Called up share capital	19	26,611	26,611	26,611	26,611
Share premium account	20	5,803	5,803	5,803	5,803
Revaluation reserve	20	43,166	44,809	239	1,882
Other reserves	20	(61,213)	(53,813)	(2,915)	(3,291)
Profit and loss account	20	111,492	95,539	45,133	36,431
Shareholders' funds		<u>125,859</u>	<u>118,949</u>	<u>74,871</u>	<u>67,436</u>
Minority interests		2,476	2,631	-	-
		<u>128,335</u>	<u>121,580</u>	<u>74,871</u>	<u>67,436</u>

These accounts were approved by the Board of Directors on 1 April 2005 and were signed on its behalf by:

P.G. Lockett Director




JAMES FINLAY LIMITED
GROUP CASH FLOW STATEMENT

For the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Net cash inflow from operating activities	21 (a)	20,274	15,491
Returns on investments and servicing of finance	21 (a)	(961)	(1,040)
Taxation	21 (a)	(3,166)	(3,287)
		<hr/>	<hr/>
Free cash flow		16,147	11,164
Capital expenditure and financial investment	21 (a)	(11,320)	(10,210)
Acquisitions and disposals	21 (a)	3,938	(1,425)
		<hr/>	<hr/>
Cash inflow/(outflow) before use of liquid resources and financing		8,765	(471)
Management of liquid resources *	21 (a)	(7,629)	(4,280)
Financing	21 (a)	(414)	(220)
		<hr/>	<hr/>
Increase/(decrease) in cash for the year		722	(4,971)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt	21 (b)		
Increase/(decrease) in cash for the year		722	(4,971)
Cash outflow from decrease in debt		414	220
Cash outflow from increase in liquid resources		7,629	4,280
		<hr/>	<hr/>
Change in net debt resulting from cash flows		8,765	(471)
Exchange differences		100	1,034
		<hr/>	<hr/>
Decrease in net funds/(debt) in the year		8,865	563
Net debt at 1 January		(2,906)	(3,469)
		<hr/>	<hr/>
Net funds/(debt) at 31 December		5,959	(2,906)
		<hr/>	<hr/>

* Liquid resources includes term deposits of less than one year and listed current asset investments.



JAMES FINLAY LIMITED
OTHER STATEMENTS

For the year ended 31 December 2004

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2004 £'000	2003 £'000
Profit attributable to shareholders	14,495	2,256
Unrealised exchange differences	(7,585)	(10,619)
Total recognised gains and losses relating to the year	<u>6,910</u>	<u>(8,363)</u>

GROUP RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
Total recognised gains and losses relating to the year	6,910	(8,363)
Balance of shareholders' funds at 1 January	118,949	127,312
Balance of shareholders' funds at 31 December	<u>125,859</u>	<u>118,949</u>

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2004 £'000	2003 £'000
Reported profit on ordinary activities before taxation	18,820	7,219
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	342	350
Historical cost profit on ordinary activities before taxation	<u>19,162</u>	<u>7,569</u>
Historical cost profit for the year retained after taxation and dividends	<u>14,837</u>	<u>2,606</u>



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS

1. SEGMENTAL ANALYSIS

	Turnover		Group Operating Profit/(Loss)		Net Operating Assets	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
BY ACTIVITY						
Tea	126,677	118,402	13,382	4,071	91,268	90,381
Other	58,995	54,190	3,229	4,401	34,305	37,041
	<u>185,672</u>	<u>172,592</u>	<u>16,611</u>	<u>8,472</u>	<u>125,573</u>	<u>127,422</u>
Unallocated net assets/(liabilities)					2,762	(5,842)
					<u>128,335</u>	<u>121,580</u>

Turnover excludes inter-segment tea sales of £25,144,000 (2003 - £26,096,000).

GEOGRAPHICALLY - by origin

United Kingdom	59,718	55,701	248	2,718	18,429	22,411
North America	21,554	21,944	2,907	2,879	17,001	16,375
Africa	67,666	59,428	9,228	4,854	55,705	47,746
Asia	36,734	35,519	4,228	(1,979)	34,438	40,890
	<u>185,672</u>	<u>172,592</u>	<u>16,611</u>	<u>8,472</u>	<u>125,573</u>	<u>127,422</u>
Unallocated net assets/(liabilities)					2,762	(5,842)
					<u>128,335</u>	<u>121,580</u>

Turnover excludes inter-segment sales of £11,878,000 (2003 - £13,201,000) for United Kingdom, £1,327,000 (2003 - £1,817,000) for North America and £11,939,000 (2003 - £11,078,000) for Africa.



