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Report and Accounts **2007**

Contents

Chairman's statement

The Group profit for the year before tax, biological assets and hyperinflation adjustments amounted to £2,417,000 compared with £1,723,000 for 2006 Including the adjustments for biological assets and Zimbabwe hyperinflation, the Group profit before tax was £3,618,000 (2006 £3,199,000)

For the reasons I gave in my Chairman's statement last year, I would again encourage shareholders to treat these adjustments with caution They are shown in a separate column in the profit and loss account, and the hyperinflation adjustments are shown separately on the Group Balance Sheet

Towards the end of 2006, Group borrowings were significantly reduced when all the issued loan stock of £7 5 million was converted into ordinary shares Consequently, the net interest cost was only £574,000 in 2007, compared with £1,252,000 in 2006

The Food Group was affected by a fall in tea prices last year, despite tea production holding up well The decline in prices was mitigated by a better quality of tea in Malawi, the result of improvements we have made over the past few years The Malawi tea operations were also affected by local cost inflation of around 8%, not matched by any decline in the exchange rate

Our tea operations at Eastern Highlands in Zimbabwe continue to be the most challenging General economic malaise and soaring hyperinflation have made it impossible to recruit enough labour With such severe inflation (officially recorded at 66,000% p a at the end of 2007) and large but unpredictable movements in the market exchange rate, it is impossible to track the true financial performance of this business In the circumstances, it is a great credit to the local management that tea production declined by only 5% last year

The Zimbabwe government has recently passed an "Indigenisation and Economic Empowerment Act", which might lead to the compulsory transfer of controlling interests in all Zimbabwe companies to indigenous Zimbabweans At this stage it is too early to assess what impact this might have on Eastern Highlands

The Group's perishables businesses in Zambia improved considerably in 2007 Rose production at Khal Amazi increased by 26% as it successfully integrated the Sunrose business acquired during 2006 Our vegetable business, Chalimbana, had its first profitable year since it started trading in 2005

Jensen, the Group's Russian property management business, was successful during 2007 in fully committing the US$101 million fund it raised during 2006 to investments The entire fund is invested in residential, commercial retail and industrial projects in the Saint Petersburg region In addition to the mixed-use Petrovsky Arsenal project, the Fund compiled a portfolio of high street retail assets throughout central Saint Petersburg and made several land acquisitions outside of Saint Petersburg In its retail portfolio, Jensen has signed new leases or renegotiated terms with several of the existing tenants, increasing the revenue of the portfolio

Jensen's original smaller fund valuations continue to show strong growth, reflecting the buoyancy of the property market in Saint Petersburg The results for Jensen include the uplift in the value of the first fund, originally established in 1994

We are recommending an ordinary dividend of 0 25p per share (2006 0 25p, paid January 2007) payable on 5 August 2008 to Shareholders on the register on 2 May 2008

Further details of the Group's activities and performance are given in the Review of Activities on pages 2 and 3

We have started the current year with a mixed performance Our tea businesses have benefited from higher tea prices and good growing conditions, but in Zambia our estates have suffered from exceptionally high rainfall that has held back rose production

We were saddened to report in December 2007 the death of David Fish in a tragic accident He had been a Director only for a short time, but we will miss his contribution

Last but not least, I would like to thank all the Group's employees for their work and commitment during the year

Rupert Pennant-Rea
Chairman
15 April 2008

Review of activities

Food Group
This division operates the food and flower business units in Malawi, Zambia and Zimbabwe The products tea, roses, fresh vegetables and macadamia nuts are mostly marketed to European supermarkets and food processors

Financial Results
The division made an operating profit of £3,388,000 on a turnover of £17,486,000 This is a drop in profitability by 10% over last year, driven mostly by lower tea prices

The division's turnover is split between

Tea	48%
Cut Flowers	39%
Vegetables	9%
Macadamia Nuts	4%

Net operating assets increased by 3% to £17,973,000 Capital expenditure was £1,816,000 which included the purchase of the freehold land of one of our rose greenhouse sites in Zambia Of the remainder the majority was spent on new field and factory investments in our Malawi tea business

Tea
Our tea is grown in Malawi and Zimbabwe Total tea production increased by 99 tonnes to 16,373 tonnes over 2006 Lujeri Tea Estates, our Malawi business, produced 12,641 tonnes of this total, an increase of 3% over last year

Lujeri continues to replant its older seedling tea with improved tea varieties that are selected for both their yield and quality characteristics Volumes will continue to rise over the next 5 years as these plantings come to maturity

Our Zimbabwe tea business, Eastern Highlands Plantations Ltd continues to operate though under the most challenging of conditions Tea production declined by 5% from a failure to attract sufficient workers onto the estate, and this business now accounts for only 6% of the turnover of the division

It is most unlikely that this business will be able to improve its productivity until there is a resolution to the hyper inflationary conditions under which it is operating

In the year the average Malawi auction tea price declined by 17% or 23 US cents per kilogram Against this, Lujeri's tea price declined by 6% This lower decline is a result of the significant investments we have made over the last few years into improving our manufacturing capacity which in turn has allowed us to make a more consistent quality of tea

In Malawi we process tea for 5,500 smallholders As part of our strategy for maximising their returns we provide them with extension services that have resulted in significant yield and quality improvements We have now embarked on the process of having them accredited to "Fairtrade" standards which should result in improved returns to them

Cut Flowers
Our Zambian business, Khal Amazi Ltd produced 131 million stems, a 26% increase This volume growth came from both the new greenhouses we have erected at the Kapwelyomba site and the benefits of the Sunrose acquisition we made in 2006

All our production is the smaller headed roses which are sold across a wide range of northern European supermarkets

Our airfreight forwarding company increased its market share for perishables from Zambia and we expect this to grow further this year

Vegetables
Chalimbana Fresh Produce operates a farm and packhouse in Zambia The fresh vegetables produced are all exported to European supermarkets We have refined the business model further and now concentrate on both conventional and organic peas This strategy has increased shipments and improved profitability

During the year we changed our UK marketing partner and the new arrangements have increased the availability of our products to UK supermarkets

Macadamia Nuts
The new nut cracking factory that we built in 2006 started operations in February 2007 and has processed 277 tonnes of kernel in its first year of operation The nuts are sourced from our own orchards in Malawi We have 762 hectares in the ground and as they mature over the next 6 years crops will double

The market response has been encouraging and we will now look at how we can add value to our nuts at origin

Review of activities continued

Jensen Group

Jensen Group successfully committed Jensen Group I Limited Partnership, a US$100,835,000 fund raised in 2006, to investment projects in Saint Petersburg and the Saint Petersburg region In addition to its Sestra River Developments mixed use project (renamed Petrovsky Arsenal), the fund has invested in several land sites and has assembled a portfolio of high street retail properties

Petrovsky Arsenal is a property spun out of Sestroretsk Instrument Works, founded by Peter the Great in 1721 On the 13 9 hectare site, the Fund has obtained preliminary permission to build approximately 150,000 square metres of mixed-use space The property sits in the town of Sestroretsk, inside the Saint Petersburg administrative region and among the most prestigious suburbs in the area It is anticipated construction on the first phase of the property will begin during the second half of 2008

The land plots acquired by the Fund are located outside of central Saint Petersburg and will take advantage on the growth of the City and the market trend of suburbanisation Most of the land acquired will be developed for residential or industrial uses The retail portfolio acquired by the Fund includes assets located throughout central Saint Petersburg with a concentration of assets located near the Okhta Center development where Gazprom Neft (the oil division of Gazprom) is planning to build a 300 meter tower to relocate its headquarters from Moscow

In addition to Jensen Group I Limited Partnership, Jensen manages Sestroretsk Instrument Works, a 13 1 hectare territory and eight smaller investment funds which were set up and have been invested since 1994 The earlier funds increased in value during 2007 in addition to earning rent from the largely foreign tenants leasing them These funds are comprised of residential, commercial and retail properties in the heart of Saint Petersburg along the City's main thoroughfares and canals as well as in the prestigious suburb of Sestroretsk

For management of these investments, Jensen Group receives a management fee and/or a carried interest on all distributions made after the investors receive their investment capital back plus a preferred return

Directors and advisers

Directors

R L Pennant-Rea (Non-executive Chairman)
Non-Executive Chairman of PGI Group Plc ("PGI") since September 1997 Chairman of Henderson Group plc, formerly Deputy Governor of the Bank of England and Editor of The Economist Non-Executive Chairman of Electra Kingsway VCT plc, and a Director of a number of other companies (Age 60)

S W Wayne (Chief Executive)
Chief Executive since July 2005 An American who manages property investments in Russia A graduate of Harvard University, was employed by Morgan Stanley in New York & London (Age 42)

G Moores (Finance Director)
Finance Director of PGI since 1988, Chartered Accountant (Age 60)

S S Hobhouse (Executive Director)
Director of PGI since 1993, responsible for the Group's African interests (Age 43)

S N Roditi (Non-executive Director)
Director of PGI since 1997 Principal of an independent investment advisory company and a director of a number of private companies (Age 62)

Dr J T Makoni (Non-executive Director)*
Director of PGI since 2001 Zimbabwean (Age 52)

B P Hill (Non-executive Director)*
Director of PGI since September 2004 A chartered accountant A tax partner with PricewaterhouseCoopers prior to his retirement in 2004 (Age 57)

C E Ryan (Non-executive Director)*
Director of PGI since June 2005 An American who is Chief Country Officer and Chief Executive of Deutsche Bank Russia (Age 40)

* The Board considers these non-executive directors to be independent because they are free from any relationship which could materially interfere with their judgement

Secretary and registered office

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Registered number
1338135

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HSBC,
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Auditors
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Solicitors
Lovells LLP,
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50 Holborn Viaduct,
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Registrars
Capita Registrars,
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Woodsome Park,
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West Yorkshire HD8 0LA

Stockbrokers
Panmure Gordon & Co ,
Moorgate Hall,
115 Moorgate,
London EC2M 6XB

Directors' report

The directors present their report and audited accounts for the year ended 31 December 2007

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year in accordance with applicable law and regulations

The directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union The Directors have also elected to prepare the Company financial statements under IFRS

The directors, in preparing the financial statements, are required to use suitable accounting policies and to apply them consistently, to make reasonable and prudent judgements and estimates and to state that the consolidated and company financial statements comply with IFRS as adopted by the European Union

The directors have responsibility for ensuring that the Company and the Group prepare and maintain accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group at that time and which enable them to ensure that the financial statements comply with the Listing Rules and the Companies Act 1985 and Article 4 of the IAS Regulation

The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the financial information on the Company's website

After making appropriate enquiries, the directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

To the best of the directors' knowledge and belief there is no audit information relevant to the preparation of the Auditors' Report of which the auditors are unaware and each director has taken all the steps which he ought to have taken to make himself aware of such relevant information and to establish that the auditors are also aware of that information

Principal activities and business review

The Company is domiciled and originally incorporated in the United Kingdom under the Companies Act 1948

The Company is a holding company whose subsidiary undertakings are engaged in the production of tea, roses, vegetables and macadamia nuts, and also in property investment management The business review is given in the Review of Activities on pages 2 and 3

In addition, the principal risks and uncertainties are

- The Group's operations are based in Zimbabwe, Malawi, Zambia and Russia The political, economic, legal and regulatory environments in the countries differ in many respects from those in more developed countries Consequently, the Group results and assets could be affected by factors such as political or labour unrest, violence and lack of law enforcement, expropriation of property, high inflation and interest rates not off-set by devaluations of the local currency and imposition or change of exchange controls

- The Food Group businesses could also be affected by unexpected variations in weather patterns affecting the crops and variations in commodity prices

Results and dividends

The results for the year are shown in the consolidated income statement on page 12

A final dividend in respect of the year ended 31 December 2007 of 0 25p per share (2006 Interim 0 25p) is recommended by the directors for payment on 5 August 2008 to shareholders on the register on 2 May 2008 A final dividend can only be paid after it has been approved by the shareholders and cannot exceed the amount recommended by the board Resolution 12 to be proposed at the Annual General Meeting would declare this dividend

Share capital

As at 31 December 2007, the Company's authorised share capital was £50,000,000, consisting of 200,000,000 ordinary shares of 25p each, of which 129,459,665 were in issue and fully paid and no shares were held in treasury The Company's articles of association, the contents of which are incorporated in this report by reference, set out the rights and obligations attaching to the ordinary shares, the restrictions on transfer of shares in the Company, restrictions on the voting rights attaching to shares in the Company, the Company's rules on the appointment and replacement of directors, the powers of the Company's directors, including in relation to the issuing and buying back of shares in the Company, The Company has no rules about the amendment of its articles of association

There are no agreements between holders of the Company's securities that are known to the Company and may result in restrictions on the transfer of securities or on voting rights No securities carry special rights with regard to control of the Company There are no shares to which an employees' share scheme relates which have rights with regard to control of the Company that are not exercisable directly by the employees There are no significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid

Directors' report continued

During the year the only change in the share capital of the Company was the issue of 154,960 ordinary shares of 25p each, credited as fully paid up, pursuant to the exercise of options by Mr R J Clothier (a former director)

As at 31 December 2007, the Company had an unexpired authority to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of up to a maximum of 12,930,470 of its ordinary shares of 25p each

Financial risk management
Information on financial instruments and other risks is set out in Note 26 to the financial statements

Authority to allot shares and disapplication of pre-emption rights
The Companies Act 1985 requires that to allot unissued shares the directors must receive authority from shareholders The Company's articles of association give a general authority to the directors to allot unissued shares, which is subject to renewal by the shareholders Resolution 13 to be proposed at the Annual General Meeting would allow the directors to issue new shares up to a total nominal value of £10,788,305 (the Section 80 amount), which represents 33 33 per cent of the Company's issued share capital as at 31 December 2007 and as at 14 April 2008, being the latest practicable date before this report This authority would lapse on 30 June 2009 or, if earlier, the date of the Company's next annual general meeting The Company holds no shares as treasury shares (within the meaning of section 162A of the Companies Act 1985) The directors have no present intention of exercising this authority but, as in previous years, consider it desirable that they should have the flexibility to issue new shares from time to time to enable them to act in the best interests of shareholders when opportunities arise

The Companies Act 1985 requires that, subject to certain exceptions, before directors of a company can issue any new shares (or sell treasury shares) for cash, the shares must first be offered to existing members of the company in proportion to the number of shares which they hold at the time of the offer The Company's articles of association give a general authority to the directors so that this statutory pre-emption requirement does not apply to allotments of shares or the sale of treasury shares for cash up to a specific amount, which is subject to renewal by shareholders Resolution 14 to be proposed at the Annual General Meeting would allow the directors to allot shares or sell treasury shares for cash only

(a) up to a nominal value of £1,618,245 (the Section 89 amount), which represents 5 per cent of the Company's issued share capital as at 31 December 2007 and as at 14 April 2008, being the latest practicable date before this report, and

(b) in a rights issue (as defined in article 10 1 of the Company's articles of association)

This means that the rights of existing shareholders are protected If a share issue is not a rights issue, the proportionate interest of existing shareholders could not, without their agreement, be reduced by more than 5 per cent by the issue of new shares or the sale of treasury shares for cash to new shareholders This authority would lapse on 30 June 2009 or, if earlier, the date of the Company's next annual general meeting Again, the directors have no present intention of exercising this authority but, as in previous years, consider it desirable that they should have the flexibility to act in the best interests of shareholders when opportunities arise

Authority to make market purchases of shares
Resolution 15 to be proposed at the Annual General Meeting seeks renewal of the authority for the Company to purchase its own shares The authority allows for the purchase of up to 12,945,966 ordinary shares, representing 10 per cent of the Company's issued share capital at 31 December 2007 The directors remain of the opinion that it would be advantageous for the Company to be in a position to purchase its own shares through the London Stock Exchange, should market conditions and price justify such action The calculation of minimum and maximum prices is set out in the resolution Purchases would only be made after the most careful consideration, where the directors believed that an increase in earnings or net assets per ordinary share would result and where purchases were, in the opinion of the directors, in the best interests of the Company and its shareholders

Companies are now allowed to hold their own shares which have been purchased in this way in treasury rather than having to cancel them The directors would, therefore, consider holding the Company's own shares which had been purchased by the Company as treasury shares as this would give the Company the flexibility of being able to sell such shares quickly and cost-effectively where it considered it in the interests of shareholders to do so Whilst any such shares are held in treasury, no dividends will be payable on them and they will not carry any voting rights

As at the date of this report there were options to subscribe for 1,643,276 ordinary shares outstanding under the Company's share option schemes If all of the options were exercised, the resulting number of shares would represent (a) 1 25% of the enlarged issued equity share capital and (b) if the proposed authority to purchase shares were exercised in full, 1 39% of the enlarged issued equity share capital (excluding any share capital which may be purchased and held in treasury)

