Camellia Plc

Interim report 2010

Camellia Plc

Interim report 2010

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Registered office

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Linton

Near Maidstone

Kent ME17 4AB

Registered number 29559

www.camellia.plc.uk

Chairman's statement

The profit before tax of £16,136,000 for the six months to 30 June 2010 compares with a profit of £4,995,000 for the same period last year.

In recognition of these positive results the board has declared an interim dividend of 30p per ordinary share payable on 4 November 2010 to shareholders registered on 15 October 2010.

Tea

India

Production has again been below expectation due to initial drought being followed by excessively wet and cold conditions. It is expected that some of the current shortfall in production will be recovered in the second half of the year. Sale prices have again increased over the previous year. The political situation in West Bengal and particularly in Darjeeling continues to be a cause for concern.

Bangladesh

Bangladesh also suffered a drought early in the year but production is now improving and sale prices remain beneficial.

Africa

Production is well ahead of last year as a result of good climatic conditions. This, combined with higher sale prices, has led to improved results particularly in Kenya. Prices have however declined from the high levels achieved earlier in the year.

Edible nuts

Macadamia production in Malawi and South Africa, whilst ahead of last year, is below expectations as a result of dry conditions at the time of flowering. Sale prices are above those of the previous year.

The pistachio harvest in California takes place in the second half of the year but prospects are in accordance with a normal 'on' year for production.

Other horticulture

The citrus crop at Horizon Farms in California is ahead of last year with sale prices expected to be on a par with those for 2009.

Although avocado production at Kakuzi in Kenya is higher than the previous year there has not been as much outgrower fruit processed through the packing facility. Sale prices are also expected to be lower than last year due to greater availability of fruit from South Africa and South America.

Rubber production in Bangladesh is similar to last year but sale prices are at a higher level.

Adverse climatic conditions reduced the maize harvest at CC Lawrie in Brazil. The soya harvest should increase over the previous year but sale prices for both crops remain disappointing due to reduced demand and increased production in the USA.

The wine harvest in South Africa was similar to the previous year.

Food storage and distribution

The highly competitive market for cold storage continues and has impacted adversely on the results of Associated Cold Stores and Transport. The prospects for the cold storage industry remain uncertain.

Engineering

It is difficult to establish any consistent pattern from our engineering group. Whilst de-stocking may now have run its course, orders are only being placed on a hand to mouth basis and there remains widespread caution in the engineering sector in respect of a potential double dip recession. Plans continue for the re-establishment of the Abbey Metal Finishing facility following the disastrous fire in April 2010.

Chairman's statement

Banking

It continues to be very difficult for Duncan Lawrie to make any margin on its deposit-taking business with interest rates remaining at historically low levels. The asset management division of the business continues to make a positive contribution to Duncan Lawrie's results.

Pharmaceutical

As previously announced, the group disposed of its interest in Siegfried Holding AG in April 2010.

Prospects

Our agricultural operations are making a positive contribution to profits, the maintenance of which is of course dependent on benign climatic conditions and reasonable sale prices, neither of which can be guaranteed, to cover the ever-increasing costs of production. The group has no net debt and remains in a strong financial position but, as usual, it is not possible to give any indication of the likely outcome for the full year.

M C Perkins
Chairman

26 August 2010

Interim management report

The chairman's statement forms part of this report and includes important events that have occurred during the six months ended 30 June 2010 and their impact on the financial statements set out herein.

Principal risks and uncertainties

The directors' report in the statutory financial statements for the year ended 31 December 2009 (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 chairman's statement included in this report refers to 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 Services Authority.

