Camellia Plc

Interim Results

Camellia Plc (AIM:CAM) announces its interim results for the six months ended 30 June 2018.

Malcolm Perkins, Chairman of Camellia, stated:

"Profits for our continuing operations for the first half of the year were better than anticipated reflecting the generally benign weather conditions and favourable markets experienced across our agricultural operations. We have also made significant progress with our strategic initiatives to refine our portfolio. We remain financially strong, with the resources to advance our development plans."

Financial highlights

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£'m	£'m	£'m
Revenue – continuing operations	127.6	123.6	298.3
Profit before tax from continuing operations	6.1	1.9	27.6
(Loss)/profit from discontinued operation	(0.3)	15.8	14.8
Profit for the period	3.7	16.3	28.6
Earnings per share	18.1p	532.2p	803.8p
Earnings/(loss) per share - continuing operations	29.0p	(39.8)p	268p
Dividend per share	40p	37p	135p

Highlights

- 1st half tea production 39.2m kg, up 7% on same period of 2017
- Record shipments in 1st half of early avocado crop from Kenya
- Strong progress from Engineering North with revenues up 30% on the same period in 2017
- Macadamia production expected to be substantially up on 2017; Kenya tea prices now experiencing significant downward pressure; avocado selling prices now significantly reduced
- Closure of Duncan Lawrie now complete with a small additional provision of £0.3 million
- Portfolio refinement continues
- Interim dividend increased by 8.1%
- Cash and cash equivalents at 30 June 2018 were £90.8 million (30 June 2017: £98.7 million)

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014

The interim report will be available to download from the investor relations section on the Company's website www.camellia.plc.uk

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CHAIRMAN'S STATEMENT

Our results for the first half show a profit before tax from continuing operations of £6.1 million which compares with a profit of £1.9 million for the first half of 2017. Further details are set out in the Operating review.

Dividend
The Board has declared an interim dividend of 40p (2017: 37p) payable on 5 October 2018 to shareholders registered at the close of business on 7 September 2018.

Strategic objectives
We continue to pursue our strategic objectives in line with the statements made in the 2017 Annual report. We have made a small number of acquisitions and disposals, some of which were anticipated in the Annual report, in order to refine our portfolio of operations. In addition, we are making a number of medium and long term investments in Agriculture in order to leverage our expertise and diversify our supply base in certain crops and countries. Additional information is included in the Operating review.

Outlook
Given that the majority of trading takes place in the second half of the year, it is not easy to give guidance for the full year but we are optimistic following the encouraging first half result.

Malcolm Perkins
Chairman

23 August 2018

OPERATING REVIEW

The profit before tax from continuing operations in the first half was £6.1 million (H1 2017: £1.9 million) on revenues of £127.6 million (H1 2017: £123.6 million). This better than anticipated result reflects the generally benign weather conditions and favourable markets experienced across most of our agricultural operations. However, this was offset in part by:

- A net increase in provisions for wage increases relating to previous years across our agricultural operations of £1.5 million which has been taken to cost of sales
- The strengthening of sterling against all our major currencies compared with the first half of 2017 which led to an adverse impact of approximately £0.6 million

The loss from the discontinued operation of £0.3 million reflects provisions for additional claims at Duncan Lawrie, the private bank which we closed in 2017.

Our cash and cash equivalents balance at the end of the period stood at £90.8 million (31 December 2017: £106.8 million).

Agriculture

Tea
Overall our tea production in the first half has been better than in H1 2017 at 39.2m Kg (H1 2017: 36.7m Kg), although this has varied geographically. Our average prices in H1 have held up better than we might have expected given the volumes in the market.

India: Production in the first half of the year was 9% ahead of last year, helped by the opening of the expanded Jogopur Bought Leaf factory. Average prices were generally better than last year. Labour rates have continued to increase leading to margin pressure, which we have been able to counter through efficiencies. We are monitoring closely the situation in Assam where there have been significant changes in tea estate ownership over the last 12 months and will invest only where we believe the opportunities are right for the Group. Following last year's strike in Darjeeling, it is good to see our estates back in full production and achieving improved prices.

Bangladesh: Production was down by 18% in the first half as very dry weather was replaced by flooding following the start of the monsoon; however average prices were 61% ahead of last year.