Directors' report continued

New articles of association
It is proposed that the Company adopt new articles of association, principally to reflect certain provisions of the Companies Act 2006 currently in force, but also to update the articles in line with common listed company practice As the proposed changes affect various provisions in the current articles, it is considered more practical to seek to replace the current articles in full rather than to seek approval for numerous individual amendments The principal changes introduced in the new articles are described in the appendix to this report on page 59, which also states where the full text of the new articles may be inspected

Disabled persons
It is Group policy to give full and fair consideration to applications for employment made by disabled persons In the event of an employee becoming disabled the Group offers, if appropriate, retraining or suitable alternative employment

Employee involvement
The Group recognises the importance of effective communication and employees are encouraged to develop their contribution to their respective companies

Creditor payment policies
Subsidiary companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted It is Group policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions

At the year end the average number of days credit taken by the Group for trade purchases was 23 days (2006 28 days)

Liability insurance for company officers
As permitted by section 309A of the Companies Act 1985 and section 233 of the Companies Act 2006, the Company has maintained insurance cover for the directors against liabilities in relation to the Company

Directors
The directors of the Company who served during the year were as follows

R L Pennant-Rea
S W Wayne
G Moores
S S Hobhouse
S N Roditi
Dr J T Makoni
B P Hill
C E Ryan
D G K Fish (appointed 12 July 2007 – died 22 December 2007)

Mr Pennant-Rea and Mr Roditi, who have each served as non-executive directors for more than nine years, will be submitting themselves for re-appointment at the forthcoming Annual General Meeting as provided in the Combined Code of Corporate Governance

Mr Pennant-Rea and Mr Roditi do not have service agreements with the Company or any of its subsidiary undertakings

Mr Hill, Mr Wayne, Dr Makoni, Mr Moores and Mr Hobhouse, are retiring in accordance with the Articles of Association and, being eligible, will offer themselves for re-appointment at the forthcoming Annual General Meeting

Mr Wayne has a consultancy agreement with the Company which is terminable by the Company by giving not less than 3 months' notice It is terminable by Mr Wayne on giving not less than 3 months' notice at any time after the first anniversary of the agreement or ten business days' written notice in certain specified circumstances

Mr Hill and Dr Makoni do not have service agreements with the Company or any of its subsidiary undertakings

Mr Moores and Mr Hobhouse have service agreements with the company which are terminable by either party giving not less than 18 months' notice

Details of the directors' interests in the securities of the Company and its subsidiaries are shown in Note 29 to the accounts

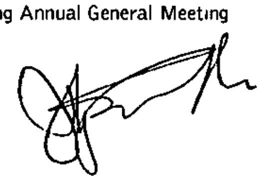
Substantial share interests
On 15 April 2008, the Company had been notified of the following interests amounting to 3 per cent or more of the issued ordinary share capital

		Percentage of class
S N Roditi*	85,192,323	65 81
Vighignolo Reserve Entity Limited	5,635,585	4 35
Jensen Group Holdings LLC*	9,200,000	7 11

* Included in directors' interests (Note 29 to the accounts)

Auditors
A resolution for the re-appointment of Ernst & Young LLP as auditors of the Company and a separate resolution to give the directors authority to determine their remuneration are to be proposed at the forthcoming Annual General Meeting

By Order of the Board
D G Saveker
Secretary



81 Carter Lane,
London EC4V 5EP
15 April 2008

Corporate governance

The Company has complied throughout the year with the Code provisions set out in Section 1 of the Principles of Good Governance and Code of Best Practice ("the Combined Code") issued in July 2005 with the exception of certain matters set out below

The Board of directors currently comprises three executive directors and five non-executive directors Directors' details, are shown on page 4 The Board meets regularly to exercise full and effective control over the Company and its subsidiaries The main Board met a total of five times during the period 1 January 2007 to 31 December 2007

Messrs R L Pennant-Rea, S W Wayne, G Moores, S S Hobhouse, Dr T J Makoni and S N Roditi attended all five meetings Mr B P Hill attended four meetings, Mr C E Ryan attended three meetings and Mr D G K Fish attended one meeting

The Board has a number of matters reserved for its consideration, with the principal responsibilities being to agree overall strategy and investment policy, to approve major capital expenditure and acquisitions and divestments, to monitor performance and to ensure that there are proper internal controls in place The Chairman is one of the non-executive directors and there is a clear division of responsibility between the Chairman and Chief Executive

The Board has not formally nominated a senior independent director other than the Chairman, but would in circumstances where it was necessary, meet to agree a suitable nomination, taking into account the facts of the situation at the time

The appointment of new directors is considered by the Board as a whole and no separate nomination committee is felt to be necessary No formal terms and conditions for the appointment of non-executive directors are currently prepared but the provisions of the Combined Code may be adopted for any new appointments

Any director may, in furtherance of his duties, take independent professional advice, where necessary, at the expense of the Company All directors have access to the Company Secretary whose appointment and removal is a matter for the Board as a whole and who is responsible to the Board for ensuring that agreed procedures and applicable rules and regulations are observed

The directors who are seeking re-appointment at the forthcoming Annual General Meeting are set out on page 7 In accordance with the articles of association each director must retire from office on the date which is three years from the date of the director's appointment or last re-appointment unless the director has been re-appointed on or before that date A retiring director is eligible for re-appointment

The directors who have served for more than nine years will submit themselves for re-appointment each year thereafter

The Company maintains an ongoing dialogue with its shareholders The Company's majority shareholder, Mr S N Roditi, is also a non-executive director of the Company The Annual General Meeting provides the principal forum for communication between the Company and its private shareholders Information about the Company is also made available on the Company's website at www pgi-uk com

The Audit Committee currently comprises three non-executive directors and met three times during the year

Messrs R L Pennant-Rea and S N Roditi attended all three meetings Mr B P Hill attended two meetings and Mr D G K Fish attended one meeting

Mr D G K Fish was appointed Chairman of the Audit Committee in place of Mr B P Hill on 28 November 2007 Mr B P Hill took over the Chairmanship again following the death of Mr D G K Fish on 22 December 2007

Mr R L Pennant-Rea is also the Chairman of the Company and Mr S N Roditi is also not deemed to be independent For those reasons the Committee did not comply with the recommendations of the Combined Code However, the Committee membership was considered appropriate in view of the limited number of non-executive directors

The Audit Committee discharges its responsibilities by discussing with the Company's auditors any matters concerning accounting or financial reporting

The Audit Committee's duties include reviewing the external audit arrangements and making recommendations to the Board about any appointment and changes, and monitoring the nature and extent of non-audit services provided by the auditors to ensure their independence and objectivity is maintained The auditors' responsibilities are set out on page 55

The Audit Committee has recently formally reviewed arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters

The performance of the Board and its subcommittees was formally evaluated towards the end of 2006 This evaluation involved the completion and review of performance assessment questionnaires and appraisal interviews Based on the results of the performance evaluation process, the Chairman concluded that each member of the Board, the Board collectively and its committees contributed effectively to the running of the Company No performance evaluation was carried out in 2007 but it is the intention that a formal evaluation will be undertaken in 2008

Corporate governance continued

The terms of reference of the Remuneration and Audit Committees are available on request from the registered office of the Company

Internal control

The directors are responsible for the Group's systems of internal control which are designed to provide reasonable assurance that the assets of the Group are safeguarded and that transactions are properly authorised and recorded A system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, but not absolute, assurance against misstatement or loss

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group was in place at 31 December 2007 and continued up to the date of approval of the annual report and accounts The Board reviews the risk management process primarily through the Audit committee It believes that, overall, the Group complies with the guidance contained in the Turnbull Committee Report "Internal Control Guidance for *directors on the Combined Code*"

The Group maintains a system of internal financial controls, the key features of which are

- A defined organisation structure including the specification of accountability and delegated authority
- A comprehensive budgeting system with an annual Group budget approved by the Board
- A continual process of considering actual results compared with budget
- The approval of all significant capital expenditure

The directors consider that the above system of internal financial controls is adequate for the current size and structure of the Group and does not require a formal internal audit function

The directors regularly review the effectiveness of the Group's systems of internal control and, when necessary, take appropriate actions to make improvements The directors are satisfied that they have found no matters which indicated that the system of internal control was inadequate

The directors confirm that the Group has adequate resources to continue in operational existence for the foreseeable future and consequently they continue to adopt the going-concern basis in preparing the accounts

Remuneration report

The Remuneration Committee

The Remuneration Committee consists entirely of non-executive directors Its members throughout the year have been Messrs R L Pennant-Rea (Chairman), S N Roditi and B P Hill The Committee met twice during the year Messrs R L Pennant-Rea and S N Roditi attended both meetings Mr B P Hill attended one meeting The primary role of the Committee as set out in the terms of reference is to consider and make recommendations to the Board concerning the remuneration packages and conditions of service of the executive directors

The remuneration of the non-executive directors is determined by the Board of directors and the non-executive directors do not participate in any discussion or decisions relating to their own remuneration

Remuneration policy

Executive directors' remuneration packages are designed to attract, motivate and retain executives of the calibre needed to manage the Group's business They are designed to align their interests with those of shareholders and to give such executive directors incentives to perform at high levels The determination of their remuneration package is undertaken solely by the committee

The main elements of remuneration packages for executives are

- Basic annual salary,
- Benefits in kind, including the provision of private medical insurance and where appropriate a motor car,
- Performance related bonuses

The non-executive directors do not participate in any pension, bonus or share option schemes Their remuneration reflects both the time given and the contribution made by them to the Company's affairs, including membership or chairmanship of the Board or its committees

Service contracts

The executive directors' service contracts are as follows

Mr S W Wayne, Jensen Management LLC (a Delaware Limited Liability Company owned by S W Wayne) and the Company entered into a consultancy agreement of 18 April 2005 under which the Consultant has undertaken to provide to the Company specified services, including S W Wayne's services of Jensen Partners and Jensen Ltd and their subsidiaries The agreement is terminable by the Company on giving three months' notice to the Consultant and S W Wayne at any time It is terminable by the Consultant and S W Wayne on giving three months' written notice to the Company at any time after the first anniversary of the agreement or ten business days' written notice in certain specified circumstances

Messrs G Moores and S S Hobhouse have contracts dated 9 August 1995 which are terminable by either party giving not less than 18 months' prior written notice to the other party The contracts were in existence before the recommendations for a maximum notice period of 12 months were published

There are no other provisions in those contracts or otherwise for additional termination payments The non-executive directors do not have service contracts with the Company

Basic annual salaries

In setting the base annual salary of each director, the Committee takes into account the performance of that director

Annual performance related bonuses

Under the 2007 annual performance related bonus scheme, bonuses of up to 100% of base salary could have been earned by Mr S S Hobhouse and 60% of base salary by Mr G Moores for exceptional performance The level of award was dependent upon the actual performance compared to targets which were based on profitability, volumes, quality, costs, cash flow and overall performance

Based on these criteria, bonuses of 27%, and 20% of base salaries at 31 December 2007 were paid to Messrs S S Hobhouse and G Moores respectively The structure of the scheme in place for 2008 is largely unchanged from the 2007 scheme Neither of these bonuses is contractual

Remuneration report continued

Share option schemes

The rationale for granting options is that the scheme is an incentive which permits directors and employees to have a stake in the growth of the Company No options were granted during the year, nor in the previous three years

Pensions

Messrs G Moores and S S Hobhouse are members of the Plantation & General Pension Plan which is contracted out from the state earnings related pension scheme and provides benefits for directors and staff of the Group The benefits are pensions at retirement, pension to a spouse payable on death before or after retirement and life assurance cover based on a multiple of salary The plan is non-contributory for directors and staff No element of a director's remuneration package other than basic salary is pensionable The accrued pension entitlements are shown in Note 28 to the accounts

Directors' remuneration

Details of the directors' remuneration and share options are given in Note 28 to the accounts which also constitute part of this report

Performance graph

Set out in Note 28 to the accounts is a graph comparing the total shareholder return on the Company's shares against the FTSE All-Share Index over a five year period from 2003 to 2007 The index has been chosen as the most appropriate one against which the total shareholder return of the Company should be measured because the directors do not consider any other index exists for companies with operations similar to the Group

Audited information

The sections of this report relating to pensions and directors' remuneration have been audited

Approved by the Board on 15 April 2008

Rupert Pennant-Rea
Chairman

Consolidated income statement

for the year ended 31 December 2007

	Notes	2007 Result before biological assets and hyperinflation adjustments £000	2007 Biological assets and hyperinflation Adjustments £000	2007 Total £000	2006 Result before biological assets and hyperinflation adjustments £000	2006 Biological assets and hyperinflation adjustments £000	2006 Total £000
Continuing operations							
Revenue	2	18,713	(261)	18,452	17,430	(438)	16,992
Cost of sales		(8,768)	(117)	(8,885)	(7,897)	171	(7,726)
Gross profit		9,945	(378)	9,567	9,533	(267)	9,266
Distribution costs		(2,248)	(8)	(2,256)	(2,417)	6	(2,411)
Administrative expenses		(5,902)	(29)	(5,931)	(5,349)	(2)	(5,351)
Other operating income		154	15	169	636	(8)	628
Fair value adjustment to							
– investment properties		916	–	916	497	–	497
– biological assets	12	–	1,438	1,438	–	1,537	1,537
Operating profit		2,865	1,038	3,903	2,900	1,266	4,166
Finance revenue	4	88	–	88	156	–	156
Finance costs	4	(668)	6	(662)	(1,446)	38	(1,408)
Share of associate's results	3	132	–	132	113	–	113
Monetary working capital hyperinflation adjustment		–	157	157	–	172	172
Profit before taxation		2,417	1,201	3,618	1,723	1,476	3,199
Taxation	7	(655)	(251)	(906)	(667)	(326)	(993)
Profit for year from continuing operations		1,762	950	2,712	1,056	1,150	2,206
Discontinued operations							
(Loss) after taxation from discontinued operations	8	–	–	–	(126)	–	(126)
Net (loss) on disposal of operations	8	–	–	–	(88)	–	(88)
Total (loss) for year from discontinued operations		–	–	–	(214)	–	(214)
Profit for the year	5	1,762	950	2,712	842	1,150	1,992

					Restated	
Profit attributable to						
Equity holders of the parent	780	682	1,462	171	1,167	1,338
Minority interests	982	268	1,250	671	(17)	654
	1,762	950	2,712	842	1,150	1,992

	Notes	Pence		Pence	Pence (Restated)		Pence (Restated)
Earnings per ordinary share	9						
From continuing and discontinued operations							
– basic		0 60		1 13	0 17		1 29
– diluted		0 60		1 12	0 16		1 28
From continuing operations							
– basic		0 60		1 13	0 37		1 50
– diluted		0 60		1 12	0 37		1 49
Dividend per ordinary share	10			0 25			–

The Notes on pages 18 to 54 form part of these accounts

Balance sheets

at 31 December 2007

	Notes	Group 2007 Excluding hyperinflation adjustments £000	Group 2007 Including hyperinflation adjustments* £000	Group 2006 (Restated) Excluding hyperinflation adjustments £000	Group 2006 (Restated) Including hyperinflation adjustments* £000	Company 2007 £000	Company 2006 £000
ASSETS							
Non-current assets							
Goodwill	11	2,047	2,047	2,055	2,055	–	–
Biological assets	12	12,984	12,984	12,665	12,665	–	–
Property, plant and equipment	13	10,189	10,189	9,372	9,372	37	39
Hyperinflation adjustment		–	246	–	642	–	–
	13	10,189	10,435	9,372	10,014	–	–
Investment properties	13	2,208	2,208	1,313	1,313	–	–
Investments							
– associate	15	320	320	200	200	–	–
– other	15	45	45	43	43	41,463	41,306
		27,793	28,039	25,648	26,290	41,500	41,345
Current assets							
Inventories	16	2,128	2,128	2,061	2,061	–	–
Hyperinflation adjustment		–	134	–	42	–	–
	16	2,128	2,262	2,061	2,103	–	–
Trade and other receivables	17	1,983	1,983	1,759	1,759	41	44
Other financial assets	27	17	17	–	–	–	–
Cash and cash equivalents		2,006	2,006	2,840	2,840	1,515	2,340
		6,134	6,268	6,660	6,702	1,556	2,384
Total assets		33,927	34,307	32,308	32,992	43,056	43,729
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent company							
Share capital	18	32,365	32,365	32,326	32,326	32,365	32,326
Share premium account	19	425	425	420	420	425	420
Capital redemption reserve	19	250	250	250	250	250	250
Revaluation reserve	19	457	457	700	700	–	–
Retained earnings	19	(17,066)	(16,746)	(17,124)	(16,611)	6,051	6,350
		16,431	16,751	16,572	17,085	39,091	39,346
Minority interests	19	3,920	3,920	2,927	2,927	–	–
Total equity		20,351	20,671	19,499	20,012	39,091	39,346
Non-current liabilities							
Interest bearing loans and borrowings	20	1,552	1,552	1,383	1,383	–	–
Other payables	21	177	177	275	275	–	–
Provision for deferred tax liabilities	22	2,540	2,540	2,016	2,016	–	–
Hyperinflation adjustment		–	60	–	171	–	–
		2,540	2,600	2,016	2,187	–	–
Defined pension plan deficit	23	3,497	3,497	3,764	3,764	3,497	3,764
		7,766	7,826	7,438	7,609	3,497	3,764
Current liabilities							
Interest bearing loans and borrowings	20	3,291	3,291	2,755	2,755	–	–
Trade and other payables	21	2,229	2,229	2,102	2,102	403	371
Other financial liabilities	27	9	9	–	–	–	–
Current tax liabilities		281	281	514	514	65	248
		5,810	5,810	5,371	5,371	468	619
Total liabilities		13,576	13,636	12,809	12,980	3,965	4,383
Total equity and liabilities		33,927	34,307	32,308	32,992	43,056	43,729