The directors of Camellia Plc are listed in the Camellia Plc statutory financial statements for the year ended 31 December 2009. Dr B A Siegfried did not seek re-election at the annual general meeting. There have been no other 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

M C Perkins
Chairman

26 August 2010

Consolidated income statement

for the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Revenue	4	102,557	*96,948*	*230,270*
Cost of sales		(69,824)	*(68,076)*	*(148,506)*
Gross profit		32,733	*28,872*	*81,764*
Other operating income		915	*869*	*1,698*
Distribution costs		(3,492)	*(3,642)*	*(9,061)*
Administrative expenses		(18,428)	*(21,325)*	*(39,041)*
Trading profit	4	11,728	*4,774*	*35,360*
Share of associates' results	5	2,387	*465*	*(2,966)*
Profit on disposal of available-for-sale investments		80	*28*	*28*
Profit on disposal of an associate	6	248	*–*	*–*
Profit on part disposal of a subsidiary		–	*135*	*135*
Loss on disposal of a subsidiary		–	*–*	*(674)*
Gain arising from changes in fair value of biological assets		1,085	*95*	*2,746*
Profit from operations		15,528	*5,497*	*34,629*
Investment income		452	*412*	*1,106*
Finance income		775	*435*	*1,103*
Finance costs		(452)	*(650)*	*(1,566)*
Pension schemes' net financing expense		(167)	*(699)*	*(1,129)*
Net finance income/(costs)	7	156	*(914)*	*(1,592)*
Profit before tax		16,136	*4,995*	*34,143*
Taxation	8	(5,163)	*(1,881)*	*(11,702)*
Profit for the period		10,973	*3,114*	*22,441*
Profit attributable to:				
Non-controlling interests		3,463	*1,353*	*6,544*
Equity shareholders		7,510	*1,761*	*15,897*
		10,973	*3,114*	*22,441*
Earnings per share – basic and diluted	10	270.2p	*63.4p*	*571.9p*

Statement of comprehensive income
for the six months ended 30 June 2010

	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Profit for the period	10,973	*3,114*	*22,441*
Other comprehensive income/(expense):			
Foreign exchange translation differences	14,260	*(32,479)*	*(24,276)*
Release of exchange translation difference on disposal of associate	(17,298)	–	–
Release of other reserve movements on disposal of associate	945	–	–
Release of exchange translation difference on disposal of subsidiary	–	–	*(294)*
Actuarial movement on defined benefit pension schemes (note 14)	(6,577)	*(13,890)*	*(2,657)*
Available-for-sale investments:			
Valuation losses taken to equity	(2,043)	*(1,562)*	*(729)*
Share of other comprehensive income of associates	(134)	*262*	*3,075*
Tax relating to components of other comprehensive income	–	*(104)*	*(1,276)*
Other comprehensive expense for the period, net of tax	(10,847)	*(47,773)*	*(26,157)*
Total comprehensive income/(expense) for the period	126	*(44,659)*	*(3,716)*
Total comprehensive income/(expense) attributable to:			
Non-controlling interests	4,582	*(1,755)*	*4,163*
Equity shareholders	(4,456)	*(42,904)*	*(7,879)*
	126	*(44,659)*	*(3,716)*

