Camellia Plc

Interim report 2013

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Contents

Registered office

Linton Park
Linton
Near Maidstone
Kent ME17 4AB
Registered number 29559
www.camellia.plc.uk

Camellia Plc

Chairman's statement

The headline profit before tax was £12,466,000 for the six months to 30 June 2013 compared with £11,739,000 in the same period last year. Headline profit is a measure of underlying performance which is not impacted by exceptional and other items. In the comparative period for the six months to 30 June 2012, biological asset gains were £16,079,000 of which £15,751,000 were attributable to our Malawi operations following the devaluation of the Malawian Kwacha in that period. After taking account of this and exceptional items the profit before tax for the six month period to 30 June 2013 amounted to £11,930,000 (2012: £28,555,000).

The board has declared an interim dividend of 34p per ordinary share payable on 4 October 2013 to shareholders registered on 6 September 2013.

Tea

India

Weather in Assam has been erratic with periods of drought mixed with prolonged wet spells in different gardens. The impact on the crop has been mixed. Overall it is behind budget despite being ahead of the same period last year in some gardens. Tea prices in Assam have been higher than in the same period last year.

Growing conditions in the Dooars and Darjeeling have been more favourable with crops to date ahead of last year but tea prices have been similar to the same period last year.

Bangladesh

Crops recovered from the drought conditions earlier in the year following a period of plentiful rainfall. Prices have remained high throughout the period but have recently softened following the withdrawal of the supplemental import tax on tea of 20% leaving the import duty on black tea at 62%.

Africa

Production in Kenya has continued to be well ahead of the same period last year following the high levels of rainfall earlier in the year. Prices have declined at auction but the higher volumes have reduced the cost of production resulting in profits similar to the previous period.

Yields in Malawi have recovered significantly following recent rainfall and production is slightly ahead of budget and ahead of the same period last year. The rebuilding of the Makwasa factory, following the fire in August 2011, has been completed two months ahead of schedule and good quality tea is now being produced.

Edible nuts

The production of macadamia nuts in Malawi is down on budget following the dry period at the time of flowering. However, the quality of the nuts at cracking has been good. In South Africa the macadamia harvest is underway with volumes expected to be down on budget following poor climatic conditions at the end of last year. Prices remain firm.

In California, 2013 is an "off" year for pistachio production and the volume of crop will be minimal.

Other horticulture

The avocado harvest in Kenya has commenced but volumes are expected to be lower than last year and prices have also been lower following the high volumes of fruit from Peru and South Africa available in Europe.

Citrus production in California is well ahead of budget and prices remain higher than last year.

The arable harvest to date in Brazil has been ahead of expectations. The costs of production and sale prices have both increased over those of 2012.

The volume of wine sales from South Africa has started to increase following a sustained marketing campaign.

Food storage and distribution

Storage levels at ACS&T have continued to improve but pressures on margins remain with sustained competition in the industry.

Our operations in the Netherlands have seen an increase in demand but there is a shortage of supply for certain products. Conditions remain challenging.

Engineering

The UK businesses of AJT Engineering servicing the oil and the gas sector have seen an increase in demand and profits are in line with budget.

Production at the new factory in Hinkley for Abbey Metal has started to increase with strong performance in the civil aviation sector. Earlier in the year, Atfin GmbH was incorporated, 51% owned by Abbey Metal and 49% by Aerotech. This company will operate an etching line in Peissenberg, Germany and will service their major German aviation customers. The company is expected to be operational by the beginning of next year.

Our other engineering companies have had mixed results but the level of orders has recently started to increase.

Banking

The Duncan Lawrie marketing campaign has resulted in an increase in new accounts but the lack of any realistic margin on depositors' funds continues to adversely affect the results. A newly refurbished office has been opened in Bristol which provides services to targeted niche clients in the West Country. Lending opportunities are increasing and further capital has been made available to increase our share of the lending market. The asset management operation has performed well during the period, particularly with the increase in the equity market.

