CAMELLIA PLC

INTERIM REPORT 2020

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Registered office
Linton Park
Linton
Maidstone
Kent ME17 4AB
Registered number 00029559
www.camellia.plc.uk

CHAIRMAN'S STATEMENT

It is disappointing to report a first half loss before tax of £12.9 million (2019 H1: £3.9 million profit). The weakness in global tea prices, the impact of extreme weather on our agricultural production and costs related to legal claims have taken their toll, whilst the impact of the Covid-19 pandemic has also had a significant effect. Lockdowns in our production areas and the decimation of the aerospace, travel and hospitality industries have both conspired to influence our half year figures detrimentally and have required us to recognise an impairment on some of our operations in those sectors.

The underlying loss before tax for the first half was £6.0 million (2019 H1: £4.1 million loss).

Dividend

At the time of the final results for 2019, we stated that we would defer paying a final dividend given the need to preserve cash in a fast changing situation, particularly in some of the emerging markets in which we operate. Whilst the path of the virus continues to evolve, we now have better visibility on the impact and the Board is pleased to reinstate the final dividend in respect of 2019 by way of a special dividend of 102p per share payable on 7 November 2020 to shareholders registered at the close of business on 9 October 2020 (2018: 102p). Given the continuing uncertainty, the Board has decided to defer paying an interim dividend and will consider the overall dividend in respect of 2020 when the year is complete.

Strategic objectives

The Group takes a long-term view as to the strategic development of its businesses. The effects of Covid-19, along with the continuing impact of climate change has increased our scrutiny of our portfolio of operations to ensure that they fit these long-term goals.

As recently announced, we are in the process of selling our California joint venture, Horizon Farms. We believe that the long-term climate projections and the limited availability of water to Horizon are of critical concern. Other strategic developments are included in the Operating Review.

Outlook

We have previously stated that our full year results for 2020 would be substantially below those of 2019. This remains the case due to the weakness of the tea price, particularly in Bangladesh, Kenya and Malawi; the direct impact of Covid-19 on our engineering and food service operations; the reduction in the macadamia crop and prices; and legal costs. However, excluding legal costs, impairments and before any profit on disposal of the Horizon Farm property we expect to record an underlying profit before tax. Camellia is financially strong and the demand for our agricultural produce is enduring. Looking to the longer term, we remain optimistic about the future for the Group.

People

Once again, I would like to thank all of our staff around the world for their continuing efforts in extremely difficult circumstances.

Malcolm Perkins
Chairman

24 September 2020

OPERATING REVIEW

COVID-19 AND TRADING UPDATE

People

First, I would like to reiterate our gratitude to all of our staff around the world for their continuing support both within the business but also for their help within the communities in which they operate in what have been uniquely challenging times.

Trading

All our agricultural businesses continue to operate, albeit in modified ways to take account of social distancing. The reach of the virus continues to expand in certain of our operating countries, including India and Bangladesh and so we continue to monitor the situation very carefully and our operations provide such support as they can to their staff and the local communities. The impact of the virus on our markets and hence our businesses is variable. As regards tea, the Indian market which is largely driven by packet tea, has held up very well during lockdown but the Bangladesh market, which relies heavily on hot tea stalls, has seen a significant reduction in demand.

The macadamia market has suffered from reduced demand and therefore lower prices, as orders from the food service and hospitality industries have dried up, but the avocado market has been largely unaffected. In the UK all the businesses have seen a significant impact on trading.

Additional detail on the first half results is set out below.

Financial Position

The Group has a strong balance sheet with substantial liquidity which amounted to £72.8 million in cash and cash equivalents net of borrowings as at 30 June 2020 and we continue to conserve cash wherever possible. In addition, our investment portfolio had a market value of £45.8 million at 30 June 2020. Further detail on going concern matters is set out in note 3 of the accounts.

FIRST HALF OPERATING RESULTS

Agriculture

Tea

Overall tea production in the first half was 42.0m Kg (H1 2019: 43.2m Kg) and prices continued to weaken, but different regions have experienced markedly different conditions.

	H1 2020 Volume mkg	*H1 2019 Volume mkg*	*Full year 2019 Volume mkg*
India	6.7	*10.4*	*32.1*
Bangladesh	2.8	*4.0*	*14.2*
Kenya	7.9	*5.0*	*12.1*
Malawi	11.6	*12.6*	*17.6*
Total own estates	29.0	*32.0*	*76.0*
Bought leaf production	10.4	*9.2*	*21.1*
Managed client production	2.6	*2.0*	*4.3*
Total made tea produced	42.0	*43.2*	*101.4*

India: Our own crop production was down by 36% but Bought Leaf production was down by 62%, meaning that total production was down 43%. This was due to the closure of gardens imposed at the start of the pandemic, the impact of cyclone Amphan and an unusually heavy monsoon. In Darjeeling, most of the first flush teas were lost as a result of lockdown.

