Camellia Plc

Interim report 2008

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Kent ME17 4AB
Registered number 29559
www.camellia.plc.uk

Chairman's statement

The pre-tax profit from continuing operations of £7,991,000 for the six months to 30 June 2008 compares with a profit of £12,255,000 for the same period last year which included a profit of £5,313,000 on the disposal of 'available for sale' investments.

The board has declared an interim dividend of 20p per ordinary share payable on 6 November 2008 to shareholders on the register on 17 October 2008.

Tea

India

Despite dry weather at the beginning of the year, crops are only marginally behind those of the previous year. Sales prices are ahead of last year particularly for orthodox teas produced in Assam and Darjeeling. The demand for independent statehood in Darjeeling and the possible associated civil unrest are a cause for concern.

Bangladesh

Tea production in Bangladesh is similar to the previous year but tea prices have increased. The prospects for the full year are encouraging.

Africa

Kenya experienced a major drought at the beginning of the year which has reduced production significantly when compared to the previous year. The cost of production has increased as a result of the lower crop but increased sales prices have compensated to some degree. The political difficulties that Kenya experienced at the beginning of the year have been resolved for the time being by the formation of a Government of National Unity, which must now negotiate a new constitution.

Our operations in Malawi have produced a crop similar to the previous year but higher sales prices have more than offset the increased cost of production.

Edible nuts

Macadamia production in both Malawi and South Africa is expected to exceed that of the previous year and prices have recently shown some improvement over the low levels of last year.

Crop projections for the harvest in September of our pistachio orchards in California are encouraging.

Other horticulture

Both production and sales prices for our citrus operations in California are higher than the previous year.

Exportable production of table grapes and citrus in Chile is on a par with last year.

Kakuzi's avocado production is expected to exceed the previous year but difficulties in the port of Mombasa are playing havoc with shipping schedules and significant insurance claims are anticipated. The situation in the port is chaotic and is seriously affecting all exports from Kenya that have no option but to use Mombasa. It is to be hoped that the Government will take immediate and firm action to rectify the problems and enable Kenya to compete effectively in world markets.

Rubber production in Bangladesh is on a par with last year although prices are expected to be a little lower.

Maize and Soya prices have increased over last year and, with similar production, the results of our Brazilian farming operations are most satisfactory.

Wine production in both South Africa and Chile increased over the previous year but the international wine market remains very competitive.

Food storage and distribution

The re-organisation costs incurred in 2007 are beginning to show a positive result and it is hoped that Associated Cold Stores and Transport will make a profit for the full year. Rationalisation continues in this sector and as a result there is now more likelihood of the market, which has been very difficult for a number of years, returning to stability and profitability.

Chairman's statement

Engineering

The difficulties of recruiting skilled operatives in some of our engineering companies continue and are having a detrimental effect on profitability. The price of steel and the availability of specialist metals combined with the impact of the fall in demand in the construction industry are also current concerns for our operations.

Banking

It is relevant to repeat that Duncan Lawrie has no exposure to sub-prime mortgages and their derivatives and indeed is benefiting from the current credit crisis due to its strong balance sheet and very conservative lending policies. The wealth management division does of course continue to suffer from lower fee income as a result of the decline in stock market values. Duncan Lawrie has now completed the integration of recent acquisitions, the costs of which will be a charge against profits in the current year.

Pharmaceutical

Net sales of Siegfried Holding AG were marginally ahead of the same period last year. Operating profit increased by 33% mainly as a result of the sale of the pharmaceutical production facility in Zofingen to the US-based Arena Pharmaceuticals and also to the receipt of licence payments for a previous bio-generic project.

Prospects

The Camellia Group is presently operating in a difficult global trading environment. The substantially increased costs of energy and fertilisers are a major cause of concern. However, the group's diversity and conservative policies, particularly in respect of borrowings, means that it should be well placed to withstand any forthcoming recession and continue to develop its operations in a modest and structured manner. It is however even more difficult than usual to give any indication of the outcome for the full year.

