CAMELLIA PLC

2017

CAMELLIA PLC

REPORT AND ACCOUNTS 2017

CONTENTS

page

CAMELLIA PLC

CAMELLIA AT A GLANCE

Camellia Plc is an international group – a global family of diverse companies with a 130-year history employing approximately 80,000 people worldwide. Our operations are in Agriculture, Engineering, Food Service and the holding of Investments. From the outset, Camellia's ethos has been based on the highest moral and professional integrity, and a commitment to doing the right thing – ethically and commercially, globally and locally. Profits are our lifeblood but not our soul.

Our business is built on two fundamental principles:

- **Long-termism.** We see ourselves as custodians, holding our businesses in trust for future generations. We believe we have a responsibility to ensure the stability, security and continuity of all our businesses, so they can be passed on to the next generation as enduring operations. We recognise that people and businesses take time to establish and grow to their full potential and we are happy to wait for that to happen. We are deeply committed to improving the long-term stability and well-being of our businesses, the communities and the environments in which we operate.
- **Sustainability.** We are committed not only to the ultimate welfare of our employees but also to the communities in which they live. We believe our businesses can and should grow with respect and care for the environment rather than at the cost of it. We proactively invest in ensuring that the environments where we do business are continually protected and improved, and seek to minimise any damage our activities may cause.

Our continuing business is made up as follows:

Agriculture

2017: Turnover – £239.4 million, Trading profit – £35.6 million

Core crops	*Locations*	*Mature area Ha.*	*Immature area Ha.*
Tea	India, Bangladesh, Kenya, Malawi	32,292	2,511
Macadamia	Kenya, South Africa, Malawi	2,474	1,224
Avocados	Kenya	415	192
Speciality crops			
Arable	Brazil	3,437	–
Forestry	Kenya, Malawi, Brazil	2,488	3,378
Rubber	Bangladesh	1,610	365
Citrus	USA	169	8
Pistachios	USA	131	-
Wine grapes	South Africa	63	12
Almonds	USA	56	–
Pineapples	Kenya	24	–
Other			
Joint Projects	Kenya	1,580	–
Cattle	Kenya	4,409 head	

CAMELLIA AT A GLANCE

ENGINEERING

2017: Turnover – £20.5 million, Trading loss – £2.6 million

Subsidiary	*Locations*
Abbey Metal Finishing	UK, Germany
AJT Engineering	UK
XiMo	Switzerland, Hungary

FOOD SERVICE

2017: Turnover – £37.8 million, Trading profit – £1.8 million

Subsidiary	*Locations*
ACS&T	UK
Jing Tea	UK
Affish	The Netherlands
Wylax	The Netherlands

INVESTMENTS

Investment type	*Locations*	*Market value at 31/12/17 £'m*
Investment Portfolio	Global	47.0
Investment Property	UK, Malawi, Isle of Man, Brazil	23.4
Collections*	UK, India, Bangladesh, Kenya, South Africa	9.4

*Collections are stated at cost

ASSOCIATES

2017: Share of results after taxation – £2.0 million

	Location	*Activity*	*Holding %*
BF&M	Bermuda	Life and Non-life insurance	36.3
United Finance	Bangladesh	Banking	38.4
United Insurance	Bangladesh	Non-life insurance	37.0

ASSETS HELD FOR SALE

BMT (Great Yarmouth)	UK
GU Cutting and Grinding	UK
Property in Loddon	UK

CAMELLIA PLC

DIRECTORS AND ADVISERS

Directors	Malcolm Perkins, FCA	*Chairman (iii)*
	Chris Relleen, FCA	*Deputy Chairman, independent non-executive Director and senior independent Director (i) (ii) (iii)*
	Tom Franks, FCA	*Chief Executive*
	Graham Mclean, MSc	*Managing Director of Agriculture*
	Susan Walker, FCCA	*Chief Financial Officer*
	William Gibson	*Independent non-executive Director (i) (ii) (iii)*
	Frédéric Vuilleumier	*Independent non-executive Director (i)*
	Gautam Dalal, FCA	*Independent non-executive Director*
	(i) Audit committee (ii) Remuneration committee (iii) Nomination committee	
Secretary	Julia Morton, ACIS	
Registered office	Linton Park Linton Maidstone Kent ME17 4AB	
Registered number	00029559	
Nominated adviser and broker	Panmure Gordon (UK) Limited One New Change London EC4M 9AF	
Registrars	Link Asset Services The Registry 34 Beckenham Road Kent BR3 4ZF	
Independent auditors	Deloitte LLP Statutory Auditors 2 New Street Square London EC4A 3BZ	
Website	www.camellia.plc.uk	

CHAIRMAN'S STATEMENT

I am pleased to report the results for 2017, which reflect a profit for the year of £28.6 million (2016: loss £5.9 million); this includes the previously disclosed exceptional gain on the sale of Duncan Lawrie's UK asset management business of £19.2 million, about which more is set out in the Chief Financial Officer's report.

There were no other significant changes to the Group structure in the year; however in line with our strategy and as set out in more detail in the Chief Executive's report, we made a small acquisition of a packet tea business in India during the year and since the year end we have acquired a majority shareholding in Jing Tea. Jing Tea is a UK based distributor of branded speciality teas to the retail and food service sectors internationally.

In pursuing our strategic objectives, we have decided to sell two of our smaller engineering businesses, BMT (Great Yarmouth) and GU Cutting and Grinding, although the sales have yet to complete. More details are provided in the Chief Executive's report.

Trading in 2017 was mixed with a weak start being followed by a much better second half. Our tea operations performed well as good yields combined with an improving tea price as the year progressed. However, for the second year running, the macadamia crop was impacted by drought which led to disappointing volumes. Our speciality crops continue to provide an excellent return which once again demonstrates the benefits of our diversified agricultural strategy.

Elsewhere, as previously disclosed, our associate BF&M reported a significant reduction in profitability as a result of the two major hurricanes in September 2017.

Camellia is a business with operations across a number of geographical areas, particularly in emerging markets, all of which are vulnerable to a global political atmosphere which is relatively unstable by recent historical standards. Furthermore, changing weather patterns led to a severe drought in the Cape and Kenya, flooding in Bangladesh and an unprecedented hurricane season in the Caribbean. It is a credit to our staff across the world that they continue to operate successfully in the face of these challenges.

Board Members

I was delighted to announce the appointment of Gautam Dalal to the Board as a non-executive Director with effect from 1 March. Gautam's wide experience of the markets in which we operate will be of great benefit to the executive team.

Dividend

Your Board is recommending a final dividend of 98p per share which, together with the interim dividend already paid of 37p per share, brings the total distribution for the year to 135p per share compared with 130p per share for 2016.

Outlook

As so much of our result depends on crop volumes in the second half of the year it is not possible to forecast outturns with any degree of confidence. However, early signs of a better macadamia crop, some good prices for tea in the first quarter of 2018 and continuing strength in our UK markets give us reasons to be optimistic at this stage.

Staff

As always, my thanks go out to all our staff for their efforts in 2017.

Malcolm Perkins
Chairman

18 April 2018

CHIEF EXECUTIVE'S REPORT

Camellia is a unique group, not only in our ethos and culture, but also in the diversity and quality of our assets. Our financial position is strong and following our withdrawal from the UK financial services market our financial risks are substantially reduced. In his statement the Chairman rightly reflects on the difficulties of operating in emerging markets, however this access to some of the world's fastest expanding economies also provides us with opportunities for growth.

In the Agriculture division, whilst climate change and political uncertainty in many of our operating countries are largely outside our control, we have four key advantages. First, we are growing a selection of crops which are increasingly in demand from an urbanising, longer living and more health conscious consumer who is ever more concerned with the provenance of their food. Second, our focus on sustainability has put us in a strong position to benefit from these global trends. Third, we have been operating in many of our territories for a very long time. Fourth, we have the resources to pursue our strategic goals. Furthermore, whilst our expenditure on sustainability may not always be immediately apparent, our long standing investment in irrigation, community welfare and better agricultural practices is an integral part of our success. We will continue to build on these strong foundations for the benefit of all our stakeholders.

In our other divisions we continue to take steps to invest where we believe that it is in the long term interests of the Group and to divest where we no longer believe that to be the case.

Over the last three years we have disposed of Duncan Lawrie Asset Management at a substantial profit and closed or sold Duncan Lawrie Private Bank, AKD Engineering and Loddon all of which were loss-making. This process of refining our portfolio is an important part of our long term strategy and a summary of the acquisitions made during 2017 and since the year end is set out below:

- *Tea City*. A collection of Indian packet tea brands which was bought by Goodricke to add to its existing brand portfolio.
- *Jing Tea*. A UK based branded speciality teas business selling to the retail and food service sectors internationally.

Both of these acquisitions will help to bring us closer to our market place and its changing trends; Jing Tea will also enable us to distribute our high end teas more profitably.

In addition to these acquisitions we are proposing to make a number of small disposals and other changes to the portfolio as follows:

- *BMT (Great Yarmouth) and GU Cutting and Grinding.* Both of these companies have been with the Group for many years, and whilst both remain cash generative they are too small and too niche to represent good investment opportunities or to deliver long term growth for the Group. I am pleased to say that each is in the process of being sold to its respective management team.
- *XiMo.* Having now successfully demonstrated production of sample quantities of its catalysts, the next stage is to confirm the same capabilities on a larger scale in order to prove that the process is viable commercially. This stage will require significant additional investment and we are actively seeking third party funding for this next step.

I strongly believe that these changes to the portfolio support our long term strategy and will make a positive contribution to the Group in the future.

I am also pleased that we have been able to raise the dividend again this year. Other than in 2008 when we held the dividend, we have raised the dividend every year since the merger with Linton Park in 2005.

On other matters, I am pleased that the 2017 triennial UK pension scheme valuation shows a small surplus of £7.1 million as against a previous deficit of £7.9 million. We will continue to monitor the position carefully, mindful of our continuing and future obligations to the members.