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

1. SEGMENTAL ANALYSIS (CONTINUED)	2004 £'000	2003 £'000
Turnover		
GEOGRAPHICALLY - by destination		
United Kingdom	47,006	46,483
North America	19,880	20,464
Africa	52,002	40,300
Asia and Middle East	54,506	55,064
Rest of Europe	12,278	10,281
	<u>185,672</u>	<u>172,592</u>

Net operating assets comprise total assets less liabilities but excluding all assets and liabilities which are of a non-operating or financing nature.

Unallocated net assets/(liabilities) comprise:	2004 £'000	2003 £'000
Borrowings	(17,242)	(16,748)
Investments	173	208
Cash at bank and on hand	23,176	13,767
Corporate tax	(1,097)	(627)
Deferred taxation	(2,248)	(2,442)
	<u>2,762</u>	<u>(5,842)</u>

2. NET OPERATING EXPENSES	2004 £'000	2003 £'000
Marketing, selling and distribution costs	7,879	6,046
Administrative expenses	20,826	17,711
	<u>28,705</u>	<u>23,757</u>
Exchange differences	(385)	(34)
Net operating expenses	<u>28,320</u>	<u>23,723</u>

3. EXCEPTIONAL ITEMS		
Operating	2004 £'000	2003 £'000
Additional provision for unfunded pensions	(805)	-
Prior years management compensation payments	(690)	-
Loss on impairment of tangible fixed assets – Sri Lanka	-	(8,737)
Negative goodwill released	-	3,445
	<u>(1,495)</u>	<u>(5,292)</u>

Non-Operating		
Gain on disposal of non-tea operations in Bangladesh	2,937	-



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

4. NET INTEREST	2004	2003
	£'000	£'000
Interest payable:		
On bank loans and overdrafts	(1,060)	(1,440)
Finance leases	(99)	(115)
	<u>(1,159)</u>	<u>(1,555)</u>
Income from current asset investments	124	124
Interest receivable	724	472
	<u>848</u>	<u>596</u>
Unwinding of discount on ex gratia payments provision	<u>(417)</u>	<u>(294)</u>
Net interest	<u>(728)</u>	<u>(1,253)</u>
5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004	2003
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of positive goodwill	56	100
Depreciation of tangible fixed assets:		
Owned assets	5,040	5,278
Held under finance leases	217	252
Operating lease rentals – land and buildings	356	432
Net gain on disposal of tangible fixed assets	(650)	(1)
Audit fees and expenses	180	169
Other amounts paid to auditors	65	46
6. DIRECTORS EMOLUMENTS	2004	2003
	£'000	£'000
Emoluments	521	413
Special contribution paid to defined benefits pension scheme in respect of former Director	<u>-</u>	<u>30</u>
Members of defined benefits pension scheme	No. <u>1</u>	No. <u>1</u>
The amounts in respect of the highest paid Director are as follows:	£'000	£'000
Emoluments	190	171
Company pension accrued in defined benefits pension scheme	<u>-</u>	<u>13</u>
Company pension lump sum accrued in defined benefits pension scheme	<u>-</u>	<u>30</u>

JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

7. EMPLOYEES

	2004	2003
	£'000	£'000
Staff costs, including Directors' emoluments, were:		
Wages and salaries	28,249	27,511
Social security costs	1,835	1,851
Other pension costs	2,137	1,659
	<u>32,221</u>	<u>31,021</u>

	2004	2003
The average number of persons employed by the Group was:		
Tea	59,627	62,322
Other	846	813
	<u>60,473</u>	<u>63,135</u>

8. TAXATION

	2004	2003
	£'000	£'000
a) Taxation based on profits for the year		
United Kingdom corporation tax at 30 %	2,607	1,908
Relief for overseas tax	(3,417)	(1,868)
	<u>(810)</u>	<u>40</u>
Overseas tax	5,078	3,075
Net recoverable advance corporation tax	13	(794)
Under/(over) provision in prior years		
Corporation tax	(1)	14
Overseas tax	(440)	407
Total current tax	<u>3,840</u>	<u>2,742</u>
Deferred tax - current year, arising from the origination and reversal of timing differences	1,775	2,220
Deferred tax - under provision in prior years	(1,578)	1,085
Deferred tax - change in tax rate	-	65
	<u>4,037</u>	<u>6,112</u>



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

8. TAXATION (CONTINUED)

b) Factors affecting tax charge

An explanation of the reasons why the current tax charge for the year is lower than the standard rate of corporation tax for the Group of 33.1% (2003 – 49.6%) is shown below. The standard rate of corporation tax for the Group has been arrived at by averaging the rates of tax (weighted in proportion to accounting profits) applicable across the Group.