M C Perkins
Chairman
28 August 2008

Interim management report

The chairman's statement forms part of the interim management report and includes important events that have occurred during the six months ended 30 June 2008 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 2007 (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 2007. 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

M C Perkins
Chairman

28 August 2008

Consolidated income statement
for the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 £'000	*Six months ended 30 June 2007 £'000*	*Year ended 31 December 2007 £'000*
Revenue	4	77,611	*74,550*	*161,936*
Cost of sales		(53,683)	*(53,828)*	*(107,497)*
Gross profit		23,928	*20,722*	*54,439*
Other operating income		1,029	*887*	*1,631*
Distribution costs		(3,370)	*(2,984)*	*(9,665)*
Administrative expenses		(18,750)	*(18,984)*	*(37,261)*
Trading profit/(loss)	4	2,837	*(359)*	*9,144*
Share of associates' results	5	5,185	*7,743*	*10,568*
Profit on disposal of other investments	6	23	*5,313*	*5,259*
Profit on part disposal of a subsidiary	7	104	*—*	*170*
Profit on disposal of property		—	*—*	*2,029*
Profit on disposal of non-current assets held for sale		—	*171*	*327*
Gain/(loss) arising from changes in fair value of biological assets		178	*(637)*	*2,770*
Profit from operations		8,327	*12,231*	*30,267*
Investment income		476	*457*	*867*
Finance income		278	*377*	*701*
Finance costs		(1,218)	*(1,107)*	*(1,921)*
Pension schemes' net financing income		128	*297*	*737*
Net finance costs	8	(812)	*(433)*	*(483)*
Profit before tax		7,991	*12,255*	*30,651*
Taxation	9	(1,918)	*(1,290)*	*(3,205)*
Profit for the period		6,073	*10,965*	*27,446*
Profit attributable to minority interests		406	*203*	*2,129*
Profit attributable to equity shareholders		5,667	*10,762*	*25,317*
		6,073	*10,965*	*27,446*
Earnings per share – basic and diluted	11	203.9p	*387.2p*	*910.8p*

Consolidated balance sheet
at 30 June 2008

	Notes	30 June 2008 £'000	*30 June 2007 £'000*	*31 December 2007 £'000*
Non–current assets				
Intangible assets		8,376	*7,767*	*8,246*
Property, plant and equipment	12	75,885	*76,117*	*76,233*
Biological assets		79,797	*76,047*	*80,633*
Prepaid operating leases		1,013	*985*	*982*
Investments in associates		99,677	*82,720*	*90,367*
Deferred tax assets		4,152	*272*	*1,356*
Other investments		36,516	*38,364*	*41,186*
Retirement benefit surplus		3,618	*8,566*	*5,766*
Trade and other receivables		616	*546*	*634*
Total non-current assets		309,650	*291,384*	*305,403*
Current assets				
Inventories		22,340	*19,906*	*20,137*
Trade and other receivables		71,313	*59,143*	*67,893*
Current income tax assets		1,623	*2,164*	*1,616*
Cash and cash equivalents	13	283,671	*252,186*	*235,612*
		378,947	*333,399*	*325,258*
Non–current assets classified as held for sale		—	*105*	—
Total current assets		378,947	*333,504*	*325,258*
Current liabilities				
Borrowings	14	(16,875)	*(16,935)*	*(14,771)*
Trade and other payables		(324,162)	*(286,152)*	*(275,913)*
Current income tax liabilities		(2,176)	*(1,455)*	*(1,786)*
Other employee benefit obligations		(183)	*(149)*	*(169)*
Provisions		(75)	*(37)*	*(123)*
Total current liabilities		(343,471)	*(304,728)*	*(292,762)*
Net current assets		35,476	*28,776*	*32,496*
Total assets less current liabilities		345,126	*320,160*	*337,899*
Non-current liabilities				
Borrowings	14	(11,348)	*(12,297)*	*(11,797)*
Deferred tax liabilities		(26,723)	*(27,410)*	*(26,719)*
Retirement benefit obligations		(17,367)	*(10,261)*	*(10,608)*
Other employee benefit obligations		(1,385)	*(1,233)*	*(1,293)*
Other non-current liabilities		(207)	*(401)*	*(341)*
Provisions		—	*(92)*	—
Total non-current liabilities		(57,030)	*(51,694)*	*(50,758)*
Net assets		288,096	*268,466*	*287,141*
Equity				
Called up share capital		284	*284*	*284*
Reserves		267,483	*249,407*	*265,987*
Shareholders' funds	18	267,767	*249,691*	*266,271*
Minority interests	18	20,329	*18,775*	*20,870*
Total equity		288,096	*268,466*	*287,141*