CHIEF EXECUTIVE'S REPORT

BUSINESS STRATEGY

The overall Group strategy, which is set out on page 20, remains unchanged with each division expected to perform against an agreed divisional strategy with goals and targets for the short, medium and long term. These are summarised below:

Agriculture

- To focus on our core crops of tea, macadamia and avocado where we have scale and geographic spread. Where appropriate opportunities arise, to add to our production capability in these three crops, as well as to make aligned acquisitions and investments to enable us to capture more of the value chain.
- To maintain and potentially to grow our portfolio of non-core crops in order to retain the diversity of location and crop which has historically proved so valuable in shielding the Group from the impact of climate change and commodity price fluctuations.
- To utilise our agricultural expertise to make the most of the estates that we already have and to develop new estates where possible and appropriate.

Agriculture is the largest division and is the area where we see the best long term investment opportunities for the Group. This will remain our focus for future investment.

Engineering

Engineering North. To take advantage of the recovering oil sector whilst diversifying into adjacent sectors in order to create a sustainably profitable engineering business.

Engineering South. To continue to grow Abbey Metal Finishing and its joint venture in Germany, Atfin, as quality suppliers to the aerospace industry.

XiMo. To find new investors to take the technology to the next phase in its development.

Food Service

ACS&T. To continue to operate as a high quality business in the storage and distribution of frozen foods, aiming to achieve critical mass by profitable growth and if appropriate, acquisition.

Affish and Wylax. To establish a sustainably profitable business model that works in the European fish distribution market.

Investments

Investment Portfolio. The Group has a portfolio, principally of listed investments, the strategy for which remains to invest in high quality companies where we believe that there is long term value. This portfolio also enables us to balance our geographic risk exposure.

Investment Property. The strategy is to continue to invest in quality assets where an appropriate yield may be realised. The process of developing some of our existing properties to enhance yield will continue.

Collections. The Group has collections of art, philately and manuscripts which are regularly reviewed and are added to or sold as appropriate.

Associates

The Group has three associate companies in the financial services sector of which BF&M, the listed Bermudian insurance business, is the most significant. With all our associates, we continually monitor our investment and may increase or decrease our holding in the future.

CHIEF EXECUTIVE'S REPORT

PERFORMANCE

Agriculture

Tea Production

2017 saw the Group's second highest ever production levels through our own and managed clients factories. Total Made Tea produced was 95.0 million kgs (2016: 99.1 million kgs).

	Mature area Ha.	*Immature area Ha.*	*2017 Volume mkg**	*2016 Volume mkg**
India	14,369	1,394	27.6	28.6
Bangladesh	8,578	635	13.6	14.1
Kenya	4,101	55	13.5	15.1
Malawi	5,244	427	17.0	15.6
Total	32,292	2,511	71.7	73.4

*Estate volumes only, in addition 19.3 million kg of tea was produced for smallholders (2016: 20.3 million kg) and a further 4.0 million kg for managed clients (2016: 5.4 million kg).

Tea pricing and operations

India

India had a record production year in the Dooars gardens. Volumes in Darjeeling for the year were materially impacted by the previously reported strike. A new dedicated Bought Leaf factory (Jogopur) was successfully opened at our Danguajhar factory site and Bought Leaf production was restarted in Assam on Sessa and Borpatra gardens.

Tea prices for India were generally lower than the previous year other than those from the Dooars region. Prices at the start of the year were under pressure due to high volumes of unsold teas from 2016's record production, but improved from the mid-year point to levels above the previous year's, particularly for the Dooars and Assam CTC's, whilst the Assam orthodox market was down on the previous year. Darjeeling prices were volatile due to the supply constraints inflicted by the strike. First flush teas sold well but the majority of the second flush and main season teas were lost.

The situation was not helped by the implementation of GST in India, which hindered both the auctions and tea sales in general as the market familiarised itself with the new system.

Our average selling price over the year was 6.4% lower than the previous year.

Goodricke Group's Good Manufacturing Practice (GMP) certificate was renewed, as were other certifications including FSSC and RFA for all our Assam, Darjeeling and Cachar gardens. The Trust Tea certification for the Bought Leaf initiative is being implemented across all our gardens in the Dooars, and Goodricke won a social sustainability Bronze award for their WASH (Water, Air and ventilation, Sanitation and Hygiene) programme, at the North American Tea Sustainability Awards.

In total, India's national production volumes for 2017 were up on 2016, primarily due to higher production in south India and increasing volumes from the Bought Leaf sector. Costs continue to rise through wage and general inflation which, without compensatory increases in the market price, creates margin pressure. To mitigate this, efforts continue to reduce seasonal labour requirements through the mechanisation of planting, pruning, spraying and plucking.

During the year, Goodricke acquired a number of well-known Indian brands including Tea City, Supercup and Samovar. This will result in increased volumes of packet tea being produced and sold in 2018 in line with our strategy of moving up the value chain.

Bangladesh
Our Bangladesh operations had another successful year achieving their second highest ever production despite the heavy rainfall which led to significant flooding in many areas.

As in India, prices in the Bangladesh market were under pressure during the first half of the year due to high levels of prior year's stock remaining unsold. Import tariff levels were raised again during the year and prices recovered well in the third quarter and remained firm through to the end of the year. Our average selling price over the year was 4.3% lower than the previous year.

Production trials were conducted on both orthodox and green teas with some very encouraging results and feedback from the domestic and export markets. These trials will continue with the aim of reaching commercial production in 2018. Trials have started on shear plucking in an effort to reduce harvesting costs through improved productivity.

RFA certification was achieved on all gardens in September. Duncan Brothers being only the second, but by far the largest, producer to achieve this certification in Bangladesh.

Kenya
Our production was impacted by drought during the first half of the year but saw an upturn as the weather improved in the final quarter.

Tea prices in Kenya firmed at the start of the year as it became apparent that the dry conditions were going to have an impact on national production. These growing conditions did not improve until the 4th quarter which saw record production. However, despite this, our average selling price for the year was 21.5% ahead of the previous year.

The wage negotiations remain unresolved for the Collective Bargaining Agreement years of 2014/15, and 2016/17 which creates uncertainty in the cost base and agitation, frustration and industrial action at the operational level. To mitigate the risk of escalating labour costs, our efforts to develop more mechanised processes continue. To this end automated withering has been installed on a trial basis in our Chemomi factory and the area under mechanised tea harvesting has expanded and will continue to do so. The research and development initiative into new harvester technology continues with the engagement of a UK specialist engineering company to design and fabricate a new prototype.

The number of smallholders continues to increase as does the volume derived from this sector. Smallholder production represents a significant proportion of our total volumes in Kenya and remains a critical factor in the wider social responsibility and sustainability strategy of our tea operations.

All the estates and registered smallholders are RFA and FSSC certified and Eastern Produce Kenya won an environmental sustainability Gold award for our "Wise Use" programme at the North American Tea Sustainability Awards.

Malawi
Our Malawi operations achieved an all-time record crop and also began a project to produce and sell commercial volumes of green tea which has met with significant interest from buyers.

Tea prices in Malawi were firm throughout 2017 due to strong demand resulting from an undersupplied Kenyan market. Our average tea selling price for the year was 21.2% higher than the previous year.

The Malawi Tea Revitalisation 2020 programme continues with the roll out of some excellent initiatives in nutrition, gender empowerment and smallholder production. Eastern Produce Malawi won a social sustainability Gold award at the North American Tea Sustainability Awards for its Diversity, Inclusion and Women's Welfare policy in line with the UN Sustainable Development Goal 5, "to achieve gender equality and empowerment of women and girls".

All estates and smallholders are RFA certified and three factories have FSSC 22000 certification; the first tea factories in Malawi to achieve this.

Macadamia Production

Macadamia production in 2017 was disappointing and showed a slight decrease from the already significantly reduced volumes in Malawi and South Africa seen in 2016. This was due to drought conditions that affected both regions and the consequential reduction in nut volumes and size.

	Mature area Ha.	*Immature area Ha.*	*Volume 2017 Tonnes*	*Volume 2016 Tonnes*
Malawi	1,296	212	329	388
South Africa	804	359	273	265
Kenya	374	653	178	138
Total	2,474	1,224	780	791

Macadamia Pricing

Due to rising demand for macadamia products, prices remained firm and in line with the previous year's levels during the first half of the year. As it became apparent in the market that supply was once again impacted by drought, particularly in southern Africa, prices reached record highs; our average selling price for the year was 7.4% ahead of the prior year. Significant progress was made in the development of the Maclands brand.

Macadamia Operations

Malawi

Overall Malawi volumes were below those of 2016 and the lowest seen in the last 15 years, which is indicative of the drought impact. The operation is focusing on agronomic activities to mitigate the impacts of climate change and to improve the resilience of the orchards to a changing growing environment. Such initiatives include heavy mulching, tree thinning, plant density reduction and replanting. Currently over 50% of our orchards are still young in production potential terms so the prospects for improved volumes going forward are positive.

The processing factory is FSSC 22000 certified.

South Africa

Volumes were disappointing though marginally up on the previous year. As with the Malawi operations, the focus is on agronomic activities which will improve the ability of the orchards to cope with more extreme climate challenges. There is also significant investment being made to expand water resources for irrigation from the Simpson Dam on Mambedi estate.

Due to the rising costs of labour, investment is being made in the mechanisation of certain activities including harvesting, sorting and processing.

The development of Mambedi estate to macadamia continues with over 80Ha of new planting completed, bringing the total development to just under 300Ha.

The processing factory successfully completed the second phase of upgrading and is FSSC 22000 certified.

The renewal of the lease for our Wales estate is under negotiation. If unsuccessful, it will result in Eastern Produce South Africa having to vacate the property at the expiry of the lease in March 2020 with the last harvest from the estate likely to be that for 2019.

Kenya

Production volumes were up on the previous year's levels but were also impacted by the dry conditions experienced in Kenya in the first half of the year. To combat this, similar initiatives to those of Malawi and South Africa are under way.

The footprint of the orchards continues to grow with an additional 73Ha planted to bring the total development to 1,027Ha. The age profile of the orchards is very young and volumes are expected to grow rapidly with the developing maturity profile.

The cracking facility successfully completed its second full season of processing and is FSSC 22000 certified.