Kenya: Production (including smallholder and managed client volumes) was ahead of last year by 16% as a result of the weather and growing conditions across the country. Whilst this has resulted in a fall in Mombasa auction prices, our average price in the first half remained a little above that of the same period in 2017. Prices have come under significant downward pressure since the end of June.

Malawi: Production (including smallholder volumes) was ahead of last year by 7% and average prices in the first half were 5% higher than the same period last year.

Macadamia
Following two years of drought, I am pleased to report that the macadamia harvest has been much improved this year with volumes anticipated to be around 45% higher than in 2017 from our combined estates. The prices seen last year also appear to be holding at this stage. As stated in the annual report, we continue to negotiate for an extension to our lease on the Wales estate in South Africa.

Avocado
Volumes and prices from the early avocado crop in Kenya have been above last year in the first half. However as we move into our main cropping season in the second half, we have seen large shipments out of Peru into our core European markets which have significantly depressed prices.

Speciality Crops
Overall, our Speciality Crops have had a mixed start to the year with some good production being offset by issues largely outside our control. It is worth noting the following:

Prices for natural rubber, which we grow on those areas of the tea estates unsuited to tea, have declined slightly in the first half, and the business remains lossmaking albeit cash generative.

Wine grape volumes from our estate in South Africa were down by 28% due to the drought in the Western Cape region, sales however were much improved in the first half.

The soya crop in Brazil has done well, but getting the produce to market was held up temporarily by the national truck drivers' strike which impacted the entire sector.

In California, an above expectation season for Navel oranges has offset a disappointing season for Murcotts. This is an 'on' year for pistachios but the trade tariffs imposed by China (the largest market for pistachios) are likely to impact prices in the second half.

Other strategic developments
As part of our strategy for Agriculture to utilise our estates to the full, expand our production capability in core crops and exploit our expertise, we are undertaking the following initiatives:

- A trial of blueberries at Kakuzi in Kenya is in progress. Being grown in a potted medium and in tunnels means that blueberries can be established on otherwise unproductive land and a 10Ha trial site is being established with an opportunity to expand this significantly if it is successful. We anticipate the first harvest from the trial site in 2019.
- We have signed a memorandum of understanding to purchase land in Tanzania for development into avocado and macadamia orchards. Whilst there is some way to go to completing a transaction, we believe that this presents an opportunity to increase our volumes whilst diversifying our sources of avocado and macadamia.
- The trial planting of avocado near Kitale in Kenya is now complete and we await the results over the next two years before making a decision on developing the remainder of the estate.

Engineering
Engineering North: The business at AJT Engineering continues to improve with the oil industry and the development of the Site Services division; revenue in the first half of the year was up 30% on the first half of last year. In addition, at the beginning of June we acquired a small company, Black Gold Oil Tools, in line with our strategy of diversifying the customer base for this business.

Engineering South: As anticipated in the annual report, the sale of GU Cutting and Grinding to its management team has now completed and the BMT (Great Yarmouth) disposal process is continuing. Abbey Metal Finishing and its subsidiary Atfin traded ahead of the equivalent period last year.

XiMo: We stated in April that we were seeking partners to finance further development of this research business. This search continues, however it is unlikely that any value will be realised from this process.

Food Service
ACS&T continues to trade well and slightly above last year, although with margins reduced due to the business mix. Our new acquisition, Jing Tea, is trading in line with expectations.

Investments and Associates

Our investment portfolio, which consists principally of listed equities, is now valued at £50.8 million (31 December 2017: £47.0 million). We have recently appointed a new manager to run our portfolio.

Our share of profits from associates amounted to £2.2 million (H1 2017: £3.7 million) reflecting lower results at BF&M due to higher reinsurance costs following the hurricanes in 2017.

Summary
Whilst the majority of trading from Agriculture takes place in the second half of the year, I am pleased with how the year has started and that we have continued to push forward successfully with our strategic initiatives to refine the portfolio and to put into place development plans for the future. We remain financially strong, with the resources to see through our development plans over the coming years, and remain committed to growing the business in line with our strategy.

Tom Franks
Chief Executive

23 August 2018

INTERIM MANAGEMENT REPORT

The Chairman's statement and Operating review form part of this report and include important events that have occurred during the six months ended 30 June 2018 and their impact on the financial statements set out herein.

