



James Finlay Limited

Report & Accounts

2008



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JAMES FINLAY LIMITED
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JAMES FINLAY LIMITED
COMPANY INFORMATION

DIRECTORS

M J B Todhunter (Chairman)
R J Mathison (Managing Director)
T J Blackburn
N V Davies
D J Gilmour
P R Henson
M J Hudson
J W J Hughes-Hallett
M B Swire
S R S Large
S Strathdee
C G H Weaver
Miss I A Wemyss

SECRETARY

D J Gilmour

HEAD OFFICE

Swire House
59 Buckingham Gate
London
SW1E 6AJ

REGISTERED OFFICE

Swire House
Souter Head Road
Altens
Aberdeen
AB12 3LF

PRINCIPAL SOLICITORS

McGrigors

PRINCIPAL BANKERS

National Westminster Bank PLC

AUDITORS

KPMG LLP

Registered in Scotland No. SC7139

JAMES FINLAY LIMITED
DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors submit their Report and Accounts for the year ended 31 December 2008.

RESULTS AND DIVIDEND

The profit and loss account for the year shows a profit attributable to shareholders of £4,453,000 (2007 as restated: £6,061,000). No dividend was paid during the year (2007: £3,600,000).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group's principal activities comprise the growing, manufacture and distribution of Tea, and Tea related products, Flowers and Vegetables. The Group is also involved in other agricultural activities including Rubber and Timber and a range of trading and services businesses covering Logistics and the provision of Agency Services. These activities are carried out across seven divisions, Horticulture, Tea Estates, Leaf Tea, Extracts, Beverages, Logistics and Services. Details of the Company's principal subsidiary undertakings are shown on page 38.

The Group's key financial and other performance indicators during the year were as follows:

	2008	*As restated 2007	Change
	£000	£000	
Group turnover	509,485	330,350	+54.2%
Gross profit	81,109	65,654	+23.5%
Total operating profit (before exceptionals)	17,835	14,654	+21.7%
Profit after tax	4,453	6,061	-26.5%
Shareholders' funds	168,635	150,231	+12.3%
Average number of employees	47,541	40,513	+17.3%
Gross profit as % of turnover	15.9%	19.9%	-20.1%
Operating profit as % of turnover (before exceptionals)	3.5%	4.4%	-20.4%
Return on capital employed	10.6%	9.7%	+9.3%

*Re-stated for prior year adjustments (see note 25).

The Group's sales and gross profit benefited from a full year's contribution from Flamingo Holdings, which it acquired in July 2007. However the group's horticultural division, of which Flamingo and its subsidiaries form a significant part, had a poor year, mainly due to high freight charges - driven by the high oil price - and the impact of a strengthening Euro; a large proportion of the flower purchases made by the group are denominated in Euros.

Tea-related activities generally performed well, thanks to a buoyant tea price in many of the markets in which the group operates. The collapse in tea prices and volumes in Sri Lanka in the final quarter of the year cast a cloud over an otherwise good year for this segment of the group's business.

The civil disturbances in Kenya at the start of 2008 affected all the group's activities in that country. We are very grateful to the magnificent response from local management, who played a vital role in minimising the impact on both our employees living and working in the region and the group's financial performance.

The Group is exposed to macro-economic and political influences in Africa, Europe, Asia and North America. The geographic diversity of the Group's operations reduces overall exposure to any single economy. The principal risks and uncertainties of the growing activities are related to extremes in weather conditions. Swings in foreign currency exchange rates also have a marked effect on the group's financial performance. The strength of the US dollar not only impacts the value of the group's sales when translated into sterling, but can also affect demand for its products.

Whilst shareholders' funds were positively impacted by the strength of overseas currencies against sterling, this was partially negated by the actuarial loss on the group's pension fund.

A significant part of the group's interest cost relates to the financing of the Flamingo acquisition; approximately 75% of the interest on these loans has been fixed until 2012 when outstanding loans are due to be repaid.

The Group cares greatly about the environment and conducts business in an ethical and responsible fashion. We are committed to a sustainable future and we seek to address social, political and environmental issues by demonstrating that it is more financially rewarding to be sustainable

FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's policy does not permit trading in any financial instruments.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The way in which these risks are managed is summarised below.

Credit Risk

The Group aims to limit undue counterparty exposure by ensuring proper procedures are followed before starting to trade with a new customer and material ongoing exposure is monitored at business unit and Group level. The procedures for establishing and monitoring credit limits are set out in the group's accounting policies.

Liquidity Risk

Investments in fixed assets and working capital are carefully controlled, with authorisation limits operating at different levels up to Board level and with the rates of return and cash payback periods applied as part of a defined investment appraisal process. The group also manages liquidity risk via revolving credit facilities and cash-pooling. Headroom under banking facilities is monitored regularly at both a local and group level. In December 2008 the group successfully renegotiated its banking covenants to ensure that it had sufficient headroom to fulfil its planned future financing requirements.

Foreign Currency Risk

The group hedges its exposure to foreign currencies through a mixture of financial instruments, including forward contracts, participating forward contracts and zero-cost options. Depending on the currencies concerned, the group may hedge some or all of its requirements up to 24 months forward.

FUTURE DEVELOPMENTS

The directors aim to maintain and continuously improve the management policies which have resulted in the successful development of the group in recent years.

JAMES FINLAY LIMITED
DIRECTORS' REPORT (Continued)

DIRECTORS

The Directors during the year ended 31 December 2008 were as shown on page 1 with the addition of Mr R B Hogg and Mr P A Johansen who resigned as directors on 22 September and 31 December 2008 respectively. Mr R J Mathison and Mr M B Swire joined the board on 22 September and 17 October 2008 respectively

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.

SUPPLIER PAYMENT DAYS

It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between each company and its suppliers, provided that all trading terms and conditions have been met. The average creditor days was 37 days (2007: 55 days).

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who is a Director at the date of approval of this report is aware, there is no relevant audit information, being information required by the Auditor in connection with the preparation of this report, of which the Auditor is unaware. Having made enquiries of fellow Directors and the Group's Auditor the Directors have taken all steps that as Directors they are obliged to take, in order to make themselves aware of any relevant audit information and to establish that the Auditor is aware of such information.

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.


By Order of the Board

P R Henson

Director

JAMES FINLAY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

We have audited the group and parent company financial statements of James Finlay Limited for the year ended 31 December 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheet, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Note of Historical Cost Profits and Losses, the Group Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 group and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

JAMES FINLAY LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JAMES FINLAY LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

3rd April 2009

KPMG LLP
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

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 as defined in CA 1985 S.256.