Avocado Production

	Mature area Ha.	*Immature area Ha.*	*Volume 2017* mkg*	*Volume 2016* mkg*
Kenya	415	192	7.3	7.1

*Estate volumes only. In addition 0.9 million kg of smallholder fruit was packed (2016: 1.8 million kg)

Avocado Pricing and Operations

Avocado production was in line with expectations for the year despite the dry conditions which had a negative impact on fruit size. We exported an increased volume of Hass but Pinkerton volumes were down on the previous year. Fruit sourced from smallholders was significantly reduced as unscrupulous exporters took advantage of European demand to export immature fruit. As a result of these exports and the associated reputational damage, Kenyan fruit is now frequently being discounted in the European market. However, by maintaining the standard of our own fruit, pricing achieved through the year was firm and in line with the previous year for similar sized fruit.

New avocado development continues with 60Ha of orchards planted. The total orchard footprint now stands at 607Ha. In addition, Eastern Produce Kenya is undertaking a three year trial of Hass avocado near Kitale in western Kenya to investigate the viability of avocado production in that region.

Speciality Crops Production

	Mature area Ha.	*Immature area Ha.*	*Volume 2017 Tonnes*	*Volume 2016 Tonnes*
Arable (Brazil)	3,437	–	24,472	24,078
Rubber (Bangladesh)	1,610	365	640	638
Citrus (USA)	169	8	8,851	4,293
Pistachio (USA)	131	–	30(i)	678
Wine grapes (South Africa)	63	12	444	437
Almonds (USA)	56	–	100	94
Pineapples (Kenya)	24	–	1,414	1,656
			m^3	*m^3*
Forestry	2,488	3,378	93,758(ii)	56,772(ii)

(i) 2017 was an 'off year' for Pistachios

(ii) Volumes quoted are for conversion to value added products rather than own use as fuel wood

Speciality Crops Pricing and Operations

Arable. Record yields were once again achieved in soya and establishing forward contracts early for the 2017 crop ensured that the prices achieved were in line with the prior year despite an oversupplied market. Record yields were also achieved in the maize crop which more than compensated for the lower than expected prices which arose from oversupply in the market.

Rubber. Production was in line with the previous year. Demand was disappointing, leading to sustained low prices throughout the year.

Citrus. In California we had a good year, with record yields being achieved for the Murcotts without an impact on prices. Navel oranges also performed well with good yields and prices.

Wine. The continuing drought in the Cape meant that grape production was below expectations but in line with the previous year's volumes. Wine sales were also disappointing. Investment was made in the winery to improve handling and quality in production.

Almonds. Production and pricing was in line with expectation for this relatively immature development.

Pineapples. These are being phased out at Kakuzi and will be replaced with Pinkerton avocado.

Forestry. Better sales of large poles at Kakuzi led to a much improved result.

We continue to raise cattle on those areas of the Kakuzi estate in Kenya unsuitable for crop development.

In total, the Agriculture division made a trading profit of £35.6 million (2016: £29.9 million) on revenue of £239.4 million (2016: £207.1 million).

Engineering

Engineering North

Engineering North continued to struggle in 2017 as the anticipated pick up in the oil industry failed to translate into significant additional sales or profits. The new Site Services division, which provides services to the hydroelectric sector, has made an encouraging start. As a result, total revenue at AJT Engineering rose to £8.0 million from £6.9 million in 2016.

Engineering South

Abbey Metal Finishing and its subsidiary Atfin made a substantially increased operating profit in 2017 as demand grew for their services to the aerospace industry. The two other companies in this division are in the process of being sold.

XiMo

XiMo, our industrial catalyst research and development business, continues to develop products with the objective of commercial use. In common with other research based businesses, it is expected to lose money pending the outcome of commercial trials. As stated earlier, we are now seeking partners to finance the next stage of its development.

In total, the Engineering division made a trading loss of £2.6 million (2016: trading loss £2.6 million) on revenue of £20.5 million (2016: £18.8 million).

Food Service

ACS&T saw revenue and profits grow substantially in 2017 as demand increased for its services from its major customers.

In the Netherlands, both Affish and Wylax succeeded in increasing revenue, but due to exchange rate movements and a competitive market ended the year loss making.

In total the Food Service division made a trading profit of £1.8 million (2016: £0.8 million) on revenue of £37.8 million (2016: £31.6 million).

Investments

Investment Portfolio. The gains on sale for the year were £0.7 million (2016: £1.5 million). The total value of the portfolio at 31 December 2017 was £47.0 million (2016: £37.2 million).

Investment Property. We continue to work on our estate of investment properties in order to maximise the value and the return. Following refurbishment in 2016, No. 6 Hobart Place was let during the year as was a property in Queen Square in Bristol. On the Linton Park estate work has commenced to convert surplus buildings into residential property for rent.

Collections. The collections are held at cost. A number of minor additions and disposals were made during the year.

Associates

BF&M recorded a strong operating year from its core insurance and investment advisory services. However, two category 5 hurricanes in the Caribbean in September 2017 (Irma and Maria) resulted in significant costs and the need to purchase additional reinsurance cover which has led BF&M to report a reduced profit before tax of Bermudian Dollar 1.9 million (2016: Bermudian Dollar 17.9 million).

Our two associate companies in Bangladesh, United Insurance and United Finance, saw marginally lower profits than in 2016 as a result of falling interest rates and political uncertainty.

In total, the share of the results of associates amounted to £2.0 million (2016: £5.1 million).

Discontinued Operation – Duncan Lawrie

As previously stated, the wind down of the remaining assets of Duncan Lawrie continued throughout 2017 and the banking license was finally returned in December, indicating that the regulators in the UK are satisfied that all issues have been dealt with. The full financial impact of the disposals and closure are summarised in the Chief Financial Officer's Report.

POLITICAL, LEGISLATIVE and LEGAL ISSUES

The Group is present in many jurisdictions and is subject to local legislation. The following issues may have a material impact on the Group:

- At the start of 2016 the Government of Malawi put forward new legislation which proposed, *inter alia,* the conversion of all freehold property into 50 year leaseholds.
- The Group continues to monitor and assess the impact of the UK's exit from the EU. To date the impact of the decision has been broadly confined to currency movements which may impact the costs of imports, particularly tea, and the prices paid to producers.

CAPITAL INVESTMENT and DEVELOPMENT

We continued to invest in our assets during the year and £15.0 million was spent on property, plant and equipment and investment property (2016: £10.2 million) including the following key projects:

- Starting the rebuilding of the Simpson Dam in Mambedi, South Africa to assist with water retention for the macadamia estates.
- Trialing a new automated withering system at Chemomi factory, Kenya in order to improve quality and reduce labour costs.
- Building a Bought Leaf factory at our Dangujuar garden in India.
- Continuing improvements to Linton Park winery in South Africa.
- Developing the Ruo factory and irrigation in Malawi.
- Development of our investment properties in the UK.

In addition to our continuous programme of replanting our tea areas, a programme to extend our planted areas in macadamia and avocado has been underway for a number of years and in 2017:

- 91Ha (2016: 65Ha) of new avocado plantings were completed in Kenya.
- 73Ha (2016: 97Ha) of new macadamia plantings were carried out in Kenya, 82Ha (2016: 47Ha) in South Africa and 48Ha (2016: 12Ha) in Malawi.

SUSTAINABILITY AND CSR

Responsibility

The Group's businesses are fundamentally connected to the welfare of our communities and the environments in which we operate. We proactively invest to ensure these environments are protected and improved. Our focus is on the long-term stability, security and continuity of our businesses and those communities. We support and integrate the UN Sustainable Development Goals into our sustainability strategy.

We invest in, monitor and report on, both Environmental and Social sustainability initiatives across all our divisions. In 2017 the Group launched a new on-line system for capturing data relating to our global environmental footprint. The system allows us to monitor our energy use, Greenhouse Gas emissions, Water and Waste, the results of which are summarised below.

As part of our wider drive towards greater sustainability, we have developed a range of mid to long-term targets to reduce, in some cases substantially, the environmental impact of our operations. As an example, strategic improvements in our usage and sourcing of energy supports our ambition to align with Science Based Targets. Targets adopted by companies to reduce Greenhouse Gas emissions are considered "science-based" if they are in line with the level of decarbonisation required to keep the global temperature increase below 2 degrees Celsius compared with pre-industrial temperatures.

Whilst monitoring and reducing our environmental footprint is critical, so too is ensuring the well-being of the communities in which we operate. We refer to this social sustainability as our "licence to trade". The level of health and educational facilities available from state governments varies widely across our operations, and consequently so does the focus and scale of our social sustainability projects. The level of support provided to many of these communities by the Group is substantial and is summarised below.

We also need to ensure that all our operations can demonstrate that they meet the requirements of our customers in terms of certifications and traceability. The vast majority of our tea gardens are RFA certified and all our macadamia, avocado and winery operations are FSSC 22000 certified. Further details of these are included in the operational reports above.

Environmental Sustainability

The key metrics for the Group include Greenhouse Gas emissions, water usage and waste produced. The table below sets out the Baseline (average of the three years 2013-2015) and how we have progressed since that time.

	2017	*2016*	*Baseline*
Energy & Carbon			
Total Energy Consumed (TWh)	1.25	1.22	1.22
Total Carbon Emissions (tonnes CO_2e)[(i)]	222,775	224,277	272,685
Scope 1 (tonnes CO_2e)	167,321	161,620	151,138
Scope 2 (tonnes CO_2e)	55,455	62,657	61,546
Water			
Total water withdrawal (million m^3)[(ii)]	40.9	40.1	35.0
Waste			
Total waste (tonnes)[(iii)]	3,773	7,561	8,282

(i) A 1.4% decrease in Greenhouse Gas emissions in 2017 has been achieved through a focus on more efficient use of energy, reduced tea production in 2017, and a reduction in emissions of electricity from the grid, offset by an increase in fossil fuel usage in certain of our operations.

(ii) Dry conditions in Kenya and South Africa as well as an expansion of our irrigation infrastructure in a number of our operations to help address the impact of drought have increased water use.

(iii) These are restated figures and take account of the fact that we no longer consider certain types of compost to be waste. There are ongoing initiatives to increase our waste recycling rates in a number of our operations.