Principal risks and uncertainties
The Report of the Directors in the statutory financial statements for the year ended 31 December 2017 (the accounts are available on the Company's website: www.camellia.plc.uk) highlighted risks and uncertainties that could have an impact on the Group's businesses. As these businesses are widely spread both in terms of activity and location, it is unlikely that any one single factor could have a material impact on the Group's performance. These risks and uncertainties continue to be relevant for the remainder of the year. In addition, the Operating review included in this report refers to certain specific risks and uncertainties that the Group is presently facing.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that these condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by sections 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The Directors of Camellia Plc are listed in the Camellia Plc statutory financial statements for the year ended 31 December 2017. There have been no subsequent changes of Directors and a list of current Directors is maintained on the Group's website at www.camellia.plc.uk.

By order of the Board

Malcolm Perkins
Chairman

23 August 2018

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 £'m	*Six months ended 30 June 2017 £'m*	*Year ended 31 December 2017 £'m*

Continuing operations				
Revenue	4	127.6	*123.6*	*298.3*
Cost of sales		(100.3)	*(102.1)*	*(219.3)*
Gross profit		27.3	*21.5*	*79.0*
Other operating income		2.1	*1.0*	*2.4*
Distribution costs		(5.1)	*(4.9)*	*(13.9)*
Administrative expenses		(22.1)	*(20.4)*	*(41.1)*
Trading profit/(loss)	4	2.2	*(2.8)*	*26.4*
Share of associates' results	5	2.2	*3.7*	*2.0*
Impairment of property, plant and equipment and provisions		(0.1)	*–*	*(1.8)*
Profit on disposal of financial assets		0.2	*0.5*	*0.7*
		4.5	*1.4*	*27.3*
Investment income		0.4	*0.4*	*0.6*
Finance income		2.0	*1.4*	*3.0*
Finance costs		(0.1)	*(0.2)*	*(0.5)*
Net exchange (loss)/gain		(0.1)	*0.1*	*(0.1)*
Employee benefit expense		(0.6)	*(1.2)*	*(2.7)*
Net finance income/(cost)	6	1.2	*0.1*	*(0.3)*
Profit before tax from continuing operations		6.1	*1.9*	*27.6*
Taxation	7	(2.1)	*(1.4)*	*(13.8)*
Profit after tax from continuing operations		4.0	*0.5*	*13.8*
(Loss)/profit from discontinued operation	8	(0.3)	*15.8*	*14.8*
Profit for the period		3.7	*16.3*	*28.6*
Profit attributable to:				
Owners of the parent		0.5	*14.7*	*22.2*
Non-controlling interests		3.2	*1.6*	*6.4*
		3.7	*16.3*	*28.6*
Earnings per share – basic and diluted	10	18.1p	*532.2p*	*803.8p*
Earnings/(loss) per share – continuing operations	10	29.0p	*(39.8p)*	*268.0p*
Earnings/(loss) per share – discontinued operation	10	(10.9p)	*572.0p*	*535.8p*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018

	Six months ended 30 June 2018 £'m	*Six months ended 30 June 2017 £'m*	*Year ended 31 December 2017 £'m*
Profit for the period	3.7	*16.3*	*28.6*
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post employment benefit obligations (note 15)	12.1	*15.2*	*34.3*
Deferred tax movement in relation to post employment benefit obligations	(0.6)	*–*	*(1.0)*
	11.5	*15.2*	*33.3*
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences	1.9	*(14.6)*	*(28.4)*
Available-for-sale investments:			
Valuation gains taken to equity	0.1	*6.6*	*10.9*
Transferred to income statement on sale	–	*(0.2)*	*(0.3)*
	2.0	*(8.2)*	*(17.8)*
Other comprehensive income for the period, net of tax	13.5	*7.0*	*15.5*
Total comprehensive income for the period	17.2	*23.3*	*44.1*
Total comprehensive income/(expense) attributable to:			
Owners of the parent	13.3	*23.4*	*41.1*
Non-controlling interests	3.9	*(0.1)*	*3.0*
	17.2	*23.3*	*44.1*