Consolidated balance sheet
at 30 June 2010

	Notes	30 June 2010 £'000	*30 June 2009 £'000*	*31 December 2009 £'000*
Non-current assets				
Intangible assets		8,363	*8,761*	*8,584*
Property, plant and equipment	11	83,626	*77,122*	*80,491*
Biological assets		113,148	*100,625*	*106,067*
Prepaid operating leases		1,076	*1,045*	*1,074*
Investments in associates		38,360	*93,731*	*97,364*
Deferred tax assets		95	*161*	*103*
Other investments		30,901	*28,937*	*30,153*
Retirement benefit surplus		3,301	*2,741*	*3,054*
Trade and other receivables		17,121	*18,752*	*19,646*
Total non-current assets		295,991	*331,875*	*346,536*
Current assets				
Inventories		33,927	*28,004*	*28,279*
Trade and other receivables		58,450	*55,645*	*55,197*
Other investments		6,072	*7,871*	*12,420*
Current income tax assets		2,361	*2,633*	*763*
Cash and cash equivalents	12	268,177	*229,125*	*229,574*
		368,987	*323,278*	*326,233*
Non-current assets classified as held for sale		–	*5,768*	*–*
Total current assets		368,987	*329,046*	*326,233*
Current liabilities				
Borrowings	13	(13,727)	*(18,432)*	*(12,761)*
Trade and other payables		(251,473)	*(263,398)*	*(254,346)*
Current income tax liabilities		(6,718)	*(3,696)*	*(5,353)*
Other employee benefit obligations		(271)	*(226)*	*(268)*
Provisions		(150)	*(297)*	*(150)*
Total current liabilities		(272,339)	*(286,049)*	*(272,878)*
Net current assets		96,648	*42,997*	*53,355*
Total assets less current liabilities		392,639	*374,872*	*399,891*
Non-current liabilities				
Borrowings	13	(1,165)	*(7,475)*	*(3,119)*
Trade and other payables		(12,327)	*(11,038)*	*(11,227)*
Deferred tax liabilities		(31,538)	*(28,090)*	*(30,449)*
Retirement benefit obligations	14	(25,621)	*(39,825)*	*(27,045)*
Other employee benefit obligations		(1,761)	*(1,927)*	*(1,623)*
Other non-current liabilities		(116)	*(120)*	*(118)*
Total non-current liabilities		(72,528)	*(88,475)*	*(73,581)*
Net assets		320,111	*286,397*	*326,310*
Equity				
Called up share capital		284	*284*	*284*
Reserves		284,611	258,699	293,570
Shareholders' funds		284,895	*258,983*	*293,854*
Non-controlling interests		35,216	*27,414*	*32,456*
Total equity		320,111	*286,397*	*326,310*

Consolidated cash flow statement

for the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Cash generated from operations				
Cash flows from operating activities	15	(4,081)	*5,038*	*48,038*
Interest paid		(311)	*(870)*	*(1,747)*
Income taxes paid		(5,885)	*(4,123)*	*(10,074)*
Interest received		787	*513*	*1,189*
Dividends received from associates		409	*1,490*	*2,297*
Net cash flow from operating activities		(9,081)	*2,048*	*39,703*
Cash flows from investing activities				
Purchase of intangible assets		(72)	*(115)*	*(192)*
Purchase of property, plant and equipment		(5,783)	*(4,055)*	*(10,111)*
Proceeds from sale of non-current assets		734	*139*	*697*
Part disposal of a subsidiary		312	*579*	*579*
Disposal of a subsidiary		–	*–*	*3,843*
Purchase of non-controlling interests		(2,705)	*–*	*–*
Proceeds from sale of associate		48,754	*–*	*–*
Proceeds from sale of investments		10,037	*3,487*	*5,509*
Purchase of investments		(4,655)	*(5,889)*	*(12,683)*
Income from investments		452	*412*	*1,106*
Net cash flow from investing activities		47,074	*(5,442)*	*(11,252)*
Cash flows from financing activities				
Equity dividends paid		–	*–*	*(2,557)*
Dividends paid to non-controlling interests		(1,844)	*(1,676)*	*(2,610)*
New loans		–	*850*	*788*
Repayment of debt		(4,953)	*(2,890)*	*(4,883)*
Net cash flow from financing activities		(6,797)	*(3,716)*	*(9,262)*
Net increase/(decrease) in cash and cash equivalents	16	31,196	*(7,110)*	*19,189*
Cash and cash equivalents at beginning of period		28,631	*9,919*	*9,919*
Exchange gains/(losses) on cash		879	*(434)*	*(477)*
Cash and cash equivalents at end of period		60,706	*2,375*	*28,631*

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.