* These are the Group's Balance Sheets for the years ended 31 December 2007 and 2006

The Notes on pages 18 to 54 form part of these accounts Approved by the Board on 15 April 2008

Directors
B P Hill

G Moores

Cash flow statements

for the year ended 31 December 2007

	Notes	Group 2007 Including hyperinflation adjustments £000	Group 2006 (Restated) Including hyperinflation adjustments £000	Company 2007 £000	Company 2006 £000
Operating activities					
Profit/(loss) before tax from continuing operations		3,618	3,199	(274)	(1,007)
(Loss) before tax from discontinued operations	8	–	(126)	–	–
Profit/(loss) before tax		3,618	3,073	(274)	(1,007)
Adjustments to reconcile profit before tax to net cash flows					
Non-cash					
Depreciation of property, plant and equipment		823	952	15	13
Disposal of property, plant and equipment		53	(38)	–	(9)
Additional retirement benefit costs		(200)	(179)	(200)	(179)
Share based payments		60	–	–	–
Disposal of shares to minority interests		4	–	–	–
Net finance costs – continuing operations		574	1,252	(88)	441
Net finance costs – discontinued operations		–	44	–	–
Fair value adjustments		(2,354)	(2,034)	–	–
Share of net profit of associate		(132)	(113)	–	–
Hyperinflation indexation adjustment		508	113	–	–
Monetary working capital hyperinflation adjustment		(157)	(172)	–	–
Working capital adjustments					
(Increase)/decrease in inventories		(159)	3	–	–
(Increase)/decrease in trade and other receivables		(241)	(329)	3	5
Increase/(Decrease) in trade and other payables		38	(277)	32	(297)
Exchange difference on working capital		(881)	(1,397)	(17)	(143)
Oversea tax paid		(445)	(135)	–	–
Net cash generated from operating activities		1,109	763	(529)	(1,176)
Cash flows from investing activities					
Capital expenditure		(1,837)	(2,146)	(13)	(37)
Disposal of property, plant and equipment		–	58	–	9
Acquisition of subsidiaries	15	–	(521)	–	–
Disposal of subsidiaries	25	–	528	–	–
Additions to investments (net)		9	16	(92)	(712)
Net cash from investing activities		(1,828)	(2,065)	(105)	(740)
Cash flows from financing activities					
Issue of shares (net of expenses)		44	88	44	88
Payment of loans and finance lease liabilities		163	(259)	–	–
Finance costs, net of bank interest received		(454)	(1,129)	88	(441)
Dividends paid to equity holders of the parent		(323)	–	(323)	–
Dividends and other payments to minority interests (net)		(228)	(20)	–	–
Distributions from property fund (net)		(1)	(2)	–	–
Net cash from financing activities		(799)	(1,322)	(191)	(353)
Net (decrease) in cash and cash equivalents		(1,518)	(2,624)	(825)	(2,269)
Cash and cash equivalents at beginning of period		959	3,328	2,340	4,609
Effects of exchange rate changes on cash and cash equivalents		100	255	–	–
Cash and cash equivalents at end of period		(459)	959	1,515	2,340
Cash and cash equivalents comprise					
Cash	25	2,006	2,840	1,515	2,340
Overdrafts	25	(2,465)	(1,881)	–	–
Cash and cash equivalents	25	(459)	959	1,515	2,340
Interest bearing loans and borrowings due within one year		(3,291)	(2,755)	–	–
Less short term debt	25	826	874	–	–
Overdrafts	25	(2,465)	(1,881)	–	–

The Notes on pages 18 to 54 form part of these accounts

Consolidated statement of changes in equity

	Attributable to equity holders of the Company						
	Share capital £000	Share premium & capital redemption reserves £000	Revaluation reserve £000	Retained earnings £000	Total £000	Minority interests £000	Total equity £000
Balance at 1 January 2007	32,326	670	700	(16,611)	17,085	2,927	20,012
Changes in equity for 2007							
Hyperinflation indexation movement	–	–	–	553	553	–	553
Exchange differences on translation of net oversea assets							
– before hyperinflation indexation	–	–	(445)	(1,549)	(1,994)	(60)	(2,054)
– hyperinflation indexation movement	–	–	–	(513)	(513)	–	(513)
Revaluation of property	–	–	228	–	228	57	285
Actuarial gain (net) of defined benefits pension plan	–	–	–	187	187	–	187
Deferred tax on property revaluations							
– before hyperinflation indexation	–	–	(26)	(15)	(41)	(30)	(71)
– hyperinflation indexation movement	–	–	–	4	4	–	4
Net (expense)/income recognised directly in equity	–	–	(243)	(1,333)	(1,576)	(33)	(1,609)
Profit for the year	–	–	–	1,462	1,462	1,250	2,712
Total recognised income and (expense)	–	–	(243)	129	(114)	1,217	1,103
Issue of new ordinary shares (net of expenses) – exercise of share options	39	5	–	–	44	–	44
Share-based payment (note 24)	–	–	–	60	60	–	60
Dividend paid (note 10)	–	–	–	(323)	(323)	–	(323)
Dividend paid to minority interests	–	–	–	–	–	(124)	(124)
Distributions from property fund (net)	–	–	–	(1)	(1)	–	(1)
Disposal of shares to minority interests	–	–	–	–	–	4	4
Repayment of advances from non-equity minority interests (net)	–	–	–	–	–	(104)	(104)
Balance at 31 December 2007	32,365	675	457	(16,746)	16,751	3,920	20,671

The Notes on pages 18 to 54 form part of these accounts

Consolidated statement of changes in equity continued

	Attributable to equity holders of the Company						
	Share capital £000	Share premium & capital redemption reserves £000	Revaluation reserve £000	Retained earnings £000	Total £000	Minority interests (Restated) £000	Total equity (Restated) £000
Balance at 1 January 2006	24,429	10,955	639	(23,787)	12,236	2,497	14,733
Prior year adjustment to restate minority interest in consolidated investment property fund, acquired in 2005, tax effect nil	–	–	–	–	–	175	175
Restated balance	24,429	10,955	639	(23,787)	12,236	2,672	14,908
Changes in equity for 2006							
Hyperinflation indexation movement	–	–	–	650	650	–	650
Exchange differences on translation of net oversea assets							
– before hyperinflation indexation	–	–	(39)	(4,726)	(4,765)	(403)	(5,168)
– hyperinflation indexation movement	–	–	–	(901)	(901)	–	(901)
Revaluation of property	–	–	143	–	143	36	179
Actuarial gain (net) of defined benefits pension plan	–	–	–	541	541	–	541
Deferred tax on property revaluations and fair value adjustment							
– before hyperinflation indexation	–	–	(43)	(45)	(88)	–	(88)
– hyperinflation indexation movement	–	–	–	22	22	–	22
Transfer	–	(49)	–	49	–	–	–
Net (expense)/income recognised directly in equity	–	(49)	61	(4,410)	(4,398)	(367)	(4,765)
Profit for the year	–	–	–	1,338	1,338	654	1,992
Total recognised income and (expense)	–	(49)	61	(3,072)	(3,060)	287	(2,773)
Share premium account cancellation	–	(10,250)	–	10,250	–	–	–
Issue of new ordinary shares (net of expenses)							
– conversion of loan stock	7,823	(4)	–	–	7,819	–	7,819
– exercise of share options	74	18	–	–	92	–	92
Dividend paid to minority interests	–	–	–	–	–	(7)	(7)
Distributions from property fund (net)	–	–	–	(2)	(2)	(19)	(21)
Repayment of advances from non-equity minority interests (net)	–	–	–	–	–	(6)	(6)
Balance at 31 December 2006	32,326	670	700	(16,611)	17,085	2,927	20,012

The Notes on pages 18 to 54 form part of these accounts

Statement of changes in equity – Company

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2006	24,429	10,705	250	(3,189)	32,195
Changes in equity for 2006					
Exchange difference	–	–	–	(143)	(143)
Transfer	–	(49)	–	49	–
Actuarial gain (net) of defined benefits pension plan	–	–	–	541	541
Loss for the year	–	–	–	(1,158)	(1,158)
Total recognised income and (expense)	–	(49)	–	(711)	(760)
Share premium account cancellation	–	(10,250)	–	10,250	–
Issue of new ordinary shares (net of expenses)					
– conversion of loan stock	7,823	(4)	–	–	7,819
– exercise of share options	74	18	–	–	92
Balance at 31 December 2006	32,326	420	250	6,350	39,346
Changes in equity for 2007					
Exchange differences	–	–	–	(17)	(17)
Actuarial gain (net) of defined benefits pension plan	–	–	–	187	187
Loss for the year	–	–	–	(146)	(146)
Total recognised income and (expense)	–	–	–	24	24
Issue of new ordinary shares (net of expenses)					
– exercise of share options	39	5	–	–	44
Dividend paid	–	–	–	(323)	(323)
Balance at 31 December 2007	32,365	425	250	6,051	39,091

PGI Group Plc has not presented its own income statement as permitted by Section 230 of the Companies Act 1985

The Notes on pages 18 to 54 form part of these accounts

Notes to the accounts

General information

The consolidated financial statements of PGI Group Plc for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 15 April 2008 PGI Group Plc is a company incorporated and domiciled in the United Kingdom, whose shares are publicly traded The nature of the Group's operations and its principal activities are set out in the Review of Activities on pages 2 and 3 and in Note 2 to the accounts

1 Basis of preparation and significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union and they therefore comply with Article 4 of the EU IAS Regulation They have been prepared on the historical cost basis, except for biological assets, freehold land and buildings and investment properties which have been measured at fair value

The consolidated and company financial statements are presented in sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated

Prior year adjustment

Due to a miscalculation of the minority interest percentage on the acquisition of a part of the Jensen Group in 2005, the minority interest and goodwill on acquisition have been restated in 2007 This restatement has been accounted for retrospectively and recognised in the consolidated statement of changes in equity at 1 January 2006 The comparative balance sheet for 2006 has been restated to reflect the changes in minority interests, goodwill and retained earnings There was no effect on the previously reported profit after taxation for 2006, but the profit attributable to the equity holders of the parent and minority interests have been restated on the income statement The effect on basic and diluted earnings per share for 2006 is as follows

	Results before biological assets and hyperinflation adjustments Pence	Total Pence
Effect on earnings per ordinary share from continuing and discontinued operations		
– basic	(0 08)	(0 09)
– diluted	(0 09)	(0 09)

The amounts of the corrections on the balance sheet amounts both excluding and including hyperinflation adjustments for 2006 are as follows

	£000
Goodwill	+154
Retained Earnings	-83
Minority Interests	+237

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group, but they did give rise to additional disclosures

IFRS 7	*Financial Instruments Disclosures*
IAS 1	*Amendment – Presentation of Financial Statements Capital Disclosures*
IFRIC 8	*Scope of IFRS 2*
IFRIC 9	*Reassessment of Embedded Derivatives*
IFRIC 10	*Interim Financial Reporting and Impairment*

The principal effects of these changes are as follows

IFRS 7 Financial Instruments Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments The new disclosures are included throughout the financial statements While there has been no effect on the financial position or results, comparative information has been provided where needed

IAS 1 Amendment – Presentation of Financial Statements Capital Disclosures

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital These new disclosures are shown in Note 26

The remaining interpretations had no impact on the financial position or performance of the Group

Notes to the accounts continued

1 **Basis of preparation and significant accounting policies (continued)**

Company accounts

The separate financial statements of the Company are presented as required by the Companies Act 1985 As permitted by the Act, the separate financial statements have been prepared in accordance with IFRS They have been prepared on the historical cost basis The principal accounting policies adopted are the same as those set out below under IFRS

Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of PGI Group Plc and its subsidiaries as at 31 December each year The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in both the income statement and within equity in the consolidated balance sheet

Associates

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

Investments in associates are accounted for by the equity method of accounting Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves The cumulative post-acquisition movements are adjusted against the cost of the investment

Foreign currency translation

The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency

Group other than the Zimbabwean subsidiaries

Transactions in currencies other than pounds sterling are recorded at the functional currency rate of exchange prevailing at the date of the transaction At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date Gains and losses arising on retranslation are included in the income statement Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date fair value was determined

On consolidation, income statements and cash flows of foreign entities are translated into pounds sterling at average monthly exchange rates for the year and their balance sheets are translated at the exchange rates ruling at the balance sheet date Exchange differences since the adoption of IFRS, arising from the translation of the net investment in foreign entities are taken to shareholders' equity until the disposal of the net investment, at which time they are recognised in the income statement

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate

Zimbabwean subsidiaries

The Group has subsidiaries based in Zimbabwe where hyperinflationary conditions exist The financial statements for those subsidiaries have been restated in accordance with IAS 29 (see note of accounting policy for hyperinflation below)

Following the hyperinflation restatement, all the amounts (assets, liabilities, income and expenses) have been translated into pounds sterling at the rate of exchange ruling at the balance sheet date

In general, official rates of exchange are used, but due to the economic conditions in Zimbabwe, exchange rates approximating rates at which transactions were effected are mainly used for that country

Significant accounting estimates and assumptions

Where key estimations have been applied, these are referred to in the relevant notes, the most significant being in goodwill, biological assets and pension benefits

Notes to the accounts continued

1 **Basis of preparation and significant accounting policies (continued)**

Hyperinflation

The Group has subsidiaries in Zimbabwe where hyperinflationary conditions exist For those subsidiaries the financial statements have been prepared in accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies' and the historical cost information has been restated for changes in the general purchasing power of the Zimbabwean dollar

The restatement has been calculated by means of applying monthly indices derived from the consumer price index prepared by the Zimbabwe Central Statistical Office The year-end indices were as follows

Date	Index
31 December 2007	441,488,121
31 December 2006	665,774
31 December 2005	48,206

All items in the income statements have been restated by applying the relevant monthly indices

In accordance with the provisions of paragraph 42(b) of IAS 21 the corresponding figures for the previous period are those that were presented as current year amounts in the 2006 financial statements (i e not adjusted for subsequent changes in the price level or subsequent changes in exchange rates)

Impairment of assets

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

Segmental reporting

A segment is a distinguishable component of the Group that is engaged in providing products and services As the risks and rates of return are predominately affected by differences in these products and services, the primary format for reporting segment information is based on business segments The secondary analysis is presented according to geographic markets This is consistent with the way the Group manages itself and with the format of the Group's internal financial reporting

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the indentifiable assets and liabilities of a subsidiary or associate at the date of acquisition Goodwill is recognised as an asset and reviewed for impairment at least annually On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Biological assets

International Accounting Standard 41 requires that biological assets are valued at their fair value less estimated point-of-sale costs The Group's main biological assets comprise tea, rose bushes and macadamia trees There are no market-determined prices or values for these assets and in such case the Standard requires that the enterprise uses the present value of long term expected net cash flows from the asset, discounted at a current market-determined pre-tax rate to determine fair value Fair value calculations have been made on this basis Any changes in fair value are recognised in the income statement in the year in which they arise

Property, plant and equipment

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met In the case of the plant and equipment held by the subsidiaries based in Zimbabwe, the cost and depreciation has been indexed in accordance with IAS 29

Notes to the accounts continued

1 Basis of preparation and significant accounting policies (continued)

Property, plant and equipment (continued)

Freehold land and buildings comprises property in Africa and Russia Factories and ancillary property of the Group, located in Africa are revalued to, and stated at their depreciated replacement cost as at the balance sheet date The directors are of the opinion that the balance sheet will better portray the state of affairs of the Group if the African property is included at current valuations prepared by the directors instead of including these assets at cost In the opinion of the directors reliable full market valuations cannot be obtained, hence the adoption of the depreciated replacement cost approach, which has been applied to the Group's African property assets for several years