Consolidated cash flow statement
for the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 £'000	*Six months ended 30 June 2007 £'000*	*Year ended 31 December 2007 £'000*
Cash generated from operations				
Cash flows from operating activities	16	(1,497)	*1,831*	*14,171*
Interest paid		(1,254)	*(1,108)*	*(2,271)*
Income taxes paid		(1,805)	*(2,220)*	*(3,442)*
Interest received		164	*416*	*697*
Dividends received from associates		2,397	*1,955*	*2,252*
Net cash flow from operating activities		(1,995)	*874*	*11,407*
Cash flows from investing activities				
Purchase of intangible assets		(336)	*(90)*	*(208)*
Purchase of property, plant and equipment		(4,277)	*(3,493)*	*(6,953)*
Proceeds from sale of non-current assets		143	*399*	*2,948*
Proceeds from sale of non-current assets held for sale		—	*228*	*489*
Part disposal of a subsidiary		297	—	*400*
Acquisition of subsidiary (net of cash acquired)		—	—	*(549)*
Purchase of minority interests		(173)	—	*(193)*
Purchase of shares in associate		—	—	*(2)*
Proceeds from sale of investments		6,735	*7,269*	*8,235*
Purchase of investments		(1,848)	*(3,051)*	*(7,915)*
Income from investments		476	*457*	*867*
Net cash flow from investing activities		1,017	*1,719*	*(2,881)*
Cash flows from financing activities				
Equity dividends paid		—	—	*(2,502)*
Dividends paid to minority interests		(553)	*(842)*	*(1,132)*
Net repayment of debt		(1,560)	*(3,734)*	*(3,625)*
Net cash flow from financing activities		(2,113)	*(4,576)*	*(7,259)*
Net (decrease)/increase in cash and cash equivalents	17	(3,091)	*(1,983)*	*1,267*
Cash and cash equivalents at beginning of period		758	*(542)*	*(542)*
Exchange gains/(losses) on cash		412	*(138)*	*33*
Cash and cash equivalents at end of period		(1,921)	*(2,663)*	*758*

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	283,671	*252,186*	*235,612*
Less banking operation funds	(271,691)	*(240,820)*	*(223,849)*
Overdrafts repayable on demand (included in current liabilities – borrowings)	(13,901)	*(14,029)*	*(11,005)*
	(1,921)	*(2,663)*	*758*

Statement of recognised income and expense
for the six months ended 30 June 2008

	Six months ended 30 June 2008 £'000	*Six months ended 30 June 2007 £'000*	*Year ended 31 December 2007 £'000*
Foreign exchange translation differences	3,612	*(1,887)*	*5,407*
Actuarial movement on defined benefit pension schemes (note 15)	(9,595)	*11,516*	*6,030*
Movement on deferred tax relating to defined benefit pension schemes	2,686	*(2,765)*	*(639)*
Available-for-sale investments:			
Valuation gains taken to equity	416	*3,340*	*2,044*
Transferred to profit or loss on sale	(2)	*(3,676)*	*(3,630)*
Share of associate's net movement in defined benefit pension schemes	(1,246)	*92*	*372*
Share of associates' fair value adjustments	(748)	*1,353*	*932*
Share of associate's loss on cash flow hedges	—	*(92)*	*(115)*
Share of associate's income taxes on items recorded in equity	466	—	*(29)*
Net (expense)/income recognised directly in equity	(4,411)	*7,881*	*10,372*
Profit for the period	6,073	*10,965*	*27,446*
Total recognised income and expense for the period	1,662	*18,846*	*37,818*
Attributable to:			
Minority interests	91	*314*	*2,505*
Equity shareholders	1,571	*18,532*	*35,313*
	1,662	*18,846*	*37,818*