Prospects

Our agricultural operations are continuing to make a positive contribution to profits. The increasing costs of production remain a concern for the future. The continuation of this contribution is of course dependent on benign climatic conditions, reasonable sale prices and the continued political stability in the countries in which we operate, none of which can be guaranteed. 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

29 August 2013

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 2013 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 2012 (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 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 Services Authority.

The directors of Camellia Plc are listed in the Camellia Plc statutory financial statements for the year ended 31 December 2012. Mr D A Reeves 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

29 August 2013

Consolidated income statement
for the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 £'000	*Six months ended 30 June 2012 £'000 restated - see note 2*	*Year ended 31 December 2012 £'000 restated - see note 2*
Revenue	4	113,753	*110,389*	*261,529*
Cost of sales		(79,367)	*(78,753)*	*(166,859)*
Gross profit		34,386	*31,636*	*94,670*
Other operating income		1,134	*1,059*	*1,699*
Distribution costs		(4,980)	*(4,314)*	*(12,201)*
Administrative expenses		(21,799)	*(21,687)*	*(44,370)*
Trading profit	4	8,741	*6,694*	*39,798*
Share of associates' results	6	445	*2,229*	*4,269*
Profit on non-current assets	7	–	*994*	*1,538*
Profit on disposal of available-for-sale investments		57	*246*	*271*
Profit on disposal of a subsidiary		–	*–*	*396*
Loss on transfer of an associate	6	–	*–*	*(10,045)*
(Loss)/gain arising from changes in fair value of biological assets:				
Excluding Malawi Kwacha exceptional gain	8	(23)	*328*	*8,690*
Malawi Kwacha exceptional gain	8	–	*15,751*	*21,353*
		(23)	*16,079*	*30,043*
Profit from operations		9,220	*26,242*	*66,270*
Investment income		1,159	*578*	*1,186*
Finance income		1,937	*1,984*	*3,517*
Finance costs		(424)	*(304)*	*(825)*
Net exchange gain		608	*558*	*1,030*
Net interest expense on employee benefit obligations		(570)	*(503)*	*(1,468)*
Net finance income	9	1,551	*1,735*	*2,254*
Profit before tax		11,930	*28,555*	*69,710*
Comprising				
– headline profit before tax	5	12,466	*11,739*	*48,975*
– exceptional items, (loss)/gain arising from changes in fair value of biological assets and other financing gains and losses	5	(536)	*16,816*	*20,735*
		11,930	*28,555*	*69,710*
Taxation	10	(5,365)	*(8,773)*	*(25,662)*
Profit for the period		6,565	*19,782*	*44,048*
Profit attributable to:				
Owners of the parent		4,359	*14,300*	*31,210*
Non-controlling interests		2,206	*5,482*	*12,838*
		6,565	*19,782*	*44,048*
Earnings per share – basic and diluted	12	156.9p	*514.5p*	*1,122.9p*

Statement of comprehensive income

for the six months ended 30 June 2013

	Six months ended 30 June 2013 £'000	*Six months ended 30 June 2012 £'000 restated - see note 2*	*Year ended 31 December 2012 £'000 restated - see note 2*
Profit for the period	6,565	*19,782*	*44,048*
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post employment benefit obligations (note 17)	12,287	*(4,390)*	*(6,085)*
	12,287	*(4,390)*	*(6,085)*
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences	14,227	*(21,320)*	*(36,155)*
Release of exchange translation difference on transfer of associate	–	–	*(3,998)*
Release of other reserve movements on transfer of associate	–	–	*2,817*
Release of exchange translation difference on disposal of subsidiary	–	–	*5*
Available-for-sale investments:			
Valuation gains/(losses) taken to equity	2,277	*(13)*	*674*
Transferred to income statement on sale	(31)	*(5)*	*(4)*
Share of other comprehensive expense of associates	–	*(811)*	*(769)*
Tax relating to components of other comprehensive income	–	–	*(48)*
	16,473	*(22,149)*	*(37,478)*
Other comprehensive income/(expense) for the period, net of tax	28,760	*(26,539)*	*(43,563)*
Total comprehensive income/(expense) for the period	35,325	*(6,757)*	*485*
Total comprehensive income/(expense) attributable to:			
Owners of the parent	30,957	*(7,413)*	*(4,356)*
Non-controlling interests	4,368	*656*	*4,841*
	35,325	*(6,757)*	*485*