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(4) 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.

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 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.

JAMES FINLAY LIMITED
PRINCIPAL ACCOUNTING POLICIES (Continued)

TANGIBLE FIXED ASSETS

The following tangible fixed assets have been depreciated equally 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 or unexpired term of the lease
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.

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 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, net of sales taxes.

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.

JAMES FINLAY LIMITED
PRINCIPAL ACCOUNTING POLICIES (Continued)

PENSIONS

The Company operates defined benefit pension schemes in the UK and North America which are set up under separate trusts. On the advice of an independent qualified actuary, contribution payments are made to the scheme to ensure that the scheme's assets are sufficient to cover future liabilities. Pension scheme assets are measured using market values. Pension scheme liabilities are measured, using the projected unit method and discounted at the rate of return on a AA rated corporate bond of equivalent term. Any increase in the present value of the liabilities of the Fund expected to arise from employee service is charged against operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

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 in the UK for ex gratia payments to former employees when payments first arise. Provision is also made in Kenya under a gratuity arrangement. The amounts provided are calculated on an actuarial basis using assumptions in line with those used in the calculation of pension liabilities for the United Kingdom defined benefits scheme.

JAMES FINLAY LIMITED
GROUP PROFIT AND LOSS ACCOUNT

For the year end 31 December 2008		* As restated	
		2008	2007
		£'000	£'000
Turnover	1		
Continuing operations		509,485	321,583
Discontinued operations		-	8,767
		<u>509,485</u>	<u>330,350</u>
Cost of sales	2		
		(428,376)	(264,696)
		<u>81,109</u>	<u>65,654</u>
Net operating expenses	2		
		(64,617)	(52,275)
Group operating profit			
Ongoing – pre-exceptional items		17,835	12,481
Exceptional items:			
Kenya costs	3	(1,977)	(1,275)
Provision for head office closure	3	(500)	-
Provision for redundancy costs	3	(350)	-
Gain on disposal of current asset investments	3	1,484	-
		<u>16,492</u>	<u>11,206</u>
Discontinued operations		-	2,173
Total group operating profit			
		<u>16,492</u>	<u>13,379</u>
Gain on disposal of subsidiary undertakings	3	-	5,263
Impairment loss on tangible fixed assets	3	-	(4,505)
		<u>16,492</u>	<u>14,137</u>
Interest payable and similar charges	4	(10,713)	(5,370)
Other interest receivable and similar income	4	690	1,577
Other finance costs	4	-	(509)
Other finance income	4	488	617
Profit on ordinary activities before taxation		<u>6,957</u>	<u>10,452</u>
Taxation	8a	(2,174)	(4,152)
Profit on ordinary activities after taxation		<u>4,783</u>	<u>6,300</u>
Attributable to:			
Equity shareholders		4,453	6,061
Minority interest		330	239
		<u>4,783</u>	<u>6,300</u>

*Prior year results have been restated. See note 25 for explanation.

JAMES FINLAY LIMITED
BALANCE SHEETS

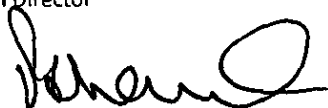
At 31 December 2008

		GROUP		COMPANY	
		*As restated			
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
	Notes				
Fixed assets					
Intangible assets - goodwill	9	83,427	84,770	-	-
Tangible assets	10	191,498	172,068	1,052	1,085
Investments - subsidiary undertakings	11	-	-	143,353	143,038
- other	11	1,808	1,513	-	-
		<u>276,733</u>	<u>258,351</u>	<u>144,405</u>	<u>144,123</u>
Current assets					
Stocks	12	55,245	42,509	-	-
Debtors - due within one year	13	78,985	68,095	65,670	81,112
- due after more than one year	13	8,502	8,724	1,667	1,672
Investments	14	1,056	125	-	4
Cash at bank and on hand		10,736	21,158	3,508	4,266
		<u>154,524</u>	<u>140,611</u>	<u>70,845</u>	<u>87,054</u>
Creditors: amounts falling due within one year					
Loans and overdrafts	15	(49,659)	(38,224)	(30,107)	(10,000)
Other	17	(89,213)	(77,684)	(35,247)	(32,496)
		<u>(138,872)</u>	<u>(115,908)</u>	<u>(65,354)</u>	<u>(42,496)</u>
Net current assets		<u>15,652</u>	<u>24,703</u>	<u>5,491</u>	<u>44,558</u>
Total assets less current liabilities		<u>292,385</u>	<u>283,054</u>	<u>149,896</u>	<u>188,681</u>
Creditors: amounts falling due after more than one year					
Loans	16	(84,557)	(107,579)	(80,017)	(104,300)
Finance leases	17	(1,626)	(1,233)	-	-
Provisions for liabilities - deferred tax	18(a)	(10,116)	(6,384)	-	-
- other	18(b)	(20,199)	(16,891)	(9,304)	(9,192)
		<u>(116,498)</u>	<u>(132,087)</u>	<u>(89,321)</u>	<u>(113,492)</u>
Net assets excluding retirement benefits		<u>175,887</u>	<u>150,967</u>	<u>60,575</u>	<u>75,189</u>
Net pension (liability)/ asset	24	(3,299)	2,227	-	-
Net assets including net retirement benefits		<u>172,588</u>	<u>153,194</u>	<u>60,575</u>	<u>75,189</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	29,869	30,985	239	239
Other reserves	20	(19,480)	(39,363)	(7,819)	(1,873)
Profit and loss account	20	125,662	126,195	35,741	44,409
Shareholders' funds		<u>168,465</u>	<u>150,231</u>	<u>60,575</u>	<u>75,189</u>
Minority interests		4,123	2,963	-	-
		<u>172,588</u>	<u>153,194</u>	<u>60,575</u>	<u>75,189</u>

*Prior year results have been restated. See note 25 for explanation.