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

Cash and cash equivalents	268,177	*229,125*	*229,574*
Less banking operation funds	(196,166)	*(212,869)*	*(193,434)*
Overdrafts repayable on demand (included in current liabilities – borrowings)	(11,305)	*(13,881)*	*(7,509)*
	60,706	*2,375*	*28,631*

Statement of changes in equity
for the six months ended 30 June 2010

	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Other reserves £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2009	284	15,298	(400)	195,485	93,433	304,100	30,401	334,501
Total comprehensive expense for the period	–	–	–	(11,971)	(30,933)	(42,904)	(1,755)	(44,659)
Dividends	–	–	–	(2,001)	–	(2,001)	(1,676)	(3,677)
Non-controlling interest subscription	–	–	–	–	–	–	444	444
Share of associate's change in treasury shares	–	–	–	(258)	–	(258)	–	(258)
Share of associates' other equity movements	–	–	–	75	–	75	–	75
Loss on dilution of interest in associate	–	–	–	(29)	–	(29)	–	(29)
At 30 June 2009	284	15,298	(400)	181,301	62,500	258,983	27,414	286,397
At 1 January 2009	284	15,298	(400)	195,485	93,433	304,100	30,401	334,501
Total comprehensive income/(expense) for the period	–	–	–	14,926	(22,805)	(7,879)	4,163	(3,716)
Dividends	–	–	–	(2,557)	–	(2,557)	(2,610)	(5,167)
Non-controlling interest subscription	–	–	–	–	–	–	502	502
Share of associate's change in treasury shares	–	–	–	200	–	200	–	200
Share of associates' other equity movements	–	–	–	27	–	27	–	27
Loss on dilution of interest in associate	–	–	–	(37)	–	(37)	–	(37)
At 31 December 2009	284	15,298	(400)	208,044	70,628	293,854	32,456	326,310
Total comprehensive income/(expense) for the period	–	–	–	1,709	(6,165)	(4,456)	4,582	126
Dividends	–	–	–	(2,057)	–	(2,057)	(1,844)	(3,901)
Non-controlling interest subscription	–	–	–	43	–	43	270	313
Acquisition of non-controlling interest	–	–	–	(2,457)	–	(2,457)	(248)	(2,705)
Share of associate's other equity movements	–	–	–	64	–	64	–	64
Loss on dilution of interest in associate	–	–	–	(96)	–	(96)	–	(96)
At 30 June 2010	284	15,298	(400)	205,250	64,463	284,895	35,216	320,111

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 2010 (the "Interim Report"). They should be read in conjunction with the Report and Accounts (the "Annual Report") for the year ended 31 December 2009.

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 2009 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 Interpretations Committee ("IFRIC") that have been adopted by the European Union.

Where necessary, the comparatives have been reclassified from the previously reported interim results to take into account any presentational changes made in the Annual Report.

These interim condensed financial statements were approved by the board of directors on 26 August 2010.

2 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 2009. In addition the group has implemented the following new and revised standards and interpretations:

IFRS 3 (revised)	Business combinations
IFRS 5 (amendment)	Non-current assets held for sale and discontinued operations
IAS 27 (revised)	Consolidated and separate financial statements
IAS 38 (amendment)	Intangible assets
IFRIC 17	Distribution of non–cash assets to owners

A summary of each of the above standards and interpretations was provided on page 34 of the 2009 Annual Report. IFRS 3 (revised) and IAS 27 (revised) apply prospectively to acquisitions and disposals of interests in businesses completed on or after 1 January 2010. The adoption of IFRS 5, IAS 38 and IFRIC 17 has had no material impact on the group's results, assets and liabilities.

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 and maize in Brazil 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. 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