Consolidated balance sheet

at 30 June 2013

	Notes	30 June 2013 £'000	*30 June 2012 £'000*	*31 December 2012 £'000*
Non-current assets				
Intangible assets		7,300	*7,549*	*7,413*
Property, plant and equipment	13	97,865	*93,438*	*93,483*
Biological assets		128,246	*115,767*	*119,693*
Prepaid operating leases		977	*965*	*910*
Investments in associates	6	7,448	*38,392*	*6,549*
Deferred tax assets		332	*154*	*314*
Financial assets	6	56,768	*29,716*	*50,501*
Other investments		8,700	*8,548*	*8,598*
Retirement benefit surplus		740	*427*	*678*
Trade and other receivables		17,303	*9,231*	*15,174*
Total non-current assets		325,679	*304,187*	*303,313*
Current assets				
Inventories		40,471	*36,485*	*37,575*
Trade and other receivables		74,840	*69,867*	*72,257*
Other investments		1,004	*4,001*	*3,993*
Current income tax assets		1,452	*2,946*	*822*
Cash and cash equivalents	14	266,688	*273,903*	*262,174*
		384,455	*387,202*	*376,821*
Assets classified as held for sale	15	–	*5,037*	–
Total current assets		384,455	*392,239*	*376,821*
Current liabilities				
Borrowings	16	(11,740)	*(11,059)*	*(5,590)*
Trade and other payables		(238,097)	*(257,638)*	*(235,636)*
Current income tax liabilities		(8,248)	*(5,455)*	*(5,542)*
Employee benefit obligations	17	(1,187)	*(335)*	*(409)*
Provisions		(458)	*(214)*	*(456)*
		(259,730)	*(274,701)*	*(247,633)*
Liabilities classified as held for sale	15	–	*(2,110)*	–
Total current liabilities		(259,730)	*(276,811)*	*(247,633)*
Net current assets		124,725	*115,428*	*129,188*
Total assets less current liabilities		450,404	*419,615*	*432,501*
Non-current liabilities				
Borrowings	16	(102)	*(133)*	*(116)*
Trade and other payables		(9,787)	*(6,001)*	*(9,015)*
Deferred tax liabilities		(36,923)	*(32,723)*	*(36,225)*
Employee benefit obligations	17	(19,626)	*(30,476)*	*(32,866)*
Other non-current liabilities		(105)	*(108)*	*(107)*
Provisions		(375)	*(525)*	*(671)*
Total non-current liabilities		(66,918)	*(69,966)*	*(79,000)*
Net assets		383,486	*349,649*	*353,501*
Equity				
Called up share capital	18	283	*284*	*284*
Share premium		15,298	*15,298*	*15,298*
Reserves		325,823	*296,110*	*298,228*
Total shareholders' funds		341,404	*311,692*	*313,810*
Non-controlling interests		42,082	*37,957*	*39,691*
Total equity		383,486	*349,649*	*353,501*