Prices in the first quarter for old season teas in Dooars were better than those of 2019, however lower prices were experienced for Assam and Darjeeling teas in that period. As a result of the shortage of teas countrywide caused by the pandemic, prices since March have firmed significantly in Dooars, Assam and Cachar. Overall our average prices in India were up 12% on H1 2019 prices.

Bangladesh: Our production was down 30% due to dry weather in the early part of the season, in addition the closure of the hot tea stall market due to the pandemic has significantly cut demand and our average prices were down by 43% on the same period of last year.

Kenya: Our production has been at record levels, up 58% on 2019, and nationally Kenya also produced record volumes each month from January to June. This was partly the result of favourable weather conditions but of greater impact was the rapid expansion of the smallholder sector where nationally volumes were up by 48%.

As a result of these very high volumes, prices have been under significant pressure and our average selling price was 10% below 2019 levels for the same period. The low prices continue to have political repercussions and a set of new regulations for the tea sector has been released by the Kenyan Government, the implications of which are still uncertain, but which it is hoped will restrain production and improve prices.

Malawi: Production in Malawi was down on last year by 8% due to the drier conditions experienced in the second quarter. Pricing has also been under pressure, due to the huge volumes in Kenya, and was 4% down on the same period last year.

Macadamia

We estimate that our combined macadamia harvest will be approximately 25% down on 2019 due to very hot dry weather in South Africa and Malawi at the end of 2019 which affected nut development. South Africa was particularly hard hit down 57% on 2019 full year volumes. The pandemic has resulted in reduced demand from China, USA and the food service sector generally and therefore, despite the reduction in volumes, prices are anticipated to be down 10% on last year.

Avocado

Production volumes of our Hass crop in H1 were up 47% against 2019. The season is well underway and thus far logistics have generally worked well despite the challenges presented by the pandemic. We anticipate exported volumes for the full year to be approximately 39% above 2019.

Hass prices in the market have been volatile and during June and July they were impacted by the very large volumes of Peruvian fruit arriving in the European market. Given available volumes and market conditions the indications are that our full year average prices for 2020 season Hass will be lower than those of 2019 but better than those of 2018.

Speciality Crops

The speciality crops have generally had a good first half and the following is worth noting:

- In Brazil the soya crop was up 3%, driven by 9% higher dry land yields. Prices achieved were up 4%, assisted in part by the devaluing Real. Sorghum was planted as an alternative to maize this year and the yield and price achieved have exceeded expectations.
- The USA has had an excellent citrus season with both the Murcott and Navel crops exceeding 2019 for volumes and price. 2020 is an 'on' year for pistachios.
- As previously stated, the blueberries have developed more slowly than anticipated when we began the trial and the first major harvest will not now be until 2021.

Strategic developments

The following strategic developments in the agriculture division should be noted:

- The agreed sale of the Horizon Farm property, together with its growing crop of pistachios and almonds for a gross cash consideration of $31 million which, subject to certain conditions, is expected to complete during Q4 2020. The profit before tax attributable to Horizon Farms in H1 was £3.6 million (2019 year – £1.8 million) and the net assets relating to the property and growing crop at 30 June 2020 was £9.8 million. The estimated pre tax gain on sale of the assets is $18.3 million (approximately £14.2 million) (post tax approximately £10.0 million) which, subject to completion, will be reflected in the 2020 full year results.
- In Tanzania significant progress on the purchase of the Mgagao farm has been made with the transfer of land title completed and awaiting the grant of derivative rights. The avocado plants are being prepared in the nursery for planting towards the end of the year.
- In South Africa, the lease at Wales has expired and we vacated the estate after completing the final harvest.
- Also in South Africa, approval of the environmental impact assessment for Beja farm was received and preparations are underway to allow planting of avocados to commence in 2021.

Engineering

AJT Engineering had a busy first half in the oilfield services division. However, the site services division has effectively been closed since the middle of March with much of the work postponed and with the engineers being unable to get on site due to the lockdown. Despite this, total revenues were up 8% on 2019. We anticipate a slower second half as the impact of the pandemic on oil prices is felt in the hydrocarbon production sector.