CONDENSED CONSOLIDATED BALANCE SHEET

at 30 June 2018

	Notes	30 June 2018 £'m	*30 June 2017 £'m*	*31 December 2017 £'m*
ASSETS				
Non-current assets				
Intangible assets	12	8.3	*1.0*	*3.2*
Property, plant and equipment	11	219.9	*223.5*	*216.3*
Investment properties		17.7	*17.9*	*17.6*
Biological assets		12.3	*12.8*	*12.8*
Prepaid operating leases		0.9	*0.9*	*0.9*
Investments in associates		57.2	*59.6*	*55.4*
Deferred tax assets		0.3	*0.4*	*0.2*
Available-for-sale financial assets	2	–	*41.3*	*47.0*
Financial assets at fair value through other comprehensive income	2	42.3	–	–
Financial assets at fair value through profit or loss	2	5.2	–	–
Financial assets at amortised cost	2	3.3	–	–
Other investments – heritage assets		9.4	*9.2*	*9.4*
Retirement benefit surplus	15	0.3	*0.1*	*0.3*
Trade and other receivables		2.1	*2.1*	*1.9*
Total non-current assets		379.2	*368.8*	*365.0*
Current assets				
Inventories		56.5	*55.8*	*47.4*
Biological assets		5.8	*3.1*	*6.6*
Trade and other receivables		41.9	*40.9*	*43.7*
Current income tax assets		1.5	*1.8*	*0.9*
Cash and cash equivalents		94.2	*102.0*	*108.0*
		199.9	*203.6*	*206.6*
Assets classified as held for sale		4.1	*7.1*	*4.9*
Total current assets		204.0	*210.7*	*211.5*
LIABILITIES				
Current liabilities				
Borrowings	13	(4.0)	*(3.9)*	*(1.8)*
Trade and other payables		(61.0)	*(56.6)*	*(56.5)*
Current income tax liabilities		(5.5)	*(7.0)*	*(7.9)*
Employee benefit obligations	15	(1.0)	*(0.9)*	*(0.7)*
Provisions	14	(16.5)	*(11.5)*	*(15.2)*
		(88.0)	*(79.9)*	*(82.1)*
Liabilities directly associated with assets classified as held for sale		(1.8)	*(6.8)*	*(1.8)*
Total current liabilities		(89.8)	*(86.7)*	*(83.9)*
Net current assets		114.2	*124.0*	*127.6*
Total assets less current liabilities		493.4	*492.8*	*492.6*
Non-current liabilities				
Borrowings	13	(3.7)	*(4.3)*	*(4.0)*
Deferred tax liabilities		(40.8)	*(39.3)*	*(40.2)*
Employee benefit obligations	15	(18.3)	*(50.0)*	*(30.5)*
Total non-current liabilities		(62.8)	*(93.6)*	*(74.7)*
Net assets		430.6	*399.2*	*417.9*
EQUITY				
Called up share capital		0.3	*0.3*	*0.3*
Share premium		15.3	*15.3*	*15.3*
Reserves		363.4	*336.0*	*352.8*
Equity attributable to owners of the parent		379.0	*351.6*	*368.4*
Non-controlling interests		51.6	*47.6*	*49.5*
Total equity		430.6	*399.2*	*417.9*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 £'m	*Six months ended 30 June 2017 £'m*	*Year ended 31 December 2017 £'m*
Cash generated from operations				
Cash flows from operating activities	16	6.4	*(0.1)*	*40.7*
Interest paid		(0.1)	*(0.2)*	*(0.5)*
Income taxes paid		(5.6)	*(3.6)*	*(12.3)*
Interest received		2.0	*1.4*	*3.0*
Net cash flow from operating activities		2.7	*(2.5)*	*30.9*
Cash flows from investing activities				
Purchase of intangible assets		–	*–*	*(2.5)*
Purchase of property, plant and equipment		(10.7)	*(8.6)*	*(20.6)*
Proceeds from sale of non-current assets		0.1	*0.4*	*1.3*
Proceeds from sale of assets held for sale		0.7	*–*	*–*
Investment properties – additions		(0.3)	*(0.1)*	*(0.2)*
Biological assets: non-current – additions		(0.1)	*(0.1)*	*(0.2)*
Part disposal of subsidiaries		–	*–*	*0.2*
Acquisition of subsidiaries (net of cash acquired)		(6.4)	*–*	*–*
Cash balances transferred to assets held for sale		–	*–*	*(0.3)*
Investment in associates		–	*–*	*(1.0)*
Dividends received from associates		1.6	*1.8*	*2.8*
Purchase of investments		(3.4)	*–*	*(4.0)*
Proceeds from sale of investments		0.9	*1.0*	*1.8*
Income from investments		0.4	*0.4*	*0.6*
Purchase of other investments – heritage assets		–	*–*	*(0.2)*
Net cash flow from investing activities		(17.2)	*(5.2)*	*(22.3)*
Cash flows from financing activities				
Equity dividends paid		–	*–*	*(3.6)*
Dividends paid to non-controlling interests		(1.9)	*(1.1)*	*(2.5)*
New loans		–	*–*	*0.1*
Loans repaid		(0.3)	*(0.2)*	*(0.6)*
Net cash flow from financing activities		(2.2)	*(1.3)*	*(6.6)*
Net (decrease)/increase in cash and cash equivalents from continued operations		(16.7)	*(9.0)*	*2.0*
Net cash (outflow)/inflow from discontinued operation		(0.2)	*38.6*	*38.2*
Cash and cash equivalents at beginning of period		106.8	*71.8*	*71.8*
Exchange gains/(losses) on cash		0.9	*(2.7)*	*(5.2)*
Cash and cash equivalents at end of period	17	90.8	*98.7*	*106.8*