Consolidated cash flow statement
for the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 £'000	*Six months ended 30 June 2012 £'000*	*Year ended 31 December 2012 £'000*
Cash generated from operations				
Cash flows from operating activities	19	(171)	*6,251*	*41,162*
Interest paid		(423)	*(337)*	*(822)*
Income taxes paid		(5,526)	*(4,369)*	*(12,407)*
Interest received		1,814	*2,039*	*3,411*
Dividends received from associates		206	*750*	*1,275*
Net cash flow from operating activities		(4,100)	*4,334*	*32,619*
Cash flows from investing activities				
Purchase of intangible assets		(88)	*(116)*	*(180)*
Purchase of property, plant and equipment		(7,618)	*(9,059)*	*(16,557)*
Insurance proceeds for non-current assets		–	*994*	*1,538*
Proceeds from sale of non-current assets		352	*400*	*429*
Biological assets – new planting		(1,585)	*(1,507)*	*(2,499)*
Part disposal of a subsidiary		49	*123*	*262*
Disposal of a subsidiary		–	*–*	*1,264*
Purchase of non-controlling interests		–	*(215)*	*(223)*
Purchase of own shares		(925)	*–*	*–*
Proceeds from sale of investments		5,272	*7,623*	*7,863*
Purchase of investments		(2,864)	*(7,213)*	*(8,339)*
Income from investments		1,159	*578*	*1,186*
Net cash flow from investing activities		(6,248)	*(8,392)*	*(15,256)*
Cash flows from financing activities				
Equity dividends paid		–	*–*	*(3,224)*
Dividends paid to non-controlling interests		(2,017)	*(2,855)*	*(4,106)*
New loans		39	*370*	*154*
Loans repaid		(55)	*(282)*	*(230)*
Finance lease payments		(27)	*(114)*	*(190)*
Net cash flow from financing activities		(2,060)	*(2,881)*	*(7,596)*
Net (decrease)/increase in cash and cash equivalents		(12,408)	*(6,939)*	*9,767*
Cash and cash equivalents at beginning of period		81,373	*72,626*	*72,626*
Exchange gains/(losses) on cash		2,976	*236*	*(1,020)*
Cash and cash equivalents at end of period		71,941	*65,923*	*81,373*

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	266,688	*273,903*	*262,174*
Less banking operation funds	(183,087)	*(197,651)*	*(175,302)*
Overdrafts repayable on demand (included in current liabilities – borrowings)	(11,660)	*(10,741)*	*(5,499)*
Cash and cash equivalents included in assets held for sale	–	*412*	*–*
	71,941	*65,923*	*81,373*

Statement of changes in equity

for the six months ended 30 June 2013

	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 2012	284	15,298	(400)	264,659	41,751	321,592	40,115	361,707
Total comprehensive income/(expense) for the period	–	–	–	9,094	(16,507)	(7,413)	656	(6,757)
Dividends	–	–	–	(2,335)	–	(2,335)	(2,855)	(5,190)
Non-controlling interest subscription	–	–	–	29	–	29	93	122
Acquisition of non-controlling interest	–	–	–	(162)	–	(162)	(52)	(214)
Share of associates' other equity movements	–	–	–	21	–	21	–	21
Loss on dilution of interest in associate	–	–	–	(40)	–	(40)	–	(40)
At 30 June 2012	284	15,298	(400)	271,266	25,244	311,692	37,957	349,649
At 1 January 2012	284	15,298	(400)	264,659	41,751	321,592	40,115	361,707
Total comprehensive income/(expense) for the period	–	–	–	27,129	(31,485)	(4,356)	4,841	485
Dividends	–	–	–	(3,224)	–	(3,224)	(4,106)	(7,330)
Disposal of subsidiary	–	–	–	–	–	–	(1,333)	(1,333)
Non-controlling interest subscription	–	–	–	71	–	71	226	297
Acquisition of non-controlling interest	–	–	–	(171)	–	(171)	(52)	(223)
Share of associates' other equity movements	–	–	–	221	–	221	–	221
Loss on dilution of interest in associate	–	–	–	(323)	–	(323)	–	(323)
At 31 December 2012	284	15,298	(400)	288,362	10,266	313,810	39,691	353,501
Total comprehensive income/(expense) for the period	–	–	–	16,616	14,341	30,957	4,368	35,325
Dividends	–	–	–	(2,446)	–	(2,446)	(2,017)	(4,463)
Own shares acquired in the period	(1)	–	–	(925)	1	(925)	–	(925)
Non-controlling interest subscription	–	–	–	8	–	8	40	48
At 30 June 2013	283	15,298	(400)	301,615	24,608	341,404	42,082	383,486

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 2013 (the "Interim Report"). They should be read in conjunction with the Report and Accounts (the "Annual Report") for the year ended 31 December 2012.