	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	18,820	7,219
Profit on ordinary activities at standard corporation tax rate	<u>6,221</u>	<u>3,580</u>
Effects of:		
Capital allowances for period in excess of depreciation and other property related timing differences	(1,775)	(2,220)
ACT written off/(back)	13	(794)
Unrelieved foreign taxes	387	512
Profits covered by losses brought forward	(359)	132
(Income not taxable)/expenses not deductible for tax purposes	(206)	372
Sri Lanka impairment not deductible for tax purposes	-	739
Adjustments to tax charge in respect of prior periods	(441)	421
Current tax charge	<u>3,840</u>	<u>2,742</u>

c) Factors that may affect the tax charge in future periods

The overriding factor affecting the Group's future tax charges is the mix of profits amongst the overseas tax jurisdictions in which the Group operates. Profits in most of these overseas operations are subject to tax at rates higher than the UK standard rate.

In certain subsidiaries, deferred tax assets of £4,485,000 (2003 - £4,674,000) for tax losses carried forward have not been recognised as these can only be offset against future taxable profits in these subsidiaries.

No provision has been made for deferred tax of £3,271,000 (2003 - £3,734,000) on gains recognised on revaluing property to its market value. In the event that such property was sold, these gains would be covered by capital losses brought forward. A deferred tax asset of £11,332,000 (2003 - £11,332,000) has not been recognised for capital losses carried forward. These losses can be set against future capital gains.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As earnings are not remitted as a matter of course, no tax is expected to be payable on them in the foreseeable future.

The Group is exposed to exchange differences on inter-company balances which, in the UK, are charged or credited to reserves. These are subject to corporation tax in the UK whereas tax relief may not be available to the overseas company due to its own tax position.



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

9. INTANGIBLE ASSETS - GOODWILL GROUP

	Positive Goodwill 2004 £'000
Cost	
At 1 January and 31 December	1,522
Exchange differences	42
At 31 December	<u>1,564</u>
Amortisation	
At 1 January	234
Exchange differences	49
Charge for year	56
	<u>339</u>
Net value at 31 December	<u>1,225</u>
Net value at 1 January	<u>1,288</u>



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

10. TANGIBLE FIXED ASSETS

	GROUP			COMPANY		
	Land Buildings Development £'000	Machinery Equipment Vehicles etc £'000	Total £'000	Land Buildings Development £'000	Machinery Equipment Vehicles etc £'000	Total £'000
Cost or valuation						
At 1 January 2004	102,679	66,472	169,151	9,134	1,090	10,224
Exchange differences	(8,751)	(2,833)	(11,584)	(50)	(61)	(111)
Additions at cost	4,245	8,835	13,080	17	140	157
Disposal of branch	(2,058)	(213)	(2,271)	(2,058)	(213)	(2,271)
Disposals	(1,038)	(2,292)	(3,330)	-	(53)	(53)
Transferred to subsidiary undertaking	-	-	-	(6,724)	(70)	(6,794)
At 31 December 2004	<u>95,077</u>	<u>69,969</u>	<u>165,046</u>	<u>319</u>	<u>833</u>	<u>1,152</u>
Depreciation						
At 1 January 2004	23,244	43,339	66,583	673	586	1,259
Exchange differences	(2,475)	(1,592)	(4,067)	(5)	(36)	(41)
Provided	2,017	3,240	5,257	128	141	269
Disposal of branch	(194)	(184)	(378)	(194)	(184)	(378)
Disposals	(109)	(1,792)	(1,901)	-	(43)	(43)
Transferred to subsidiary undertaking	-	-	-	(550)	(8)	(558)
At 31 December 2004	<u>22,483</u>	<u>43,011</u>	<u>65,494</u>	<u>52</u>	<u>456</u>	<u>508</u>
Net value at 31 December 2004	<u>72,594</u>	<u>26,958</u>	<u>99,552</u>	<u>267</u>	<u>377</u>	<u>644</u>
at 1 January 2004	<u>79,435</u>	<u>23,133</u>	<u>102,568</u>	<u>8,461</u>	<u>504</u>	<u>8,965</u>

At 31 December 2004

Land Buildings Development comprise:

	GROUP			COMPANY		
	Cost or Valuation £'000	Depreciation £'000	Net £'000	Cost or Valuation £'000	Depreciation £'000	Net £'000
Freehold - Cost	9,403	1,253	8,150	156	31	125
- Valuation 1990	5,732	1,804	3,928	-	-	-
- Valuation 1997	4,831	168	4,663	-	-	-
Long leasehold - Cost	50,568	16,359	34,209	85	7	78
- Valuation 1990	79	14	65	78	14	64
- Valuation 1995	22,246	2,711	19,535	-	-	-
Short leasehold - Cost	2,218	174	2,044	-	-	-
	<u>95,077</u>	<u>22,483</u>	<u>72,594</u>	<u>319</u>	<u>52</u>	<u>267</u>



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

10. TANGIBLE FIXED ASSETS (CONTINUED)

Tangible fixed assets at valuation are included at an open market value. In line with the transitional provisions of FRS15, the Group elected to freeze the valuation of tangible fixed assets as at 31 December 1999.