For the purposes of the cash flow statement, cash and cash equivalents are included net of overdrafts repayable on demand. These overdrafts are excluded from the definition of cash and cash equivalents disclosed on the balance sheet.

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018

	Attributable to the owners of Camellia Plc							
	Share capital £'m	Share premium £'m	Treasury shares £'m	Retained earnings £'m	Other reserves £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
At 1 January 2017	0.3	15.3	(0.4)	272.1	43.5	330.8	48.8	379.6
Total comprehensive income/(expense) for the period	–	–	–	31.6	(8.2)	23.4	(0.1)	23.3
Dividends	–	–	–	(2.6)	–	(2.6)	(1.1)	(3.7)
At 30 June 2017	0.3	15.3	(0.4)	301.1	35.3	351.6	47.6	399.2
At 1 January 2017	0.3	15.3	(0.4)	272.1	43.5	330.8	48.8	379.6
Total comprehensive income/(expense) for the	–	–	–	55.2	(14.1)	41.1	3.0	44.1

period								
Dividends	–	–	–	(3.6)	–	(3.6)	(2.5)	(6.1)
Non-controlling interest subscription	–	–	–	–	–	–	0.2	0.2
Share of associate's other equity movements	–	–	–	0.1	–	0.1	–	0.1
At 31 December 2017	0.3	15.3	(0.4)	323.8	29.4	368.4	49.5	417.9
Total comprehensive income for the period	–	–	–	12.0	1.3	13.3	3.9	17.2
Companies joining the group	–	–	–	–	–	–	0.1	0.1
Dividends	–	–	–	(2.7)	–	(2.7)	(1.9)	(4.6)
At 30 June 2018	0.3	15.3	(0.4)	333.1	30.7	379.0	51.6	430.6

NOTE TO THE ACCOUNTS

1 Basis of preparation

These financial statements are the interim condensed consolidated financial statements of Camellia Plc, a company registered in England, and its subsidiaries (the "Group") for the six month period ended 30 June 2018 (the "Interim report"). They should be read in conjunction with the Report and Accounts (the "Annual Report") for the year ended 31 December 2017.

The financial information contained in this interim report has not been audited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2017 has been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and does not contain an emphasis of matter paragraph or a statement made under Section 498(2) and Section 498(3) of the Companies Act 2006.

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including IAS 34 "Interim Financial Reporting". For these purposes, IFRS comprise the Standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Standards Interpretations Committee ("IFRS IC") that have been adopted by the European Union.

(a) A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies but did not make any retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers

The impact of the adoption of these standards are disclosed in note 2.