Some of the initiatives we are undertaking include:

- Pursuing limited resource use efficiency, this year alone we identified over 200 energy and water management projects across the Group.
- Ongoing investment in energy efficient technology includes: upgrading lighting and trialing energy efficient motors and variable speed drives, continued growth in the use of renewable energy via solar projects and the increasing use of energy efficient transport across the Group.
- Development of modern water management solutions is aligned with energy efficiency and improved sanitation projects in many of our operations. Precision Agriculture is increasingly used to determine the water status of both soil and plant for efficient use of water in irrigation. We also implement systemic water management processes by encouraging water recycling, water harvesting through rainwater capture and by building dams.

Social Sustainability

We believe that all employees should be remunerated fairly and that they and their families should have access to education, healthcare and housing. The table below shows the provision of schools and healthcare by the Group in 2017. In addition, we continue to provide housing for over 200,000 people.

	2017
Schools*	284
School children educated annually	33,259
Hospitals/clinics*	114
Patient treatments annually	795,581

*The funding and operation of schools and hospitals, provided for our employees and their communities, varies by location in accordance with local culture, practice and requirement. Some facilities are owned and operated by us directly, whilst others are fully or partly funded by us whilst being state and/or NGO managed and owned.

Through a broad range of CSR initiatives across the Group, we contribute to improved health and nutrition, hygiene and sanitation of our communities. We assist with the improvement of local infrastructure by supporting road, water, healthcare and education projects. In 2017, our work in this area was recognised by the Tea Association, USA. Our continued focus on developing sustainable housing for our working communities is reflected in major housing renewal projects in India, Bangladesh, Kenya and Malawi.

Health

All our tea estates have a hospital, clinic or dispensary. In addition in India and Bangladesh staff have access to central Group operated hospitals to which more serious cases can be referred. We provide medical services, including where appropriate antiretroviral drugs, in those communities where HIV/AIDs is prevalent. We also give medical support to schools that are either run locally or by our operations.

During 2017 in India, we made our hospital facilities available to visiting surgeons to perform over 400 medical treatments for cleft palates, club feet and eye conditions. In Bangladesh, our Primary Health Care initiative is extended to all estates and provides the communities with comprehensive and specialist health programmes.

Education

We are committed to providing the opportunity for development for all. We provide schools in areas where we operate, either by building and running the schools or by supporting state educational projects in our communities. Aiming to develop education and opportunity for all employees, we provide skills development programmes and adult education. For example, in Malawi we support students from technical colleges by providing employment opportunities. In India, over 350 adults received educational support through a range of initiatives, including the Peter Leggatt Educational Stipend.

Female economic empowerment
In order to support our working mothers and enable them to take part in the economic process, we provide over 16,000 places at fixed and mobile crèches across our operations.

Smallholders
Demonstrating our commitment to responsible sourcing, we continue to develop smallholder programmes including agricultural training days in Kenya, Malawi and India. In 2017, we produced 19.2 million kgs of smallholder Made Tea across the Group. In Kenya, 220,000 cartons of avocados were packed for smallholders during the year. These initiatives enabled over 30,000 local farmers to improve their earnings by benefiting from our agricultural expertise, infrastructure and access to market.

Wages
We are committed to paying fair wages, benefits and allowances in accordance with local legislation and trade union agreements and have received certifications from Fairtrade, the Rainforest Alliance and WEITA, among others, all of which require an audit of the Group's employment practices as part of maintaining the accreditations. We are part of a number of other initiatives to address the issue of low pay in developing countries. All our UK companies are Living Wage accredited employers.

Senior Appointments

Following the retirement of Arun Singh, Chief Executive of Goodricke since 2006, I am pleased to report the appointment of Atul Asthana who will also take his place on the Agriculture Executive Committee. I am also pleased to report the appointment of Amarpal Takk who joins us as Group General Counsel and Company Secretary with effect from 20 April 2018 following the resignation of Julia Morton. I would like to thank both Arun and Julia for their service to the Group over the years.

Tom Franks
Chief Executive

18 April 2018

CHIEF FINANCIAL OFFICER'S REPORT

Overview of results

The profit for the year ending 31 December 2017 was £28.6 million (2016: loss £5.9 million). The profit improvement reflects, *inter alia*, the discontinuation of Duncan Lawrie which straddled two financial years and resulted in a gain in 2017 on the sale of Duncan Lawrie's asset management business while the losses on the sale of the loan books were reflected in the 2016 results. In addition, a significant increase in profits in Agriculture as a result of a recovery in tea prices in the second half of 2017 led to the trading profit from our continuing businesses increasing to £26.4 million (2016: £19.0 million). These gains were partly offset by lower results from BF&M, and provisions and impairments in respect of GU Cutting and Grinding and BMT (Great Yarmouth).

The Group had net assets of £417.9 million (2016: £379.6 million) and net cash and cash equivalents of £106.8 million (2016: £71.8 million, excluding balances relating to our banking operations).

Discontinued operation

During 2017, the Group completed the sale of Duncan Lawrie's UK asset management business as well as the disposals of various businesses operated by Duncan Lawrie's Isle of Man subsidiaries. The disposal of Duncan Lawrie's UK asset management business generated a gain on sale of £19.2 million which is reflected in the results for 2017, as is a small net profit on the sale of the Isle of Man asset management business and trust operations. In December 2016, we completed the sale of the UK loan book. Duncan Lawrie's banking licences were surrendered in 2017 and the business is now closed.

The profit from the discontinued operation in 2017 was £14.8 million (2016: loss £20.0 million) comprising the following:

	2017 *£'m*	*2016* *£'m*
Duncan Lawrie's operating loss	(5.5)	(7.5)
Profit on sale of Duncan Lawrie's UK asset management business	19.2	–
Profit on sale of Duncan Lawrie's Isle of Man asset management and trust businesses	1.1	–
Costs associated with the closure of the operations (including staff termination, contract termination and advisors fees)	–	(10.3)
Impairment of property, plant, equipment, intangibles, loans and advances to customers	–	(1.2)
Loss on sale of UK loan book and provision for loss on sale of Isle of Man loan book	–	(2.8)
Profit on sale of available for sale financial assets	–	1.2
Profit on sale of held to maturity financial assets	–	0.6
Profit/(loss) from discontinued operation	14.8	(20.0)

BF&M

Following the two significant hurricanes during 2017, BF&M's share price fell significantly. However, due to its conservative underwriting policies, there has been no impact on its balance sheet strength. The prospects for BF&M remain good and the underlying net asset value of the business remains significantly ahead of the share price and accordingly no impairment provision has been made.

GU Cutting and Grinding and BMT (Great Yarmouth)

As a consequence of the decision to sell GU Cutting and Grinding and BMT (Great Yarmouth), these businesses have been reclassified as held for sale at the end of 2017 and an impairment charge of £1.8 million has been recognised (2016: nil). The trading profits for these businesses (£0.3 million in 2017) are reported within Engineering.

Currencies

Over the course of the year ending 31 December 2017, Sterling strengthened substantially against all our key operating currencies. This has resulted in a loss on foreign exchange translation of £28.4 million (2016: gain £52.0 million) which is reflected in the Statement of Comprehensive Income. Despite the significant movement in exchange rates against Sterling between the beginning and end of the year, had we translated our profit before tax for the year using the same average rates as last year, our results for 2017 would have been £0.5 million lower. Our profit before tax from continuing operations includes an exchange loss of £0.1 million on transactions during the year (2016: gain £0.4 million).

Cash

The Group's net cash position increased to £106.8 million at 31 December 2017 (2016: £71.8 million excluding net cash balances held within Duncan Lawrie) reflecting, *inter alia*, strong net cash inflows from continuing operating activities of £30.9 million (2016: inflow £21.5 million) and the discontinuation of the Duncan Lawrie business. The Group has loans outstanding amounting to £4.5 million.

A number of the Group's key trading subsidiaries have minority shareholders such that when cash is repatriated to the UK by way of dividends, those minorities are entitled to their share of the relevant dividend. In a number of cases, withholding taxes are also payable from our share of those dividends.

Funds are reserved within our subsidiary companies for:

- Long term development projects within our core crop portfolio.
- Ongoing wage negotiations, the largest of which is the multi-year Kenyan Collective Bargaining Agreement (referred to below) which has been ongoing for 4 years.
- Disputed taxation assessments (see below).

These will reduce the net cash available to the Group in future years as they are resolved.

However, following the finalisation of the triennial valuation for the UK defined benefit pension scheme, no deficit reduction payments are required for the time being.

Dividends

In line with the Group's long term strategy, the key use of cash is reinvestment in the business. Despite this, Camellia has a long track record of steady dividend growth and it is hoped that this historical trend is maintained. Dividend cover in 2017 is 5.9x the total dividend for the year of 135p per share. The dividend is covered 2.0x from our profit after tax from continuing operations.

Taxation

The Group's effective tax rate of 32.5% (2016: 190.8%) reflects the profit from the various Duncan Lawrie sales which are expected to be non-taxable and available UK losses.

The 2016 tax charge reflects the losses incurred in the UK in respect of the discontinued operation which were not able to be relieved due to the lack of taxable profits in the UK.

Tax and other provisions

The wage negotiations in Kenya remain unresolved for the Collective Bargaining Agreement years of 2014/15 and 2016/17 which creates uncertainty as to the cost base of our businesses in Kenya. We also have ongoing wage negotiations in India and Bangladesh. While we consider we have made adequate provision for the likely outcome of this ongoing negotiation it is difficult to be definitive.

We are carrying provisions for taxation arising from assessments raised by the Malawi Revenue Authority for unpaid taxes from prior years. The amount of this provision is £2.3 million at 31 December 2017.

We have been advised that the gain on sale of Duncan Lawrie's asset management business should be exempt from tax because of the nature of the assets sold. Accordingly, no provision has been made for tax on this gain.

In India assessments have been received for £3.8 million of excise duties and £1.3 million of income taxes. These are being contested and no provisions have been made.

In India, a long running dispute between our local subsidiaries and the Government of West Bengal over the payment of a land tax, locally called 'Salami', remains unresolved. Lawyers acting for the Group have advised that payment of Salami does not apply, accordingly no provisions have been made. The sums contested amount to £1.4 million excluding penalties.