The net book value of Group land buildings development includes an amount of £1,548,000 (2003 - £2,048,000) in respect of assets held under finance leases.

Included in freehold and long leasehold land buildings development is £6,179,000 (2003 - £8,230,000) of land on which no depreciation is charged.

Capital work in progress amounts included in long leasehold land buildings development of £1,985,000 and machinery equipment and vehicles of £2,756,000 have not been depreciated.

If the land and buildings at valuation had not been revalued, they would have been included at the following amounts:

	GROUP			COMPANY		
	Cost £'000	Depreciation £'000	Net £'000	Cost £'000	Depreciation £'000	Net £'000
At 31 December 2004						
Freehold	7,878	2,481	5,397	-	-	-
Long leasehold	6,031	768	5,263	34	8	26
	<u>13,909</u>	<u>3,249</u>	<u>10,660</u>	<u>34</u>	<u>8</u>	<u>26</u>
At 1 January 2004						
Freehold	8,222	2,541	5,681	48	21	27
Long leasehold	6,855	788	6,067	231	180	51
	<u>15,077</u>	<u>3,329</u>	<u>11,748</u>	<u>279</u>	<u>201</u>	<u>78</u>

11. FIXED ASSET INVESTMENTS
COMPANY

	Subsidiary Undertakings £'000
Cost	
At 1 January and 31 December 2004	18,513
Provisions	
At 1 January and 31 December 2004	1,180
Net book value at 1 January and 31 December 2004	<u>17,333</u>

Details of principal subsidiary undertakings are shown in note 26.



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

11. FIXED ASSET INVESTMENTS (CONTINUED)
COMPANY

The non-tea operations of the Bangladesh branch of James Finlay Limited were disposed of in 2004. The analysis of the disposal is as follows:

	£'000		£'000
Net assets disposed of:		Satisfied by:	
Tangible fixed assets	1,893	Net sale proceeds *	5,225
Stocks	1	Profit on sale	(2,937)
Debtors	461		
Cash at bank and on hand *	1,287		
Corporate tax	(166)		
Creditors	(1,133)		
Provision	(55)		
	<u>2,288</u>		<u>2,288</u>

* Net cash inflow from sale of operations £3,938,000.

The effect on the Group's cash flows of the operations disposed of during the year were immaterial.

12. STOCKS

	GROUP		COMPANY	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Raw materials	3,507	3,502	-	896
Finished goods	32,086	30,758	-	61
	<u>35,593</u>	<u>34,260</u>	<u>-</u>	<u>957</u>

13. DEBTORS

	GROUP		COMPANY	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Amounts falling due within one year:				
Trade debtors	15,701	17,351	266	362
Amounts owed by subsidiary undertakings	-	-	66,728	71,142
Corporate tax	2,286	2,104	1,323	239
Other debtors	5,670	4,845	698	840
Pension prepayment	2,699	-	2,699	-
Prepayments and accrued income	749	1,313	11	17
	<u>27,105</u>	<u>25,613</u>	<u>71,725</u>	<u>72,600</u>
Amounts falling due after more than one year:				
Other debtors	185	266	14	71
Deferred taxation (note 18)	3,051	2,568	1,314	2,099
	<u>3,236</u>	<u>2,834</u>	<u>1,328</u>	<u>2,170</u>



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

14. CURRENT ASSET INVESTMENTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Investments listed on a recognised stock exchange	25	75	-	-
Unlisted investments	148	133	27	27
	<u>173</u>	<u>208</u>	<u>27</u>	<u>27</u>
Market value of listed investments	<u>546</u>	<u>734</u>	<u>-</u>	<u>-</u>

15. LOANS AND OVERDRAFTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Secured bank borrowings (secured over tangible fixed assets and stocks)	4,870	4,160	-	-
Unsecured bank borrowings	3,273	2,261	-	3,030
Current instalments due on loans (note 16)	870	4,304	-	-
	<u>9,013</u>	<u>10,725</u>	<u>-</u>	<u>3,030</u>

16. LOANS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP	
	2004	2003
	£'000	£'000
Repayable by instalments of which one at least is due for repayment after 5 years:		
Secured bank borrowings (secured over tangible fixed assets)	2,938	4,014
Repayable within 5 years:		
Secured bank borrowings (secured over tangible fixed assets)	-	2,865
Unsecured bank borrowings	4,712	-
Other unsecured borrowings	-	1,780
	<u>7,650</u>	<u>8,659</u>
Amounts due within one year (included in current liabilities)	870	4,304
	<u>6,780</u>	<u>4,355</u>

Normal commercial rates of interest apply to loans in each country as appropriate.