Revenues from Abbey Metal Finishing and its subsidiary Atfin were similar to last year at the end of the first quarter, but the second quarter saw a significant reduction in revenues due to market disruption. Uncertainty in the aerospace sector is expected to increase losses in the second half and significant doubts remain as to when this sector will recover.

Food Service

After a positive start to the year, ACS&T had a difficult second quarter with supplies of frozen produce to restaurants collapsing. Trading has begun to improve as the lockdown is lifted and the out of home dining sector gets busier.

Jing Tea has been largely closed throughout the lockdown with only the on-line trading platform remaining busy. Recovery for Jing remains dependent on the recovery of the hotel, restaurant and tourism sectors.

Investments and Associates

Our investment portfolio, which consists principally of listed equities, at 30 June 2020 was valued at £45.8 million (31 December 2019: £47.0 million).

Our share of profits from associates amounted to £2.5 million (H1 2019: £3.3 million) reflecting a strong operating result from BF&M which saw its property & casualty and life & health businesses perform well, supported by solid investment performance.

Group claims against African operations

As we stated in our trading update of January 2020, Camellia and a number of its subsidiary companies have received notification of claims to be made in the UK relating to allegations made by multiple individuals concerning two overseas companies' African operations. The financial impact of these claims is impossible to quantify, but as previously indicated, the related legal and other costs are significant and are continuing. Costs incurred during the first half of 2020 amounted to £3.5 million (H1 2019: £nil).

Pensions

The deficit on the Group's defined benefit pension and post employment benefit schemes increased to £30.1 million at 30 June 2020 (31 December 2019: £22.0 million) due primarily to the use of lower discount rates. Of this the UK defined benefit scheme deficit represented £19.5 million (31 December 2019: £13.6 million).

The triennial valuation for the UK defined benefit scheme is ongoing and is expected to show a funding deficit towards which cash contributions are likely to be required to be made from next year.

Impairments

The impact of Covid-19 on the outlook for the travel, hotel and leisure markets has been substantial and is likely to be prolonged. Impairments of £3.4 million were recognised in the period on the Jing brand and our plant and equipment at Abbey Metal Finishing. The impairments are driven by a combination of higher discount rates used to value future cash flows, the losses in 2020 and lower industry growth rates.

Summary

The first half of the year has been exceptionally challenging and required enormous dedication and hard work from all our people. Notwithstanding these circumstances, we have made good strategic progress; our Tanzanian plans are advancing well and the disposal of our majority interest in Horizon Farms was announced in August.

Whilst we are widely diversified by sector, country and crop, a combination of extreme climate events on top of the pandemic has made trading difficult across many of our businesses. However, we have strong market positions in our core crops, we are in sectors which we expect will generally recover quickly, we remain financially strong and we continue to maintain the resources to fulfil our development plans in line with our strategy.

Finally, I am pleased that we have published our 2020 ESG Report "Custodianship" which sets out both our philosophy and the practical steps we are taking towards a more sustainable future. The report is available on our website at www.camellia.plc.uk.

Tom Franks
Chief Executive

24 September 2020

INTERIM MANAGEMENT REPORT

The Chairman's Statement and Operating Review form part of this report and includes important events that have occurred during the six months ended 30 June 2020 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 2019 (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. These risks and uncertainties continue to be relevant for the remainder of the year. In addition, the Chairman's Statement 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 2019. 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

24 September 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
Continuing operations				
Revenue	5	114.9	*117.3*	*291.5*
Cost of sales		(98.8)	*(92.2)*	*(217.9)*
Gross profit		16.1	*25.1*	*73.6*
Other operating income		0.8	*2.3*	*4.0*
Distribution costs		(6.2)	*(6.3)*	*(15.0)*
Administrative expenses		(25.0)	*(22.4)*	*(46.1)*
Trading (loss)/profit	5	(14.3)	*(1.3)*	*16.5*
Share of associates' results	7	2.5	*3.3*	*4.6*
Impairment of intangible assets and property, plant and equipment	6	(3.4)	*–*	*–*
Profit on disposal of financial assets		0.1	*0.2*	*0.2*
Operating (loss)/profit		(15.1)	*2.2*	*21.3*
Investment income		0.4	*0.4*	*0.7*
Finance income		1.5	*2.1*	*3.9*
Finance costs		(0.8)	*(0.6)*	*(2.2)*
Net exchange gain/(loss)		1.3	*0.2*	*(0.3)*
Employee benefit interest		(0.2)	*(0.4)*	*(1.1)*
Net finance income	8	1.8	*1.3*	*0.3*
(Loss)/profit before tax		(12.9)	*3.9*	*22.3*
Comprising				
– underlying (loss)/profit before tax	6	(6.0)	*(4.1)*	*17.4*
– release of provisions for wage increases	6	–	*8.0*	*9.8*
– costs related to group claims	6	(3.5)	*–*	*(1.3)*
– impairment of intangible assets and property, plant and equipment	6	(3.4)	*–*	*–*
– charge to workers profit participation	6	–	*–*	*(3.6)*
		(12.9)	*3.9*	*22.3*
Taxation	9	0.8	*(0.3)*	*(7.2)*
(Loss)/profit for the period		(12.1)	*3.6*	*15.1*
(Loss)/profit attributable to:				
Owners of Camellia Plc		(12.6)	*1.4*	*8.3*
Non-controlling interests		0.5	*2.2*	*6.8*
		(12.1)	*3.6*	*15.1*
Earnings/(loss) per share – basic and diluted	11	(456.2)p	*50.7p*	*300.5p*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020