In some of our jurisdictions, the tax authorities have levied assessments in respect of prior years. In a number of situations the liability position under statute and case law is clear and provision has been made in line with those. Unfortunately, in other situations the law is either unclear or under developed and in these instances we make provisions on a best estimate basis for the liabilities likely to arise, having taken advice as appropriate.

Pensions and post-employment benefits

The Group operates a number of defined benefit pension schemes, the largest of which is in the UK. Our 2017 triennial valuation for the UK scheme has been agreed and shows a surplus of £7.1 million. I am pleased to report that as a consequence of this surplus, no further deficit reduction contributions are required for the meantime.

The overseas defined benefit schemes are located in Bangladesh, India and the Netherlands. The UK scheme was closed to future accrual during 2016. Our businesses in Kenya, India and Bangladesh also have obligations to pay terminal gratuities based on years of service and, in some cases based on salaries.

In aggregate, our employee benefit schemes currently show deficits on an IAS 19 basis of £30.9 million (2016: £66.7 million deficit).

Accounting for defined benefit schemes is prescribed by IAS 19 and the quantum of the deficit continues to be volatile and sensitive to small changes in assumptions as regards inflation and gilt yields in the relevant jurisdictions. This year a net actuarial gain of £34.3 million (2016: net actuarial loss of £24.3 million) is reflected in the Statement of Comprehensive Income. The gain this year reflects:

- For the UK Scheme, the effect of updating the mortality assumptions to bring them in line with the latest tables available together with better than expected returns on the scheme's assets.
- For the overseas schemes, higher discounts rates in India offset in part by higher than expected salary increases elsewhere.

In addition, £2.7 million (2016: £2.2 million) has been charged to our Income Statement in respect of employee benefit obligations.

Contributions to externally funded defined benefit schemes are determined after consultation with the respective trustees and actuaries.

Shareholders' funds

Equity attributable to Camellia's shareholders at the 2017 year end was £368.4 million (2016: £330.8 million).

A reconciliation is set out in the Group statement of changes in equity.

Susan Walker
Chief Financial Officer

18 April 2018

STRATEGIC REPORT

Business review

The Company is required to set out in this report a fair review of the business of the Group during the year ended 31 December 2017 and a description of the principal risks and uncertainties facing the Group. A fair review of the business of the Group is incorporated within the Chairman's Statement and the Chief Executive's Report on pages 6 to 16. The Chairman's statement and the Chief Executive's report, together with information contained within the Report of the Directors, highlight the key factors affecting the Group's development and performance. Further details of the financial performance and position of the Group are set out in the Chief Financial Officer's Report on pages 17 to 19. Other matters are dealt with below.

Group strategy

The Board has adopted the following strategy for the Group:

- To develop a worldwide group of businesses requiring management to take a long term view.
- The achievement of long-term shareholder returns through sustained and targeted investment.
- Investing in the environment and sustainability of the communities in which we do business.
- Ensuring that the quality and safety of our products and services meet the highest international standards.
- The continuous refinement and improvement of the Group's existing businesses using our internal expertise and financial strength.

The progress against this strategy during the year is set out in further detail in the Chief Executive's report shown on pages 7 to 16 and within the Report of the Directors.

Business model

The Group consists of businesses engaged in Agriculture, Engineering and Food Service. The Group also holds a range of Investments. Businesses are managed on a divisional basis with regular reports made to the Board on performance against the annual budget.

Principal risks and uncertainties

There are a number of possible risks and uncertainties that could impact the Group's operations. As the Group's 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 long-term performance. The Group regularly monitors the risks at a local and central level. Information on the Group's financial risks is disclosed in note 39 to the Accounts. The following risks relating to the Group's principal operations have been identified:

Agriculture

Risk	*Potential Impact*	*Mitigation*
Climate change	Current agricultural patterns and practices become unsustainable.	Geographical spread of operations to lessen the impact of extreme weather on the Group as a whole.
Drought	Level of rainfall affecting crop yields.	Investment in irrigation, water storage and drought resistant crop varieties.
Price volatility	Changes in prices at auction impact profitability each season.	Use of forward contracts, product and crop diversification and building long term strategic relationships with key customers.
Currency fluctuation	Profit volatility arising from sales in US dollars and Euros where there is no natural hedge against the cost of production in local currency.	Monitoring of foreign exchange rates and cash management.

Agriculture (continued)

Risk	*Potential Impact*	*Mitigation*
Cost of labour	Increased cost of production and lower profitability.	Introduction of more efficient labour and field practices and the increased use of mechanisation and automation in processing.
Long term political issues over land ownership in Kenya, Malawi and South Africa	Paying more for existing property (for example if freeholds become leaseholds) or potentially losing access to farms and estates.	Monitoring local land issues with the assistance of lawyers and local trade associations. Maintaining collaborative relationships with governments at local and national levels.
Civil unrest and political instability	Periodic interruptions to the operation of the businesses at a local level.	Increasing security for our workers and operations during times of civil unrest.
Corruption	Inability to carry on business in a manner which is legal and ethical.	Strict adherence to anti-bribery legislation and the implementation of the Group Anti-Bribery Policy.

Engineering

Risk	*Potential Impact*	*Mitigation*
Key customer dependence	Losing a major customer.	Diversification of the customer base and careful customer relationship management.
Dependence on the oil and gas and aerospace sectors	Changes in market conditions leading to lower demand for services.	Efforts to diversify into other sectors. Close monitoring of the current sectors.
Health and safety	Vulnerability of the employees to injury at work due to the use of machinery and chemicals. Payment of fines and claims and reputational damage.	Strict compliance with legislation and training employees to adopt safe working practices. Regular external audits.
Environmental	Contamination of the local and wider environment due to the use of machinery and chemicals. Payment of fines and claims and reputational damage.	Strict compliance with legislation, training employees to adopt safe working practices and lessen the impact on the environment. Regular external audits.

Food Service

Risk	*Potential Impact*	*Mitigation*
Key customer dependence	Losing a major customer.	Diversification of the customer base and careful customer relationship management.
Health and safety	Vulnerability of the employees to injury at work due to the use of machinery and chemicals. Payment of fines and claims, criminal prosecutions and reputational damage.	Strict compliance with legislation and training employees to adopt safe working practices. Regular external audits.

Food Service (continued)

Risk	*Potential Impact*	*Mitigation*
Environmental	Contamination of local and wider environment due to the use of machinery and chemicals. Payment of fines and claims, criminal prosecutions and reputational damage.	Strict compliance with legislation, training employees to adopt safe working practices and lessen the impact on the environment. Regular external audits.
IT systems	Interruption to services for customers.	Implementation of a disaster recovery plan.

Investments

Risk	*Potential Impact*	*Mitigation*
Market	Decline in the value of investments.	Portfolio diversification, careful stock selection and the regular monitoring of individual company stock performance.

Group

Risk	*Potential Impact*	*Mitigation*
UK Pensions. Increases in inflation and/or reductions in long term government bond yields.	Increase in the final salary pension scheme deficit with a resultant increase in the funding requirement.	The Board monitors the funding position of the pension scheme.
Overseas Pensions. Increases in inflation and/or reductions in long term government bond yields. Changes in local laws prohibiting the investment of the schemes' assets.	Increase in the pension scheme deficits with a resultant increase in the funding requirement.	Regular monitoring of the funding position, investment strategy and performance of the assets. Regular reviews of the funding position of the pension schemes and local legislation using external advisors, where appropriate.

Taxation risk

Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws, and the amount and timing of future taxable income. In some jurisdictions agreeing tax liabilities with local tax authorities can take several years. This could necessitate future adjustments to taxable income and expenses already recorded.

At the year-end, tax liabilities and assets are based on management's best judgements around the application of the tax regulations and an estimate of the future amounts that will be settled. Management considers tax exposures individually, and arrives at judgements with support from experienced tax professionals and external advisors. There is, however, a risk that the Group's judgements are challenged by the tax authorities, resulting in a different tax payable or tax recoverable from the amounts that have been provided.

Uncertainties impacting taxation also arise from potential changes to legislation. The OECD's Base Erosion and Profit Shifting project is one of the most significant multilateral initiatives in recent years modifying international tax rules. As these recommendations are introduced into local tax legislation over the coming years, this may impact the Group's effective tax rate.

Social and environmental policies

Further information on the Group's activities and policies on corporate and social responsibility is set out in the Chief Executive's report on page 6 to 16.

Equality

We have consciously and continuously worked towards encouraging equality in management positions across our operations.

Disability

The Group complies with local regulations to encourage employees with disabilities to work in our operations and where appropriate, makes adjustments to working practices.

Child Labour

The use of child labour is prohibited across the Group. In some countries, it is both the cultural norm and permissible for parents to involve their children in the productive process. We do not subscribe to this approach.

Modern Slavery

The Group continues to comply with the requirements of the Modern Slavery Act 2015, to ensure that modern slavery and human trafficking is not taking place either within the wider group or in the supply chains of our businesses. A copy of the statement of compliance for the year to 31 December 2017 is available on the Company's website.

Anti-Bribery and Corruption

The Board has adopted an anti-bribery policy which complies with the requirements of the UK Bribery Act 2010. The policy has been introduced across the Group and its compliance is monitored at both Group and local level. The Board strictly prohibits bribery as part of its normal business practices.

Performance against our policies

There are no current employment or environmental issues that prejudice the continuing development of the Group. None of the Group's businesses were prosecuted for any significant breach of employment legislation during the year. The Board has established a process for ensuring that the corporate social responsibility policy is enforced across the Group.

Key financial performance indicators

The nature of the Group's principal activities is such that the Board takes a long-term view on its operations, particularly in Agriculture.

The Board reviews monthly reports with a range of financial and other indicators to monitor the performance of each division depending on the nature of its operations.

For the Agriculture division, the Board receives monthly data on sales prices and volumes, cost of production and crop yields against budget. Rainfall and other climate data are also reviewed.

For the Engineering division, the Board receives monthly data on revenue, profit and margins. In addition, the value of the outstanding order book is reviewed.

For the Food Service division, the Board receives monthly data on revenue, profit and margins. In addition, cold store utilisation is monitored.

For Investments, the value and performance of the share portfolio is reviewed each month and the collections are periodically valued against market price.