These accounts were approved by the Board of Directors on 3rd April 2009 and were signed on its behalf by:

P R Henson Director



JAMES FINLAY LIMITED
GROUP CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	21 (a)	27,576	33,321
Returns on investments and servicing of finance	21 (a)	(11,757)	(2,106)
Taxation	21 (a)	(3,815)	(4,759)
Free cash flow		12,004	26,456
Capital expenditure and financial investment	21 (a)	(13,212)	(15,024)
Acquisitions and disposals	21 (a)	(102)	(100,516)
Equity dividends paid		-	(3,600)
Cash outflow before use of liquid resources and financing		(1,310)	(92,684)
Management of liquid resources *	21 (a)	3,295	(2,633)
		1,985	(95,317)
Financing	21 (a)	(9,512)	82,182
Decrease in cash for the year		(7,527)	(13,135)
Reconciliation of net cash flow to movement in net debt	21 (b)		
Decrease in cash for the year		(7,527)	(13,135)
Cash outflow/(inflow) from decrease/(increase) in debt		9,512	(82,182)
Cash (inflow)/outflow from increase/(decrease) in liquid resources		(3,295)	2,633
Change in net debt resulting from cash flows		(1,310)	(92,684)
Disposals		-	(31,334)
Exchange differences		2,050	220
Decrease/(increase) in net debt in the year		740	(123,798)
Net debt at 1 January		(125,930)	(2,132)
Net debt at 31 December		(125,190)	(125,930)

* 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 2008

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008	*As restated
	£'000	2007
		£'000
Profit before dividends	4,453	6,061
Actuarial (loss)/gain	(8,466)	1,499
Tax thereon	2,270	(509)
Unrealised exchange differences	19,883	5,615
Share of Associates reserves	94	-
Positive goodwill taken to profit and loss on disposal	-	1,397
Total recognised gains and losses	18,234	14,063
Prior period adjustment (see note 25)	(1,969)	
Total recognised gains and losses since prior period	16,265	

*Re-stated for prior year adjustment (see note 25)

GROUP RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008	*As restated
	£'000	2007
		£'000
Profit for the financial year	4,453	6,061
Dividends paid	-	(3,600)
	4,453	2,461
Other recognised gains and losses relating to the year (net)	13,781	8,002
Net increase in shareholders' funds	18,234	10,463
Opening shareholders' funds (originally £152,200,000 before prior year adjustment of £1,969,000 – see note 25)	150,231	139,768
Balance of shareholders' funds at 31 December	168,465	150,231

*Re-stated for prior year adjustment (see note 25)

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2008	*As restated
	£'000	2007
		£'000
Reported profit on ordinary activities before taxation	6,957	10,452
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the re-valued amount	10	10
Historical cost profit on ordinary activities before taxation	6,967	10,462
Historical cost profit for the year after taxation	4,793	6,310

*Re-stated for prior year adjustment (see note 25)

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS

1. SEGMENTAL ANALYSIS

	Turnover		Group Operating Profit/(Loss)		Net Operating Assets	
	2008 £'000	2007 £'000	*As restated		*As restated	
			2008 £'000	2007 £'000	2008 £'000	2007 £'000
By Activity						
Tea	162,872	134,854	16,101	9,908	106,137	93,673
Flowers and vegetables	279,030	132,900	2,859	1,596	154,262	155,087
Other	67,583	62,596	(1,125)	3,150	35,616	31,217
	<u>509,485</u>	<u>330,350</u>	<u>17,835</u>	<u>14,654</u>	<u>296,015</u>	<u>279,977</u>
Other						
- Kenya costs (see note 25)	-	-	(1,977)	(1,275)		
- provision for Head Office closure costs	-	-	(500)	-		
- provision for redundancy costs	-	-	(350)	-		
- gain on disposal of listed current asset investment	-	-	1,484	-		
	<u>509,485</u>	<u>330,350</u>	<u>16,492</u>	<u>13,379</u>		
Unallocated net liabilities					(123,427)	(126,783)
					<u>172,588</u>	<u>153,194</u>

Turnover excludes inter-segment tea sales of £66,091,000 (2007: £36,815,000).

*Re-stated for prior year adjustment (see note 25). The effect on 2007 group operating profit is a decrease of £1,275,000. Net operating assets have decreased by £1,969,000.

	Turnover		Group Operating Profit/(Loss)		Net Operating Assets	
	2008 £'000	2007 £'000	*As restated		*As restated	
			2008 £'000	2007 £'000	2008 £'000	2007 £'000
GEOGRAPHICALLY - by activity						
United Kingdom	302,615	176,770	5,187	2,945	112,387	132,216
North America	31,840	30,268	1,199	4,244	9,003	4,879
Africa	105,890	76,089	7,349	3,321	139,979	117,565
Asia	50,206	33,665	3,856	4,004	32,524	23,624
Europe	18,934	13,558	244	140	2,122	1,693
	<u>509,485</u>	<u>330,350</u>	<u>17,835</u>	<u>14,654</u>	<u>296,015</u>	<u>279,977</u>
United Kingdom						
- provision for Head Office closure costs	-	-	(500)	-		
- provision for redundancy costs	-	-	(350)	-		
Africa						
- Kenya costs (see note 25)	-	-	(1,977)	(1,275)		
- gain on disposal of listed current asset investment	-	-	1,484	-		
	<u>509,485</u>	<u>330,350</u>	<u>16,492</u>	<u>13,379</u>		
Unallocated net liabilities					(123,427)	(126,783)
					<u>172,588</u>	<u>153,194</u>

Turnover excludes inter-segment sales of £19,399,000 (2007: £17,529,000) for United Kingdom, £49,000 (2007: £55,000) for North America, £37,076,000 (2007: £19,231,000) for Africa and £9,567,000 (2007: Nil) for Asia.

*Re-stated for prior year adjustment (see note 25). The effect on 2007 group operating profit is a decrease of £1,275,000. Net operating assets have decreased by £1,969,000.

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

1. SEGMENTAL ANALYSIS (CONTINUED)

	2008	2007
	£'000	£'000
Turnover		
GEOGRAPHICALLY - by destination		
United Kingdom	319,949	168,541
North America	22,859	27,821
Africa	63,685	52,060
Asia and Middle East	70,310	56,654
Rest of Europe	32,682	25,274
	<u>509,485</u>	<u>330,350</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 (liabilities)/assets comprise:

	2008	2007
	£'000	£'000
Borrowings	(135,927)	(147,088)
Investments	2,864	1,638
Cash at bank and on hand	10,736	21,158
Corporate tax	1,988	(182)
Deferred taxation	(3,088)	(2,309)
	<u>(123,427)</u>	<u>(126,783)</u>

2. COST OF SALES/NET OPERATING EXPENSES

	Continuing Operations		Discontinued Operations		Total	
	*As restated					
	2008	2007	2008	2007	2008	2007
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of sales	428,376	263,160	-	1,536	428,376	264,696
Marketing, selling & distribution costs	6,661	5,204	-	2,770	6,661	7,974
Administrative expenses	57,956	43,531	-	1,151	57,956	44,682
	<u>64,617</u>	<u>48,735</u>	<u>-</u>	<u>3,921</u>	<u>64,617</u>	<u>52,656</u>
Exchange differences	-	(381)	-	-	-	(381)
Net Operating expenses	<u>64,617</u>	<u>48,354</u>	<u>-</u>	<u>3,921</u>	<u>64,617</u>	<u>52,275</u>

*Re-stated for prior year adjustment (see note 25). The effect of the prior year adjustment is to increase 2007 cost of sales by £1,275,000.