	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
(Loss)/profit for the period	(12.1)	*3.6*	*15.1*
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income:			
Fair value adjustment released on disposal	(0.8)	*(0.3)*	*(0.3)*
Profit on disposal	0.6	*1.1*	*1.2*
	(0.2)	*0.8*	*0.9*
Changes in the fair value of financial assets	(2.7)	*3.5*	*6.9*
Deferred tax movement in relation to fair value adjustments	0.4	*(0.4)*	*(0.9)*
Remeasurements of post employment benefit obligations	(7.3)	*3.9*	*3.5*
Deferred tax movement in relation to post employment benefit obligations	–	*(0.1)*	*(0.5)*
	(9.8)	*7.7*	*9.9*
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences	13.1	*(1.8)*	*(16.7)*
Share of other comprehensive income of associates	0.1	*–*	*0.3*
	13.2	*(1.8)*	*(16.4)*
Other comprehensive income/(expense) for the period, net of tax	3.4	*5.9*	*(6.5)*
Total comprehensive (expense)/income for the period	(8.7)	*9.5*	*8.6*
Total comprehensive (expense)/income attributable to:			
Owners of Camellia Plc	(10.3)	*8.1*	*4.2*
Non-controlling interests	1.6	*1.4*	*4.4*
	(8.7)	*9.5*	*8.6*

CONDENSED CONSOLIDATED BALANCE SHEET
at 30 June 2020

	Notes	30 June 2020 £'m	*30 June 2019 £'m*	*31 December 2019 £'m*
ASSETS				
Non-current assets				
Intangible assets		6.9	*10.9*	*10.3*
Property, plant and equipment	12	218.6	*227.5*	*222.5*
Right-of-use assets		18.5	*17.6*	*18.5*
Investment properties		18.9	*17.5*	*18.3*
Biological assets		14.3	*13.9*	*14.6*
Investments in associates		72.3	*67.9*	*66.0*
Deferred tax assets		0.2	*0.2*	*–*
Financial assets at fair value through other comprehensive income		37.6	*35.7*	*37.8*
Financial asset at fair value through profit or loss		5.2	*4.7*	*6.2*
Financial assets at amortised cost		3.0	*3.1*	*3.0*
Other investments – heritage assets		9.8	*9.7*	*9.8*
Retirement benefit surplus	16	0.5	*0.4*	*0.7*
Trade and other receivables		2.7	*2.8*	*2.8*
Total non-current assets		408.5	*411.9*	*410.5*
Current assets				
Inventories		61.3	*64.8*	*49.3*
Biological assets		3.6	*4.3*	*9.1*
Trade and other receivables		42.1	*44.0*	*44.3*
Financial assets at amortised cost		–	*0.1*	*–*
Current income tax assets		3.4	*0.8*	*1.2*
Cash and cash equivalents (excluding bank overdrafts)		82.9	*95.8*	*91.4*
		193.3	*209.8*	*195.3*
Assets classified as held for sale	13	9.8	*0.9*	*–*
Total current assets		203.1	*210.7*	*195.3*