The above borrowings are repayable as follows:

In more than one year, but no more than two	2,497	980
In more than two years, but no more than five	2,635	1,256
In more than five years	1,648	2,119
	<u>6,780</u>	<u>4,355</u>



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

17. OTHER CREDITORS AND FINANCE LEASES

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
<i>Amounts falling due within one year:</i>				
Obligations under finance leases	54	78	-	-
Trade creditors	10,737	10,008	849	1,247
Amounts owed to subsidiary undertakings	-	-	16,260	23,878
Corporate tax	3,383	2,731	-	358
Other taxation and social security payable	197	189	120	122
Other creditors	7,552	6,574	1,808	2,501
Accruals	3,553	4,330	332	313
	<u>25,476</u>	<u>23,910</u>	<u>19,369</u>	<u>28,419</u>

The maturity of finance leases is as follows:

	2004	2003
	£'000	£'000
<i>Amounts payable:</i>		
Within one year	119	101
In two to five years	47	199
Greater than five years	2,688	3,048
	<u>2,854</u>	<u>3,348</u>
Less: finance charges allocated to future periods	1,405	1,680
	<u>1,449</u>	<u>1,668</u>

Finance leases are analysed as follows:

	2004	2003
	£'000	£'000
Current obligations	54	78
Non-current obligations	1,395	1,590
	<u>1,449</u>	<u>1,668</u>



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

18. PROVISION FOR LIABILITIES AND CHARGES
(a) Deferred taxation

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
At 1 January	2,442	149	(2,099)	(2,065)
Exchange adjustment	(391)	(249)	2	-
Profit and loss account - current year	1,775	2,220	784	121
- under provision in prior years	(1,578)	1,085	(1)	673
- change in tax rate	-	65	-	-
- advance corporation tax set off	-	(828)	-	(828)
At 31 December	<u>2,248</u>	<u>2,442</u>	<u>(1,314)</u>	<u>(2,099)</u>
Excess of tangible fixed assets over corresponding tax value	6,520	6,473	6	290
Losses	-	(275)	-	-
Other revenue timing differences	(3,444)	(2,928)	(492)	(1,561)
Advance corporation tax	(828)	(828)	(828)	(828)
	<u>2,248</u>	<u>2,442</u>	<u>(1,314)</u>	<u>(2,099)</u>
Deferred tax debtor (note 13)	(3,051)	(2,568)	(1,314)	(2,099)
Provision for liabilities and charges	5,299	5,010	-	-
	<u>2,248</u>	<u>2,442</u>	<u>(1,314)</u>	<u>(2,099)</u>

(b) Other

	GROUP				COMPANY		
	Retirement benefits	Terminal benefits	Ex gratia payments	Total	Terminal benefits	Ex gratia payments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2004	2,487	3,162	7,719	13,368	437	5,404	5,841
Exchange adjustment	(344)	(286)	-	(630)	(44)	-	(44)
Disposal of branch	-	(55)	-	(55)	(55)	-	(55)
Arising during year	266	765	1,606	2,429	32	3,713	3,745
Utilised	(347)	(527)	(684)	(1,350)	(241)	(476)	(717)
At 31 December 2004	<u>2,062</u>	<u>3,059</u>	<u>8,641</u>	<u>13,762</u>	<u>129</u>	<u>8,641</u>	<u>8,770</u>

Retirement benefits

The provision in Sri Lanka represents ex-gratia retirement gratuities for the estate's labour force. The basis for the provision is as noted in the accounting policies under "other retirement benefits". The principal assumptions made by the actuaries were that the applicable rate of interest was 10% and the rate of salary increase was 7.5%.

Terminal benefits

The provision in Kenya for the estate labour force is based on 21 days pay, at the current rate, for every year they have worked for the Company, providing they have worked for ten years, including an accrual for employees with less than ten years service and is payable on termination of employment. The provision for Kenyan management staff is based on one months basic pay for each completed year of service.

In Bangladesh, the provision is 1.5 months basic salary for executive staff who attained 50 years of age and 1 month's basic salary and allowances for clerical staff who completed 10 years of service with the Company and is payable on termination of employment.