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

3. EXCEPTIONAL ITEMS

	2008	2007
	£'000	£'000
OPERATING		
Kenya costs	(1,977)	(1,275)
Provision for Head Office closure costs	(500)	-
Provision for redundancy costs	(350)	-
Gain on disposal of unlisted current asset investment	1,484	-
Non-operating		
Gain on disposal of non-tea USA subsidiary undertaking	-	5,263
Impairment loss on tangible fixed assets of Uganda plantation subsidiary undertaking	-	(4,505)

Exceptional costs in Kenya represent non-recurring charges expensed during the year following a balance sheet review as detailed in note 25.

During 2007, the Company relocated its Head Office from Glasgow to London. At the time, a provision was taken against part of the unexpired period of the lease on the unoccupied Glasgow offices, taking into account the market conditions at the time. Following a worsening in the property market, a full provision has now been made for the remainder of the lease period (to October 2011).

Prior to the year-end, Flamingo Holdings announced that it would be closing its Lingarden site in Spalding. A provision for redundancies resulting from this closure has been made.

4. INTEREST AND OTHER FINANCE INCOME/COST

	2008	2007
	£'000	£'000
Interest payable and similar charges		
Interest payable:		
On bank loans and overdrafts	(10,697)	(5,359)
Finance leases	(16)	(11)
	<u>(10,713)</u>	<u>(5,370)</u>
Other interest receivable and similar income		
Income from current asset investments	40	64
Interest receivable	650	1,513
	<u>690</u>	<u>1,577</u>
Other finance costs		
Unwinding of discount on ex gratia payments provision	-	(509)
Other finance income		
Expected return on pension fund assets	3,468	3,355
Interest on pension fund liabilities	(2,980)	(2,738)
	<u>488</u>	<u>617</u>

5. OPERATING PROFIT	2008 £'000	2007 £'000
Operating profit is stated after charging/(crediting):		
Amortisation of positive goodwill	4,585	1,934
Depreciation of tangible fixed assets:		
Owned assets	14,098	8,821
Held under finance leases	290	248
Operating lease rentals – land and buildings	2,928	788
Net gain on disposal of tangible fixed assets	(182)	(583)
<i>Auditors' remuneration:</i>		
Audit of these financial statements	94	72
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	381	314
Other services provided by local auditors relating to taxation	232	86
6. DIRECTORS EMOLUMENTS	2008 £'000	2007 £'000
Emoluments	1,525	913
	No. 2	No. 1
Members of defined benefits pension scheme		
	£'000	£'000
The amounts in respect of the highest paid Director are as follows:		
Emoluments	385	260
7. EMPLOYEES	2008 £'000	2007 £'000
Staff costs, including Directors' emoluments, were:		
Wages and salaries	72,442	52,312
Social security costs	4,460	3,267
Defined benefit pensions - service cost - UK	1,390	1,157
- Overseas	74	179
Other pension costs - overseas	4,006	3,414
	82,372	60,329
	2008	2007
The average number of persons employed by the Group was:		
Tea	32,611	35,276
Other	14,930	5,237
	47,541	40,513

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

8. TAXATION

a) Profit and loss account – tax charge

	2008 £'000	2007 £'000
Taxation based on profits for the year		
United Kingdom corporation tax at 28.5 % (2007: 30%)	(194)	(66)
Relief for overseas tax	-	(5)
	<u>(194)</u>	<u>(71)</u>
Overseas tax	1,136	6,625
Net recoverable advance corporation tax	-	50
Over provision in prior years		
Corporation tax	(8)	(246)
Overseas tax	(1,498)	571
Total current tax	<u>(564)</u>	<u>6,929</u>
Deferred tax - current year, arising from the origination and reversal of timing differences	2,135	(2,611)
Deferred tax - under provision in prior years	603	335
Deferred tax - change in tax rate	-	(48)
Deferred tax - removal of IBA from calculation	-	(453)
	<u>2,174</u>	<u>4,152</u>

b) Statement of total recognised gains and losses

	2008 £'000	2007 £'000
Tax charge on actuarial gain on retirement benefits:		
Deferred tax – arising from the origination and reversal of timing differences	(2,270)	509
	<u>(2,270)</u>	<u>509</u>

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

8. TAXATION (CONTINUED)

c) Factors affecting tax charge

An explanation of the reasons why the current tax (credit)/ charge for the year is lower than (2007 - higher than) the standard rate of corporation tax for the UK of 28.5% (2007: 30.0%) is shown below. The UK standard rate of corporation of 28.5% (2007:30%) representing the weighted average annual corporation tax rate for the full year following a reduction in the standard rate of

	2008	*As restated 2007
	£'000	£'000
Profit on ordinary activities before tax	6,957	10,452
Current tax at 28.5% (2007: 30%)	1,983	3,136
Effects of:		
Capital allowances for period in excess of depreciation and other property related timing differences	(166)	(709)
Other timing differences	100	235
Unrecovered overseas tax	130	189
Profits covered by losses brought forward	(3,117)	252
Income not taxable for tax purposes	1,207	(147)
Adjustments to tax charge in respect of prior periods	(1,521)	325
Higher tax rates on overseas profits	224	2,213
Losses in the year not relieviable	596	1,435
Current tax charge	(564)	6,929

*Re-stated for prior year adjustment (see note 25). The effect of the prior year adjustment is to increase the profits covered by losses brought forward by £383,000 to £252,000

d) 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 £482,000 (2007: £4,500,000) for tax losses carried forward have not been recognised as these can only be offset against future taxable profits in these subsidiaries, which are not sufficiently certain.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. In the event that such property was sold, these gains would either be covered by capital losses brought forward or any capital gain could be deferred into new qualifying expenditure of the extended J Swire Group. A deferred tax asset of £11,332,000 (2007: £11,332,000) has not been recognised for capital losses carried forward. These losses can only be set against future capital gains accruing to subsidiaries of the James Finlay group owned at the date of acquisition of the Flamingo group.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries.