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 2012 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 29 August 2013. 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 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 2012. In addition, the group has implemented the following new and revised standards and interpretations:

IAS 1 (amendment)	Financial statement presentation
IAS 19 (revised)	Employee benefits
IFRS 13	Fair value measurement

A summary of each of the above standards and interpretations was provided on page 35 of the 2012 Annual Report. The adoption of IAS 1 and IFRS 13 has had no material impact on the group's results, assets and liabilities.

IAS 19 (revised) amends the accounting for employment benefits. The group has applied the standard retrospectively in accordance with the transition provisions of the standard and the comparative figures have been restated. The impact on the group has been in the following areas:

The standard requires that only administrative costs relating to the cost of managing plan assets can be deducted from the actual return on assets. This has no effect on total comprehensive income as the increased charge in profit or loss is offset by a credit in other comprehensive income. The effect has been that the income statement charge for the period to 30 June 2012 has increased by £91,000 and for the year to 31 December 2012 has increased by £171,000.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate, this continues to reflect the yield on high-quality corporate bonds. This has increased the income statement charge as the discount rate applied to assets is lower than the expected return on assets. This has no effect on total comprehensive income as the increased charge in the income statement is offset by a credit in other comprehensive income. The effect has been that the income statement charge for the period to 30 June 2012 has increased by £429,000 and for the year to 31 December 2012 has increased by £853,000.

The effect of the change in accounting policy is to decrease earnings per share from 533.2p to 514.5p for the period 30 June 2012 and from 1,190.4p to 1,122.9p for the year to 31 December 2012, the effect on the cash flow statement is immaterial.

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 2013		*Six months ended 30 June 2012*		*Year ended 31 December 2012*	
	Revenue £'000	Trading profit £'000	*Revenue £'000*	*Trading profit £'000 restated*	*Revenue £'000*	*Trading profit £'000 restated*
Agriculture and horticulture	75,851	11,827	*73,620*	*8,616*	*187,538*	*45,495*
Engineering	14,568	(976)	*13,990*	*(165)*	*27,675*	*(6)*
Food storage and distribution	15,264	365	*15,806*	*203*	*32,195*	*127*
Banking and financial services	7,026	(24)	*6,216*	*249*	*12,551*	*253*
Other operations	1,044	32	*757*	*(12)*	*1,570*	*62*
	113,753	11,224	*110,389*	*8,891*	*261,529*	*45,931*
Unallocated corporate expenses*		(2,483)		*(2,197)*		*(6,133)*
Trading profit		8,741		*6,694*		*39,798*
Share of associates' results		445		*2,229*		*4,269*
Profit on non-current assets		–		*994*		*1,538*
Profit on disposal of available-for-sale investments		57		*246*		*271*
Profit on disposal of a subsidiary		–		*–*		*396*
Loss on transfer of an associate		–		*–*		*(10,045)*
(Loss)/gain arising from changes in fair value of biological assets		(23)		*16,079*		*30,043*
Investment income		1,159		*578*		*1,186*
Net finance income		1,551		*1,735*		*2,254*
Profit before tax		11,930		*28,555*		*69,710*
Taxation		(5,365)		*(8,773)*		*(25,662)*
Profit after tax		6,565		*19,782*		*44,048*

Agriculture and horticulture trading profit includes exchange gains of £nil (2012: six months £1,756,000 – year £2,289,000) following the devaluation of the Malawian Kwacha.