Ex gratia payments

Full provision is made for all ex gratia payments on an actuarial basis. The principal assumptions made are a discount rate of 5.3% (2003 - 5.4%) and a rate of payments increase of 2.6% (2003 - 2.6%).



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

19. SHARE CAPITAL

	2004	2003
	£'000	£'000
Authorised		
Equity share capital		
124,824,440 Ordinary Shares of 25p	31,206	31,206

	2004	2003
	£'000	£'000
Called up share capital		
Allotted, issued and fully paid		
Equity share capital		
106,445,964 Ordinary Shares of 25p	26,611	26,611

20. RESERVES

	GROUP	COMPANY
	2004	2004
	£'000	£'000
Share premium account		
At 1 January and 31 December	5,803	5,803
Revaluation reserve		
At 1 January	44,809	1,882
Transferred to profit and loss account on realisation	(1,643)	(1,643)
At 31 December	43,166	239
Other reserves		
At 1 January	(53,813)	(3,291)
Exchange differences	(7,585)	(577)
Transferred from profit and loss account on realisation	185	953
At 31 December	(61,213)	(2,915)
Profit and loss account		
At 1 January	95,539	36,431
Transferred from other reserves on realisation	1,458	690
Retained profit for the year	14,495	8,012
At 31 December	111,492	45,133
Total reserves at 31 December	99,248	48,260
Total reserves at 1 January	92,338	40,825
Distributable reserves	111,492	45,133
Undistributable reserves	(12,244)	3,127
	99,248	48,260

Included in other reserves of the Group for 2004 and 2003 are negative goodwill of £4,361,000 and positive goodwill of £1,929,000. The remittance of funds from Africa and Asia is subject to exchange control regulations.



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

21. CONSOLIDATED CASH FLOW STATEMENT

(a)	2004 £'000	2003 £'000
Cash inflow from operating activities		
- funds generated from operations		
Operating profit	16,611	8,472
Net impairment loss	-	5,292
Depreciation on tangible fixed assets	5,257	5,530
Net gain on disposal of tangible fixed assets	(650)	(1)
Amortisation of goodwill	56	100
Exchange differences	14	111
	<u>21,288</u>	<u>19,504</u>
- increase in working capital		
(Increase)/decrease in stocks	(1,334)	1,037
Increase in debtors	(1,400)	(1,643)
Increase/(decrease) in creditors	2,223	(1,961)
Increase in provisions	449	146
Exchange differences	(952)	(1,592)
	<u>(1,014)</u>	<u>(4,013)</u>
Net cash inflow from operating activities	<u>20,274</u>	<u>15,491</u>
Returns on investments and servicing of finance		
Interest received	722	530
Dividends received	124	124
Interest paid	(1,728)	(1,669)
Dividends paid - minorities	(79)	(25)
Net cash outflow from returns on investments and servicing of finance	<u>(961)</u>	<u>(1,040)</u>
Taxation		
UK Corporation tax recovered/(paid)	497	(562)
Overseas tax paid	(3,663)	(2,725)
Tax paid	<u>(3,166)</u>	<u>(3,287)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(13,080)	(10,311)
Purchase of unlisted current asset investments	(31)	(2)
Sale of tangible fixed assets	1,791	103
Net cash outflow from capital expenditure and financial investment	<u>(11,320)</u>	<u>(10,210)</u>



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

21. CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(a)	2004 £'000	2003 £'000
Acquisitions and disposals		
Sale of businesses	3,938	-
Purchase of minority interest in subsidiary undertaking	-	(1,425)
Net cash inflow/(outflow) from disposals and acquisitions	3,938	(1,425)
Management of liquid resources		
Sale of listed current asset investments	40	36
Short term deposits placed	(7,669)	(4,316)
Net cash outflow from management of liquid resources	(7,629)	(4,280)
Financing		
Loans advanced	4,712	1,599
Loans repaid	(5,138)	(1,743)
Finance leases advanced/(repaid)	12	(76)
Net cash outflow from financing	(414)	(220)
(b) Analysis of net funds/(debt)		

	2004 £'000	Cash Flow £'000	Exchange Differences £'000	2003 £'000
Cash at bank and on hand	10,819	3,005	(705)	8,519
Bank overdrafts	(6,604)	(2,283)	257	(4,578)
	4,215	722	(448)	3,941
Liquid resources	12,382	7,629	(570)	5,323
Loans due within one year	(2,409)	3,335	403	(6,147)
Loans due outwith one year	(6,780)	(2,909)	484	(4,355)
Finance leases	(1,449)	(12)	231	(1,668)
	5,959	8,765	100	(2,906)