(b) Impact of standards issued but not yet applied

- IFRS 16 Leases – effective from 1 January 2019

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on Balance Sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The Income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

These interim condensed consolidated financial statements were approved by the Board of Directors on 23 August 2018. At the time of approving these financial statements, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

2 Accounting policies

These interim condensed consolidated financial statements have been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2017. The adoption of IFRS 9 and IFRS 15 has not had a material impact on the financial statements of the Group. The impact of the adoption of IFRS 9 Financial Instruments on the Group's financial statements is set out below. There was no impact on the Group's financial statements following the adoption of IFRS 15 Revenue from contracts with customers.

IFRS 9 was adopted without restating comparative information and its adoption has reclassified the Group's financial assets. At the date of initial application of IFRS 9, the Group has elected to apply the fair value through other comprehensive income option for all of its non-controlling equity interests that were classified as Available for sale financial assets ("AFS") under IAS 39. This election results in all gains and losses being presented in Other comprehensive income except dividend income which is recognised in profit or loss. This differs from the treatment of AFS instruments under IAS 39 where gains and losses recognised in Other comprehensive income are reclassified to profit and loss on derecognition or impairment. The Group's money market funds have been reclassified as financial assets at fair value through profit or loss and the Group's infrastructure bonds and debentures have been reclassified as financial assets at amortised cost. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Balance sheet (extract)

	31 December 2017 £'m	IFRS 9 £'m	Reclassified 1 January 2018 £'m
Non-current assets			
Available-for-sale financial assets	*47.0*	(47.0)	–
Financial assets at fair value through other comprehensive income	–	41.3	41.3
Financial assets at fair value through profit or loss	–	2.5	2.5
Financial assets at amortised cost	–	3.2	3.2
	47.0	–	47.0

3 Cyclical and seasonal factors

Due to climatic conditions the Group's tea operations in India and Bangladesh produce most of their crop during the second half of the year. Tea production in Kenya remains at consistent levels throughout the year but in Malawi the majority of tea is produced in the first six months.

Soya in Brazil and citrus in California are generally harvested in the first half of the year. In California the pistachio crop occurs in the second half of the year and has 'on' and 'off' years. The majority of the macadamia sales arise in the second half of the year. Avocados in Kenya are mostly harvested in the second half of the year.

There are no other cyclical or seasonal factors which have a material impact on the trading results.

4 Segment reporting – continuing operations

	Six months ended 30 June 2018		*Six months ended 30 June 2017*		*Year ended 31 December 2017*	
	Revenue £'m	Trading profit/(loss) £'m	*Revenue £'m*	*Trading profit/(loss) £'m*	*Revenue £'m*	*Trading profit/(loss) £'m*
Agriculture	96.6	6.7	*96.1*	*1.5*	*239.4*	*35.6*
Engineering	10.0	(0.9)	*9.5*	*(1.6)*	*20.5*	*(2.6)*
Food Service	20.7	0.9	*17.8*	*1.2*	*37.8*	*1.8*
Other operations	0.3	–	*0.2*	–	*0.6*	–
	127.6	6.7	*123.6*	*1.1*	*298.3*	*34.8*
Unallocated corporate expenses		(4.5)		*(3.9)*		*(8.4)*
Trading profit/(loss)		2.2		*(2.8)*		*26.4*
Share of associates' results		2.2		*3.7*		*2.0*
Impairment of property, plant and equipment and provisions		(0.1)		–		*(1.8)*
Profit on disposal of financial assets		0.2		*0.5*		*0.7*
Investment income		0.4		*0.4*		*0.6*
Net finance income/(cost)		1.2		*0.1*		*(0.3)*
Profit before tax from continuing operations		6.1		*1.9*		*27.6*
Taxation		(2.1)		*(1.4)*		*(13.8)*
Profit from continuing operations after tax		4.0		*0.5*		*13.8*

The Group has assessed that the disaggregation of revenue by operating segments is appropriate in meeting disclosure requirements of IFRS 15 as this is the information regularly reviewed by the management in order to evaluate the financial performance of the entity. A disaggregation of revenue based on the timing of transfer of goods or services (i.e. at a point in time or over time) has not been presented as the amount of revenue accounted for on an over time basis is not material.