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 TO THE ACCOUNTS (Continued)

9. INTANGIBLE ASSETS - GOODWILL
GROUP

	2008 £'000
Cost	
At 1 January	87,295
Exchange differences	(23)
Additions	3,248
At 31 December	90,520
Amortisation	
At 1 January	2,525
Exchange differences	(17)
Charge for year	4,585
At 31 December	7,093
Net value at 31 December	83,427
Net value at 1 January	84,770

James Finlay Ltd acquired the entire share capital of Flamingo Holdings Ltd in July, 2007, and provisional amounts for the fair value of the net assets acquired were recorded in the group's 2007 financial statements. Management has now completed its investigation to determine the fair value of the assets acquired and this has resulted in an increase in the amount of goodwill attributable to the acquisition of £3,248,000, as permitted by FRS 7. This amount can be analysed as follows:

	Provisional Fair Value	Additional Fair Value Adjustments	Definitive Fair Value
	£'000	£'000	£'000
Tangible fixed assets	65,919	-	65,919
Stock	4,560	-	4,560
Debtors	38,356	(1,205)	37,151
Bank overdraft	(1,472)	-	(1,472)
Loans	(31,334)	-	(31,334)
Creditors	(34,021)	(1,666)	(35,687)
Provisions - ex gratia payments	(516)	-	(516)
- pension fund	(306)	-	(306)
Deferred taxation	233	-	233
Net assets acquired	41,419	(2,871)	38,548
Cash paid (including deferred)	(126,101)	(377)	(126,478)
Goodwill on acquisition	(84,682)	(3,248)	(87,930)

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

10. TANGIBLE FIXED ASSETS

	Land Buildings Development £'000	GROUP Machinery Equipment Vehicles etc £'000	Total £'000	Land Buildings Development £'000	COMPANY Machinery Equipment Vehicles etc £'000	Total £'000
Cost or valuation						
At 1 January 2008	134,305	119,995	254,300	175	1,282	1,457
Exchange differences	21,596	14,489	36,085	14	35	49
Additions at cost	6,017	10,469	16,486	-	166	166
Disposals	(5,175)	(2,467)	(7,642)	-	(166)	(166)
At 31 December 2008	156,743	142,486	299,229	189	1,317	1,506
Depreciation						
At 1 January 2008 as previously stated	29,555	52,653	82,208	28	344	372
Prior year adjustment*	24	-	24	-	-	-
At 1 January as restated	29,579	52,653	82,232	28	344	372
Exchange differences	7,260	7,438	14,698	2	23	25
Provided	4,373	10,015	14,388	3	191	194
Disposals	(1,808)	(1,779)	(3,587)	-	(137)	(137)
At 31 December 2008	39,404	68,327	107,731	33	421	454
NBV at 31 December 2008	117,339	74,159	191,498	156	896	1,052
NBV at 1 January 2008	104,726	67,342	172,068	147	938	1,085

*Re-stated for prior year adjustment (see note 25)

At 31 December 2008

Land Buildings Development comprise:

		GROUP		COMPANY	
	Cost or Valuation £'000	Depreciation £'000	Net £'000	Cost or Valuation £'000	Depreciation £'000
Freehold	- Cost	30,170	4,549	25,621	-
	- Valuation 1990	3,061	647	2,414	-
	- Valuation 1997	4,499	316	4,183	-
Long leasehold	- Cost	96,762	30,030	66,732	116
	- Valuation 1990	73	15	58	73
	- Valuation 1995	15,821	2,800	13,021	-
Short leasehold	- Cost	6,357	1,047	5,310	-
		156,743	39,404	117,339	189
					33
					156

JAMES FINLAY LIMITED
NOTES TO 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 FR515, 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 £1,161,000 (2007: £1,161,000) in respect of assets held under finance leases (company - £nil).

Included in freehold and long leasehold land buildings development is £5,449,000 (2007: £5,449,000) of land on which no depreciation is charged.

If the land and buildings at valuation had not been re-valued, 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 2008						
Freehold	5,517	1,142	4,375	-	-	-
Long leasehold	4,142	766	3,376	32	10	22
	<u>9,659</u>	<u>1,908</u>	<u>7,751</u>	<u>32</u>	<u>10</u>	<u>22</u>
At 1 January 2008						
Freehold	5,517	1,074	4,443	-	-	-
Long leasehold	4,142	681	3,461	32	9	23
	<u>9,659</u>	<u>1,755</u>	<u>7,904</u>	<u>32</u>	<u>9</u>	<u>23</u>

11. FIXED ASSET INVESTMENTS

	GROUP		COMPANY	
	Other Investments		Subsidiary Undertakings	
	2008 £'000	2007 £000's	2008 £'000	2007 £'000
At 1 January	1,513	-	144,218	18,117
Additions	295	1,513	315	126,101
	<u>1,808</u>	<u>1,513</u>	<u>144,533</u>	<u>144,218</u>
At 31 December				
Provisions	-	-	1,180	1,180
At 1 January and 31 December				
Net book value at 31 December	<u>1,808</u>	<u>1,513</u>	<u>143,353</u>	<u>143,038</u>
Net book value at 1 January	<u>1,513</u>	<u>-</u>	<u>143,038</u>	<u>16,937</u>

Other investments are unlisted. Details of principal subsidiary undertakings are shown in note 27.

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

12. STOCKS	GROUP		COMPANY	
	2008 £'000	*As restated 2007 £'000	2008 £'000	2007 £'000
Raw materials	9,077	6,483	-	-
Finished goods*	46,168	36,026	-	-
	<u>55,245</u>	<u>42,509</u>	<u>-</u>	<u>-</u>

*Re-stated for prior year adjustment. Finished goods have decreased by £761,000 to £36,026,000 (see note 25)

13. DEBTORS	GROUP		COMPANY	
	2008 £'000	*As restated 2007 £'000	2008 £'000	2007 £'000
Amounts falling due within one year:				
Trade debtors*	53,578	45,584	99	116
Amounts owed by subsidiary undertakings	-	-	59,562	73,052
Corporate tax	7,343	5,276	1,808	3,825
Other debtors	14,766	13,264	2,833	2,482
Prepayments and accrued income	3,298	3,971	1,368	1,637
	<u>78,985</u>	<u>68,095</u>	<u>65,670</u>	<u>81,112</u>
Amounts falling due after more than one year:				
Other debtors	1,474	2,103	17	14
Deferred taxation (note 18a)	7,028	6,621	1,650	1,658
	<u>8,502</u>	<u>8,724</u>	<u>1,667</u>	<u>1,672</u>

* Re-stated for prior year adjustment. Trade debtors have decreased by £672,000 to £45,584,000 (see note 25)

14. CURRENT ASSET INVESTMENTS	GROUP		COMPANY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Unlisted investments	1,056	125	-	4
	<u>1,056</u>	<u>125</u>	<u>-</u>	<u>4</u>