	2003 £'000	Cash Flow £'000	Exchange Differences £'000	2002 £'000
Cash at bank and on hand	8,519	(3,323)	(721)	12,563
Bank overdrafts	(4,578)	(1,684)	348	(3,278)
	3,941	(4,971)	(373)	9,285
Liquid resources	5,323	4,280	(126)	1,169
Loans due within one year	(6,147)	(4,159)	246	(2,234)
Loans due outwith one year	(4,355)	4,303	1,076	(9,734)
Finance leases	(1,668)	76	211	(1,955)
	(2,906)	(471)	1,034	(3,469)



JAMES FINLAY LIMITED

NOTES ON THE ACCOUNTS (Continued)

22. CONTINGENT LIABILITIES AND GUARANTEES

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank guarantees and bills discounted	-	88	377	572
Uncalled liability on investments	-	-	4,300	4,300
	<u>-</u>	<u>88</u>	<u>4,677</u>	<u>4,872</u>

Included in contingent liabilities and guarantees of the Company is £4,677,000 (2003 - £4,784,000) in respect of subsidiary undertakings.

In 2003 James Finlay & Company (Colombo) Limited sold its interest in Hapugastenne Plantations Limited and Udupussellawa Plantations Limited to James Finlay Limited. This transaction is currently being challenged by a minority shareholder of James Finlay & Company (Colombo) Limited who is asking the Sri Lankan court to reverse the transaction. If he were to succeed – which the Directors consider to be unlikely – the impact on the James Finlay Limited consolidated financial statements would not be significant as the balance sheets and results of both subsidiary companies are already included in the Group results.

23. FINANCIAL COMMITMENTS

(a) Capital Commitments

Amounts contracted for but not provided in the accounts amount to £1,019,000 for the Group and £Nil for the Company (2003 - £684,000 and £ Nil).

(b) Operating Lease Commitments

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Operating leases – land and buildings				
Annual commitment under contracts expiring:				
Within one year	-	76	-	76
Between one and five years	55	72	-	-
Over five years	208	208	145	145
	<u>263</u>	<u>356</u>	<u>145</u>	<u>221</u>

24. PENSIONS

The Group operates a number of pension schemes throughout the world.

In the UK the main scheme is of the defined benefit type, the assets being held in a separate trustee administered fund. The cost of funding this scheme is determined following advice from independent actuaries.

The fund was last actuarially valued as at 31 December 2003 using the projected unit method. At that date the market value of the assets was £32.5 million and their actuarial value was sufficient to cover 79.0% of the benefits that had accrued to members. As a result, the normal contribution rate payable in respect of the Scheme is 21.7% for contributing members and 26.7% for non-contributing members which are the rates required to spread the cost of providing pensions over the expected working lives of the relevant employees. The pension cost also includes £880,000 in respect of the spreading of the actuarial deficit of £8.8 million as at 31 December 2003 on a straight line basis over a period of 10 years.

The principal assumptions made by the actuaries were that the annual rate of interest earned by the schemes' assets exceeded the annual rate of salary inflation and pension increases by 1.1% and 3.1% respectively.

The pension cost charged in the consolidated profit and loss account was £2,137,000 (2003 - £1,659,000). Within the charge was £829,000 (2003 - £890,000) which related to overseas schemes. This charge excludes the provision for retirement benefits detailed in note 18.

In December 2004 the Company paid an additional contribution to the pension scheme of £3 million in order to reduce the ongoing deficit. It is the Company's intention to make further such contributions in the coming years in order to eliminate the pension scheme deficit.



JAMES FINLAY LIMITED

NOTES ON THE ACCOUNTS (Continued)

24. PENSIONS (CONTINUED)

FRS 17 Retirement Benefits

The valuation used for the FRS17 disclosures for the main UK scheme has been based on the most recent actuarial valuation at 31 December 2003 and updated by Hymans Robertson to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 December.