Property located in Russia is periodically professionally valued Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement

Freehold land is not depreciated Depreciation on other assets is calculated on a straight line basis over the useful life of the assets, as follows

	Years
Freehold and long leasehold buildings	25-50
Plant and equipment	10-25
Motor vehicles	5-10

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end

Investment properties

Investment properties are measured initially at cost, including transaction costs Subsequent to initial recognition, investment properties are stated at fair value, based on a market valuation by independent professional firms of Chartered Surveyors, which reflects market conditions at the balance sheet date Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise

Other investments

Other investments are stated at cost or fair value

Inventories

Inventories are stated at the lower of cost and net realisable value

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash and deposits held at call with banks

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction assets Borrowing costs are recognised in the income statement in the period in which they are incurred

Leasing

Operating lease payments are recognised as an expense is the income statement on a straight line basis over the lease term

Notes to the accounts continued

1 **Basis of preparation and significant accounting policies (continued)**

Taxation

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

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

Deferred tax assets are generally not recognised unless it is certain that future taxable profit will be available against which the temporary differences can be utilised

Pension obligations

The Group has both a defined benefit and defined contribution plans A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation The pension cost for the defined benefit plan is assessed in accordance with the advice of qualified independent actuaries using the Attained Age Method

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs Actuarial gains and losses are recognised in full in the statement of changes in shareholders' equity

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods Contributions are recognised as an expense in the income statement when they are due

Share-based payment transactions

A number of the senior executive employees of the Jensen subsidiaries receive remuneration in the form of share-based payment transactions, whereby the employees render their services, part of the consideration for which, is settled by equity instruments in certain Jensen subsidiaries ('equity-settled transactions')

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted The fair value is determined by estimating the discounted value of the future cash flows for the subsidiaries in which the equity instruments are granted Within the fair value calculations, allowance is made to recognise that the subsidiaries are unquoted, which restricts the marketability of the shares and the equity instruments granted represent only small minority interests Further details of the valuation are given in Note 24

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending as at the date on which the relevant employees become fully entitled to the award

Revenue recognition

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

Invoices are raised when goods are despatched or when the risks and rewards of ownership otherwise irrevocably passes to the customer Service income is recognised as and when services are rendered

Notes to the accounts continued

1 Basis of preparation and significant accounting policies (continued)

Derivative financial instruments

The Group uses derivative financial instruments namely forward currency contracts to hedge its risks associated with foreign currency fluctuations Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles

New standards and interpretations not applied

The International Accounting Standards Board and IFRIC have issued the following standards and interpretations, which may be applicable to the Group, with an effective date after the date of these financial statements

International Accounting Standards (IAS/IFRSs)		Effective date
IAS 1	(Revised) Presentation of Financial Statements	1 January 2009
IAS 23	(Revised) Borrowing Costs	1 January 2009
IAS 27	(Amendment) Consolidated and Separate Financial Statements	1 July 2009
IAS 32	(Amendment) Financial Statements Presentation and IAS 1 (Amendment), Presentation of FinancialStatements, Puttable Financial Instruments and Obligations arising on Liquidation	1 January 2009
IFRS 2	(Amendment) Share-based Payment Vesting Conditions and Cancellations	1 January 2009
IFRS 3	(Revised) Business Combinations	1 July 2009
IFRS 8	Operating Segments	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC)		Effective date
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The directors anticipate that the adoption of these standards and interpretations when they become effective will not have a material impact on the Group's financial statements in the period of initial application

Notes to the accounts continued

2 Segmental reporting

The Group's primary reporting segments are the following business sectors

Food Group – Tea, roses, vegetables and macadamia nuts
Investment property management – Properties in St Petersburg, Russia

The information presented below is prepared in accordance with the accounting policy on segment reporting described in Note 1

The manufacturing segment has been classified as a discontinued operation for the year ended 31 December 2006 (Note 8)

i) Revenue

	Segment revenue 2007 Revenue before hyperinflation adjustments £000	2007 Hyperinflation adjustments £000	2007 Total £000	2006 Revenue before hyperinflation adjustments £000	2006 Hyperinflation adjustments £000	2006 Total £000
Food Group	17,486	(261)	17,225	16,661	(438)	16,223
Investment property management	1,227	–	1,227	769	–	769
	18,713	(261)	18,452	17,430	(438)	16,992

ii) Results

	Segment results 2007 Result before biological assets and hyperinflation adjustments £000	2007 Biological assets and hyperinflation adjustment £000	2007 Total £000	2006 Result before biological assets and hyperinflation adjustment £000	2006 Biological assets and hyperinflation adjustment £000	2006 Total £000
Food Group	3,388	1,038	4,426	3,774	1,266	5,040
Investment property management	1,074	–	1,074	663	–	663
Central costs net of sundry income	(1,465)	–	(1,465)	(1,424)	–	(1,424)
	2,997	1,038	4,035	3,013	1,266	4,279
Net finance costs	(580)	6	(574)	(1,290)	38	(1,252)
Monetary working capital hyperinflation adjustment	–	157	157	–	172	172
Profit before tax	2,417	1,201	3,618	1,723	1,476	3,199
Taxation	(655)	(251)	(906)	(667)	(326)	(993)
Profit for the year from continuing operations	1,762	950	2,712	1,056	1,150	2,206

The investment property management segment includes £132,000 (2006 £113,000) in respect of the results of the associated company

iii) Segment assets and liabilities

	Segment assets 2007 Excluding hyperinflation adjustments £000	Segment assets 2006 Excluding hyperinflation adjustments £000	Segment liabilities 2007 Excluding hyperinflation adjustments £000	Segment liabilities 2006 Excluding hyperinflation adjustments £000	Total capital employed 2007 Excluding hyperinflation adjustments £000	Total capital employed 2006 Excluding hyperinflation adjustments £000
Continuing operations						
Food Group	26,565	25,399	8,592	7,881	17,973	17,518
Investment property management	5,611	4,373	1,072	754	4,539	3,619
Sector assets and liabilities – continuing operations	32,176	29,772	9,664	8,635	22,512	21,137
Discontinued operations	–	113	–	–	–	113
Central unallocated assets and liabilities	1,751	2,423	3,912	4,174	(2,161)	(1,751)
	33,927	32,308	13,576	12,809	20,351	19,499

Notes to the accounts continued

2 Segmental reporting (continued)

iii) Segment assets and liabilities (continued)

	Segment assets 2007 Including hyperinflation adjustments £000	Segment assets 2006 Including hyperinflation adjustments £000	Segment liabilities 2007 Including hyperinflation adjustments £000	Segment liabilities 2006 Including hyperinflation adjustments £000	Total capital employed 2007 Including hyperinflation adjustments £000	Total capital employed 2006 Including hyperinflation adjustments £000
Continuing operations						
Food Group	26,945	26,083	8,652	8,052	18,293	18,031
Investment property management	5,611	4,373	1,072	754	4,539	3,619
Sector assets and liabilities						
– continuing operations	32,556	30,456	9,724	8,806	22,832	21,650
Discontinued operations	–	113	–	–	–	113
Central unallocated assets and liabilities	1,751	2,423	3,912	4,174	(2,161)	(1,751)
	34,307	32,992	13,636	12,980	20,671	20,012

iv) Non-current asset asset additions

	Non-current asset additions 2007 Before hyperinflation adjustments £000	2007 After hyperinflation adjustments £000	2006 Before hyperinflation adjustments £000	2006 After hyperinflation adjustments £000
Continuing operations				
Food Group				
Biological assets	85	85	644	644
Property, plant and equipment	1,731	1,739	2,341	2,350
	1,816	1,824	2,985	2,994
Investment property management	27	27	83	83
	1,843	1,851	3,068	3,077
Discontinued operations	–	–	47	47
Central unallocated	13	13	37	37
	1,856	1,864	3,152	3,161

v) Depreciation and amortisation

	Depreciation and amortisation 2007 Before hyperinflation adjustments £000	2007 After hyperinflation adjustments £000	2006 Before hyperinflation adjustments £000	2006 After hyperinflation adjustments £000
Continuing operations				
Food Group				
Property, plant and equipment	769	797	705	821
Investment property management	11	11	–	–
	780	808	705	821
Discontinued operations	–	–	118	118
Central unallocated	15	15	13	13
	795	823	836	952

Notes to the accounts continued

2 Segmental reporting (continued)

Geographical segments

The following is an analysis of the additions to goodwill, biological assets, property, plant and equipment and investment properties analysed by the area in which assets are located

	Non current asset additions			
	2007		2006	
	Before hyperinflation adjustments £000	After hyperinflation adjustments £000	Before hyperinflation adjustments £000	After hyperinflation adjustments £000
Continuing operations				
United Kingdom	13	13	37	37
Africa	1,816	1,824	2,985	2,994
Russia	27	27	83	83
	1,856	1,864	3,105	3,114
Discontinued operations				
United Kingdom	–	–	47	47
	1,856	1,864	3,152	3,161

	Carrying amount of segment assets			
	2007		2006	
	Before hyperinflation adjustments £000	After hyperinflation adjustments £000	Before hyperinflation adjustments £000	After hyperinflation adjustments £000
Continuing operations				
United Kingdom	1,532	1,532	2,926	2,926
Africa	26,784	27,164	24,896	25,580
Russia	5,611	5,611	4,373	4,373
	33,927	34,307	32,195	32,879
Discontinued operations				
United Kingdom	–	–	113	113
	33,927	34,307	32,308	32,992

Revenue by geographical market supplied

	Continuing activities			
	2007		2006	
	Before hyperinflation adjustments £000	After hyperinflation adjustments £000	Before hyperinflation adjustments £000	After hyperinflation adjustments £000
United Kingdom	5,384	5,384	5,595	5,173
Rest of Europe	5,231	5,231	4,670	4,670
Africa	6,351	6,090	6,396	6,380
North America	1,467	1,467	769	769
South East Asia	280	280	–	–
	18,713	18,452	17,430	16,992

	Discontinued activities			
	2007		2006	
	Before hyperinflation adjustments £000	After hyperinflation adjustments £000	Before hyperinflation adjustments £000	After hyperinflation adjustments £000
United Kingdom	–	–	3,230	3,230
Rest of Europe	–	–	14	14
Africa	–	–	9	9
	–	–	3,253	3,253

Notes to the accounts continued

3 Share of associate's results

	2007 £000	2006 £000
The Group's share of the results of its associated company is made up of		
Profit from operations	17	11
Fair value adjustment to investment properties	156	134
Profit before taxation	173	145
Taxation	41	32
Profit after taxation	132	113

The share of associate's results relate to a 15 89% interest in Eastwood Commercial Ventures Inc , which is part of the Jensen Group

4 Finance revenue and costs

	2007 £000	2006 £000
Finance revenue comprises		
Bank interest receivable	71	156
Gain on derivatives	17	–
	88	156
Finance costs comprise		
On amounts wholly repayable within 5 years		
Bank	533	397
Loan stock	–	824
Hire purchase and leasing	–	1
Other loans	–	19
	533	1,241
Loss on derivatives	9	–
Imputed interest on pension plan liabilities (net)	120	167
	662	1,408

5 Profit for the year

Analysis of biological assets and hyperinflation adjustments for the year

	2007 £000	2006 £000
Continuing operations		
Biological assets, net of £251,000 (2006 £326,000) tax charge	1,187	1,211
Hyperinflation adjustments, tax effect nil	(237)	(61)
	950	1,150

Notes to the accounts continued

5 Profit for the year (continued)

	2007 £000	2006 £000
Profit for the year including biological assets and hyperinflation adjustments is stated after charging/(crediting)		
Depreciation of property, plant and equipment (including £nil (2006 £2,000) in respect of leased assets)	823	952
Plant lease rentals	–	20
Property lease rentals	40	102
Auditors' remuneration – audit fees	250	207
Pension fund costs	392	386
Rents received	(94)	(91)
Dividends from listed investments	(16)	(24)
Net foreign exchange differences	66	(16)
Professional fees paid to the auditors		
Audit fees	250	207
Tax and other	117	9
	367	216

6 Employees

	2007	2006
Average numbers employed in		
Food Group	13,414	13,105
Manufacturing	–	51
Investment property management	15	15
Head office	6	6
	13,435	13,177

	2007 £000	2006 £000
Staff costs		
Wages and salaries	5,159	5,802
Social security	79	149
Other pension costs	392	386
	5,630	6,337

7 Taxation

Continuing operations

a) Analysis of charge in period

	2007 £000	2006 £000
Continuing operations		
Current taxation		
UK corporation tax	183	71
Double taxation relief	(183)	(71)
	–	–
Foreign tax		
Current tax on income for the period	250	483
Adjustment in respect of prior periods	(26)	37
	224	520

Notes to the accounts continued

7 **Taxation (continued)**
Continuing operations (continued)
a) Analysis of charge in period (continued)

	2007 £000	2006 £000
Deferred taxation		
Origination and reversal of temporary differences	213	36
Potential tax due on property revaluations and fair value adjustments	471	445
Adjustment in respect of prior periods	(2)	(8)
	682	473
Total tax expense reported in the income statement for continuing operations	906	993

b) Factors affecting tax charge for period
The tax assessed for the period is lower (2006 higher) than the standard rate of corporation tax in the UK (30 per cent) The differences are explained below

	2007 £000	2006 £000
Continuing operations		
Profit before tax	3,618	3,199
Profit before tax multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	1,085	960
Effects of		
Expenses (net) not chargeable for tax purposes	(46)	20
Net increase in tax losses	424	490
Lower rates on oversea earnings	(696)	(310)
Adjustment in respect of prior periods	(28)	29
Exchange differences	167	(196)
Total tax expense reported in the income statement	906	993

8 **Discontinued operations**
a) (Loss) after taxation from discontinued operations

	2007 £000	2006 £000
Revenue	–	3,253
Cost of sales	–	(2,678)
Operating profit	–	575
Operating expenses	–	(657)
(Loss) from operations	–	(82)
Finance costs	–	(44)
(Loss) before taxation	–	(126)
Taxation (Note 7)	–	–
(Loss) after taxation	–	(126)

Chillington Manufacturing, a division of P&G Industries Plc which manufactured wheelbarrows in the United Kingdom was disposed of during the year ended 31 December 2006, for a net consideration of £856,000 of which £500,000 was on deferred terms

Notes to the accounts continued

8 Discontinued operations (continued)

	2007 £000	2006 £000
Balance outstanding of the deferred consideration	180	360

The net cash flows attributable to Chillington Manufacturing are as follows

	2007 £000	2006 £000
Operating cash flows	–	(91)
Investing cash flows (including £856,000 disposal proceeds)	–	481
Financing cash flows	–	(104)
Net cash inflow	–	286

b) Net (loss) on disposal of operations
In 2006 there was a loss on disposal of the manufacturing operation amounting to £88,000, tax effect nil

9 Earnings/(loss) per ordinary share
a) Basic
Basic earnings/(loss) per ordinary share is calculated by dividing the result attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year

	2007 Thousands	2006 Thousands
Weighted average number of ordinary shares in issue (restated for 2005 rights issue)	129,406	103,470

	2007 Result before biological assets and hyperinflation adjustments £000	2007 Total £000	2006 (Restated) Result before biological assets and hyperinflation adjustments £000	2006 (Restated) Total £000
Profit for the year from continuing and discontinued operations attributable to the equity holders of the Company	780	1,462	171	1,338
Profit for the year from continuing operations				
Per consolidated income statement	1,762	2,712	1,056	2,206
Minority interest applicable to continuing operations	(982)	(1,250)	(671)	(654)
Profit from continuing operations attributable to the equity holders of the Company	780	1,462	385	1,552
(Loss) from discontinued operations attributable to the equity holders of the Company	–	–	(214)	(214)
	pence	pence	pence	pence
Basic earnings per ordinary share				
Continuing and discontinued operations	0 60	1 13	0 17	1 29
Continuing operations	0 60	1 13	0 37	1 50

Notes to the accounts continued

9 Earnings/(loss) per ordinary share (continued)

b) Diluted

Diluted earnings per ordinary share is calculated on a weighted average of shares which assume the exercise of certain options

	2007 Thousands	2006 Thousands
Weighted average number of ordinary shares in issue assuming the exercise of certain options	130,087	104,282

	2007 Result before biological assets and hyperinflation adjustments pence	2007 Total pence	2006 (Restated) Result before biological assets and hyperinflation adjustments pence	2006 (Restated) Total pence
Diluted earnings per ordinary share				
Continuing and discontinued operations	0 60	1 12	0 16	1 28
Continuing operations	0 60	1 12	0 37	1 49
c) Discontinued operations				
Basic (loss) per ordinary share from discontinued operations	–	–	(0 21)	(0 21)
Diluted (loss) per ordinary share from discontinued operations	–	–	(0 21)	(0 21)