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

15. LOANS AND OVERDRAFTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Secured bank borrowings (secured over tangible fixed assets and stocks)	10,533	10,022	-	-
Unsecured bank borrowings	13,921	17,953	-	-
Current instalments due on loans (note 16)	25,205	10,249	30,107	10,000
	<u>49,659</u>	<u>38,224</u>	<u>30,107</u>	<u>10,000</u>

16. LOANS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	2008	2007	2008	2007
	£'000	£'000	£'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)	4,557	1,259	-	-
Unsecured bank borrowings	105,205	116,519	110,124	114,300
Repayable within 5 years:				
Unsecured bank borrowings	-	50	-	-
	<u>109,762</u>	<u>117,828</u>	<u>110,124</u>	<u>114,300</u>
Amounts due within one year (included in current liabilities)	(25,205)	(10,249)	(30,107)	(10,000)
	<u>84,557</u>	<u>107,579</u>	<u>80,017</u>	<u>104,300</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	13,497	10,199	10,003	10,000
In more than two years, but no more than five	40,531	30,598	30,014	30,000
In more than five years	30,529	66,782	40,000	64,300
	<u>84,557</u>	<u>107,579</u>	<u>80,017</u>	<u>104,300</u>

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

17. OTHER CREDITORS AND FINANCE LEASES

	GROUP		COMPANY	
	*As restated			
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Obligations under finance leases	85	52	-	-
Trade creditors*	43,431	40,564	380	324
Amounts owed to subsidiary undertakings	-	-	31,827	23,193
Corporate tax	5,385	7,055	-	-
Other taxation and social security payable	1,380	2,120	5	6
Other creditors	29,872	18,249	440	6,222
Accruals	9,060	9,644	2,595	2,751
	<u>89,213</u>	<u>77,684</u>	<u>35,247</u>	<u>32,496</u>

*Re-stated for prior year adjustment. Trade creditors have increased by £512,000 to £40,564,000 (see note 25)
The amount in accruals which relates to the deferred consideration on the purchase of Flamingo is £2,099,000.

The maturity of finance leases is as follows:

	2008	2007
	£'000	£'000
Amounts payable within:		
One year of the balance sheet date	163	158
In two to five years of the balance sheet date	395	175
More than five years of the balance sheet date	2,625	2,104
	<u>3,183</u>	<u>2,437</u>
Less: finance charges allocated to future periods	(1,472)	(1,152)
	<u>1,711</u>	<u>1,285</u>
Finance leases are analysed as follows:		
Current obligations	85	52
Non-current obligations	1,626	1,233
	<u>1,711</u>	<u>1,285</u>

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

18. (a)	PROVISION FOR LIABILITIES Deferred taxation	GROUP		COMPANY	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
	At 1 January	712	2,912	(1,658)	(1,720)
	Exchange adjustment	493	301	(3)	2
	Changes in the group	93	(233)	-	-
	Profit and loss account - current year	2,135	(3,112)	11	60
	- under provision in prior years	603	335	-	-
	Statement of total recognised gains and losses	(2,270)	509	-	-
	At 31 December	1,766	712	(1,650)	(1,658)
	Excess of tangible fixed assets over corresponding tax value	15,974	17,807	-	-
	Losses	(4,679)	(9,182)	-	-
	Other revenue timing differences	(7,784)	(8,439)	(1,227)	(1,235)
	Retirement benefits	(1,322)	949	-	-
	Advance corporation tax	(423)	(423)	(423)	(423)
		1,766	712	(1,650)	(1,658)
	Deferred tax debtor (note 13)	(7,028)	(6,621)	(1,650)	(1,658)
	Provision for liabilities	10,116	6,384	-	-
	Retirement benefits (note 24)	(1,322)	949	-	-
		1,766	712	(1,650)	(1,658)

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

(b) Other

	GROUP				Total
	Retirement benefits £'000	Terminal benefits £'000	Ex gratia payments £'000	Others £'000	
At 1 January 2008	2,572	4,600	9,469	250	16,891
Exchange adjustment	980	609	67	-	1,656
Arising during year	869	562	1,661	500	3,592
Utilised	(282)	(728)	(680)	(250)	(1,940)
At 31 December 2008	4,139	5,043	10,517	500	20,199

	COMPANY			Total £'000
	Terminal benefits £'000	Ex gratia payments £'000	Others £'000	
At 1 January 2008	128	8,814	250	9,192
Exchange adjustment	5	-	-	5
Arising during year	12	625	500	1,137
Utilised	(45)	(735)	(250)	(1,030)
At 31 December 2008	100	8,704	500	9,304

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 month basic pay for each completed year of service.

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 5.8% (2007: 5.8%) and a rate of payments increase of 4.0% (2007: 3.3%).

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

19. SHARE CAPITAL

	2008	2007
	£'000	£'000
Authorised		
Equity share capital		
124,824,440 Ordinary Shares of 25p	31,206	31,206
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
	2008	2008
	£'000	£'000
Share premium account		
At 1 January and 31 December	5,803	5,803
Revaluation reserve		
At 1 January and 31 December	30,985	239
Transferred to profit and loss account	(1,116)	-
At 31 December	29,869	239
Other reserves		
At 1 January as previously stated	(39,279)	(1,873)
Prior year adjustment	(84)	-
At 1 January as restated	(39,363)	(1,873)
Exchange differences	19,883	(5,946)
At 31 December	(19,480)	(7,819)
Profit and loss account		
At 1 January as previously stated	128,080	44,409
Prior year adjustment	(1,885)	-
At 1 January as restated	126,195	44,409
Transferred from revaluation reserve	1,116	-
Actuarial (loss)/gain net of deferred tax thereon	(6,196)	-
Retained profit for year	4,453	(8,668)
Share of associates reserves	94	-
At 31 December	125,662	35,741
Total reserves at 31 December	142,024	33,964
Total reserves at 1 January	125,589	48,578

Included in other reserves of the Group are negative goodwill of £4,012,000 (2007: £4,012,000) and positive goodwill of £169,000 (2007: £1,566,000). The remittance of funds from Africa and Asia is subject to exchange control regulations.