Key non-financial performance indicators

The following information has been compiled based on data provided by the Group's subsidiaries. The Board considers that this information demonstrates the level of compliance with important elements of the Group's principles. The Board will regularly review which key non-financial performance indicators are most appropriate.

		2017	*2016*	*2015*
1 Compliance				
a) Prosecutions	The number of prosecutions brought in the financial year by the official regulatory bodies responsible for enforcing regulations in the areas of:			
	– Employment	–	*–*	*–*
	– Worker health and safety	–	*–*	*–*
	– Environmental protection	–	*–*	*–*
b) Formal warnings	The number of written warnings during the financial year by the official regulatory bodies responsible for enforcing regulations in the areas of:			
	– Employment	–	*–*	*–*
	– Worker health and safety	1	*1*	*3*
	– Environmental protection	–	*–*	*–*
2 Child Labour				
a) Minimum age	The number of employees who were less than 16 years old during the financial year	–	*–*	*–*
b) Access to education	The number of employees who were younger than the age for completing compulsory education in their country during the financial year	–	*–*	*–*
3 Accidents				
a) Injury	The number of injuries received at work resulting in either absence from work for more than three days, or the injured person being unable to do the full range of their normal duties for more than three days	223	*287*	*317*
4 Health				
a) Sickness absence	The number of employee days absence as a result of sickness during the financial year[(i)]	235,265	*237,527*	*238,160*
b) Sickness claims	The number of claims for compensation arising from occupational health issues received during the financial year in respect of continuing operations	3	*10*	*20*
5 Industrial Disputes				
Strikes	The number of employee days absence as a result of industrial disputes	321,409	*33,331*	*951*

(i) This excludes the relevant number of days for tea garden workers in India who have a contractual entitlement to fourteen days sickness absence. In Malawi there is high level of sickness due to HIV/AIDS related conditions and malaria.

(ii) As reported elsewhere, in 2017 all the Darjeeling tea gardens were subject to prolonged strikes.

Employees

The Group keeps employees informed, through internal publications, the website and social media on the performance of the Group and on matters affecting them as employees and arrangements to that end are made by the local management.

It is also Group policy that due consideration be given to employment applications received from disabled persons and to give employees who become disabled every opportunity to continue their employment.

The table below provides a breakdown of the gender of the directors and employees at 31 December 2017:

	Men	Women
Company Directors (i)	6	1
Other senior managers (ii)	7	2
All employees	40,559	34,454

(i) Company Directors consists of the company's Board as detailed on page 4.

(ii) "Other senior managers" is as defined in The Companies Act 2006 (Strategic Report and Directors' report) Regulations 2013, and includes persons responsible for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, other than Company Directors.

By order of the Board

Julia Morton
Secretary

18 April 2018

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated accounts for the year ended 31 December 2017.

Principal activities

The Company is a public limited company, which is quoted on the AIM Market of the London Stock Exchange and incorporated and domiciled in England and Wales. The principal activities of its subsidiary and associated undertakings comprise:

Agriculture
Engineering
Food Service
Investments

Further details of the Group's activities are included in the Chief Executive's report on pages 6 to 16.

Results and dividends

The profit after tax for the year amounted to £28.6 million (2016: loss £5.9 million). The Board has proposed a final dividend for the year of 98p per share payable on 13 July 2018 to holders of the ordinary shares registered at the close of business on 15 June 2018. The total dividend payable for 2017 is therefore 135p per share (2016: 130p per share). Details are shown in note 12 to the Accounts.

Directors

The Directors are listed on page 4. The following Directors had beneficial interests in the shares of the Company.

Camellia Plc ordinary shares of 10p each:	31 December 2017	1 January 2017
Malcolm Perkins	1,673	1,673
Tom Franks	100	100
Susan Walker	100	100

Under the Company's articles of association all the Directors are required to retire annually. Accordingly, Malcolm Perkins, Tom Franks, Susan Walker, Graham Mclean, Chris Relleen, Frédéric Vuilleumier and William Gibson will retire and, being eligible, will seek re-election at the AGM on 7 June 2018. Gautam Dalal was appointed as a Director on 1 March 2018 and will seek election to the Board at the AGM.

None of the Directors or their families had a material interest in any contract of significance with the Company or any subsidiary during, or at the end of, the financial year.

Executive Directors
Malcolm Perkins was appointed a Director in 1999 and Chairman in 2001 having joined Eastern Produce (Holdings) Limited now Linton Park Plc in 1972. He is a chartered accountant and Chairman of the nomination committee.

Tom Franks was appointed as Chief Executive with effect from 1 September 2015. He joined Camellia as Deputy Chief Executive in October 2014. He is a chartered accountant and a Fellow of the Chartered Institute of Securities & Investment.

Graham Mclean, a qualified agriculturalist, was appointed as Managing Director of Agriculture in October 2014. He was previously regional director of the Group's operations in Africa and has worked for the Group for 25 years. He is Chairman and non-executive director of Kakuzi Limited.

Susan Walker was appointed Chief Financial Officer for the Group on 4 June 2015. She joined Camellia as Finance Director Designate on 1 July 2014. She is a chartered certified accountant and a non-executive director of Goodricke Group Limited and United Finance Limited.

Non-Executive Directors
Chris Relleen was formerly a partner at PricewaterhouseCoopers. He was appointed as an independent non-executive Director and Deputy Chairman in January 2006 having previously been a non-executive Director of Linton Park Plc. He is senior independent Director, chairman of the audit committee and a member of the nomination and remuneration committees.

William Gibson was appointed as an independent non-executive Director in September 2014. He was previously chairman and managing director of Westminster Press and an executive director of the Financial Times Group. He is chairman of the remuneration committee and a member of the audit and nomination committees.

Frédéric Vuilleumier was appointed as an independent non-executive director in March 2013. He is partner of Oberson Abels SA, a law office based in Geneva, Switzerland. He is a member of the audit committee.

Gautam Dalal was appointed as an independent non-executive director in March 2018. He is a non-executive director and the vice chair of the Barts Health NHS Trust, a non-executive director of ZincOx Resources plc, a trustee and treasurer of SOAS, University of London. He was previously a partner at KPMG, London from 1990 to 2010, a founder-director of the UK India Business Council, a member of the Asian Business Association, a trustee of The National Gallery and a director of AMREF Health Africa's International Board.

Substantial shareholdings

As at 18 April 2018 the Company has been advised of the following interests in its share capital:

Beneficial shareholder	Shareholder	No. of Shares	% of total voting rights
Camellia Private Trust Company Limited	Camellia Holding AG	1,427,000	51.67
Fide Holding NV*	Lynchwood Nominees Limited	360,500	13.05
Quaero Capital SA	HSBC Global Custody Nominee (UK) Limited	133,588	4.84

*Controlled by Alcatel Bell Pensioenfonds VZW.

Share capital and purchase of own shares

The Company's share capital comprises one class of ordinary shares of 10 pence each which carry no restrictions on the transfer of shares or on voting rights (other than as set out in the Company's articles of association). There are no agreements known to the Company between shareholders in the Company which may result in restrictions on the transfer of shares or on voting rights in relation to the Company. Details of the issued share capital are contained in note 34 to the Accounts.

At the AGM in 2017, shareholders gave authority for the Company to purchase up to 276,200 of its own shares. This authority expires at the conclusion of this year's AGM at which a resolution proposing renewal of the authority will be submitted to shareholders.

Disclosure of information to auditors

A resolution proposing the reappointment of Deloitte LLP will be put to the AGM on 7 June 2018.

Each of the persons who were Directors at the time when this Directors' report was approved has confirmed that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- Each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and of the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Employees

Details in relation to employees are set out on pages 24 and 25.

R&D

The Group undertakes some R&D projects within its operations in order to improve efficiency and grow revenues and in the case of XiMo, as the core of its business.

Future development

Details of future developments are set out in the Chief Executive's Report.

Going concern

After reviewing the Group's budget for 2018 and other forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis in preparing the accounts.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 29 to 32.

By order of the Board

Julia Morton
Secretary

18 April 2018

CORPORATE GOVERNANCE

Statement of compliance

This statement on pages 29 to 32 describes how the Company applies the principles of the Quoted Companies Alliance's Corporate Governance Code for Small and Mid-size Quoted Companies ("QCA guidelines"). The Chairman considers the application of standards of corporate governance that are appropriate for the Group's nature, status, profile, size and circumstances play an important part in ensuring the Group is managed for the long-term benefit of all stakeholders.

The Group consists of a portfolio of businesses which are grouped into independently managed divisions. These divisions report into the Board by function against a variety of metrics including budgets and business plans.

The Board

The Board currently comprises eight Directors, four of whom are independent non-executive Directors. The remaining Directors are executive Directors, including the executive Chairman. Chris Relleen, the Deputy Chairman, has been designated as the senior independent director. The names and brief biographical details of each Director appear on pages 26 and 27.

There is on-going dialogue between the Chairman and the Chief Executive with the majority shareholder whose views are reported to the Board. The Company is also in contact with other significant shareholders.

The Board has established remuneration, audit and nomination committees. Terms of reference of each of the committees can be viewed on the Company's website.

The Board has agreed to undertake a performance evaluation by way of an internal review every three years. The last evaluation was conducted in 2015. Details of the evaluation procedures will be disclosed when the next review is completed at the end of 2018.

The Board is responsible for managing the Group's business and has adopted a schedule of matters reserved for its approval. The schedule is reviewed periodically and covers, inter alia, the following areas:

- Strategy
- Acquisitions and disposals
- Financial reporting and control
- Internal controls
- Approval of expenditure above specified limits
- Approval of transactions and contracts above specified limits
- Responsibilities for corporate governance
- Board membership and committees
- Approval of changes to capital structure

A full copy of the schedule is available on the Company's website.

A report summarising the Group's financial and operational performance including detailed information on each of its businesses is sent to Directors each month. Each Director is provided with sufficient information in advance of Board meetings to enable the Directors to make informed judgements on matters referred to the Board. The Board met nine times in 2017.