10 Dividend paid and proposed

	2007 £000	2006 £000
Declared and paid during the year		
Equity dividends on ordinary shares		
Interim dividend for 2006 of 0 25p per share, paid in January 2007	323	–

A dividend for 2007 of 0 25p per share has been recommended for payment on 5 August 2008

11 Goodwill

Goodwill has arisen on the acquisition of subsidiary undertakings – Khal Amazi Ltd and the Jensen Group

	2007 £000	2006 (Restated) £000
Goodwill arising on the acquisition of		
Investment property management Jensen Group	1,814	1,818
Food Group Khal Amazi Ltd	233	237
	2,047	2,055
The movement on goodwill during the year was		
Opening balance	2,055	2,102
Prior year adjustment to restate goodwill arising on the acquisition of Jensen Group in 2005	–	175
Restated opening balance	2,055	2,277
Adjustment to the goodwill of Jensen Group relating to the deferred tax provision on the pre-acquisition revaluation of the freehold property (Note 22)	27	65
Exchange differences	(35)	(287)
Closing balances	2,047	2,055

The Group determines whether goodwill is impaired on an annual basis An impairment review has been carried out for both Khal Amazi Ltd and the Jensen Group at 31 December 2007 based on value-in-use calculations, requiring the Group to make various estimates which are therefore subject to uncertainty These calculations use five year cash flow projections based on financial budgets and forecasts The pre-tax discount rate used was 9 1% This review indicated that no impairment charge was necessary for either entity In the case of the Jensen Group, the cash flow forecasts incorporate the assumed realisation of various investment properties based on their professional valuations at 31 December 2007 It is not expected that any reasonable possible change in the assumptions used would cause the carrying value of the undertakings to materially exceed their recoverable amounts

Notes to the accounts continued

12 Biological assets

	2007 £000	2006 £000
Carrying value at beginning of year	12,665	13,678
Exchange differences	(1,204)	(3,220)
Additions	85	602
Acquisition of new subsidiary	–	42
Change in fair value of biological assets	1,438	1,537
Reclassification from property, plant and equipment	–	26
Carrying value at end of year	12,984	12,665

Biological assets are carried at fair value less estimated point-of-sale costs Fair value calculations have been made using twenty year cash flow projections based on financial budgets and forecasts These have been discounted to present day values using a discount rate of 9 1% These calculations have required the Group to make various estimates which are therefore subject to uncertainty

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

	2007 Hectares	2006 Hectares
Tea	4,881	4,894
Macadamia	762	700
Roses	50	50

Livestock numbers on hand at the end of the year were

	2007 Head	2006 Head
	1,234	829

Output and fair value of agricultural produce harvested during the year was

	2007 Metric tonnes	2007 Fair value at point of harvest £000	2006 Metric tonnes	2006 Fair value at point of harvest £000
Green tea leaf	63,614	3,318	61,157	3,322
Macadamia nuts in shell	692	578	525	684

	Stems millions		Stems millions	
Roses	131	6,570	104	4,932

Notes to the accounts continued

13 Property, plant and equipment and investment properties

	Group					Company
	Land and buildings		Plant, equipment and motor vehicles			Equipment and motor vehicles
	Freehold £000	Long leasehold £000	£000	Total £000	Investment properties £000	£000
Year ended 31 December 2007						
Opening cost or valuation	2,563	4,642	7,720	14,925	1,313	286
Hyperinflation indexation for the year	–	–	396	396	–	–
Exchange differences						
Before hyperinflation indexation	(27)	(81)	(120)	(228)	(21)	–
Hyperinflation indexation movement	–	–	(1,340)	(1,340)	–	–
Revaluation of property	274	–	–	274	916	–
Additions						
Before hyperinflation indexation	38	926	780	1,744	–	13
Hyperinflation indexation movement	–	–	8	8	–	–
Disposals	–	–	(74)	(74)	–	–
Reclassifications	(98)	(17)	115	–	–	–
Closing cost or valuation	2,750	5,470	7,485	15,705	2,208	299
At professional valuation 2007	836	–	–	836	2,208	–
At directors' valuation 2007	1,914	–	–	1,914	–	–
At hyperinflation indexed value	–	–	456	456	–	–
At cost	–	5,470	7,029	12,499	–	299
Opening accumulated depreciation	608	388	3,915	4,911	–	247
Hyperinflation indexation for the year	–	–	130	130	–	–
Exchange differences						–
Before hyperinflation indexation	–	(7)	143	136	–	–
Hyperinflation indexation movement	–	–	(698)	(698)	–	–
Charge for the year						
Before hyperinflation indexation	27	311	457	795	–	15
Hyperinflation indexation movement	–	–	28	28	–	–
Disposals	–	–	(21)	(21)	–	–
Transfer to revaluation reserve	(11)	–	–	(11)	–	–
Closing accumulated depreciation	624	692	3,954	5,270	–	262
Net book value	2,126	4,778	3,531	10,435	2,208	37
HISTORICAL COST						
Cost	1,012	5,461	7,081	13,554	386	299
Accumulated depreciation	69	683	3,796	4,548	–	262
	943	4,778	3,285	9,006	386	37

The freehold property held by Jensen Enterprises Ltd was professionally valued at 31 December 2007 and 31 December 2006

The investment properties held by Jensen Group Limited Partners I Fund were professionally valued at 31 December 2007 by a firm of Chartered Surveyors which is an industry specialist in valuing these types of investment properties The fair value represents this valuation as at the year end At 31 December 2006 the investment properties were professionally valued by two firms of Chartered Surveyors The fair value represents the mid valuation of these two professional valuations

Notes to the accounts continued

13 Property, plant and equipment and investment properties (continued)

	Group					Company
	Land and buildings		Plant equipment and motor vehicles			Equipment and motor vehicles
	Freehold £000	Long leasehold £000	£000	Total £000	Investment properties £000	£000
Year ended 31 December 2006						
Opening cost or valuation	2,734	4,498	10,889	18,121	931	283
Hyperinflation indexation for the year	–	–	1,260	1,260	–	–
Exchange differences						
Before hyperinflation indexation	(349)	(556)	(1,021)	(1,926)	(115)	–
Hyperinflation indexation movement	–	–	(1,856)	(1,856)	–	–
Revaluation of property	179	–	–	179	497	–
Additions						
Before hyperinflation indexation	388	294	853	1,535	–	37
Hyperinflation indexation movement	–	–	9	9	–	–
Disposals	–	–	(63)	(63)	–	(34)
Acquisition of new subsidiary undertaking	–	731	177	908	–	–
Disposals of subsidiaries	–	(328)	(2,418)	(2,746)	–	–
Reclassification to biological assets	(496)	–	–	(496)	–	–
Reclassifications	107	3	(110)	–	–	–
Closing cost or valuation	2,563	4,642	7,720	14,925	1,313	286
At professional valuation 2006	572	–	–	572	1,313	–
At directors' valuation 2006	1,991	–	–	1,991	–	–
At hyperinflation indexed value	–	–	1,363	1,363	–	–
At cost	–	4,642	6,357	10,999	–	286
Opening accumulated depreciation	1,127	1,150	5,468	7,745	–	268
Hyperinflation indexation for the year	–	–	367	367	–	–
Exchange differences						
Before hyperinflation indexation	(90)	(134)	(283)	(507)	–	–
Hyperinflation indexation movement	–	–	(711)	(711)	–	–
Charge for the year						
Before hyperinflation indexation	41	327	468	836	–	13
Hyperinflation indexation movement	–	–	116	116	–	–
Disposals	–	–	(43)	(43)	–	(34)
Disposals of subsidiaries	–	(68)	(2,354)	(2,422)	–	–
Reclassification to biological assets	(470)	–	–	(470)	–	–
Reclassifications	–	(887)	887	–	–	–
Closing accumulated depreciation	608	388	3,915	4,911	–	247
Net book value	1,955	4,254	3,805	10,014	1,313	39
HISTORICAL COST						
Cost	1,096	4,633	6,379	12,108	381	286
Accumulated depreciation	53	379	3,217	3,649	–	247
	1,043	4,254	3,162	8,459	381	39

Notes to the accounts continued

14 Capital and operating lease commitments

Capital expenditure sanctioned by the Board at 31 December 2007 amounted to approximately £50,000 (2006 £200,000) of which £50,000 (2006 £200,000) had been contracted at that date These amounts exclude any replanting and estate development costs which are incurred on an ongoing basis

The annual commitments of the Group under operating leases are set out below

	Land and buildings 2007 £000	2006 £000
Operating leases which expire		
Within one year	–	38
Between one and five years	44	–
	44	38

15 Investments

Group	Associated undertaking Unlisted £000	Loan £000	Total £000	Other investments unlisted £000
Cost				
At 1 January 2007	183	17	200	43
Decrease of loan	–	(9)	(9)	–
Share of associated undertaking's profit (net of tax)	132	–	132	–
Exchange differences	(3)	–	(3)	2
At 31 December 2007	312	8	320	45

Company	Subsidiary undertakings Shares £000	Loans £000	Total £000
At 1 January 2007	3,308	37,998	41,306
Increase	–	157	157
At 31 December 2007	3,308	38,155	41,463

Subsidiary undertakings

All subsidiary undertakings listed on page 54 operate principally in their country of incorporation The subsidiary undertakings which are incorporated in Great Britain are registered in England and Wales All the holdings are held through subsidiary undertakings

Business combination – acquisition of Sunrose Ltd

The Group acquired 100% of the share capital of Sunrose Ltd, a rose producer, in July 2006 The consideration paid amounted to £950,000 (US$1,757,000) of which US$1,197,000 had been paid by the 31 December 2007 and the balance of US$560,000 is payable in two equal annual instalments with interest on the outstanding balance at LIBOR The acquired business contributed revenues of £289,000 and profit before tax to the Group of £82,000 for the period 1 July 2006 to 31 December 2006 If the acquisition had occurred on 1 January 2006, revenue from this source would have been approximately £626,000 and the loss before tax would have been approximately £12,000

Notes to the accounts continued

15 Investments (continued)

Details of net assets acquired and goodwill are as follows

		2006 £000
Purchase consideration		950
Fair value and carrying value of net assets acquired		
Biological assets	42	
Leasehold property, plant and equipment	908	
Investment	1	
Net current liabilities	(1)	950
Goodwill		Nil

The cash outflow on the purchase of Sunrose Ltd is		
Total consideration		950
Less Consideration payable		
Within one year	143	
After one year	286	429
Cash outflow on acquisition		521

16 Inventories

	2007			2006		
	Before hyperinflation adjustment £000	Hyperinflation adjustment £000	Total £000	Before hyperinflation adjustment £000	Hyperinflation adjustment £000	Total £000
Produce	699	16	715	748	1	749
Raw materials	1,375	118	1,493	1,254	36	1,290
Work in progress	54	–	54	59	5	64
	2,128	134	2,262	2,061	42	2,103

17 Trade and other receivable

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Due within one year				
Trade receivables	1,490	1,158	–	–
Other receivables	383	355	22	20
Prepayments and accrued income	110	77	19	24
	1,983	1,590	41	44
Due after one year				
Other receivables	–	169	–	–
	1,983	1,759	41	44

Notes to the accounts continued

17 Trade and other receivable (continued)

Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables The Group's credit risk is primarily attributable to its trade and other receivables The amounts presented in the balance sheet are directly reduced for any allowance that may be necessary for doubtful receivables The Group has no significant concentration of credit risk, with exposure spread over a large number of customers and accordingly no further provision for doubtful receivables is considered necessary

As at 31 December 2007, trade receivables of £ nil (2006 £ nil) were impaired and fully provided for

As at 31 December, the ageing analysis of trade receivables is as follows

	Total £000	Neither past due nor impaired £000	Past due but not impaired less than 3 months £000	3 – 6 months £000	More than 6 months £000
2007	1,490	1,353	119	18	–
2006	1,158	1,124	–	–	34

18 Share capital

	Authorised number thousands	Issued and fully paid number thousands	Authorised £000	Issued and fully paid £000
Ordinary shares of 25p each				
At 1 January 2007	200,000	129,305	50,000	32,326
Shares issued in the year				
Exercise of options	–	155	–	39
At 31 December 2007	200,000	129,460	50,000	32,365

Employee share options

Under the Group's share option schemes certain employees including directors hold options to subscribe for 1,643,276 (2006 1,798,236) ordinary shares in the Company These options, all of which were granted for nil consideration, are exercisable under normal circumstances between 3 and 10 years from the date of grant except those held by Mr R J Clothier which vest after 12 months and are exercisable between 1 and 6 years thereafter A summary of these options at 31 December 2007 and 2006 was as follows

Scheme or grant	Date of grant	Exercise price	At 01 01 07	Exercised	Lapsed	At 31 12 07
(1)	20 05 99	33 5710p	32,765	–	–	32,765
(1)	23 05 00	29 8408p	16,756	–	–	16,756
(1)	22 05 01	25 0p	28,600	–	–	28,600
(1)	21 05 02	25 0p	62,920	(34,320)	–	28,600
(2)	10 05 00	29 604p	120,640	(120,640)	–	–
(2)	02 05 01	25 0p	143,000	–	–	143,000
(2)	21 05 02	25 0p	143,000	–	–	143,000
(2)	24 07 03	25 0p	121,420	–	–	121,420
Employees other than directors			669,101	(154,960)	–	514,141
Options held by directors (Note 28)			1,129,135	–	–	1,129,135
			1,798,236	(154,960)	–	1,643,276

(1) 1986 Executive Share Option Scheme
(2) Options granted to Mr R J Clothier, a former director

All of the above options have been adjusted for the rights issue in June 2005 Options were exercised over 154,960 shares during the year
The weighted average share price at the date of exercise of these options was 50p
The weighted average remaining contractual life for the share options outstanding as at 31 December 2007 is 2 41 years (2006 3 19 years)

Notes to the accounts continued

19 Reserves and minority interests

The movement on reserves and minority interests is shown in the statements of changes in equity Distributions to shareholders may not be made from the Company's share premium account, the capital redemption reserve and the Group's revaluation reserve

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries This reserve is included in the accompanying consolidated statement of changes in equity within both revaluation reserve and retained earnings The movement on this reserve for the years ended 31 December 2007 and 2006 was as follows

		Retained earnings		
	Revaluation reserve £000	Before hyperinflation indexation £000	Hyperinflation indexation movement £000	Total £000
Exchange differences on translation of net oversea assets				
Opening balance 1 January 2006	(10)	(2,279)	(1,421)	(3,710)
2006 (restated)	(39)	(4,726)	(901)	(5,666)
At 31 December 2006 (restated)	(49)	(7,005)	(2,322)	(9,376)
2007	(445)	(1,549)	(513)	(2,507)
At 31 December 2007	(494)	(8,554)	(2,835)	(11,883)

No provision has been made in these financial statements for oversea taxes and United Kingdom taxation (after allowing for double tax relief) which may arise on the distribution as dividends of the oversea subsidiary undertakings' retained earnings

As at 31 December 2007, retained earnings includes previously eliminated goodwill in the amounts of £1,323,000 positive goodwill and £5,524,000 negative goodwill, net £4,201,000 negative goodwill

Remittances of profits and repayment of loans and advances in Malawi and Zimbabwe are subject to exchange control approval by the Reserve Bank in both of those countries

Company

The Court scheme for the reduction of the Company's share premium account was approved in December 2006

Notes to the accounts continued

20 Interest bearing loans and borrowings

		Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Bank loans and overdrafts					
Secured	(i)	3,853	2,828	–	–
Unsecured		708	880	–	–
		4,561	3,708	–	–
Other borrowings					
Consideration payable on acquisition of Sunrose Ltd		282	430	–	–
		4,843	4,138	–	–
Bank loans and overdrafts are repayable					
Within one year		3,150	2,611	–	–
Between one and two years		540	448	–	–
Between two and five years		871	649	–	–
		4,561	3,708	–	–
Other borrowings are repayable					
Within one year		141	144	–	–
Between one and two years		141	143	–	–
Between two and five years		–	143	–	–
		282	430	–	–
		4,843	4,138	–	–
Due within one year		3,291	2,755	–	–
Due after one year		1,552	1,383	–	–
		4,843	4,138	–	–

(i) Bank loans and overdrafts are secured by floating charges over certain assets of the Group and by fixed charges over certain freehold properties and book debts

21 Trade and other payables

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Due within one year				
Trade payables	673	670	3	7
Other taxation and social security	79	44	24	24
Accruals and deferred income	1,077	1,113	366	337
Other payables	400	275	10	3
	2,229	2,102	403	371
Due after one year				
Trade payables	98	194	–	–
Other payables	79	81	–	–
	177	275	–	–