Notes to the accounts

1 Basis of preparation

These financial statements are the interim consolidated financial statements of Camellia Plc, a company registered in England, and its subsidiaries (the "group") for the six month period ended 30 June 2008 (the "Interim Report"). They should be read in conjunction with the Report and Accounts (the "Annual Report") for the year ended 31 December 2007.

The financial information contained in this interim report has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. A copy of the statutory accounts for the year ended 31 December 2007 has been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and does not contain a statement made under Section 237(2) and Section 237(3) of the Companies Act 1985.

The interim 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 endorsed 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 financial statements were approved by the board of directors on 28 August 2008.

2 Accounting policies

These interim 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 2007.

The following interpretations made by IFRIC are mandatory for the first time in the current financial year and have been adopted by the group with no significant impact on its consolidated results or financial position:

IFRIC 11	Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction

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.

Notes to the accounts

4 Segment reporting

	Six months ended 30 June 2008		*Six months ended 30 June 2007*		*Year ended 31 December 2007*	
	Revenue £'000	Trading profit £'000	*Revenue £'000*	*Trading profit £'000*	*Revenue £'000*	*Trading profit £'000*
Agriculture and horticulture	42,069	2,989	*38,404*	*671*	*89,004*	*9,072*
Engineering	10,132	671	*10,293*	*947*	*20,109*	*2,124*
Food storage and distribution	17,932	324	*18,831*	*(356)*	*38,561*	*(133)*
Banking and financial services	7,322	798	*6,911*	*849*	*13,949*	*1,431*
Other operations	156	56	*111*	*(156)*	*313*	*(113)*
	77,611	4,838	*74,550*	*1,955*	*161,936*	*12,381*
Unallocated corporate expenses		(2,001)		*(2,314)*		*(3,237)*
Trading profit/(loss)		2,837		*(359)*		*9,144*
Share of associates' results		5,185		*7,743*		*10,568*
Profit on disposal of other investments		23		*5,313*		*5,259*
Profit on part disposal of a subsidiary		104		—		*170*
Profit on disposal of property		—		—		*2,029*
Profit on disposal of non-current assets held for sale		—		*171*		*327*
Gain/(loss) arising from changes in fair value of biological assets		178		*(637)*		*2,770*
Investment income		476		*457*		*867*
Net finance costs		(812)		*(433)*		*(483)*
Profit before tax		7,991		*12,255*		*30,651*
Taxation		(1,918)		*(1,290)*		*(3,205)*
Profit after tax		6,073		*10,965*		*27,446*

5 Share of associates' results

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

	Six months ended 30 June 2008 £'000	*Six months ended 30 June 2007 £'000*	*Year ended 31 December 2007 £'000*
Operating profit	6,579	*4,914*	*8,561*
Net finance costs	(463)	*(90)*	*(650)*
Profit before tax	6,116	*4,824*	*7,911*
Taxation	(931)	*(701)*	*(1,026)*
Profit after tax	5,185	*4,123*	*6,885*
Net profit from discontinued operations	—	*3,620*	*3,683*
	5,185	*7,743*	*10,568*

The net profit from discontinued operations relates to the disposal by the Siegfried Group of its Sidroga division and its biologics business unit.

6 Profit on disposal of other investments

In 2007, a profit of £4,801,000 was realised on the disposal of the group's entire shareholding in Gétaz Romang Holding SA, a public quoted company on the SWX Swiss Exchange.

7 Profit on part disposal of a subsidiary

A profit of £104,000 (2007: six months £nil – year £170,000) was realised in relation to the disposal by Kakuzi Limited of 10% (2007: six months nil – year 14%) of its interest in Siret Tea Company Limited to EPK Outgrowers Empowerment Project Company Limited, a company mainly owned by smallholders in Kenya.