Attendance by Directors at Board and committee meetings held during the year was as follows:

Director	Board	Audit	Remuneration	Nomination
Malcolm Perkins	9/9	–	–	1/1
Chris Relleen	9/9	3/3	3/3	1/1
Tom Franks	9/9	–	–	–
Graham Mclean	9/9	–	–	–
Susan Walker	9/9	–	–	–
William Gibson	9/9	3/3	3/3	1/1
Frédéric Vuilleumier	8/9	3/3	–	–

Executive committees

The Board has established the Strategy Group, consisting of the Chairman and the executive Directors of the Board, and two Executive Committees. The Agriculture Executive Committee is chaired by the Managing Director of Agriculture and includes the Chief Executive, Chief Financial Officer and heads of all the key agricultural operations. The Engineering and Food Service Executive Committee is chaired by the Chief Executive and includes the Chief Financial Officer, the divisional heads of Engineering North, Engineering South and Food Service, the Managing Director of Jing Tea, the Company Secretary and the UK Head of HR.

Investments and Associates report directly to the Chief Executive.

Nomination committee

The nomination committee is chaired by Malcolm Perkins. Its other members are William Gibson and Chris Relleen.

The principal responsibilities of the nomination committee are set out below:

- Review the balance and composition (including gender and diversity) of the Board, ensuring that they remain appropriate.
- Be responsible for overseeing the Board's succession planning requirements including the identification and assessment of potential Board candidates and making recommendations to the Board for its approval.
- Keep under review the leadership needs of, and succession planning for, the Group in relation to both its executive and non-executive Directors and other senior executives.

The committee met once during the year to recommend the appointment of a non-executive Director.

Audit committee

The audit committee is chaired by Chris Relleen. The other members of the committee are Frédéric Vuilleumier and William Gibson. During 2017, the committee met on three occasions.

Principal responsibilities
The principal responsibilities of the audit committee are set out below and were undertaken during the year:

- To monitor the effectiveness of the Group's risk management practices.
- To review the effectiveness of the Group's internal control system. The committee regularly reviews the effectiveness of internal audit activities carried out by the Group's accounting function and senior management.
- To review and monitor the financial statements of the Company and the audit of those statements and to monitor compliance with relevant financial reporting requirements and legislation.
- To monitor the effectiveness and independence of the external auditors.
- To review non-audit services provided by the external auditors.

Significant issues in relation to financial statements
The audit committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. In the year under review, the audit committee considered the following matters in relation to the financial statements:

Biological assets. One of the key areas of judgement that the committee considered in reviewing the financial statements was the valuation of the biological assets in accordance with IAS 41. Valuations are carried out by external professional valuers or are based on discounted cash flows. These were considered for consistency of approach and assumptions agreed as reasonable. For more details see note 19 to the accounts.

Pensions. A key area of judgement is in relation to the value of the pension scheme obligation. Whilst this is conducted by independent actuaries, the size of the obligation means that a relatively minor difference in the assumptions could result in a material change in the obligation. The committee considered the competence of the actuaries and the key assumptions adopted and concluded that the work performed is sufficient to support the value.

Assets held for sale. The committee considered the reclassification of BMT (Great Yarmouth) and GU Cutting and Grinding as assets held for sale including reviewing the impairment provisions required.

Tax and other uncertain provisions. The basis of provisions for material uncertain tax situations were considered by the committee as were the provision in respect of the ongoing Collective Bargaining Agreement negotiations for 2014/15 and 2016/17. The committee is satisfied that the provisions represent best estimates of the likely liabilities.

External auditor
To assess the effectiveness of the external audit process, the external auditor is required to report to the audit committee and confirm their independence in accordance with ethical standards and that they had maintained appropriate internal safeguards to ensure their independence and objectivity. In addition to the steps taken by the Board to safeguard auditor objectivity, Deloitte operates a five year rotation policy for audit partners for a listed entity.

The committee reviewed those non-audit services provided by the external auditor and satisfied itself that the scale and nature of those services were such that the external auditors objectivity and independence were safeguarded.

Following the appointment of Deloitte LLP as the Group's external auditor, the committee oversaw the transition from PricewaterhouseCoopers LLP.

The committee confirms that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Remuneration committee

The remuneration committee is chaired by William Gibson and the other member is Chris Relleen.

The responsibilities of the committee include:

- The review of the Group's policy relating to remuneration of the Chairman, executive Directors and the Company Secretary.
- To determine the terms of employment and remuneration of the Chairman, executive Directors and Company Secretary with a view to ensuring that those individuals are fairly but responsibly rewarded.
- To approve compensation packages or arrangements following the severance of any executive Director's service contract.

The Remuneration Report appears on pages 34 to 35.

Insurance

The Company purchases insurance to cover its Directors in respect of legal actions against them in their capacity as Directors of the Company. All Directors have access to independent professional advice at the Company's expense.

Share capital structure

The share capital of the Company is set out in note 34.

Internal control and risk management systems

The Directors acknowledge that they are responsible for maintaining a sound system of internal control. During the year, the audit committee, on behalf of the Board, reviewed the effectiveness of the framework of the Group's system of internal control, the principal features of which are described below.

Decentralisation is a key management philosophy with responsibility for efficient day to day operations delegated to local management. Accountability and delegation of authority are clearly defined with regular communication between Group head office and local management. Our key operating businesses have internal audit functions reporting to local audit committees. The performance of each company is continually monitored centrally including a critical review of annual budgets, forecasts and monthly sales, profits and cash reports. Financial results and key business statistics and variances from approved plans are carefully monitored. Group senior management regularly visit and review the Group's operating units. However, any system of internal control can provide only reasonable, and not absolute, assurance against material mis-statement or loss.

By order of the Board

Julia Morton
Secretary

18 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Malcolm Perkins
Chairman

18 April 2018

REMUNERATION REPORT

This report is drawn up in accordance with the Companies Act 2006 and the AIM Rules for Companies.

Remuneration committee

Details of the remuneration committee ("the committee") are set out on page 32.

Policy on Directors' remuneration

The policy agreed by the committee is as follows:-

- To seek to provide remuneration packages that will attract, retain and motivate the right people for the roles.
- So far as is practicable to align the interests of the executives with those of shareholders.
- To reflect the overriding remuneration philosophy and the principles of the wider Group.

In implementing the second point, the Company does not operate profit related bonus, share option or share incentive schemes for Directors as the Group's activities are based largely on agriculture, which is highly dependent on factors outside management control such as the weather and market prices.

The policy is designed to ensure that the Directors manage the Group's businesses for the long term in line with the strategy of the Group.

In determining this remuneration policy and the remuneration of Directors, consideration has been given to the relevant provisions of the QCA guidelines.

The remuneration policy was approved by shareholders at the 2017 AGM. The committee considers any views of the shareholders expressed on Directors' remuneration.

At the AGM on 1 June 2017, the Remuneration Report for the year to 31 December 2016 was approved by shareholders with 99.46% of the votes cast in favour, 0.53% of the votes cast against and 0.01 votes withheld.

Service contracts

Malcolm Perkins, Tom Franks, Graham Mclean and Susan Walker are each employed on rolling service contracts.

Director	Date of Service Contract
Malcolm Perkins	25 April 2002
Tom Franks	8 April 2015
Graham Mclean	10 April 2015
Susan Walker	14 April 2015

The service contracts are terminable at any time by a one year period of notice from the Company or the Director. Following their initial appointment non-executive Directors may seek re-election by shareholders at each subsequent annual general meeting. Non-executive Directors do not have service agreements. There are no specific contractual provisions for compensation upon early termination of a non-executive Director's employment.

The following sections on Directors' remuneration and pensions have been audited.

Directors' remuneration

	Remuneration		Benefits in Kind		Employer Pension Contribution		Total	
	2017	*2016*	2017	*2016*	2017	*2016*	2017	*2016*
	£	*£*	£	*£*	£	*£*	£	*£*
Executive								
Malcolm Perkins	442,344	*442,344*	76,630	*33,212*	–	*–*	518,974	*475,556*
Tom Franks	522,500	*495,000*	55,887	*68,095*	–	*–*	578,387	*563,095*
Susan Walker	295,625	*250,000*	24,695	*30,676*	5,500	*20,000*	325,820	*300,676*
Graham Mclean	322,500	*275,000*	26,770	*37,209*	4,475	*22,000*	353,745	*334,209*
Non-executive								
William Gibson	44,651	*43,350*	–	*–*	–	*–*	44,651	*43,350*
Chris Relleen	68,077	*87,500*	–	*–*	–	*–*	68,077	*87,500*
Frédéric Vuilleumier	42,024	*40,800*	–	*–*	–	*–*	42,024	*40,800*
Totals	1,737,721	*1,633,994*	183,982	*169,192*	9,975	*42,000*	1,931,678	*1,845,186*

Notes

(i) The executive Directors' benefits in kind include the value attributed to medical insurance, permanent health insurance, spouse/partner travel and cash alternatives to company cars.

(ii) Chris Relleen received an additional annual fee for his chairmanship of the audit committee and for his non-executive directorship of Duncan Lawrie Limited.

(iii) William Gibson received an additional annual fee for his chairmanship of the remuneration committee.

Directors' pensions

Malcolm Perkins received no payment for pensionable service during 2017. Tom Franks receives an excess non-pensionable salary supplement equivalent to 10% of base salary. Graham Mclean and Susan Walker were members of the Linton Park Group Personal Pension Scheme which is a defined contribution based scheme until 5 April 2017. As a result of the change to the taxation rules on pension annual allowances, the company ceased contributions to the Linton Park Group Personal Pension Scheme on 6 April for Graham Mclean and Susan Walker. They instead receive an excess non-pensionable salary supplement equivalent to 10% of base salary. These payments are included in 'Remuneration' in the table above.

In addition to the above, an unfunded pension of US$200,000 per annum is paid to Gordon Fox, a former Director of the Company.