The financial assumptions used to calculate scheme liabilities under FRS17 are:

	2004	2003	2002
Discount rate	5.3%	5.4%	5.5%
Salary increases	4.6%	4.6%	4.2%
Pension increases	2.6%	2.6%	2.2%
Price inflation	2.6%	2.6%	2.2%

The assets in the scheme and the expected rate of return were:

	Long term Return % p.a.	Fund value at 31.12.04 £'000	Long term Return % p.a.	Fund value at 31.12.03 £'000	Long term Return % p.a.	Fund value at 31.12.02 £'000
Equities	7.0	23,288	7.30	21,643	7.0	18,891
Corporate bonds	5.3	7,629	5.40	5,744	4.5	4,723
Government bonds	4.5	5,029	4.80	4,818	5.5	5,608
Cash	4.8	2,311	3.80	265	3.5	295
Total		38,257		32,470		29,517
Actuarial value of liabilities		43,141		41,363		36,024
Deficit in the fund		(4,884)		(8,893)		(6,507)
Related deferred tax asset		1,465		2,668		1,952
Net pension liability		(3,419)		(6,225)		(4,555)

An analysis of the defined benefit cost for the year ended 31 December 2004 is as follows:-

	2004 £'000	2003 £'000
Current service cost	850	470
Past service cost	-	-
Total operating charge	850	470
Expected return on pension fund assets	2,213	1,816
Interest on pension fund liabilities	(2,206)	(1,936)
Net return	7	(120)
Net profit and loss charge	843	590

Analysis of amount recognised in statement of total recognised gains and losses:-

Actual return less expected return on pension assets	1,065	2,334
Experience gains and losses arising on the liabilities	(27)	765
Changes in assumptions underlying the present value of the scheme liabilities	(565)	(5,814)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	473	(2,715)



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

24. PENSIONS (CONTINUED)

	2004 £'000	2003 £'000	
Movement in deficit during the year:-			
Deficit at beginning of year	(8,893)	(6,507)	
Current service cost	(850)	(470)	
Employer contributions	4,379	935	
Other outgoings (eg expenses, etc)	-	(16)	
Net return	7	(120)	
Actuarial gain/(loss)	473	(2,715)	
Deficit at end of year	<u>(4,884)</u>	<u>(8,893)</u>	
History of experience gains and losses:-			
	2004 £'000	2003 £'000	2002 £'000
Difference between the expected and actual return on assets	(1,065)	(2,334)	5,964
Value of assets	38,257	32,470	29,517
Percentage of assets	(2.8%)	(7.2%)	20.2%
Experience (losses)/gains on liabilities	(27)	765	-
Present value of liabilities	43,141	41,363	36,024
Percentage of the present value of liabilities	(0.1%)	1.8%	0.0%
Actuarial gains/(losses) recognised in statement of total recognised gains and losses	473	(2,715)	(5,964)
Present value of liabilities	43,141	41,363	36,024
Percentage of the present value of liabilities	1.1%	(6.6%)	(17.0%)
Reconciliations of net assets and reserves under FRS17			
	31.12.04 £'000	31.12.03 £'000	
Net assets excluding pension liability	128,335	121,580	
SSAP 24 pension prepayment	(2,699)	-	
Related deferred tax balance	810	-	
Pension liability – UK scheme	(3,419)	(6,225)	
Net assets including pension liability	<u>123,027</u>	<u>115,355</u>	
Profit and loss reserve excluding pension liability	111,492	95,539	
SSAP 24 pension prepayment	(2,699)	-	
Related deferred tax balance	810	-	
Pension liability – UK scheme	(3,419)	(6,225)	
Profit and loss reserve including pension liability	<u>106,184</u>	<u>89,314</u>	

Information in relation to the FRS17 valuation of overseas schemes has not been obtained due to the immateriality of the surpluses or deficits to the financial position of the Group.

25. PARENT COMPANY

The Company's parent company is Finlay Group Limited which is registered in England. The Company's ultimate parent company is John Swire & Sons Limited which is registered in England.

The accounts of the Company are consolidated within the Group accounts of John Swire & Sons Limited.



JAMES FINLAY LIMITED
NOTES ON THE ACCOUNTS (Continued)

26. PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 2004

The percentage holding refers to the proportion of voting rights and shares held

	Country of Incorporation or Registration	Type of Holding	Percentage Holding
Tea			
James Finlay (Kenya) Limited	Scotland	Ordinary	100.0 *
Baraoora (Sylhet) Tea Co. Limited	England	Ordinary	100.0 *
The Consolidated Tea and Lands Co. (Bangladesh) Limited	Scotland	Ordinary	100.0 *
Hapugastenne Plantations Limited	Sri Lanka	Ordinary	91.8
Udapussellawa Plantations Limited	Sri Lanka	Ordinary	91.5
James Finlay (Uganda) Limited	Uganda	Ordinary	100.0
Finlay Tea Solutions UK Limited	England	Ordinary	100.0 *
Finlay Tea Solutions US Inc.	USA	Ordinary	100.0
Other			
Finlay Industries Inc.	USA	Ordinary	100.0
Finlay Beverages Limited	England	Ordinary	100.0 *
James Finlay & Co (Colombo) Limited	Sri Lanka	Ordinary	77.2

* Held directly by James Finlay Limited