8 Finance income and costs

	Six months ended 30 June 2008 £'000	*Six months ended 30 June 2007 £'000*	*Year ended 31 December 2007 £'000*
Interest payable on loans and bank overdrafts	(986)	*(1,085)*	*(2,141)*
Interest payable on obligations under finance leases	(92)	*(96)*	*(180)*
Total borrowing costs	(1,078)	*(1,181)*	*(2,321)*
Net exchange (loss)/gain on foreign currency borrowings	(140)	*74*	*400*
Finance costs	(1,218)	*(1,107)*	*(1,921)*
Finance income – interest income on short-term bank deposits	278	*377*	*701*
Pension schemes' net financing income	128	*297*	*737*
Net finance costs	(812)	*(433)*	*(483)*

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

9 Taxation on profit on ordinary activities

	Six months ended 30 June 2008		*Six months ended 30 June 2007*		*Year ended 31 December 2007*	
	£'000	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Current tax						
UK corporation tax	—		*—*		*107*	
Overseas corporation tax	2,062		*1,008*		*2,935*	
Total current tax		2,062		*1,008*		*3,042*
Deferred tax						
Origination and reversal of timing differences						
UK	529		*(34)*		*(483)*	
Overseas	(673)		*316*		*646*	
Total deferred tax		(144)		*282*		*163*
Tax on profit on ordinary activities		1,918		*1,290*		*3,205*

Tax on profit on ordinary activities for the six months to 30 June 2008 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2008.

Notes to the accounts

10 Equity dividends

	Six months ended 30 June 2008 £'000	*Six months ended 30 June 2007 £'000*	*Year ended 31 December 2007 £'000*
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2007 of 72.00p (2006: 70.00p) per share	2,001	*1,946*	*1,946*
Interim dividend for the year ended 31 December 2007 of 20.00p per share			*556*
			2,502

Dividends amounting to £45,000 (2007: six months £44,000 – year £56,000) 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 2008 of 20.00p (2007: 20.00p) per share	556	556

The proposed interim dividend was approved by the board of directors on 28 August 2008 and has not been included as a liability in these financial statements.

11 Earnings per share (EPS)

	Six months ended 30 June 2008		*Six months ended 30 June 2007*		*Year ended 31 December 2007*	
	Earnings £'000	EPS Pence	*Earnings £'000*	*EPS Pence*	*Earnings £'000*	*EPS Pence*
Basic and diluted EPS						
Attributable to ordinary shareholders	5,667	203.9	*10,762*	*387.2*	*25,317*	*910.8*

Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of 2,779,500 (2007: six months 2,779,500 – year 2,779,500), which excludes 62,500 (2007: 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 2008 the group acquired assets with a cost of £4,277,000 (2007: six months £3,493,000 – year £6,953,000). Assets with a carrying amount of £96,000 were disposed of during the six months ended 30 June 2008 (2007: six months £217,000 – year £910,000).

13 Cash and cash equivalents

Included in cash and cash equivalents of £283,671,000 (2007: six months £252,186,000 – year £235,612,000) are cash and short-term funds, time deposits with banks and building societies and certificates of deposit amounting to £271,691,000 (2007: six months £240,820,000 – year £223,849,000), which are held by banking subsidiaries and which are an integral part of the banking operations of the group.

14 Borrowings

Borrowings (current and non-current) include loans and finance leases of £14,322,000 (2007: six months £15,203,000 – year £15,563,000) and bank overdrafts of £13,901,000 (2007: six months £14,029,000 – year £11,005,000).
The following loans and finance leases were issued and repaid during the six months ended 30 June 2008:

	£'000
Balance at 1 January 2008	15,563
Exchange differences	320
New issues	
Loans	69
Finance lease liabilities	401
Repayments	
Loans	(1,528)
Finance lease liabilities	(503)
Balance at 30 June 2008	14,322

15 Retirement benefit schemes

UK defined benefit pension schemes for the purposes of IAS 19 have been updated to 30 June 2008 from the valuations as at 31 December 2007 by the group's actuaries and the movements have been reflected in this interim statement. Overseas schemes have not been updated from 31 December 2007 valuations as it is considered that there have been no significant changes.