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

21. Consolidated Cash Flow Statement
(a)

	2008	2007
	£'000	£'000
Cash inflow from operating activities		
- funds generated from operations		
Operating profit	16,492	14,654
Depreciation on tangible fixed assets	14,388	9,069
Net gain on disposal of tangible fixed assets	(182)	(583)
Funding of pension costs	(195)	(112)
Amortisation of goodwill	4,585	1,934
	<u>35,088</u>	<u>24,962</u>
- (increase)/decrease in working capital		
(Increase) in stocks	(7,850)	(2,039)
Decrease/ (increase) in debtors	(2,781)	6,670
Increase in creditors	557	3,521
Increase/ (decrease) in provisions	3,308	(193)
Exchange differences	(746)	400
	<u>(7,512)</u>	<u>8,359</u>
Net cash inflow from operating activities	<u>27,576</u>	<u>33,321</u>
Returns on investments and servicing of finance		
Interest received	646	1,507
Dividends received	40	64
Interest paid	(12,261)	(3,568)
Dividends paid - to minority interests	(182)	(109)
	<u>(11,757)</u>	<u>(2,106)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(11,757)</u>	<u>(2,106)</u>
Taxation		
UK Corporation tax recovered/ (paid)	1,562	(1,712)
Overseas tax paid	(5,377)	(3,047)
	<u>(3,815)</u>	<u>(4,759)</u>
Tax paid	<u>(3,815)</u>	<u>(4,759)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(16,486)	(14,752)
Purchase of unlisted fixed asset investment	(32)	(1,513)
Sale of tangible fixed assets	4,237	1,221
(Purchase)/ sale of unlisted current asset investments	(931)	20
	<u>(13,212)</u>	<u>(15,024)</u>
Net cash outflow from capital expenditure and financial investment	<u>(13,212)</u>	<u>(15,024)</u>
Acquisitions and disposals		
Purchase of subsidiary undertakings	(102)	(121,886)
Sale of subsidiary undertakings	-	21,370
	<u>(102)</u>	<u>(100,516)</u>
Net cash inflow from disposals	<u>(102)</u>	<u>(100,516)</u>
Management of liquid resources		
Short term deposits (placed)/uplifted	3,295	(2,633)
	<u>3,295</u>	<u>(2,633)</u>
Net cash inflow/ (outflow) from management of liquid resources	<u>3,295</u>	<u>(2,633)</u>

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

	2008 £'000	2007 £'000
Financing		
Loans advanced	764	130,000
Loans repaid	(10,290)	(47,760)
Finance lease advances/ (repayments)	14	(58)
Net cash (outflow)/ inflow from financing	(9,512)	82,182

(b)
Analysis of net funds/(debt)

	2008 £'000	Cash Flow £'000	Acquisitions £'000	Exchange Differences £'000	2007 £'000
Cash at bank and on hand	10,736	(12,793)	-	5,666	17,863
Bank overdrafts	(24,453)	5,266	-	(1,744)	(27,975)
	(13,717)	(7,527)	-	3,922	(10,112)
Liquid resources	-	(3,295)	-	-	3,295
Loans due within one year	(25,205)	(14,957)	-	1	(10,249)
Loans due outwith one year	(84,557)	24,483	-	(1,461)	(107,579)
Finance leases	(1,711)	(14)	-	(412)	(1,285)
	(125,190)	(1,310)	-	2,050	(125,930)

22. CONTINGENT LIABILITIES AND GUARANTEES

	GROUP		COMPANY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank guarantees	2,000	3,403	-	-
Uncalled liability on investments	-	-	4,300	4,300
Foreign currency contracts	183,096	27,040	-	-
	185,096	30,443	4,300	4,300

Included in contingent liabilities and guarantees of the Group is £2,000,000 (2007: £3,403,000) of bank guarantees given in the ordinary course of business.

Included in contingent liabilities and guarantees of the Company is £4,300,000 (2007: £4,300,000) for the benefit of subsidiary undertakings.

At 31 December 2008, open forward currency contracts whose settlement dates ranged from 1 to 12 months from the year-end date amounted to £183,096,000 (2007: £27,040,000).

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

23. FINANCIAL COMMITMENTS

(a) Capital Commitments

Amounts contracted for but not provided in the accounts amount to £338,851,000 for the Group and £Nil for the Company (2007: £589,000 and £ Nil).

(b) Operating Lease Commitments

	GROUP		COMPANY	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Operating leases – land and buildings				
Annual commitment under contracts expiring:				
Between one and five years	803	696	125	-
Over five years	955	805	-	145
	<u>1,758</u>	<u>1,501</u>	<u>125</u>	<u>145</u>

24. PENSIONS

The Group operates several pension schemes.

The UK main scheme, to which most employees belong, is a contributory final salary defined benefit schemes, the assets being held in a separate trustee administered fund. The North American scheme is a contributory defined benefit schemes.

James Finlay has adopted the amendment to FRS 17 in 2008. Accordingly scheme assets are valued using current bid price. This has not led to a restatement of prior year results.

24a PENSION CHARGES AND BALANCES WITHIN FINANCIAL STATEMENTS

24a (i) PENSION ASSET / (LIABILITY) INCLUDED IN BALANCE SHEET

	UK	North America	UK	North America
	2008	2008	2007	2007
	£'000	£'000	£'000	£'000
Market Value of scheme assets	43,103	328	54,949	263
Actuarial value of scheme liabilities	(47,492)	(560)	(51,729)	(307)
Closing net pension (liability)/asset	<u>(4,389)</u>	<u>(232)</u>	<u>3,220</u>	<u>(44)</u>
Related deferred tax asset / (liability)	1,229	93	(966)	17
Net pension (liability) / asset	<u>(3,160)</u>	<u>(139)</u>	<u>2,254</u>	<u>(27)</u>

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

24a (ii) PENSION INCOME / (CHARGE) IN PROFIT AND LOSS ACCOUNT

	UK 2008 £'000	North America 2008 £'000	UK 2007 £'000	North America 2007 £'000
Current service cost	1,274	74	1,157	179
Past service cost	116	-	-	-
	<u>1,390</u>	<u>74</u>	<u>1,157</u>	<u>179</u>
Expected return on pension fund assets	3,440	28	3,255	100
Interest on pension fund liabilities	(2,955)	(25)	(2,600)	(138)
Net return	<u>485</u>	<u>3</u>	<u>655</u>	<u>(38)</u>
Net profit and loss charge	<u>905</u>	<u>71</u>	<u>502</u>	<u>141</u>

24a (iii) PENSION (LOSSES) / GAINS IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	UK 2008 £'000	North America 2008 £'000	UK 2007 £'000	North America 2007 £'000
Actual return less expected return on pension assets	(12,822)	(137)	(445)	(10)
Experience gains and losses arising on the liabilities	4,511	(139)	(674)	593
Changes in assumptions underlying the present value of the scheme liabilities	150	(29)	2,020	15
Actuarial gain recognised in statement of total recognised gains and losses	<u>(8,161)</u>	<u>(305)</u>	<u>901</u>	<u>598</u>