CONDENSED CONSOLIDATED BALANCE SHEET
at 30 June 2020

	Notes	30 June 2020 £'m	*30 June 2019 £'m*	*31 December 2019 £'m*
LIABILITIES				
Current liabilities				
Financial liabilities – borrowings	14	(6.9)	(8.3)	(5.6)
Lease liabilities		(1.4)	(2.0)	(1.2)
Trade and other payables		(53.0)	(54.2)	(48.6)
Current income tax liabilities		(5.3)	(6.1)	(4.2)
Employee benefit obligations	16	(0.9)	(1.0)	(0.7)
Provisions	15	(13.0)	(13.6)	(8.9)
Total current liabilities		(80.5)	(85.2)	(69.2)
Net current assets		122.6	125.5	126.1
Total assets less current liabilities		531.1	537.4	536.6
Non-current liabilities				
Financial liabilities – borrowings	14	(3.2)	(6.9)	(3.3)
Lease liabilities		(11.6)	(8.7)	(11.8)
Deferred tax liabilities		(45.2)	(44.3)	(47.1)
Employee benefit obligations	16	(29.7)	(21.3)	(22.0)
Total non-current liabilities		(89.7)	(81.2)	(84.2)
Net assets		441.4	456.2	452.4
EQUITY				
Called up share capital		0.3	0.3	0.3
Share premium		15.3	15.3	15.3
Reserves		369.8	385.2	380.1
Equity attributable to owners of Camellia Plc		385.4	400.8	395.7
Non-controlling interests		56.0	55.4	56.7
Total equity		441.4	456.2	452.4

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
Cash generated from operations				
Cash flows from operating activities	17	(3.1)	*(3.5)*	*21.2*
Interest received		1.5	*2.3*	*4.0*
Interest paid		(0.8)	*(0.7)*	*(1.7)*
Income taxes paid		(3.2)	*(5.1)*	*(10.9)*
Net cash flow from operating activities		(5.6)	*(7.0)*	*12.6*
Cash flows from investing activities				
Purchase of intangible assets		–	*(0.3)*	*(0.1)*
Purchase of property, plant and equipment		(6.6)	*(8.0)*	*(18.4)*
Proceeds from sale of non-current assets		0.3	*0.9*	*1.7*
Additions to investment property		(0.6)	*(0.1)*	*(0.5)*
Biological assets: non-current – additions		0.5	*–*	*0.7*
Payment for acquisition of a business / subsidiary net of cash acquired	18	–	*(9.4)*	*(9.4)*
Proceeds from sale of assets held for sale – investment property		–	*–*	*0.8*
Investment in associates		(0.3)	*(0.7)*	*(1.3)*
Dividends received from associates		1.3	*1.8*	*3.1*
Purchase of investments		(4.9)	*(7.9)*	*(11.4)*
Proceeds from sale of investments		6.0	*8.7*	*10.3*
Income from investments		0.4	*0.4*	*0.7*
Purchase of other investments – heritage assets		–	*(0.1)*	*(0.3)*
Net cash flow from investing activities		(3.9)	*(14.7)*	*(24.1)*
Cash flows from financing activities				
Equity dividends paid		–	*–*	*(4.0)*
Dividends paid to non-controlling interests		(2.3)	*(2.7)*	*(4.5)*
New loans		–	*4.6*	*3.6*
Loans repaid		(0.3)	*(0.3)*	*(0.6)*
Payments of lease liabilities		(0.5)	*(0.2)*	*(0.4)*
Net cash flow from financing activities		(3.1)	*1.4*	*(5.9)*
Net decrease in cash and cash equivalents		(12.6)	*(20.3)*	*(17.4)*
Cash and cash equivalents at beginning of period		89.4	*109.6*	*109.6*
Exchange gains/(losses) on cash		2.7	*(0.4)*	*(2.8)*
Cash and cash equivalents at end of period	19	79.5	*88.9*	*89.4*

For the purposes of the cash flow statement, cash and cash equivalents are included net of overdrafts repayable on demand.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2020

	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 2019	0.3	15.3	(0.4)	350.7	29.6	395.5	56.8	452.3
Total comprehensive income for the period	–	–	–	6.7	1.4	8.1	1.4	9.5
Dividends	–	–	–	(2.8)	–	(2.8)	(2.8)	(5.6)
At 30 June 2019	0.3	15.3	(0.4)	354.6	31.0	400.8	55.4	456.2
At 1 January 2019	0.3	15.3	(0.4)	350.7	29.6	395.5	56.8	452.3
Total comprehensive income for the period	–	–	–	11.9	(7.7)	4.2	4.4	8.6
Dividends	–	–	–	(4.0)	–	(4.0)	(4.5)	(8.5)
At 31 December 2019	0.3	15.3	(0.4)	358.6	21.9	395.7	56.7	452.4
Total comprehensive (expense) /income for the period	–	–	–	(18.7)	8.4	(10.3)	1.6	(8.7)
Dividends	–	–	–	–	–	–	(2.3)	(2.3)
At 30 June 2020	0.3	15.3	(0.4)	339.9	30.3	385.4	56.0	441.4

NOTES 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 2020 (the "Interim Report"). The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Report and Accounts (the "Annual Report") for the year ended 31 December 2019.