	Six months ended 30 June 2010 Revenue £'000	Six months ended 30 June 2010 Trading profit £'000	*Six months ended 30 June 2009 Revenue £'000*	*Six months ended 30 June 2009 Trading profit £'000*	*Year ended 31 December 2009 Revenue £'000*	*Year ended 31 December 2009 Trading profit £'000*
Agriculture and horticulture	70,811	13,909	*60,167*	*5,392*	*156,974*	*37,949*
Engineering	10,394	331	*12,231*	*938*	*24,028*	*1,608*
Food storage and distribution	15,079	(810)	*18,634*	*707*	*37,434*	*985*
Banking and financial services	6,027	28	*5,664*	*(340)*	*11,347*	*(925)*
Other operations	246	25	*252*	*143*	*487*	*181*
	102,557	13,483	*96,948*	*6,840*	*230,270*	*39,798*
Unallocated corporate expenses		(1,755)		*(2,066)*		*(4,438)*
Trading profit		11,728		*4,774*		*35,360*
Share of associates' results		2,387		*465*		*(2,966)*
Profit on disposal of available-for-sale investments		80		*28*		*28*
Profit on disposal of an associate		248		*–*		*–*
Profit on part disposal of a subsidiary		–		*135*		*135*
Loss on disposal of a subsidiary		–		*–*		*(674)*
Gain arising from changes in fair value of biological assets		1,085		*95*		*2,746*
Investment income		452		*412*		*1,106*
Net finance income/(costs)		156		*(914)*		*(1,592)*
Profit before tax		16,136		*4,995*		*34,143*
Taxation		(5,163)		*(1,881)*		*(11,702)*
Profit after tax		10,973		*3,114*		*22,441*

5 Share of associates' results

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

	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Operating profit	2,695	*1,335*	*2,516*
Net finance costs	(39)	*(465)*	*(2,653)*
Impairment	–	*–*	*(3,103)*
Profit/(loss) before tax	2,656	*870*	*(3,240)*
Taxation	(269)	*(405)*	*274*
Profit/(loss) after tax	2,387	*465*	*(2,966)*

In 2009, the impairment charge of £3,103,000 relates to development projects of the Siegfried Group.

Notes to the accounts

6 Profit on disposal of an associate

On 15 April 2010, the group disposed of its entire shareholding in Siegfried Holding AG, an associated undertaking. The net proceeds on disposal were £48,754,000 and a net profit of £248,000 was realised, after the transfer of £16,353,000 of exchange difference and other movements previously included in reserves.

7 Finance income and costs

	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Interest payable on loans and bank overdrafts	(286)	*(942)*	*(1,586)*
Interest payable on obligations under finance leases	(49)	*(75)*	*(140)*
Total borrowing costs	(335)	*(1,017)*	*(1,726)*
Net exchange (loss)/gain on foreign currency borrowings	(117)	*367*	*160*
Finance costs	(452)	*(650)*	*(1,566)*
Finance income – interest income on short–term bank deposits	775	*435*	*1,103*
Pension schemes' net financing expense	(167)	*(699)*	*(1,129)*
Net finance income/(costs)	156	*(914)*	*(1,592)*

The above figures do not include any amounts relating to the banking subsidiaries.

8 Taxation on profit on ordinary activities

	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Current tax			
UK corporation tax	–	*205*	*142*
Overseas corporation tax	5,500	*2,228*	*11,852*
Total current tax	5,500	*2,433*	*11,994*
Deferred tax			
Origination and reversal of timing differences			
UK	–	*13*	*(1,782)*
Overseas	(337)	*(565)*	*1,490*
Total deferred tax	(337)	*(552)*	*(292)*
Tax on profit on ordinary activities	5,163	*1,881*	*11,702*

Tax on profit on ordinary activities for the six months to 30 June 2010 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2010.

9 Equity dividends

	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2009 of 74.00p (2008: 72.00p) per share	2,057	*2,001*	*2,001*
Interim dividend for the year ended 31 December 2009 of 20.00p per share			*556*
			2,557

Dividends amounting to £46,000 (2009: six months £45,000 – year £58,000) 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 2010 of 30.00p (2009: 20.00p) per share	834	556

The proposed interim dividend was approved by the board of directors on 26 August 2010 and has not been included as a liability in these financial statements.

10 Earnings per share (EPS)

	Six months ended 30 June 2010		*Six months ended 30 June 2009*		*Year ended 31 December 2009*	
	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence
Basic and diluted EPS						
Attributable to ordinary shareholders	7,510	270.2	1,761	63.4	15,897	571.9

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 2,779,500 (2009: six months 2,779,500 – year 2,779,500), which excludes 62,500 (2009: 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 2010 the group acquired assets with a cost of £5,783,000 (2009: six months £4,089,000 – year £10,111,000). Assets with a carrying amount of £645,000 were disposed of during the six months ended 30 June 2010 (2009: six months £73,000 – year £442,000).