5 Share of associates' results

The Group's share of the results of associates is analysed below:

	Six months ended 30 June 2018 £'m	*Six months ended 30 June 2017 £'m*	*Year ended 31 December 2017 £'m*
Profit before tax	2.6	*4.2*	*2.0*
Taxation	(0.4)	*(0.5)*	*–*
Profit after tax	2.2	*3.7*	*2.0*

6 Finance income and costs

	Six months ended 30 June 2018 £'m	*Six months ended 30 June 2017 £'m*	*Year ended 31 December 2017 £'m*
Interest payable on loans and bank overdrafts	(0.1)	*(0.2)*	*(0.5)*
Finance costs	(0.1)	*(0.2)*	*(0.5)*
Finance income – interest income on short-term bank deposits	2.0	*1.4*	*3.0*
Net exchange (loss)/gain on foreign currency balances	(0.1)	*0.1*	*(0.1)*
Employee benefit expense	(0.6)	*(1.2)*	*(2.7)*
Net finance income/(cost)	1.2	*0.1*	*(0.3)*

7 Taxation on profit on ordinary activities

	Six months ended 30 June 2018 £'m	*Six months ended 30 June 2017 £'m*	*Year ended 31 December 2017 £'m*
Current tax			
Overseas corporation tax	2.6	*3.6*	*14.3*
Deferred tax			
Origination and reversal of timing differences			
Overseas deferred tax	(0.5)	*(2.2)*	*(0.5)*
Tax on profit on ordinary activities	2.1	*1.4*	*13.8*

Tax on profit on ordinary activities for the six months to 30 June 2018 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2018.

8 Discontinued operation

In 2017, the profit (six months £15.8 million – year £14.8 million) from the discontinued operation included a gain on sale of £19.2 million relating to the disposal of Duncan Lawrie Asset Management Limited to Brewin Dolphin Limited. For further information about the discontinued operation please refer to note 10 in the Group's annual financial statements for the year ended 31 December 2017.

9 Equity dividends

	Six months ended 30 June 2018 £'m	*Six months ended 30 June 2017 £'m*	*Year ended 31 December 2017 £'m*
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2017 of 98p (2016: 95p) per share	2.7	*2.6*	*2.7*
Interim dividend for the year ended 31 December 2017 of 37p per share			*1.0*
			3.7

Dividends amounting to £0.1 million (2017: six months £0.1 million – year £0.1 million) have not been included as Group companies hold 62,500 issued shares in the Company. These are classified as treasury shares.

Proposed interim dividend for the year ended 31 December 2018 of 40p (2017: 37p) per share	1.1	*1.0*

The proposed interim dividend was approved by the Board of Directors on 23 August 2018 and has not been included as a liability in these financial statements.

10 Earnings/(loss) per share (EPS)

	Six months ended 30 June 2018		*Six months ended 30 June 2017*		*Year ended 31 December 2017*	
	Earnings £'m	EPS Pence	*Earnings £'m*	*EPS Pence*	*Earnings £'m*	*EPS Pence*
Attributable to ordinary shareholders	0.5	18.1	*14.7*	*532.2*	*22.2*	*803.8*
Attributable to ordinary shareholders – continuing operations	0.8	29.0	*(1.1)*	*(39.8)*	*7.4*	*268.0*
Attributable to ordinary shareholders – discontinued operation	(0.3)	(10.9)	*15.8*	*572.0*	*14.8*	*535.8*

Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of 2,762,000 (2016: six months 2,762,000 – year 2,762,000), which excludes 62,500 (2016: six months 62,500 – year 62,500) shares held by the Group as treasury shares.

11 Property, plant and equipment

During the six months ended 30 June 2018 the Group acquired assets with a cost of £10.7 million (2017: six months £8.6 million – year £20.6 million). Assets with a carrying amount of £0.4 million were disposed of during the six months ended 30 June 2018 (2017: six months £0.5 million – year £1.2 million).

12 Business combinations

During the reporting period, the Group acquired 80% of the share capital of Jing Tea Limited, a UK based branded speciality teas business selling to the retail and food service sectors internationally and 100% of the share capital of Black Gold Oil Tools Limited, a company based in Aberdeen which provides engineering services to the oil and gas sector. In doing so, the Group acquired identifiable intangible fixed assets of £5.3 million.