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 2019 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 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.

These interim condensed consolidated financial statements were approved by the Board of Directors on 24 September 2020. 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 Changes to accounting policies

These interim condensed 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 2019. Amendments to IFRSs effective for the financial year ending 31 December 2020 are not expected to have a material impact on the Group.

3 Going concern

As set out in the Operating Review, our businesses have been impacted to varying degrees of severity by Covid-19 and we expect those conditions to continue for the majority of the period covered by the going concern statement. Although we now have experience of managing through the first wave of the pandemic it still remains hard to predict with precision the continuing and future impact that Covid-19 may have on our businesses. The major variables remain the depth and duration of the pandemic and the extent of action taken by governments in the jurisdictions in which we operate. We expect our operations will continue to operate wherever possible with appropriate safety protocols in place and that we will also be able to continue to sell our produce to customers.

All our businesses have implemented plans aimed at making operational cost reductions and wherever possible delaying or cancelling non-critical expenditure.

At 30 June 2020, the Group had cash and cash equivalents net of borrowings of £72.8 million. In addition, the Group had undrawn short-term loan and overdraft facilities of £30.5 million and a portfolio of liquid investments with a market value of £45.8 million.

The Directors, after assessing the principal risks, have considered the impact of a plausible downside scenario on the business for the next 15 months including the possibility of disruption to the production, distribution, demand for and hence sales of our core crops; tea, macadamia and avocado. We have also considered the risk of further price reductions during 2020 for our macadamia and avocado crops.

The potential impact of Brexit has been considered and is not expected to have a significant effect on this assessment.

The Directors believe that the Company and the Group are well placed to manage their financing and other business risks satisfactorily and have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

4 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 crop in Malawi and South Africa is harvested in the second half of the year but in Kenya the majority of macadamia is harvested in the first half. 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.

5 Segment reporting

	Six months ended 30 June 2020		*Six months ended 30 June 2019*		*Year ended 31 December 2019*	
	Revenue £'m	Trading (loss)/profit £'m	*Revenue £'m*	*Trading profit/(loss) £'m*	*Revenue £'m*	*Trading profit/(loss) £'m*
Agriculture (see note 6)	91.7	(5.7)	*90.5*	*2.4*	*238.7*	*25.2*
Engineering	11.0	0.1	*10.8*	*(0.3)*	*22.1*	*–*
Food Service	11.6	(0.8)	*15.6*	*0.9*	*29.8*	*0.8*
Other operations	0.6	0.1	*0.4*	*–*	*0.9*	*0.1*
	114.9	(6.3)	*117.3*	*3.0*	*291.5*	*26.1*
Unallocated corporate expenses		(8.0)		*(4.3)*		*(9.6)*
Trading (loss)/(profit)		(14.3)		*(1.3)*		*16.5*
Share of associates' results		2.5		*3.3*		*4.6*
Impairment of intangible assets and property, plant and equipment		(3.4)		*–*		*–*
Profit on disposal of financial assets		0.1		*0.2*		*0.2*
Investment income		0.4		*0.4*		*0.7*
Net finance income		1.8		*1.3*		*0.3*
(Loss)/profit before tax		(12.9)		*3.9*		*22.3*
Taxation		0.8		*(0.3)*		*(7.2)*
(Loss)/profit after tax		(12.1)		*3.6*		*15.1*

6 Underlying (loss)/profit

The Group seeks to present an indication of the underlying performance which is not impacted by exceptional items or items considered non-operational in nature. This measure of profit is described as 'underlying' and is used by management to measure and monitor performance.

The following items have been excluded from the underlying measure and have been separately disclosed:

- Legal and other costs related to the group claims against African operations of £3.5 million (2019: six months £nil – year £1.3 million).
- Impairment of £3.4 million (2019: six months £nil – year £nil) of which £3.2 million relates to the impairment of Jing Tea brand and a £0.2 million impairment of plant and equipment owned by Abbey Metal Finishing, both operations have been adversely affected as a result of Covid-19's impact on the hospitality and aerospace sectors respectively.
- £nil (2019: six months £8.0 million – year £9.8 million gain) from the release of provisions for wage increases relating to prior years in our Agriculture operations following progress on negotiations.
- A charge of £nil (2019: six months £nil – year £3.6 million) in relation to workers profit participation in Bangladesh which mainly relates to prior years' obligations and was recognised as a consequence of regulatory developments in 2019.