Notes to the accounts continued

22 Provisions for deferred tax liabilities

The Group's provision for deferred tax is comprised of

	2007 £000	2006 £000
Accelerated tax depreciation	801	520
Unrealised foreign exchange differences	58	6
Other temporary differences	203	182
Tax losses	(227)	(86)
Provision for deferred tax on temporary differences	835	622
Potential tax due on property revaluations and fair value adjustments	1,765	1,565
Total provision for deferred tax	2,600	2,187

The movement in the provision for deferred tax was

	2007 £000	2006 £000
At 1 January	2,187	2,144
Deferred tax charge in income statement		
Current year – Continuing operations (Note 7a)	684	481
Prior year adjustment	(2)	(8)
	682	473
Changes in potential tax on revaluation surpluses and fair value adjustments charged to		
Retained earnings	15	45
Revaluation reserve	56	43
Goodwill (Note 11)	27	65
	98	153
Transfer from current tax liabilities	-	33
Exchange differences	(427)	(543)
	2,540	2,260
Hyperinflation adjustment	60	(73)
At 31 December	2,600	2,187

There are losses arising in the UK of approximately £13,582,000 (2006 £13,668,000) which are available to offset against future taxable profits in the companies in which the loss arose There are also capital losses of £5,028,000 (2006 £5,028,000) which are available to offset against future capital gains arising in the UK The total potential deferred tax asset of £5,211,000 in relation to these losses has not been recognised as there is insufficient evidence of future profits against which this asset could reverse

Following changes to the UK corporation tax regime introduced by the Finance Act 2007, from 1 April 2008 the standard rate of UK corporation tax is 28% (previously 30%) The new rate has been reflected in the valuation of the above potential deferred tax assets for the UK

The Group also has losses arising in Zimbabwe of approximately £27,000 (2006 £16,000), in Zambia £224,000 (2006 £611,000) and in the United States £29,000 (2006 £nil) The potential deferred tax assets at 31 December 2007 of some £6,000, £34,000 and £10,000 respectively, have not been recognised as there is insufficient evidence of future profits against which these assets could reverse

Notes to the accounts continued

23 Retirement benefit liabilities

The retirement benefit liabilities of the Group are summarised below

	2007 £000	2006 £000
Plantation & General Pension Plan	3,497	3,764

The Group operates a funded defined benefits pension plan in the United Kingdom (the Plantation & General Pension Plan) Total contributions to this plan amounted to £321,000 (2006 £319,000) The Group incurred other pension costs of £71,000 (2006 £67,000) for certain employees in respect of defined contribution plans

The cost of the defined benefit pension plan is determined using actuarial valuations The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases Due to the long term nature of the plan, such estimates are subject to significant uncertainty

The total membership of the plan at 31 December 2007 and the average ages were as follows

	Active members		Deferred pensioners		Pensioners		Total	
	Number	Average age	Number	Average age	Number	Average age	Number	Average age
Males	3	48	307	57	200	73	510	63
Females	1	56	70	54	110	74	181	66
Total	4	50	377	55	310	74	691	64

The total pensions paid during the year ended 31 December 2007 amounted to £604,000 (2006 £577,000) A summary of the unaudited financial statements of the scheme for 2007 and the audited financial statements of the previous year is shown below

	2007 £000	2006 £000
Employer's contributions	321	319
Benefits payable		
Pensions	(604)	(577)
Commutation and lump sum benefits	(48)	(53)
Transfers to other schemes	(57)	(56)
	(709)	(686)
Term insurance pension premiums	(2)	(2)
Administration expenses	(98)	(79)
Net return on investments	677	763
Net increase in the fund	189	315
Net assets at 1 January	12,494	12,179
Net assets at 31 December	12,683	12,494

Notes to the accounts continued

23 Retirement benefit liabilities (continued)

Net assets statement at 31 December

	2007 £000	2007 % to total	2006 £000	2006 % to total
Investments				
Managed equity funds				
Aquila Life UK Equity Index fund	4,399	35	4,486	36
Aquila Life World ex-UK	2,936	23	2,953	24
Managed gilt and corporate bond funds				
Aquila Life 5 to 15 years UK Gilt Index fund	2,654	21	2,479	20
Aquila Life Corporate Bond 5 to 15 years fund	2,637	21	2,494	20
	12,626	100	12,412	100
Other assets				
Cash deposits	50	–	–	–
AVC investments	7	–	7	–
Net current assets	–	–	75	–
	57	–	82	–
Total net assets	12,683	100	12,494	100

Barclays Global Investors are responsible for investing the plan's assets in indexed linked funds in the proportions agreed with the trustees The trustees meet regularly with Barclays Global Investors to monitor performance of the portfolio

The last full actuarial valuation of the plan was performed by Jardine Lloyd Thompson Benefit Solutions as at 1 January 2005 The valuation was carried out using the Attained Age Method The principal assumptions were a valuation rate of interest of 6% per annum, increases in pensionable salaries of 4% per annum, and an allowance of 2 75% per annum for pension in payment increases of 5% per annum or RPI if less

On a continuing basis, the valuation funding position was

	1 January 2005 £000
Past service liabilities	13,646
Value of assets	10,861
Deficit	(2,785)
Funding level	80%

In addition to the continuing valuation basis set out above, the actuary calculated that the plan was 90% funded on the basis of the Minimum Funding Requirement (MFR) of the Pensions Act 1995, 78% funded on a cash equivalent basis and 48% funded on a winding up basis

IAS 19 Disclosures

The calculations used for IAS 19 disclosures have been based on an update on an approximate basis to the actuarial valuation at 1 January 2005 in order to assess the position of the plan at 31 December 2007

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2007 £000	2006 £000
Defined benefit obligation at start of year	16,258	16,496
Current service cost	121	140
Interest cost	842	808
Actuarial (gain)	(264)	(419)
Benefits paid, death in service insurance premiums and expenses	(777)	(767)
Defined benefit obligation at end of year	16,180	16,258

Notes to the accounts continued

23 Retirement benefit liabilities (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	2007 £000	2006 £000
Fair value of assets at start of year	12,494	12,179
Expected return on assets	722	641
Actuarial gains/(losses)	(77)	122
Contributions by employer	321	319
Benefits paid, death in service insurance premiums and expenses	(777)	(767)
Fair value of assets at end of year	12,683	12,494

The credit/(charge) to the income statement comprised

	2007 £000	2006 £000
Current service charge	(121)	(140)
Contributions – employer	321	319
Other finance charges		
Interest on pension plan liabilities	(842)	(808)
Expected return on pension plan assets	722	641
	(120)	(167)
	80	12

Expected long term rates of return

The expected long term return on cash is based on rates of deposit interest available at the balance sheet date The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date The expected rate of return on equities has been determined by setting an appropriate risk premium above gilt and bond yields having regard to market conditions at the balance sheet date

The expected long term rates of return are as follows

	2007	2006	2005	2004	2003
Equities	7 00%	6 50%	6 25%	6 25%	6 25%
Bonds	5 50%	5 00%	4 75%	4 75%	4 75%
Cash	4 75%	4 25%	4 00%	4 00%	–

Present values of defined benefit obligations, fair value of assets and deficit

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Fair values					
Equities	7,342	7,439	4,963	4,267	4,550
Bonds	5,291	4,973	7,111	6,392	5,756
Cash and other net assets	50	82	105	213	–
Present value of plan	12,683	12,494	12,179	10,872	10,306
Liabilities	(16,180)	(16,258)	(16,496)	(14,879)	(14,100)
Plan deficit	(3,497)	(3,764)	(4,317)	(4,007)	(3,794)
Percentage funding	78 3%	76 8%	73 8%	73 1%	73 1%
Contribution rate	17%	17%	17%	17%	17%
Contribution towards plan's administration expenses	£65,000	£65,000	£60,000	£60,000	£60,000
Additional contributions	£210,000	£210,000	£210,000	£210,000	£210,000

The best estimate of contributions to be paid to the plan for the year ending 31 December 2008 is £320,000

Notes to the accounts continued

23 **Retirement benefit liabilities (continued)**

Actual return on plan assets

The actual return on the plan assets over the year ending 31 December 2007 was 6 7%

Major assumptions

	2007 % per annum	2006 % per annum
Inflation	3 30	3 20
Salary increases	3 75	3 75
Discount rate	5 75	5 30
Pensions in payment increases	3 30	3 20
Revaluation rate for deferred pensioners	3 30	3 20

Mortality

The mortality assumptions adopted at 31 December 2007 imply the following future life expectations

Male currently aged 45	41 years
Female currently aged 45	44 years
Male currently aged 65	20 years
Female currently aged 65	23 years

Movement in the plan deficit during the year

	2007 £000	2006 £000
Deficit at 1 January	(3,764)	(4,317)
Credit to		
Income statement	80	12
Consolidated statement of equity	187	541
Deficit at 31 December	(3,497)	(3,764)

The actuarial gain/(loss) charged to the consolidated statement of equity comprised

	2007 £000	2006 £000
Experience adjustment on plan assets	(77)	122
Experience adjustment on plan liabilities	(340)	(31)
Effect of change in assumptions	604	450
	187	541

24 **Share-based payment plans**

The expense recognised for employee services received during the year is as follows

	2007 £000	2006 £000
Expense arising from equity-settled share-based payment transactions	60	–

The share-based payment plans relate to shares or share options granted to a number of senior executives of certain of the Jensen subsidiaries The equity instruments granted relate to shares or share options in certain of the Jensen subsidiaries

The proportions of the share capital of certain of the Jensen subsidiaries granted to the employees varies between 1 and 3% with the aggregate of all employees' shares in any one subsidiary amounting to no more than 7% The vesting periods vary between 3 and 7 years

The fair value is based on the estimated cash flows of the subsidiaries in which the shares or share options are granted discounted by the weighted average cost of capital The resulting fair value is reduced by 75% to reflect that the equity investments are unquoted and the resulting interests in the share capital will represent only very small minorities

Notes to the accounts continued

25 Consolidated cash flow statement

a) Analysis of debt

	Opening balance 2007 £000	Cash flow £000	Transfers £000	Exchange movement £000	Closing balance 2007 £000
Cash	2,840	(822)	–	(12)	2,006
Overdrafts	(1,881)	(696)	–	112	(2,465)
Cash and cash equivalents	959	(1,518)	–	100	(459)
Debt due within one year	(874)	830	(797)	15	(826)
Debt due after one year	(1,383)	(993)	797	27	(1,552)
	(1,298)	(1,681)	–	142	(2,837)

b) Disposal of operations

	2007 £000	2006 £000
Net assets disposed of		
Property, plant and equipment	–	324
Working capital	–	470
	–	794
(Loss)/profit on disposal	–	(88)
Additional expenses on disposal of discontinued operations	–	150
	–	62
Total disposal consideration	–	926
Less legal expenses and discount for instalment payments	–	(70)
Disposal consideration (net)	–	856
Less consideration receivable	–	(328)
Cash inflow on disposals	–	528

26 Financial risk management objectives and policies

Policy

The Group's principal financial liabilities, other than derivatives, comprise bank loans, overdrafts and trade payables The main purpose of these financial liabilities is to raise finance for the Group's operations The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations

The Group also entered into derivative transactions towards the end of 2007, namely forward currency contracts The purpose is to manage currency risks arising from the Group's operations

It is and has been throughout 2007 and 2006 the Group's policy that no trading in derivatives shall be undertaken

The Group's activities expose it to varying degrees of financial risk Foreign currency risk is the most significant aspect for the Group in the area of financial instruments It is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk The Board reviews and agrees policies for managing risks in order to minimise potential adverse effects on the Group's financial performance

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from commercial transactions, recognised assets and liabilities and net investments in foreign operations Exposure to commercial transactions arises from sales or purchases by operating companies in currencies other than the companies' functional currency The Group sometimes uses forward currency contracts to hedge significant sales or purchases denominated in foreign currencies

Notes to the accounts continued

26 Financial risk management objectives and policies (continued)

The Group which is based in the UK and reports in sterling, has significant investment in oversea operations in the Southern African states of Malawi, Zambia and Zimbabwe Some of these countries have currencies which are referred to as 'soft' currencies and as a result, the Group's balance sheet can be significantly affected by movements in these countries' exchange rates Some of the currency denominated net assets are partially hedged by local borrowings Currency exposures are reviewed regularly

The table below shows the extent at 31 December 2007 to which the Group companies have monetary assets and liabilities in currencies other than their functional currency Foreign exchange differences on retranslation of such assets and liabilities are taken to the income statement

Net foreign currency monetary assets/(liabilities)

	2007				2006			
Group	US$ £000	Euro £000	Other £000	Total £000	US$ £000	Euro £000	Other £000	Total £000
Functional currency of Group operations								
Malawi kwacha	(1,565)	-	(4)	(1,569)	(1,598)	-	-	(1,598)
Russia US dollar	-	-	(33)	(33)	-	-	-	-
UK pounds	66	-	-	66	117	-	-	117
Zambia US dollar	-	(345)	7	(338)	-	(716)	6	(710)
Zimbabwe Zimbabwean dollar	(63)	-	-	(63)	(12)	-	-	(12)
	(1,562)	(345)	(30)	(1,937)	(1,493)	(716)	6	(2,203)

The following table demonstrates the sensitivity to a possible change in the £ sterling exchange rate, with all other variables held constant, on the Group's profit before tax, due to foreign exchange movements on non-functional currency monetary assets and liabilities

	Increase/decrease in £ exchange rate against non functional currency	Effect on profit before tax Russian rouble £000	US dollar £000	Euro £000	Zambian Kwacha £000	Total £000
2007	+ 10%	3	142	31	1	177
	- 10%	(3)	(156)	(35)	(1)	(195)
2006	+ 10%	-	140	65	3	208
	- 10%	-	(149)	(72)	(4)	(225)

Interest rate risk

The Group borrows funds both in the UK and overseas and is therefore exposed to fluctuations due to changes in market interest rates Short term borrowings are at floating interest rates, which are mainly expressed as a percentage above local bank base rates

The Group's policy is to place surplus funds on short-term deposit In oversea countries these deposits are sometimes made in US dollars to protect against currency fluctuations Interest rates in soft currency countries tend to be high to compensate for inflation

The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings

Notes to the accounts continued

26 Financial risk management objectives and policies (continued)

Interest rate risk

The interest rate profile of the Group's financial liabilities at 31 December 2007 and 2006 were

	Floating rate £000	Fixed rate £000	Total £000	Fixed interest rates: Weighted average interest rates %	Fixed interest rates: Weighted average period for which rates are fixed Years
2007					
US dollar	2,413	887	3,300	8 8	2 9
Euro	–	456	456	6 9	1 7
Malawi kwacha	1,036	–	1,036		
Zambian Kwacha	18	–	18		
Zimbabwean dollar	23	10	33	6 5	0 7
	3,490	1,353	4,843		
2006					
US dollar	2,264	479	2,743	7 0	3 9
Euro	–	776	776	7 4	2 1
Malawi kwacha	506	43	549	45 0	2 0
Zimbabwean dollar	70	–	70		
	2,840	1,298	4,138		

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument The fair values are approximate to the above stated carrying values

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates

Interest risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) There is no impact on the Group's equity

	% Increase/ decrease	Effect on profit before tax £000
2007		
US dollar	**± 10%**	**± 241**
Malawi Kwacha	**± 10%**	**± 104**
Zambian Kwacha	**± 10%**	**± 2**
Zimbabwean dollar	**± 10%**	**± 2**
2006		
US dollar	± 10%	±226
Malawi Kwacha	± 10%	± 51
Zimbabwean dollar	± 10%	± 7

Credit risk

The Group trades only with recognised, creditworthy third parties It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant The maximum exposure is the carrying amount as disclosed in Note 17

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments

Notes to the accounts continued

26 Financial risk management objectives and policies (continued)

Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

The table below summarises the maturity of the Group's financial liabilities at 31 December 2007 based on contractual undiscounted payments

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
Year ended 31 December 2007					
Interest bearing loans and borrowings	3,663	826	984	–	5,473
Other liabilities	1,534	–	–	79	1,613
Trade and other payables	673	98	–	–	771
Other financial liabilities	9	–	–	–	9
	5,879	924	984	79	7,866
Year ended 31 December 2006					
Interest bearing loans and borrowings	3,141	734	945	–	4,820
Other liabilities	1,413	–	–	81	1,494
Trade and other payables	670	194	–	–	864
	5,224	928	945	81	7,178

Capital management

The main objective of the Group's capital management is to ensure that it maintains suitable capital ratios in order to support its businesses and maximise shareholder value in the long term

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares No changes were made in the objectives, policies or processes during the years end 31 December 2007 and 31 December 2006

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt The Group includes within net debt, interest bearing loans and borrowings less cash and cash equivalents Capital includes the net equity attributable to the equity holders of the parent less the revaluation reserve