12 Cash and cash equivalents

Included in cash and cash equivalents of £268,177,000 (2009: six months £229,125,000 – year £229,574,000) are cash and short–term funds, time deposits with banks and building societies and certificates of deposit amounting to £196,166,000 (2009: six months £212,869,000 – year £193,434,000), which are held by banking subsidiaries and which are an integral part of the banking operations of the group.

13 Borrowings

Borrowings (current and non-current) include loans and finance leases of £3,587,000 (2009: six months £12,026,000 – year £8,371,000) and bank overdrafts of £11,305,000 (2009: six months £13,881,000 – year £7,509,000). The following loans were repaid during the six months ended 30 June 2010:

	£'000
Balance at 1 January 2010	8,371
Exchange differences	169
Repayments	
Loans	(4,953)
Balance at 30 June 2010	3,587

14 Retirement benefit schemes

UK defined benefit pension schemes for the purposes of IAS 19 have been updated to 30 June 2010 from the valuations as at 31 December 2009 by the actuaries to each relevant pension scheme and the movements have been reflected in this interim statement. Overseas schemes have not been updated from 31 December 2009 valuations as it is considered that there have been no significant changes.

An actuarial loss of £6,577,000 was realised in the period, of which £2,318,000 was realised in relation to the scheme assets and £4,259,000 was realised in relation to changes in the underlying actuarial assumptions. The assumed discount rate has decreased to 5.30% (31 December 2009: 5.70%), the assumed rate of inflation has decreased to 3.30% (31 December 2009: 3.60%) and the assumed rate of increases for salaries to 3.40% (31 December 2009: 3.70%), giving rise to an increase in defined benefit obligations. There has been no change in the mortality assumptions used.

15 Reconciliation of profit from operations to cash flow

	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Profit from operations	15,528	*5,497*	*34,629*
Share of associates' results	(2,387)	*(465)*	*2,966*
Depreciation and amortisation	4,594	*4,545*	*8,685*
Impairment of non-current assets	–	*359*	*204*
Gain arising from changes in fair value of biological assets	(1,085)	*(95)*	*(2,746)*
Profit on disposal of non-current assets	(89)	*(65)*	*(260)*
Profit on disposal of investments	(80)	*(28)*	*(28)*
Profit on disposal of an associate	(248)	*–*	*–*
Loss on disposal of a subsidiary	–	*–*	*674*
Profit on part disposal of a subsidiary	–	*(135)*	*(135)*
Increase in working capital	(10,631)	*(2,163)*	*(3,741)*
Net (increase)/decrease in funds of banking subsidiaries	(9,683)	*(2,412)*	*7,790*
	(4,081)	*5,038*	*48,038*

16 Reconciliation of net cash flow to movement in net debt

	Six months ended 30 June 2010 £'000	*Six months ended 30 June 2009 £'000*	*Year ended 31 December 2009 £'000*
Increase/(decrease) in cash and cash equivalents in the period	31,196	*(7,110)*	*19,189*
Net cash outflow from decrease in debt	4,953	*2,040*	*4,095*
Decrease/(increase) in net debt resulting from cash flows	36,149	*(5,070)*	*23,284*
New finance leases	–	*(34)*	*(65)*
Disposal of a subsidiary	–	–	*1,868*
Exchange rate movements	710	*661*	*381*
Decrease/(increase) in net debt in the period	36,859	*(4,443)*	*25,468*
Net cash/(debt) at beginning of period	20,260	*(5,208)*	*(5,208)*
Net cash/(debt) at end of period	57,119	*(9,651)*	*20,260*

17 Related party transactions

In June 2010, the group purchased the remaining 49 per cent. holding in its subsidiary, Duncan Properties Limited from United Leasing Company Limited, an associate company. Both companies are based in Bangladesh. The consideration paid was £2,705,000 which resulted in a charge of £2,457,000 to reserves.

There have been no other 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.