An actuarial loss of £13,471,000 was realised in the period in relation to the scheme assets following the recent falls in global stock markets. An actuarial gain of £3,876,000 was realised in relation to changes in the underlying actuarial assumptions. The assumed discount rate has increased to 6.70% (31 December 2007: 5.90%), giving rise to a decrease to the defined benefit obligation. This reduction is partly offset by the impact of increases in the assumptions for the rate of inflation, to 4.20% (31 December 2007: 3.40%), and for the rate of increases for salaries, to 4.30% (31 December 2007: 3.50%). There has been no change in the mortality assumptions used.

16 Reconciliation of profit from operations to cash flow

	Six months ended 30 June 2008 £'000	*Six months ended 30 June 2007 £'000*	*Year ended 31 December 2007 £'000*
Profit from operations	8,327	*12,231*	*30,267*
Share of associates' results	(5,185)	*(7,743)*	*(10,568)*
Depreciation and amortisation	3,922	*4,044*	*7,868*
(Gain)/loss arising from changes in fair value of biological assets	(178)	*637*	*(2,770)*
Profit on disposal of property, plant and equipment	(47)	*—*	*(2,029)*
Profit on disposal of non-current assets held for sale	—	*(171)*	*(327)*
Profit on part disposal of a subsidiary	(104)	*—*	*(170)*
Profit on disposal of other investments	(23)	*(5,313)*	*(5,259)*
Decrease/(increase) in working capital	907	*(2,811)*	*(7,949)*
Net (increase)/decrease in funds of banking subsidiaries	(9,116)	*957*	*5,108*
Cash flows from operating activities	(1,497)	*1,831*	*14,171*

Notes to the accounts

17 Reconciliation of net cash flow to movement in net debt

	Six months ended 30 June 2008 £'000	*Six months ended 30 June 2007 £'000*	*Year ended 31 December 2007 £'000*
(Decrease)/increase in cash and cash equivalents in the period	(3,091)	*(1,983)*	*1,267*
Cash outflow from decrease in debt	1,961	*3,914*	*4,310*
(Increase)/decrease in net debt resulting from cash flows	(1,130)	*1,931*	*5,577*
New finance leases	(401)	*(181)*	*(685)*
Exchange rate movements	93	*(116)*	*(197)*
(Increase)/decrease in net debt in the period	(1,438)	*1,634*	*4,695*
Net debt at beginning of period	(14,805)	*(19,500)*	*(19,500)*
Net debt at end of period	(16,243)	*(17,866)*	*(14,805)*