24a (iv) CUMULATIVE AMOUNTS RECOGNISED DIRECTLY TO EQUITY

	2008	2007	2006	2005	2004
Cumulative (losses)/gains brought forward	4,937	3,438	1,395	473	-
(Losses)/Gains recognised during the year	(8,466)	1,499	2,043	922	473
	<u>(3,529)</u>	<u>4,937</u>	<u>3,438</u>	<u>1,395</u>	<u>473</u>

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

24a (v) MOVEMENT IN ASSETS SURPLUS / (DEFICIT) OF THE SCHEME DURING THE YEAR:

	UK	North America	UK	North America
	2008	2008	2007	2007
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	54,949	263	53,105	2088
Expected return on assets	3,440	28	3,254	100
Contributions by scheme members	107	-	94	-
Contributions by the employer	1,457	202	1,118	330
Actuarial losses	(12,822)	(137)	(446)	(10)
Benefits paid	(4,028)	(124)	(2,176)	(2,215)
Exchange rate gains/(losses)	-	96	-	(30)
Closing fair value of scheme assets	43,103	328	54,949	263

24a (vi) MOVEMENT IN LIABILITIES SURPLUS / (DEFICIT) OF THE SCHEME DURING THE YEAR:

	UK	North America	UK	North America
	2008	2008	2007	2007
	£'000	£'000	£'000	£'000
Opening defined benefits obligations	51,729	307	51,370	2,851
Current service cost	1,274	74	1,305	179
Interest cost	2,955	25	2,600	138
Contributions by plan participants	107	-	94	-
Actuarial losses/ (gains)	(4,661)	168	(1,350)	(608)
Past service cost	116	-	148	-
Gains on curtailments	-	-	(262)	-
Benefits paid	(4,028)	(124)	(2,176)	(2,215)
Exchange rate gains/(losses)	-	110	-	(38)
Closing defined benefits obligations	47,492	560	51,729	307

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

24a (vii) HISTORY OF EXPERIENCE GAINS AND LOSSES

UK Schemes:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return on scheme assets	11,496	445	(555)	(4,539)	(1,065)
Fair value of assets	43,103	54,949	50,682	47,020	38,257
Percentage of assets	26.7%	0.8%	(1.1%)	(9.7%)	(2.8%)
Experience gains/(losses) on liabilities	(40)	(674)	(122)	9	(27)
Present value of liabilities	47,492	51,729	48,673	47,955	43,141
Percentage of the present value of liabilities	(0.1%)	(1.3%)	(0.3%)	0.0%	(0.1%)

North American scheme:

	2008 £'000	2007 £'000	2006 £'000
Difference between the expected and actual return on scheme assets	(137)	10	(125)
Value of assets	328	263	2,088
Percentage of assets	(41.8%)	(3.8%)	(6.0%)
Experience gains/(losses) on liabilities	(139)	593	(68)
Present value of liabilities	560	307	2,851
Percentage of the present value of liabilities	(24.8%)	193.2%	(2.4%)

24a (viii) JAMES FINLAY PENSION SCHEME

The James Finlay Pension Scheme is the main pension scheme of the Group and covers the majority of employees. This scheme provides salary related benefits on a defined benefit basis funded from assets held in separate trustee-administered funds. The pension scheme trustees manage the scheme in the short, medium and long term. They make funding decisions based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities. Valuations of the scheme are performed by Hymans Robertson actuaries. Formal valuations are undertaken at least every three years.

The valuation used for the accounting for the main UK scheme has been based on the actuarial valuation at 31 December 2007 and updated by Hymans Robertson, a qualified independent actuary, to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 December 2008. The valuation of the North America scheme is based on independent actuarial reports prepared for local purposes.

The financial assumptions used to calculate scheme liabilities are:

	UK 2008	North America 2008	UK 2007	North America 2007	UK 2006	North America 2006
Discount rate	6.0%	6.0%	5.8%	6.4%	5.1%	6.0%
Salary increases	4.0%	3.0%	4.3%	3.0%	4.9%	3.0%
Pension increases	3.0%	0.0%	3.3%	2.5%	2.9%	2.5%
Price inflation	3.0%	0.7%	3.3%	2.5%	2.9%	2.5%

In valuing the liabilities of the pension fund at 31 December 2008, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived one year longer, the value of the reported liabilities at 31 December 2008 would have increased by £1.3m before deferred tax.

The assumptions relating to the longevity underlying the pension liabilities at the balance sheet date are based on the standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

JAMES FINLAY LIMITED
NOTES TO THE ACCOUNTS (Continued)

Current pensioner aged 65: 22 year (male), 25 years (female)
 Future retiree upon reaching 65: 23 years (male), 26 years (female)

The expected return on assets is based on the long term expectation for each asset class at the beginning of the period. The assumptions as at 31 December 2008 are set out below.

The assets in the UK schemes and the expected rates of return were:

	Long term Return % p.a.	Fund value at 31.12.08 £'000	Long term Return % p.a.	Fund value at 31.12.07 £'000	Long term Return % p.a.	Fund value 31.12.06 £'000
Equities	6.40	24,395	7.00	34,408	6.90	32,923
Corporate bonds	6.00	9,899	5.80	11,728	5.10	8,991
Government bonds	3.80	7,924	4.40	7,382	4.40	8,036
Cash	2.00	885	5.50	1,431	5.25	732
Total		43,103		54,949		50,682
Actuarial value of liabilities		(47,492)		(51,729)		(48,673)
Surplus/(deficit) in the fund		(4,389)		3,220		2,009
Related deferred tax asset/(liability)		1,229		(966)		(603)
Net pension (liability)/asset		(3,160)		2,254		1,406

The assets in the North America scheme were:

	Long term Return % p.a.	Fund value at 31.12.08 £'000	Long term Return % p.a.	Fund value at 31.12.07 £'000	Long term Return % p.a.	Fund value 31.12.06 £'000
Equities	6.40	0	7.40	193	7.00	1,280
Corporate bonds	6.00	0	6.40	63	6.00	268
Cash	2.00	328	4.50	7	4.30	540
Total		328		263		2,088
Actuarial value of liabilities		(560)		(307)		(2,851)
Deficit in the fund		(232)		(44)		(763)
Related deferred tax asset		93		17		305
Net pension liability		(139)		(27)		(458)
Total net pension (liability)/asset		(3,299)		2,227		948