*Unallocated corporate expenses include group marketing expenses of £487,000 (2012: six months £303,000 – year £1,162,000) incurred on behalf of the banking and financial services and agriculture and horticulture segments.

5 Headline 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 'headline' and is used by management to measure and monitor performance.

The following items have been excluded from the headline measure:

– Exceptional items, including profit and losses from disposal of non-current assets and available-for-sale investments.

– Gains and losses arising from changes in fair value of biological assets, which are a non-cash item, and the directors believe should be excluded to give a better understanding of the group's underlying performance.

– Net interest expense on employee benefit obligations.

	Six months ended 30 June 2013		*Six months ended 30 June 2012*		*Year ended 31 December 2012*	
	£'000	£'000	*£'000 restated*	*£'000 restated*	*£'000 restated*	*£'000 restated*
Trading profit		8,741		*6,694*		*39,798*
Share of associates' results		445		*2,229*		*4,269*
Investment income		1,159		*578*		*1,186*
Net finance income	1,551		*1,735*		*2,254*	
Exclude						
– Net interest expense on employee benefit obligations	570		*503*		*1,468*	
Headline finance costs		2,121		*2,238*		*3,722*
Headline profit before tax		12,466		*11,739*		*48,975*
Non-headline items in profit before tax comprise:						
Exceptional items						
Profit on non-current assets	–		*994*		*1,538*	
Profit on disposal of available-for-sale investments	57		*246*		*271*	
Profit on disposal of a subsidiary	–		*–*		*396*	
Loss on transfer of an associate	–		*–*		*(10,045)*	
		57		*1,240*		*(7,840)*
(Loss)/gain arising from changes in fair value of biological assets		(23)		*16,079*		*30,043*
Net interest expense on employee benefit obligations		(570)		*(503)*		*(1,468)*
Non-headline items in profit before tax		(536)		*16,816*		*20,735*

6 Share of associates' results

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

	Six months ended 30 June 2013 £'000	*Six months ended 30 June 2012 £'000*	*Year ended 31 December 2012 £'000*
Operating profit	793	*2,622*	*4,857*
Net finance costs	–	*(25)*	*(114)*
Profit before tax	793	*2,597*	*4,743*
Taxation	(348)	*(368)*	*(474)*
Profit after tax	445	*2,229*	*4,269*

At 31 December 2012, the group re-evaluated its relationship with BF&M Limited. Although the group's holding is in excess of 20%, the directors concluded that the group is no longer able to exercise significant influence due to the cumulative result of, *inter alia*, the composition of the board of BF&M and the inability of the group to be a party to important strategic decisions concerning the operations and development of BF&M. Accordingly the group's holding has been accounted for as an available-for-sale financial asset with effect from 1 January 2013. In conjunction with the reclassification the investment was written down to current market value at 31 December 2012 giving rise to an exceptional charge in the Income Statement for the year ended 31 December 2012 of £10,045,000.

7 Profit on non-current assets

In 2012 a profit of £1,538,000 (six months to 30 June 2012: £944,000) was realised following part recovery of insurance claims received in relation to the property, plant and equipment destroyed by the fire in 2011 at one of the tea processing factories owned by Eastern Produce Malawi Limited.

8 Gain arising from changes in fair value of biological assets

In 2012 the Malawian kwacha depreciated in value from 254.49 to the pound sterling at 1 January 2012 to 544.05 to the pound sterling at 31 December 2012 (30 June 2012: 423.39). The functional currency of our Malawian subsidiaries is the kwacha. Our principal assets in Malawi are our agricultural assets. As they generate revenues in currencies other than the kwacha their value in hard currency has not fallen in the year. Accordingly, the revaluation of the agricultural assets in kwacha under IAS 41 at 31 December 2012 generated a credit of £21,353,000 (six months to 30 June 2012: £15,751,000) due to the currency devaluation which is included in the overall gain of £30,043,000 (six months to 30 June 2012: £16,079,000) credited to the income statement. This has been largely offset by a foreign exchange translation loss charged to reserves. No such amounts occurred in the period ending 30 June 2013.