	2007 £000	2006 £000
Interest bearing loans and borrowings	4,843	4,138
Less cash and short term deposits	(2,006)	(2,840)
Net debt	2,837	1,298
Equity	16,751	17,085
Revaluation reserve	(457)	(700)
Total capital	16,294	16,385
Capital and net debt	19,131	17,683
Gearing ratio	15%	7%

Notes to the accounts continued

27 Financial instruments

The carrying amounts of all the Group's financial instruments approximates their fair values and are set out below

	Carrying amount and fair value 2007 £000	2006 £000
Financial assets		
Cash and cash equivalents	2,006	2,840
Derivative financial instruments	17	–
Financial liabilities		
Bank overdraft	(2,465)	(1,881)
Interest-bearing loans and borrowings		
Floating rate borrowings	(1,025)	(959)
Fixed rate borrowings	(1,353)	(1,298)
Derivative financial instruments	(9)	–

Derivatives not in a formal hedge relationship

The Group's policy is not to use derivatives for trading purposes, however due to the complex nature of hedge accounting under IAS 39 some derivatives namely foreign exchange forward contracts may not qualify for hedge accounting Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement

28 Directors' remuneration, share options and performance graph

Directors' emoluments

The emoluments of the directors in respect of qualifying services comprised

Director	Remuneration £000	Bonus £000	Benefits in kind £000	2007 £000	2006 £000
Executive directors					
S W Wayne (highest paid director)	253	–	–	253	249
G Moores	91	19	11	121	120
S S Hobhouse	101	28	13	142	152
Non-executive directors					
R L Pennant-Rea – Chairman	35	–	–	35	35
B P Hill	25	–	–	25	25
Dr J Makoni	25	–	–	25	25
S N Roditi	–	–	–	–	–
C E Ryan	25	–	–	25	25
D G K Fish (died 22 December 2007)	13	–	–	13	–
	568	47	24	639	631

Mr Wayne's remuneration is paid to Jensen Management LLC of which he is the sole shareholder

Mr Ryan's remuneration is paid to Russia Optics LLC of which he is the sole shareholder

Notes to the accounts continued

28 Directors' remuneration, share options and performance graph (continued)

Directors' pension benefits

The two directors listed below, whose normal retirement age is 65, benefited from contributions to a defined benefit pension plan The total contributions during the year amounted to £32,300 (2006 £31,960)

	Age at 31 December 2007	Increase in accrued pension during the year (excluding inflation) (Note ii) £000	Accrued pension at 31 December 2007 (Note i) £000	Change in transfer value during year £000	Transfer value of accrued pension at 31 12 07 (Note iii) £000	Transfer value of accrued pension at 31 12 06 £000
G Moores	60	1	52	8	608	604
S S Hobhouse	43	1	26	8	154	166

(i) The pension entitlement shown is that which would have been paid annually on retirement based upon pensionable service to the end of the year, excluding any future statutory entitlement to increases prior to retirement which would be due after the year end

(ii) The increase in the accrued pension during the year excludes the increase for inflation The inflation rate used is that published by the Secretary of State for Social Security in accordance with Schedule 3 of the Pension Schemes Act 1993

(iii) The transfer values have been calculated in accordance with Actuarial Guidance Note GN11 These values represent the cash equivalent of the increased accrued benefits For this purpose it is assumed that the benefit entitlement is increased until Normal Retirement Date in accordance with statutory levels on the notional basis that each director ceased pensionable service at the end of the year

(iv) The pension accrued at the end of the previous year is valued on the transfer value basis in force at the end of the previous year The pension accrued at the year end is valued on the transfer value basis in force at the end of the year, where the pension accrued is calculated as per Note (i) The transfer value basis changed in June 2006 following an updated review carried out by the scheme's actuary

(v) The increase in the value of the Directors' benefit over the year has been calculated as the difference between the value of accrued benefits at the end of the year and the value of accrued benefits at the end of the previous year, where the values are calculated as per Note (iv)

(vi) No allowance for price inflation has been included

Share option schemes

No options were granted under the Company's option schemes during the year to the executive directors and none have been granted since the year end No options were exercised during the year No options under the Company's option schemes were held by non-executive directors

Director	Date of grant	Exercise price	Exercise period	Number of options granted at 01 01 07	Exercised	Lapsed	Number of options granted at 31 12 07
G Moores							
Scheme							
(2)	10 06 98	61 2321p	10 06 01 – 10 06 08	81,651	–	–	81,651
(2)	20 05 99	35 2288p	20 05 02 – 20 05 09	141,872	–	–	141,872
(2)	23 05 00	26 691p	23 05 03 – 23 05 10	37,464	–	–	37,464
(2)	22 05 01	25 0p	22 05 04 – 22 05 11	57,200	–	–	57,200
(2)	21 05 02	25 0p	21 05 05 – 21 05 12	177,320	–	–	177,320
				495,507	–	–	495,507

Notes to the accounts continued

28 Directors' remuneration, share options and performance graph (continued)

Share option schemes (continued)

Director	Date of grant	Exercise price	Exercise period	Number of options granted at 01 01 07	Exercised	Lapsed	Number of options granted at 31 12 07
S S Hobhouse							
Scheme							
(2)	10 06 98	61 2321p	10 06 01 – 10 06 08	81,651	–	–	81,651
(2)	20 05 99	35 2288p	20 05 02 – 20 05 09	141,872	–	–	141,872
(1)	23 05 00	29 8408p	23 05 03 – 23 05 10	32,880	–	–	32,880
(2)	23 05 00	26 691p	23 05 03 – 23 05 10	56,905	–	–	56,905
(1)	22 05 01	25 0p	22 05 04 – 22 05 11	17,160	–	–	17,160
(2)	22 05 01	25 0p	22 05 04 – 22 05 11	125,840	–	–	125,840
(2)	21 05 02	25 0p	21 05 05 – 21 05 12	177,320	–	–	177,320
				633,628	–	–	633,628
				1,129,135	–	–	1,129,135

(1) 1986 Executive Share Option Scheme
(2) Discretionary Share Option Plan

All of the options were granted for nil consideration and have been adjusted for the rights issue in June 2005

By way of a comparison with the exercise prices, the middle market quotation for the Company's ordinary shares, as derived from the Stock Exchange daily official list, was 42 25p on 31 December 2007, as compared with the high and low quotations for the year of 54p and 42 25p respectively The middle market quotation at close of business at 14 April 2008 was 45p

Performance graph

Set out below is a graph comparing the total shareholder return on the Company's shares against the FTSE All-Share Index

Notes to the accounts continued

29 Directors' interests

The interests of the directors and their families in the securities of the Company are shown below

	At 31 December 2007 Ordinary shares	At 31 December 2006 Ordinary shares
R L Pennant-Rea	198,172	198,172
B P Hill	140,000	140,000
S S Hobhouse	205,038	205,038
Dr J T Makoni	–	–
G Moores	77,000	77,000
S N Roditi	85,192,323	85,192,323
C E Ryan	500,000	–
S W Wayne*	9,200,000	9,200,000
D G K Fish (appointed 12/7/2007 – died 22/12/2007)	–	–

* The interest disclosed for Mr Wayne in the securities of the Company are held by Jensen Group Holdings LLC Mr Wayne is a director of and sole shareholder of Jensen Group Holdings LLC

Mr Wayne also holds 20% of the ordinary issued share capital of Jensen Partners LLC and Jensen Limited

No director had a material interest in any contract of the Company during, or at the end of, the financial year

There were no changes in the interests of the directors in the securities of the Company or its subsidiary undertakings between 31 December 2007 and 15 April 2008

At 31 December 2007, Mr Roditi held 65 81% of the ordinary shares of the Company but the financial and operating policies of the Group are determined by the Board as a whole

30 Related party transactions

a) Two Russian companies owned by a director, Mr S W Wayne, provide services to subsidiary companies of Jensen Partners LLC and Jensen Limited and the property funds they manage Jensen Partners LLC and Jensen Limited are subsidiaries of PGI Group Plc The Russian companies are not designed to make profits but to reallocate expenses between the various entities The amounts charged to the subsidiaries of Jensen Partners LLC and Jensen Limited were as follows

	2007 £000	2006 £000
Charges for services from related parties	414	141
Amounts owed to related parties	113	37

b) Mr S W Wayne has advanced £4,400 (US$8,700) to a subsidiary of Jensen Partners LLC Interest of £1,000 (US$2,100) was paid on this advance in 2007 The interest paid in 2006 amounted to £1,600 (US$3,166)

c) In addition to the pension contributions paid to the Plantation & General Pension Plan, the Company also made net payments of £42,906 (2006 £31,092) in respect of administration and other expenses which have been charged to the plan No amounts were outstanding for payment at 31 December 2007 or 2006

Notes to the accounts continued

31 Contingent liabilities

a) In 2005, the Company and two of its subsidiaries ('PGI') received a claim in the sum of Indonesian Rupiah 5,101,841,110 and US$28,426,924 (in total approximately £14 6 million at the rates of exchange ruling at 31 December 2007) from P T Shamrock Manufacturing Corpora ('Shamrock') relating to events surrounding a prospective sale to them in 2003 of the Group's subsidiary P T Air Muring

In February 2007, the District Court of South Jakarta ruled in favour of PGI, finding that no binding agreement had ever been reached, and dismissing all of Shamrock's claims Shamrock filed a notice of appeal against the decision to the High Court in Indonesia In early April 2008, the High Court also ruled in favour of PGI rejecting entirely Shamrock's appeal

The directors are of the opinion, based on legal advice received and both the District Court and High Court's rulings, that the claim is substantially without merit The directors are therefore of the opinion that no provision is necessary in these accounts

b) The Group may become liable for tax liabilities in certain oversea jurisdictions arising from payments made during the six year period ending 31 December 2007

If these taxes were ever levied, the potential tax liabilities and possible related penalties are estimated to be approximately £1 4m No provision has been made in the financial statements for this contingency as the directors consider that there is only a very low probability that the liabilities will materialise

c) Part of the estate land of the Group's subsidiaries in Zimbabwe are subject to the land reform programme undertaken by the Government of Zimbabwe The area designated includes one of the tea factories and a significant portion of the tea bushes

In September 2005, under the terms of the Constitution of Zimbabwe Amendment (Number 17) Act 2005 promulgated at the time, freehold title to land was abolished, with no right of appeal

In December 2006, the Zimbabwean Government enacted the Gazetted Land (Consequential Provisions) Act which made it a criminal offence for anyone to live on compulsorily acquired land

In common with other tea and timber businesses in Zimbabwe, assurances have been received from representatives of the Government of Zimbabwe that these enactments will not impinge on the continuing operations of the estates

In March 2008 the Zimbabwe Government enacted the Indigenisation and Economic Empowerment Act [Chapter 14 33] This Act has not yet commenced to operate but will do so on a date to be fixed by the President of Zimbabwe by statutory instrument The Act states that it is designed to endeavour to secure that at least fifty-one per cent of the shares of every public company and any other business shall be owned by indigenous Zimbabweans

The directors consider that at this stage it is too early to assess what impact this Act might have on the Group's investment in Eastern Highlands Plantations Ltd, which is incorporated in Zimbabwe

Principal companies

The principal subsidiary undertakings and the percentages held by the Group at 31 December 2007 were as follows

	Country of Incorporation	Percentage held by Group	Principal activities
Food Group			
Lujeri Tea Estates Ltd	Malawi	100	Tea and macadamia estates
Thyolo Nut Company Ltd	Malawi	100	Macadamia processing
Khal Amazi Ltd	Zambia	75	Rose producer
Sunrose Ltd	Zambia	75	Rose producer
Chalimbana Fresh Produce Ltd	Zambia	100	Vegetable producer
Eastern Highlands Plantations Ltd	Zimbabwe	100	Tea estates
Overseas Farmers Group Ltd	UK	100	Logistics and marketing
Perishables Direct Ltd	British Virgin Islands	75	Logistics and marketing
Investment property management			
Jensen Partners LLC and its subsidiary undertakings	USA	80	Property investment management
Jensen Ltd	Cayman Islands	80	and development in Russia
Jensen Ltd – subsidiary undertakings	Cayman Islands	75	

Independent Auditors' Report

to the members of PGI Group Plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of PGI Group Plc for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Equity and the related Notes 1 to 31 These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

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

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

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

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

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

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

Basis of audit opinion

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

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

Independent Auditors' Report continued

to the shareholders of PGI Group Plc

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended,
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP.

Ernst & Young LLP
Registered auditor
London
15 April 2008

Notes

1 The maintenance and integrity of the PGI Group Plc web site is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Notice of meeting

Notice is hereby given that the Twenty Ninth Annual General Meeting of PGI Group Plc will be held at the offices of Lovells LLP, Atlantic House, 50 Holborn Viaduct, London EC1A 2FG on 1 July 2008 at 2 00 p m to consider and, if thought fit, to pass the following resolutions

As ordinary resolutions

1 THAT the Company's accounts and the reports of the directors and auditors for the year ended 31 December 2007 are received

2 THAT the Remuneration Report set out in the report and accounts for the year ended 31 December 2007 is approved

3 THAT Mr R L Pennant-Rea, who has served for more than nine years, is re-appointed as a non-executive director

4 THAT Mr S N Roditi, who has served for more than nine years, is re-appointed as a non-executive director

5 THAT Mr B P Hill is re-appointed as a director

6 THAT Mr S W Wayne is re-appointed as a director

7 THAT Dr J T Makoni is re-appointed as a director

8 THAT Mr G Moores is re-appointed as a director

9 THAT Mr S S Hobhouse is re-appointed as a director

10 THAT Ernst & Young LLP be re-appointed as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company in accordance with the Companies Act 2006

11 THAT the directors are authorised to determine the remuneration of the auditors

12 THAT the final dividend of 0 25p per ordinary share recommended by the directors in respect of the year ended 31 December 2007 payable on 5 August 2008 to holders of ordinary shares registered on 2 May 2008 is declared

13 THAT, in substitution for all existing unexercised authorities, the authority conferred on the directors by article 10 2 of the Company's articles of association be renewed (unless previously renewed, varied or revoked) for a period ending on the earlier of the date of the next Annual General Meeting of the Company and 30 June 2009 and, for that period, the Section 80 Amount (as defined in article 10 1 of the Company's articles of association) is £10,788,305 (and that, if resolution 16 below is passed, the references in this resolution to the Company' s articles of association be deemed to be references to the new articles of association adopted pursuant to resolution 16)

As special resolutions

14 THAT, in substitution for all existing authorities, the authority conferred on the directors by article 10 3 of the Company's articles of association be renewed (unless previously renewed, varied or revoked) for a period ending on the earlier of the date of the next Annual General Meeting of the Company and 30 June 2009 and, for that period, the Section 89 amount is £1,618,245 (and that, if resolution 16 below is passed, the references in this resolution to the Company's articles of association be deemed to be references to the new articles of association adopted pursuant to resolution 16)

15 THAT the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of Ordinary Shares of 25p each in the capital of the Company provided that

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 12,945,966 (representing 10 per cent of the issued Ordinary Share Capital at 31 December 2007),

(b) the minimum price (exclusive of expenses) which may be paid for each Ordinary Share is 25p,

(c) the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is an amount equal to 105 per cent of the average of the market values for such Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is contracted to be purchased, and

(d) this authority shall expire on 30 June 2009 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, save that the Company may before the expiry of this authority make a contract of purchase which will or may be executed wholly or partly after such expiry and may make a purchase of ordinary shares pursuant to any such contract

16 THAT articles of association in the form of those produced to the meeting and signed for the purpose of identification by the Chairman of the meeting be adopted as the articles of association of the Company in substitution for the existing articles of association

By Order of the Board
D G Saveker
Secretary
81 Carter Lane
London EC4V 5EP
15 April 2008

Notice of meeting continued

Notes

1 A member of the Company entitled to attend, speak and vote at the meeting convened by this notice may appoint a proxy to exercise all or any of his rights to attend, speak and vote at the meeting on his or her behalf A proxy need not be a member of the Company Appointment of a proxy will not subsequently preclude a member from attending and voting at the meeting in person if he or she so wishes A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares held by the member

2 A form of proxy for use at the meeting is enclosed To be valid, the form of proxy must be received by post or (during normal business hours only) by hand at the office of the registrars, Capita Registrars, at Proxies Department, Beckenham, Kent, BR3 4BR no later than 2 00 p m on 29 June 2008 (or, if the meeting is adjourned, no later than 48 hours before the time for holding the adjourned meeting, or, if a poll is taken otherwise than at or on the same day as the meeting at which it is demanded, no later than 24 hours before the time appointed for the taking of the poll) The form of proxy contains instructions on how to appoint more than one proxy

3 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ('nominated persons') Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights

4 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those ordinary shareholders registered on the register of members of the Company at 2 00 p m on 29 June 2008 (or, if the meeting is adjourned, 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time Changes to the register of members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting

5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions, and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www icsa org uk) for further details of this procedure The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above

6 As at 14 April 2008 (being the last business day prior to the date of this notice) the Company's issued share capital consisted of 129,459,665 ordinary shares carrying one vote each Therefore the total number of voting rights in the Company as at that date was 129,459,665

7 Copies of the directors' service contracts and terms and conditions of appointment will be available for inspection at the registered office of the Company during normal business hours and at the place of the meeting from 15 minutes prior to the meeting until its conclusion

Appendix to directors' report:

explanation of the proposed amendments to the Company's articles of association

Introduction

It is proposed that the Company adopt new articles of association (the 'New Articles') at its Annual General Meeting on 1 July 2008, principally to reflect certain provisions of the Companies Act 2006 ('CA 2006') currently in force In addition to changes to reflect the new provisions of CA 2006, it is proposed that some amendments are made to the Company's existing Articles of Association (the 'Current Articles') to update them in line with common listed company practice As the proposed changes affect various provisions in the Current Articles, it is considered more practical to seek to replace the Current Articles in full rather than to seek approval for numerous individual amendments

The principal changes introduced in the New Articles are described below In particular, changes which are of a minor, technical or clarifying nature, and also some more minor changes which merely reflect statutory provisions, have not been separately noted In a number of places, the numbering in the New Articles varies from the numbering in the Current Articles (in part because the order of some of the articles has been changed for the sake of a more logical progression) The number identifying each article principally affected by the amendment corresponds to the numbering in the New Articles (unless otherwise indicated)

A copy of the New Articles will be available for inspection at the offices of Lovells LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG and at the registered office of the Company on any weekday (public holidays excepted) from the date of the notice of the Annual General Meeting until the close of the Annual General Meeting

Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in CA 2006 are in the main amended to bring them into line with the provisions of the CA 2006 currently in force The main examples of provisions of this type are detailed below, including provisions as to the form of resolutions, the variation of class rights, the convening of general meetings and proxies References in the Current Articles to statutory provisions in the Companies Act 1985 have also been amended to reflect the new statutory references under the CA 2006 where they are already in force

Form of shareholder resolution (article 2 4)

The Current Articles contain a provision that, where for any purpose an ordinary resolution is expressed to be required, a special or extraordinary resolution is also effective and that, where for any purpose an extraordinary resolution is expressed to be required, a special resolution is also effective This provision and other provisions in the Current Articles that refer to extraordinary resolutions are being amended as the concept of extraordinary resolutions has not been retained under the CA 2006 Broadly, special resolutions will be used in place of extraordinary resolutions

Variation of class rights (article 16)

The Current Articles contain provisions regarding the variation of class rights Certain requirements for a meeting to vary class rights (including the quorum requirements) are laid down in the CA 2006 and the relevant provisions will be amended in the New Articles in order to reflect those requirements

Convening and notice of general meetings (articles 56 to 58)

The provisions in the Current Articles dealing with convening general meetings and the length of notice required to convene general meetings are to be amended to reflect new provisions in the CA 2006 The New Articles reduce the minimum period for general meetings (other than annual general meetings) from 21 days to 14 days, even where a special resolution is to be considered, in line with what is permitted by the CA 2006 Annual General Meetings must now generally be held within 6 months following the end of the financial year and the New Articles will reflect this shorter timetable Consistent with the terminology in the CA 2006, the New Articles no longer use the term 'extraordinary general meeting' to describe general meetings that are not annual general meetings

Quorum at general meetings (article 67)

As in the Current Articles, the quorum for a general meeting is two persons, each of whom is a member, a proxy or a corporate representative, but the New Articles clarify (in line with the position in the CA 2006) that a person who is a proxy for the same member, or a representative for the same corporation may be counted only once for the purpose of calculating the quorum

Adjournment (article 69)

The provisions on adjournment of a general meeting are to be updated in the New Articles, to allow the Chairman to adjourn the meeting, without requiring the consent of the meeting if he considers in his reasonable opinion that an adjournment is necessary to protect the safety of any person attending the meeting, if it is, or is likely to become, impracticable to conduct the meeting in an orderly manner (for whatever reason), or if an adjournment is otherwise necessary so that the business of the meeting may be properly conducted

Under the Current Articles, a new notice of meeting must be given if a meeting is adjourned for more than 14 days We are proposing to increase this to 30 days, which seems to be more in line with current market practice and would be more administratively practical for the Company

Amendments to resolutions (article 70)

The New Articles update the provisions on amendments to resolutions to clarify the situations in which resolutions may be amended and to bring them more in line with current market practice among listed companies and case law on this subject

Appendix to directors' report: continued

explanation of the proposed amendments to the Company's articles of association

Proxies (articles 58 and 86 to 91)
In line with the CA 2006, the New Articles will give proxies the right to vote at a general meeting on a show of hands as well as on a poll, whereas under the Current Articles, a proxy is only entitled to vote on a poll The New Articles will also give proxies the right to speak at general meetings, again reflecting the CA 2006 The enhanced rights of proxies under the CA 2006 affect a number of provisions in the New Articles

The New Articles will specify that in order to be valid a proxy appointment must be received (a) not less than 48 hours (or such shorter time as the Board decides) before the time appointed for holding the meeting, or (b) in the case of a poll taken more than 48 hours after the meeting, not less than 24 hours (or such shorter time as the Board decides) before the time appointed for taking the poll, or (c) in the case of a poll taken following the conclusion of the meeting, or adjourned meeting, at which it was demanded but 48 hours or less after it was demanded, before the end of the meeting at which it was demanded (or such later time as the Board decides) Consistent with the 2006 Act, the Company may, in setting the deadline for receipt of proxies, exclude non-working days, so that the time before a meeting or a poll by which a proxy must be received may, in certain cases, be greater than 48 or 24 hours The latest time by which a proxy appointment may validly be revoked will also be updated in the New Articles to reflect what is permitted in the CA 2006 (the New Articles will provide that the Company must receive notice of the revocation by no later than the last time by which proxy notices can be received)

To reflect relevant new requirements of the Listing Rules, the New Articles state that a form of proxy sent by the Company to each member must provide for three-way voting on all resolutions, rather than the current provision for two-way voting

The Current Articles provide that if the Company receives more than one proxy appointment in respect of the same shares, the appointment received last revokes each earlier appointment The New Articles retain this concept, but provide that the Company may use a different method for determining which appointment is valid, if it thinks that it is more appropriate This is in line with the suggestion made by ICSA that articles may need to provide greater flexibility in this regard in light of the ability of members to appoint multiple proxies

Corporate representatives (article 92)
In line with the CA 2006, a member which is a corporation may appoint multiple representatives to act (subject to the CA 2006) at a meeting of the Company

Certificated shares – share certificates (article 22), warrants (articles 13 and 22) and share transfers (article 49)
In line with the new provisions in the CA 2006 on the issue of share certificates upon the surrender of a share warrant to bearer, it is proposed that the New Articles will clarify that in fixing the terms on which a warrant is issued, the Board can specify the terms on which the share certificate for the relevant underlying shares will be delivered upon surrender of the warrant It is also proposed that the New Articles will provide that, the Company will issue the relevant share certificate within one month after lodgement of the warrant for cancellation or as is otherwise provided by the terms of issue of the warrant

From 6 April 2008, the CA 2006 has provided that if a company refuses to register a share transfer it must give reasons and notify the transferee as soon as practicable and in any event within two months The Company proposes to amend the New Articles to reflect these requirements (previously, the Company did not have to provide reasons if it exercised its right to refuse to transfer a certificated share)

Directors' retirement age limit (article 107 of the Current Articles)
The provisions relating to the 70 year age limit for directors in the Companies Act 1985 were repealed in April 2007 Accordingly the provisions in the Current Articles that deal with this are no longer necessary and will be deleted from the New Articles

Directors' conflicts of interest (articles 125 to 130)
The CA 2006 sets out directors' general duties which largely codify the existing law but with some changes Under the CA 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation The CA 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect The CA 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty The amendments to the Current Articles proposed to be adopted with effect from 1 October 2008 give the directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate

Appendix to directors' report: continued

explanation of the proposed amendments to the Company's articles of association

It is also proposed to include provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively or otherwise to follow developing best practice as regards process and reporting in relation to the Board's powers to authorise conflicts

Under the CA 2006, directors are under a duty to declare the nature and extent of their direct or indirect interests in transactions and arrangements with the Company which are proposed but which have not yet been entered into and also in existing transactions and other arrangements that the Company has already entered into The New Articles update the existing provisions in the Current Articles dealing with disclosure of directors' interests to bring the notification procedures in line with those in the CA 2006

Amendments relating to directors not arising from the CA 2006 (articles 94 to 142)

In addition to the change referred to in the preceding paragraph, which is motivated by the CA 2006, we propose to take this opportunity to make certain other amendments to Part IV of the Current Articles, which deals with directors These changes are intended to improve the clarity and usefulness of the articles and to ensure consistency with common listed company practice, and none could be described as significant The principal changes are noted below

(a) retirement by rotation at each annual general meeting, each director who has been appointed by the Board since the previous annual general meeting or was appointed at or before the annual general meeting held three years previously must retire (although he is eligible for reappointment) In line with best practice for listed companies, the New Articles specify that non-executive directors must submit themselves for annual re-election if they serve longer than nine consecutive years,

(b) member's nomination of director for appointment when a member nominates a director for appointment at a general meeting, his written notice must contain particulars about the nominee that the Company would need to include in the register of directors, were he appointed (for example, particulars of other directorships held by him),

(c) categories of directors the New Articles will include a new definition of 'Non-executive Director', and draw a clearer distinction between executive and non-executive directors,

(d) the New Articles include updated wording which expand the circumstances in which a director will cease to be a director if he becomes mentally ill Under the new provisions, a director must vacate office if a registered medical practitioner is of the opinion that he has become mentally incapable of acting as a director and may remain so for more than 3 months or he becomes a patient for the purposes of any statute relating to mental health and, in each case, the Board decides that his office be vacated,

(e) effect of ceasing to be a director when a person ceases to be a director, the New Articles make clear that he automatically ceases to be a member of any board committee,

(f) alternate directors (i) at a Board meeting, an alternate director has one vote for each director for whom he is an alternate (if that director is not present at the meeting) in addition to his own vote as a director (if he is also a director), (ii) the signature by an alternate director on a directors' written resolution is as effective as the signature of the director who appointed him, unless the terms of his appointment provide otherwise, (iii) the appointment of an alternate director terminates (in addition to the other grounds set out in the Current Articles) if an event occurs in respect of the alternate director, which, if it happened to the appointing director would result in his appointment being terminated,

(g) notice of Board meeting notice need not be in writing,

(h) quorum at Board meeting an alternate director counts in the quorum only if the director who appointed him is not present, and he may be counted only once for the purposes of the quorum, even if he is acting for more than one director or is a director in his own right,

(i) directors' written resolution a director who is not entitled to vote on a Board resolution (for example because he is interested in a transaction) is not required to agree to a written resolution in order for it to be effective,

(j) delegation of directors' powers the New Articles adopt the approach suggested in the draft statutory model articles for public companies and restate in a more simple way the broad power of the Board to delegate any of its powers to a committee, local board or one or more individuals,

(k) director's power to make further procedural rules the New Articles give the directors power to make further rules regarding how the Board takes, records and communicates decisions, and

(l) common seal the New Articles will make it clear that the Board may make regulations to set the number and identity of persons in whose presence the common seal is affixed, and this need not necessarily include a director

Appendix to directors' report: continued

explanation of the proposed amendments to the Company's articles of association

Secretary (article 139)
As already contemplated in the Current Articles, the New Articles clarify that two or more persons may be appointed as joint company secretary

Dividends and distributions (articles 148, 149 and 152)
Relatively minor changes are proposed to the section in the Current Articles dealing with dividends and distributions These are not driven by the CA 2006, but are intended to clarify certain points The principal changes are

(a) the Board may retain a dividend payable to a person entitled to a share by transmission (for example following the death or bankruptcy of a member) until he has produced to the Company satisfactory evidence of his right to receive the payment,

(b) in line with the existing provisions in the Current Articles, the New Articles make it clear that no interest is payable by the Company on any dividend unless otherwise provided by the terms on which the share was issued or allotted or in an agreement between the shareholder and the Company, and

(c) a dividend recipient may waive his entitlement to a dividend payment by giving written notice to the Company, although the Company is not bound to act on such a notice

Annual accounts and reports (articles 161 to 162)
For the sake of completeness, the New Articles restate the statutory position (broadly unchanged by the CA 2006) on the Company's obligation to send a copy of its annual accounts and reports to members, debenture holders and other persons entitled to receive notice of general meetings at least 21 days before the shareholder meeting at which they are to be considered The New Articles also restate the statutory position (also unchanged by the CA 2006) that persons in the categories described above to whom summary financial statements are sent are entitled to request a copy of the full annual accounts and reports

Sending of notices, documents etc (including electronic and web communications)(articles 167 to 182)
The New Articles contain detailed provisions as to how notices, documents and other information may be sent to or by the Company and extend the new company communication provisions of the CA 2006 to any document or information sent by the Company Provisions in the CA 2006, which came into force in January 2007, enable companies to communicate with shareholders by electronic and website communications The New Articles continue to allow communications by the Company to shareholders in electronic form (provided that the shareholder has agreed, generally or specifically, to this) and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications As provided by the CA 2006, before the Company can communicate with a shareholder by means of a website, the shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or have received no response within 28 days (in which case the Company may take that as consent by the member to receive communications in this way) When the Company makes a document or information available on its website, it must notify the shareholder of this A shareholder who has received a document or information by electronic form or by website can always request a hard copy of the document or information

In line with the position in the Current Articles and the CA 2006, a shareholder may communicate with the Company by electronic communication if the Company has agreed that the document or information can be sent or supplied in electronic form (but then only in the type of electronic form that the Company has agreed to) In certain circumstances, the CA 2006 will deem the Company to have agreed that shareholders may send documents or other information electronically

The changes proposed to be made to the Current Articles to reflect the new company communications regime of the CA 2006 require a number of conforming changes in the New Articles, including in the Interpretation section

Article 182 sets out when notices, documents and other information given or sent by the Company to its shareholders are deemed to be received A document or information sent by electronic means is deemed to have been received on the same day as it is sent (notwithstanding a failure in transmission) and a document or information made available on a website is deemed to have been received when the intended recipient has been notified (in accordance with the New Articles) of its availability on the website

Article 176 2 of the New Articles provides that anything to be agreed or specified in relation to a document or information to be sent to the holder of a share that is held by joint holders (this would include, for example, agreement to receive electronic communications) may be agreed or specified by the first named holder on the register, and that this will be binding on all other joint holders

Article 177 of the New Articles clarifies that a shareholder who has no registered address in the United Kingdom is not entitled to have a document or other information sent to him unless he provides the Company with a postal address in the United Kingdom or the Company and the shareholder agree to the use of electronic communications and the shareholder provides the Company with an address for that purpose However, the Company is not obliged to agree to provide electronic communications to a shareholder, and may, for example, refuse to do so where it is concerned that the sending of the document or information to such address using electronic means would or might cause legal or practical problems arising in respect of the laws of, or the requirements of a regulatory body or stock exchange or other authority in, any territory

Appendix to directors' report: continued

explanation of the proposed amendments to the Company's articles of association

Article 179 is a new provision which sets out how the Company will deal with the sending of notices, documents and other information to untraced shareholders This provision is not primarily driven by the CA 2006, but is a provision commonly included in listed company articles and will assist with company administration

Registers and records (articles 184 and 187)
The provisions in the Current Articles dealing with the maintenance and availability of Company registers for inspection will be simplified in the New Articles to ensure consistency with the CA 2006 (including the repeal in April 2007 of provisions in the Companies Act 1985 relating to the register of directors' interests in shares)

The provisions relating to document retention and destruction in the Current Articles are retained, but provision will be added in the New Articles to permit the destruction of old proxy appointments, after one year has elapsed since the meeting or adjourned meeting to which it relates

Indemnity (article 190)
The CA 2006 has in some respects widened the scope of the powers of a company to indemnify directors In particular, a director of a pension trustee company can be indemnified against liability incurred in connection with that company's activities as trustee of the scheme, by the pension trustee company itself or by an associated company The indemnity cannot extend to liabilities to pay criminal or regulatory fines or to defending criminal proceedings in which the director is convicted Article 190 of the New Articles updates the indemnity provisions in the Current Articles by providing that the Company may indemnify each officer of the Company or an associated company to the extent permissible by the CA 2006 The provisions in the New Articles also amend the current articles by clarifying that the Company has the power, but not the obligation, to indemnify directors