18 Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Other reserves £'000	Total £'000	Minority interest £'000	Total equity £'000
At 1 January 2007	284	15,298	(400)	182,543	38,236	235,961	19,303	255,264
Exchange differences	—	—	—	—	(1,998)	(1,998)	111	(1,887)
Net profit	—	—	—	10,762	—	10,762	203	10,965
Dividends	—	—	—	(1,946)	—	(1,946)	(842)	(2,788)
Actuarial gain	—	—	—	11,516	—	11,516	—	11,516
Deferred tax on actuarial gain	—	—	—	(2,765)	—	(2,765)	—	(2,765)
Available-for-sale investments:								
Valuation gains taken to equity	—	—	—	—	3,340	3,340	—	3,340
Transfer to profit or loss on sale	—	—	—	—	(3,676)	(3,676)	—	(3,676)
Reclassification of investment to an associate	—	—	—	—	(2,748)	(2,748)	—	(2,748)
Share of associates' fair value adjustments	—	—	—	1,353	—	1,353	—	1,353
Share of associate's change in treasury shares	—	—	—	144	—	144	—	144
Share of associate's movement in defined benefit pension schemes	—	—	—	92	—	92	—	92
Share of associate's loss on cash flow hedges	—	—	—	(92)	—	(92)	—	(92)
Loss on dilution of interest in associate	—	—	—	(252)	—	(252)	—	(252)
At 30 June 2007	284	15,298	(400)	201,355	33,154	249,691	18,775	268,466
At 1 January 2007	284	15,298	(400)	182,543	38,236	235,961	19,303	255,264
Exchange differences	—	—	—	—	4,973	4,973	434	5,407
Net profit	—	—	—	25,317	—	25,317	2,129	27,446
Dividends	—	—	—	(2,502)	—	(2,502)	(1,132)	(3,634)
Actuarial gain	—	—	—	6,171	—	6,171	(141)	6,030
Deferred tax on actuarial gain	—	—	—	(684)	—	(684)	45	(639)
Available-for-sale investments:								
Valuation gains taken to equity	—	—	—	—	2,006	2,006	38	2,044
Transfer to profit or loss on sale	—	—	—	—	(3,630)	(3,630)	—	(3,630)
Reclassification of investment to an associate	—	—	—	—	(2,782)	(2,782)	—	(2,782)
Minority interest subscription	—	—	—	—	—	—	230	230
Payment to minority interest	—	—	—	—	—	—	(193)	(193)
Change in composition of group	—	—	—	(157)	—	(157)	157	—
Share of associates' fair value adjustments	—	—	—	932	—	932	—	932
Share of associate's loss on cash flow hedges	—	—	—	(115)	—	(115)	—	(115)
Share of associate's change in treasury shares	—	—	—	430	—	430	—	430
Share of associate's movement in defined benefit pension schemes	—	—	—	372	—	372	—	372
Share of associate's income taxes on items recorded in equity	—	—	—	(29)	—	(29)	—	(29)
Share of associates' other equity movements	—	—	—	123	—	123	—	123
Loss on dilution of interest in associate	—	—	—	(115)	—	(115)	—	(115)
At 31 December 2007	284	15,298	(400)	212,286	38,803	266,271	20,870	287,141
Exchange differences	—	—	—	—	3,927	3,927	(315)	3,612
Net profit	—	—	—	5,667	—	5,667	406	6,073
Dividends	—	—	—	(2,001)	—	(2,001)	(553)	(2,554)
Actuarial loss	—	—	—	(9,595)	—	(9,595)	—	(9,595)
Deferred tax on actuarial loss	—	—	—	2,686	—	2,686	—	2,686
Available-for-sale investments:								
Valuation gains taken to equity	—	—	—	—	416	416	—	416
Transfer to profit or loss on sale	—	—	—	—	(2)	(2)	—	(2)
Minority interest subscription	—	—	—	—	—	—	192	192
Payment to minority interest	—	—	—	—	—	—	(173)	(173)
Change in composition of group	—	—	—	98	—	98	(98)	—
Share of associate's restatement of pension plan assets	—	—	—	1,831	—	1,831	—	1,831
Share of associates' fair value adjustments	—	—	—	(748)	—	(748)	—	(748)
Share of associate's change in treasury shares	—	—	—	(62)	—	(62)	—	(62)
Share of associate's movement in defined benefit pension schemes	—	—	—	(1,246)	—	(1,246)	—	(1,246)
Share of associate's income taxes on items recorded in equity	—	—	—	466	—	466	—	466
Share of associate's other equity movements	—	—	—	150	—	150	—	150
Loss on dilution of interest in associate	—	—	—	(91)	—	(91)	—	(91)
At 30 June 2008	284	15,298	(400)	209,441	43,144	267,767	20,329	288,096

Notes to the accounts

19 Related party transactions

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

20 Events after the balance sheet date

With effect from 1 July 2008, the group has representation on the board of West Hamilton Holdings Limited, a Bermudian property company, and as a result the investment in this company will be reclassified from a financial asset to an investment in associate. Based on the latest available accounts to 31 December 2007, the estimated result of this reclassification will be that the value of investments in associates will increase by £1,261,000, being the equity value, and the value of financial assets will decline by £2,696,000, being the market value. The difference of £1,435,000 will be transferred to reserves.