9 Finance income and costs

	Six months ended 30 June 2013 £'000	*Six months ended 30 June 2012 £'000 restated*	*Year ended 31 December 2012 £'000 restated*
Interest payable on loans and bank overdrafts	(424)	*(292)*	*(808)*
Interest payable on obligations under finance leases	–	*(12)*	*(17)*
Finance costs	(424)	*(304)*	*(825)*
Finance income – interest income on short-term bank deposits	1,937	*1,984*	*3,517*
Net exchange gain on foreign currency balances	608	*558*	*1,030*
Net interest expense on employee benefit obligations	(570)	*(503)*	*(1,468)*
Net finance income	1,551	*1,735*	*2,254*

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

10 Taxation on profit on ordinary activities

	Six months ended 30 June 2013 £'000	*Six months ended 30 June 2012 £'000*	*Year ended 31 December 2012 £'000*
Current tax			
Overseas corporation tax	7,005	*5,104*	*15,505*
Deferred tax			
Origination and reversal of timing differences			
Overseas deferred tax	(1,640)	*3,669*	*10,157*
Tax on profit on ordinary activities	5,365	*8,773*	*25,662*

Tax on profit on ordinary activities for the six months to 30 June 2013 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2013.

11 Equity dividends

	Six months ended 30 June 2013 £'000	*Six months ended 30 June 2012 £'000*	*Year ended 31 December 2012 £'000*
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2012 of 88.00p (2011: 84.00p) per share	2,446	*2,335*	*2,335*
Interim dividend for the year ended 31 December 2012 of 32.00p per share			*889*
			3,224

Dividends amounting to £55,000 (2012: six months £52,000 – year £73,000) 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 2013 of 34.00p (2012: 32.00p) per share	942	*889*	

The proposed interim dividend was approved by the board of directors on 29 August 2013 and has not been included as a liability in these financial statements.

12 Earnings per share (EPS)

	Six months ended 30 June 2013		*Six months ended 30 June 2012*		*Year ended 31 December 2012*	
	Earnings £'000	EPS Pence	*Earnings £'000 restated*	*EPS Pence restated*	*Earnings £'000 restated*	*EPS Pence restated*
Basic and diluted EPS						
Attributable to ordinary shareholders	4,359	156.9	*14,300*	*514.5*	*31,210*	*1,122.9*

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 2,778,775 (2012: six months 2,779,500 – year 2,779,500), which excludes 62,500 (2012: six months 62,500 – year 62,500) shares held by the group as treasury shares.

13 Property, plant and equipment

During the six months ended 30 June 2013 the group acquired assets with a cost of £7,618,000 (2012: six months £9,059,000 – year £16,557,000). Assets with a carrying amount of £212,000 were disposed of during the six months ended 30 June 2013 (2012: six months £66,000 – year £182,000).

14 Cash and cash equivalents

Included in cash and cash equivalents of £266,688,000 (2012: six months £273,903,000 – year £262,174,000) are cash and short-term funds, time deposits with banks and building societies and certificates of deposit amounting to £183,087,000 (2012: six months £197,651,000 – year £175,302,000), which are held by banking subsidiaries and which are an integral part of the banking operations of the group.

15 Assets/liabilities held for sale

The assets and liabilities held for sale at 30 June 2012 related to the assets and liabilities of Siret Tea Company Limited, which was disposed of by the group on 31 August 2012.

16 Borrowings

Borrowings (current and non-current) include loans and finance leases of £182,000 (2012: six months £451,000 – year £207,000) and bank overdrafts of £11,660,000 (2012: six months £10,741,000 – year £5,499,000). The following loans and finance leases were issued and repaid during the six months ended 30 June 2013:

	£'000
Balance at 1 January 2013	207
Exchange differences	18
New issues	
Loans	39
Repayments	
Loans	(55)
Finance lease liabilities	(27)
Balance at 30 June 2013	182

17 Retirement benefit schemes

The UK defined benefit pension scheme for the purpose of IAS 19 has been updated to 30 June 2013 from the valuation as at 31 December 2012 by the actuary and the movements have been reflected in this interim statement. Overseas schemes have not been updated from 31 December 2012 valuations as it is considered that there have been no significant changes.