7 Share of associates' results

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

	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
Profit before tax	2.8	*3.8*	*5.3*
Taxation	(0.3)	*(0.5)*	*(0.7)*
Profit after tax	2.5	*3.3*	*4.6*

8 Finance income and costs

	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
Finance costs – interest payable on loans and bank overdrafts	(0.4)	*(0.3)*	*(1.5)*
Interest payable on leases	(0.4)	*(0.3)*	*(0.7)*
Finance costs	(0.8)	*(0.6)*	*(2.2)*
Finance income – interest income on short-term bank deposits	1.5	*2.1*	*3.9*
Net exchange gain/(loss) on foreign currency balances	1.3	*0.2*	*(0.3)*
Employee benefit interest	(0.2)	*(0.4)*	*(1.1)*
Net finance income	1.8	*1.3*	*0.3*

9 Taxation on (loss)/profit on ordinary activities

	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
Current tax			
Overseas corporation tax	2.4	*3.0*	*6.3*
Deferred tax			
Origination and reversal of timing differences			
Overseas deferred tax	(3.2)	*(2.7)*	*0.9*
Tax on (loss)/profit on ordinary activities	(0.8)	*0.3*	*7.2*

Tax on (loss)/profit on ordinary activities for the six months to 30 June 2020 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2020.

10 Equity dividends

	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2019 of nil (2018: 102p) per share	–	*2.8*	*2.8*
Interim dividend for the year ended 31 December 2019 of 42p per share			*1.2*
			4.0

Dividends amounting to £nil million (2019: 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.

	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
Proposed special interim dividend for the year ended 31 December 2020 of 102p per share	2.9		
Proposed interim dividend for the year ended 31 December 2019 of 42p per share		1.2	

The proposed special interim dividend was approved by the Board of Directors on 24 September 2020 and has not been included as a liability in these financial statements.

11 Earnings/(loss) per share (EPS)

	Six months ended 30 June 2020		*Six months ended 30 June 2019*		*Year ended 31 December 2019*	
	Earnings/(loss) £'m	EPS Pence	*Earnings £'m*	*EPS Pence*	*Earnings £'m*	*EPS Pence*
Attributable to ordinary shareholders	(12.6)	(456.2)	*1.4*	*50.7*	*8.3*	*300.5*

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 (2019: six months 2,762,000 – year 2,762,000), which excludes 62,500 (2019: six months 62,500 – year 62,500) shares held by the Group as treasury shares.

12 Property, plant and equipment

During the six months ended 30 June 2020 the Group acquired assets with a cost of £6.6 million (2019: six months £8.0 million – year £18.4 million). Assets with a carrying amount of £0.3 million were disposed of during the six months ended 30 June 2020 (2019: six months £0.8 million – year £1.2 million). Assets with a carrying amount of £7.2 million were classified as held for sale as at 30 June 2020 (2019: six months £nil – year £nil).

13 Assets classified as held for sale

Horizon Farms partnership in California has agreed (subject to certain conditions) to the sale of the Horizon Farm property together with its growing crop of pistachios and almonds for a gross cash consideration of $31 million to Maricopa Orchards LLC. Horizon Farms, in which the Group has an 80 per cent. interest grows pistachios, almonds and citrus fruits. After sale costs, including withholding and other taxes, it is estimated that the net cash proceeds to the partnership will be approximately $22.8 million (approximately £17.5 million). Property, plant and equipment and biological assets relating to Horizon Farms have been classified as held for sale.

14 Borrowings

Borrowings (current and non-current) include loans of £6.7 million (loans 2019: six months £8.3 million – year £6.9 million) and bank overdrafts of £3.4 million (2019: six months £6.9 million – year £2.0 million). The following were the movements on the loans during the six months ended 30 June 2020:

	£'m
Balance at 1 January 2020	6.9
Exchange differences	0.1
Repayments	(0.3)
Balance at 30 June 2020	6.7

15 Provisions

	Wages and salaries £'m	Others £'m	Total £'m
At 1 January 2019	17.4	1.1	18.5
Exchange differences	0.1	–	0.1
Utilised in the period	(0.6)	(0.1)	(0.7)
Provided in the period	3.4	0.3	3.7
Unused amounts reversed in period	(8.0)	–	(8.0)
At 30 June 2019	12.3	1.3	13.6
At 1 January 2019	17.4	1.1	18.5
Exchange differences	(0.5)	–	(0.5)
Utilised in the period	(6.3)	(0.1)	(6.4)
Provided in the period	6.8	0.3	7.1
Businesses joining the group	0.1	–	0.1
Unused amounts reversed in period	(9.8)	(0.1)	(9.9)
At 31 December 2019	7.7	1.2	8.9
Exchange differences	0.3	–	0.3
Utilised in the period	(1.6)	(0.5)	(2.1)
Provided in the period	5.5	0.4	5.9
At 30 June 2020	11.9	1.1	13.0
Current:			
At 30 June 2020	*11.9*	*1.1*	*13.0*
At 31 December 2019	*7.7*	*1.2*	*8.9*
At 30 June 2019	*12.3*	*1.3*	*13.6*

The wages and salaries provisions are in respect of ongoing wage and bonus negotiations in India, Kenya and Bangladesh.