13 Borrowings

Borrowings (current and non-current) include loans and finance leases of £4.3 million (2017: six months £4.9 million – year £4.6 million) and bank overdrafts of £3.4 million (2017: six months £3.3 million – year £1.2 million). The following loans and finance leases were repaid during the six months ended 30 June 2018:

	£'m
Balance at 1 January 2018	4.6
Repayments	(0.3)
Balance at 30 June 2018	4.3

14 Provisions

Provisions include wages and salaries provisions in respect of unresolved wage negotiations in Kenya for the Collective Bargaining Agreement years of 2014/15 and 2016/17 and ongoing wage negotiations in India and Bangladesh of £15.5 million (30 June 2017: £10.6 million – 31 December 2017: £14.0 million) and claims of £1.0 million (30 June 2017: £0.9 million – 31 December 2017: £1.2 million).

15 Employee benefit obligations

The UK defined benefit pension scheme for the purpose of IAS 19 has been updated to 30 June 2018 from the valuation as at 31 December 2017 by the actuary and the movements have been reflected in this interim statement. Overseas pension schemes operated in Group subsidiaries located in Bangladesh and India have also been updated to 30 June 2018 from the valuation as at 31 December 2017 by the actuaries and the movements have also been reflected in this interim statement. The overseas pension schemes operated in The Netherlands have not been updated from 31 December 2017 valuations as it is considered that there have not been any significant changes.

The gratuity and medical benefit schemes located in Bangladesh and India have been updated to 30 June 2018 by the actuaries and the movements have been reflected in this interim statement.

An actuarial gain of £12.1 million was realised in the period in relation to the Group's employee obligations of which £10.2 million related to the UK defined benefit pension scheme. In relation to the UK defined benefit pension scheme a gain of £3.7 million was realised in relation to the scheme assets and a gain of £6.5 million was realised in relation to changes in the underlying actuarial assumptions. The assumed discount rate has increased to 2.65% (31 December 2017: 2.45%) and the assumed rate of inflation (CPI) has decreased to 2.1% (31 December 2017: 2.2%). There has been no change in the mortality assumptions used.

16 Reconciliation of profit from continuing operations to cash flow

	Six months ended 30 June 2018 £'m	*Six months ended 30 June 2017 £'m*	*Year ended 31 December 2017 £'m*
Profit from continuing operations	4.5	*1.4*	*27.3*
Share of associates' results	(2.2)	*(3.7)*	*(2.0)*
Depreciation and amortisation	8.0	*7.9*	*15.4*
Impairment of assets and provisions	0.1	–	*1.8*
Realised movements on biological assets – non-current	1.0	*0.4*	–
Profit on disposal of non-current assets	–	*(0.1)*	*(0.1)*
Profit on disposal of financial assets	(0.2)	*(0.5)*	*(0.7)*
(Increase)/decrease in working capital	(4.4)	*(4.7)*	*1.2*
Pensions and similar provisions less payments	(0.4)	*(0.8)*	*(2.2)*
Cash generated from continuing operations	6.4	*(0.1)*	*40.7*

17 Cash and cash equivalents

For the purposes of the cash flow statement cash and cash equivalents comprise:

	Six months ended 30 June 2018 £'m	*Six months ended 30 June 2017 £'m*	*Year ended 31 December 2017 £'m*
Cash and cash equivalents	94.2	*102.0*	*108.0*
Overdrafts repayable on demand (included in current liabilities – borrowings)	(3.4)	*(3.3)*	*(1.2)*
	90.8	*98.7*	*106.8*

18 Contingencies

In India, assessments have been received for excise duties of £3.6 million and of £1.2 million for income tax matters. These are being contested on the basis that they are without technical merit.

In India, a long running dispute between our local subsidiaries and the Government of West Bengal over the payment of land transfer tax, locally called, 'salami', remains unresolved. Lawyers acting for the Group have advised that payment of Salami does not apply. The sum in dispute, excluding fines and penalties, amounts to £1.3 million. Pending resolution of the dispute (which if resolved in our favour, will result in the sums being returned), the Group has agreed to deposit the tax in seven equal annual instalments in order to allow the normal functioning of the estates.

The Group operates in certain countries where its operations are potentially subject to a number of legal claims. When required, appropriate provisions are made for the expected cost of such claims.

19 Related party transactions

There have been no related party transactions that had a material effect on the financial position or performance of the Group in the first six months of the financial year.