An actuarial gain of £12,287,000 was realised in the period, of which a gain of £7,205,000 was realised in relation to the scheme assets and a gain of £5,082,000 was realised in relation to changes in the underlying actuarial assumptions. The assumed discount rate has increased to 4.60% (31 December 2012: 4.20%), the assumed rate of inflation (CPI) has increased to 2.30% (31 December 2012: 2.00%) and the assumed rate of increases for salaries to 2.30% (31 December 2012: 2.00%). There has been no change in the mortality assumptions used.

18 Share Capital

	30 June 2013 £'000	*30 June 2012 £'000*	*31 December 2012 £'000*
Authorised: 2,842,000 (2012: 30 June 2,842,000 – 31 December 2,842,000) ordinary shares of 10p each	284	*284*	*284*
Allotted, called up and fully paid: ordinary shares of 10p each:			
At 1 January - 2,842,000 (2012: 2,842,000) shares	284	*284*	*284*
Purchase of own shares – 10,192 (2012: nil) shares	(1)	*–*	*–*
At 30 June – 2,831,808 (2012: 30 June 2,842,000 – 31 December 2,842,000) shares	283	284	*284*

Group companies hold 62,500 issued shares in the company. These are classified as treasury shares.

On 6 June 2013 the directors were authorised to purchase up to a maximum of 277,950 ordinary shares and during the period 10,192 shares were purchased. Upon cancellation of the shares purchased, a capital redemption reserve is created representing the nominal value of the shares cancelled.

19 Reconciliation of profit from operations to cash flow

	Six months ended 30 June 2013 £'000	*Six months ended 30 June 2012 £'000 restated*	*Year ended 31 December 2012 £'000 restated*
Profit from operations	9,220	*26,242*	*66,270*
Share of associates' results	(445)	*(2,229)*	*(4,269)*
Depreciation and amortisation	4,890	*4,951*	*9,646*
Impairment of non-current assets	–	–	*440*
Loss/(gain) arising from changes in fair value of biological assets	23	*(16,079)*	*(30,043)*
Profit on non-current assets	(141)	*(1,124)*	*(1,786)*
Loss on transfer of an associate	–	–	*10,045*
Profit on disposal of a subsidiary	–	–	*(396)*
Profit on disposal of investments	(57)	*(246)*	*(271)*
Pensions and similar provisions less payments	(871)	*(981)*	*(1,294)*
Biological assets capitalised cultivation costs	(4,378)	*(4,131)*	*(6,917)*
Biological assets decreases due to harvesting	4,682	*5,032*	*9,158*
Decrease/(increase) in working capital	502	*(2,071)*	*(10,336)*
Net (increase)/decrease in funds of banking subsidiaries	(13,596)	*(3,113)*	*915*
	(171)	*6,251*	*41,162*

20 Reconciliation of net cash flow to movement in net cash

	Six months ended 30 June 2013 £'000	*Six months ended 30 June 2012 £'000*	*Year ended 31 December 2012 £'000*
(Decrease)/increase in cash and cash equivalents in the period	(12,408)	*(6,939)*	*9,767*
Net cash outflow from decrease in debt	43	*26*	*266*
(Decrease)/increase in net cash resulting from cash flows	(12,365)	*(6,913)*	*10,033*
Exchange rate movements	2,958	*238*	*(1,014)*
(Decrease)/increase in net cash in the period	(9,407)	*(6,675)*	*9,019*
Net cash at beginning of period	81,166	*72,147*	*72,147*
Net cash at end of period	71,759	*65,472*	*81,166*

21 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.