Others relate to provisions for claims and dilapidations.

16 Employee benefit obligations

The UK defined benefit pension scheme for the purpose of IAS 19 has been updated to 30 June 2020 from the valuation as at 31 December 2019 by the actuary and the movements have been reflected in this interim statement. Overseas pension, gratuity and medical benefit schemes operated in group subsidiaries located in Bangladesh and India have also been updated to 30 June 2020 from the valuation as at 31 December 2019 by the actuaries and the movements have also been reflected in this interim statement.

An actuarial loss of £7.3 million was realised in the period in relation to the Group's employee obligations of which £5.8 million related to the UK defined benefit pension scheme. In relation to the UK defined benefit pension scheme a gain of £3.6 million was realised in relation to the scheme assets and a loss of £9.4 million was realised in relation to changes in the underlying actuarial assumptions. The assumed discount rate has decreased to 1.40% (31 December 2019: 1.90%), the assumed rate of inflation (CPI) has decreased to 2.0% (31 December 2019: 2.10%) There has been no change in the mortality assumptions used.

17 Reconciliation of (loss)/profit to cash flow

	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
(Loss)/profit	(15.1)	*2.2*	*21.3*
Share of associates' results	(2.5)	*(3.3)*	*(4.6)*
Depreciation and amortisation	8.2	*8.0*	*16.2*
Depreciation of right-of-use assets	0.6	*0.4*	*0.9*
Impairment of assets and provisions	3.4	*0.2*	*0.3*
Realised movements on biological assets – non-current	–	*0.3*	*(1.4)*
Profit on disposal of non-current assets	(0.1)	*(0.1)*	*(0.5)*
Profit on disposal of financial assets	–	*(0.2)*	*(0.2)*
Movements in provisions	3.8	*(4.9)*	*(9.0)*
Increase in working capital	(1.9)	*(6.2)*	*(5.1)*
Difference between employee benefit obligations funding contributions and cost charged	0.5	*0.1*	*3.3*
Cash (used)/generated	(3.1)	*(3.5)*	*21.2*

18 Acquisition of businesses

	Acquisitions Six months ended 30 June 2019 £'m Fair value	*Acquisitions Year ended 31 December 2019 £'m Fair value*
Property, plant and equipment	*5.7*	*5.7*
Right-of-use asset	*3.7*	*3.7*
Deferred tax asset	*–*	*–*
Inventories	*0.1*	*0.1*
Trade and other receivables	*0.1*	*0.1*
Current income tax assets	*–*	*–*
Cash and cash equivalents	*–*	*–*
Trade and other payables	*(0.3)*	*(0.3)*
Employee benefit obligations	*(0.5)*	*(0.5)*
Deferred tax liability	*(0.8)*	*(0.8)*
	8.0	*8.0*
Intangible asset – Goodwill	*1.4*	*1.4*
	9.4	*9.4*
Satisfied by:		
Cash consideration and costs	*9.4*	*9.4*
Net cash outflow arising on acquisitions/disposals:		
Cash consideration	*(9.4)*	*(9.4)*

The acquisitions in 2019 relates to tea estates in India which were purchased by our Indian subsidiaries for cash, funded by local borrowings.

19 Cash and cash equivalents

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

	Six months ended 30 June 2020 £'m	*Six months ended 30 June 2019 £'m*	*Year ended 31 December 2019 £'m*
Cash and cash equivalents	82.9	*95.8*	*91.4*
Overdrafts repayable on demand (included in current liabilities – borrowings)	(3.4)	*(6.9)*	*(2.0)*
	79.5	*88.9*	*89.4*

20 Contingent liabilities

In India, assessments have been received for excise duties of £3.9 million, sales and entry tax of £0.9 million and of £1.1 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 a land tax, locally called, "Salami", remains unresolved. Lawyers acting for the Group have advised that payment of Salami does not apply, accordingly no provisions have been made. The sum in dispute, excluding fines and penalties, amounts to £1.4 million.

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.

21 Related party transactions

During the period the Group received rental income from The Camellia Foundation of £18,000 (2019: six months £18,000 – year £36,000).