By order of the Board

Julia Morton
Secretary
18 April 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	Notes	2017 £'m	*2016 £'m*
Continuing operations			
Revenue	2	298.3	*257.9*
Cost of sales		(219.3)	*(188.5)*
Gross profit		79.0	*69.4*
Other operating income		2.4	*2.3*
Distribution costs		(13.9)	*(14.7)*
Administrative expenses	3	(41.1)	*(38.0)*
Trading profit	1, 3	26.4	*19.0*
Share of associates' results	4	2.0	*5.1*
Impairment of property, plant and equipment and provisions	5	(1.8)	*–*
Profit on disposal of available-for-sale investments	6	0.7	*1.5*
		27.3	*25.6*
Investment income		0.6	*0.6*
Finance income	7	3.0	*2.7*
Finance costs	7	(0.5)	*(0.6)*
Net exchange (loss)/gain	7	(0.1)	*0.4*
Employee benefit expense	7	(2.7)	*(2.2)*
Net finance (cost)/income	7	(0.3)	*0.3*
Profit before tax from continuing operations		27.6	*26.5*
Taxation	8	(13.8)	*(12.4)*
Profit after tax from continuing operations		13.8	14.1
Profit/(loss) from discontinued operation	10	14.8	*(20.0)*
Profit/(loss) for the year		28.6	*(5.9)*
Profit/(loss) attributable to:			
Owners of the parent		22.2	*(10.7)*
Non-controlling interests		6.4	*4.8*
		28.6	*(5.9)*
Earnings per share – basic and diluted	13	803.8p	*(387.4)p*
Earnings per share – continuing operations	13	268.0p	*336.7p*
Earnings per share – discontinued operation	13	535.8p	*(724.1)p*

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	2017 £'m	*2016 £'m*
Group			
Profit/(loss) for the year		28.6	*(5.9)*
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post employment benefit obligations	33	34.3	*(24.3)*
Deferred tax movement in relation to post employment benefit obligations	32	(1.0)	*1.2*
		33.3	*(23.1)*
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		(28.4)	*52.0*
Available-for-sale investments:			
Valuation gains taken to equity	23	10.9	*3.5*
Transferred to income statement on sale	23	(0.3)	*(1.2)*
Share of other comprehensive income of associates		–	*0.2*
		(17.8)	*54.5*
Other comprehensive income for the year, net of tax		15.5	*31.4*
Total comprehensive income for the year		44.1	*25.5*
Total comprehensive income attributable to:			
Owners of the parent		41.1	*13.8*
Non-controlling interests		3.0	*11.7*
		44.1	*25.5*
Company			
Profit for the year		3.9	*4.0*
Total comprehensive income for the year		3.9	*4.0*

CAMELLIA PLC

CONSOLIDATED BALANCE SHEET

at 31 December 2017

	Notes	2017 £'m	*2016 £'m*
Non-current assets			
Intangible assets	16	3.2	*1.1*
Property, plant and equipment	17	216.3	*232.2*
Investment properties	18	17.6	*17.0*
Biological assets	19	12.8	*13.9*
Prepaid operating leases	20	0.9	*1.0*
Investments in associates	22	55.4	*61.0*
Deferred tax assets	32	0.2	*0.2*
Available-for-sale financial assets	23	47.0	*37.2*
Other investments - heritage assets	25	9.4	*9.2*
Retirement benefit surplus	33	0.3	*0.1*
Trade and other receivables	27	1.9	*1.8*
Total non-current assets		365.0	*374.7*
Current assets			
Inventories	26	47.4	*50.6*
Biological assets	19	6.6	*7.2*
Trade and other receivables	27	43.7	*40.6*
Current income tax assets		0.9	*1.0*
Cash and cash equivalents	28	108.0	*72.9*
		206.6	*172.3*
Assets classified as held for sale	9	4.9	*–*
Assets classified as held for sale – discontinued operation	10	–	*266.9*
Total current assets		211.5	*439.2*
Current liabilities			
Borrowings	30	(1.8)	*(1.7)*
Trade and other payables	29	(56.5)	*(58.7)*
Current income tax liabilities		(7.9)	*(6.5)*
Employee benefit obligations	33	(0.7)	*(0.9)*
Provisions	31	(15.2)	*(8.6)*
		(82.1)	*(76.4)*
Liabilities directly associated with assets classified as held for sale	9	(1.8)	*–*
Liabilities directly associated with assets classified as held for sale – discontinued operation	10	–	*(244.2)*
Total current liabilities		(83.9)	*(320.6)*
Net current assets		127.6	*118.6*
Total assets less current liabilities		492.6	*493.3*
Non-current liabilities			
Borrowings	30	(4.0)	*(4.5)*
Deferred tax liabilities	32	(40.2)	*(43.3)*
Employee benefit obligations	33	(30.5)	*(65.9)*
Total non-current liabilities		(74.7)	*(113.7)*
Net assets		417.9	*379.6*
Equity			
Called up share capital	34	0.3	*0.3*
Share premium		15.3	*15.3*
Reserves		352.8	*315.2*
Equity attributable to owners of the parent		368.4	*330.8*
Non-controlling interests		49.5	*48.8*
Total equity		417.9	*379.6*

CAMELLIA PLC

COMPANY BALANCE SHEET

at 31 December 2017

	Notes	2017 £'m	*2016 £'m*
Non-current assets			
Investments in subsidiaries	21	73.5	*73.5*
Available-for-sale financial assets	23	–	*0.2*
Other investments - heritage assets	25	10.6	*10.4*
Total non-current assets		84.1	*84.1*
Current assets			
Amounts due from group undertakings		3.5	*18.3*
Current income tax asset		0.1	*0.1*
Cash and cash equivalents	28	0.1	*–*
Total current assets		3.7	*18.4*
Current liabilities			
Trade and other payables	29	(0.2)	*(0.1)*
Amounts due to group undertakings		(20.7)	*(35.7)*
Total current liabilities		(20.9)	*(35.8)*
Net current liabilities		(17.2)	*(17.4)*
Total assets less current liabilities		66.9	*66.7*
Non-current liabilities			
Deferred tax liabilities	32	(0.2)	*(0.2)*
Total non-current liabilities		(0.2)	*(0.2)*
Net assets		66.7	*66.5*
Equity			
Called up share capital	34	0.3	*0.3*
Share premium		15.3	*15.3*
Reserves		51.1	*50.9*
Total equity		66.7	*66.5*

The profit for the Company is shown in note 11.

The notes on pages 43 to 101 form part of the financial statements.

The financial statements on pages 36 to 101 were approved on 18 April 2018 by the board of Directors and signed on their behalf by:

M C Perkins
Chairman

Registered Number 00029559

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

	Notes	2017 £'m	*2016 £'m*
Cash generated from operations			
Cash flows from operating activities	35	40.7	*35.3*
Interest paid		(0.5)	*(0.7)*
Income taxes paid		(12.3)	*(15.8)*
Interest received		3.0	*2.7*
Net cash flow from operating activities		30.9	*21.5*
Cash flows from investing activities			
Purchase of intangible assets		(2.5)	*(0.2)*
Purchase of property, plant and equipment		(20.6)	*(14.2)*
Proceeds from sale of non-current assets		1.3	*0.3*
Purchase of investment property		(0.2)	*(0.5)*
Biological assets: non-current – additions		(0.2)	*(0.3)*
Part disposal of subsidiaries		0.2	*1.2*
Cash balances transferred to assets held for sale		(0.3)	–
Investment in associates		(1.0)	–
Dividends received from associates		2.8	*2.3*
Purchase of investments		(4.0)	*(2.4)*
Proceeds from sale of investments		1.8	*5.6*
Income from investments		0.6	*0.6*
Purchase of other investments – heritage assets		(0.2)	*(0.2)*
Net cash flow from investing activities		(22.3)	*(7.8)*
Cash flows from financing activities			
Equity dividends paid		(3.6)	*(3.6)*
Dividends paid to non-controlling interests		(2.5)	*(3.3)*
New loans		0.1	*0.1*
Loans repaid		(0.6)	*(0.6)*
Net cash flow from financing activities		(6.6)	*(7.4)*
Net increase in cash and cash equivalents from continuing operations		2.0	*6.3*
Net cash inflow/(outflow) from discontinued operation	10	38.2	*(10.5)*
Cash and cash equivalents at beginning of year	28	71.8	*65.6*
Exchange (losses)/gains on cash		(5.2)	*10.4*
Cash and cash equivalents at end of year	28	106.8	*71.8*

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

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2017

	Notes	2017 £'m	*2016 £'m*
Cash generated from operations			
Profit before tax		3.9	*4.0*
Adjustments for:			
Impairment of available-for-sale financial assets		0.2	*–*
Interest income		(0.2)	*(0.3)*
Dividends from group companies		(5.2)	*(4.8)*
Increase in trade and other payables		0.1	*–*
Net movement in intra-group balances		(0.2)	*(2.3)*
Cash used in operations		(1.4)	*(3.4)*
Interest received		0.2	*0.3*
Net cash flow from operating activities		(1.2)	*(3.1)*
Cash flows from investing activities			
Purchase of other investments – heritage assets		(0.2)	*(0.2)*
Dividends received		5.2	*4.8*
Net cash flow from investing activities		5.0	*4.6*
Cash flows from financing activities			
Equity dividends paid		(3.7)	*(3.7)*
Net cash flow from financing activities		(3.7)	*(3.7)*
Net movement in cash and cash equivalents		0.1	*(2.2)*
Cash and cash equivalents at beginning of year	28	–	*2.2*
Exchange gain on cash		–	*–*
Cash and cash equivalents at end of year	28	0.1	*–*

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital £'m	Share premium £'m	Treasury shares £'m	Retained earnings £'m	Other reserves £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
Group								
At 1 January 2016	0.3	15.3	(0.4)	309.6	(3.9)	320.9	39.5	360.4
Total comprehensive (expense)/income for the year	–	–	–	(33.6)	47.4	13.8	11.7	25.5
Dividends	–	–	–	(3.6)	–	(3.6)	(3.3)	(6.9)
Non-controlling interest subscription	–	–	–	0.3	–	0.3	0.9	1.2
Share of associate's other equity movements	–	–	–	(0.6)	–	(0.6)	–	(0.6)
At 31 December 2016	0.3	15.3	(0.4)	272.1	43.5	330.8	48.8	379.6
Total comprehensive income/(expense) for the year	–	–	–	55.2	(14.1)	41.1	3.0	44.1
Dividends	–	–	–	(3.6)	–	(3.6)	(2.5)	(6.1)
Non-controlling interest subscription	–	–	–	–	–	–	0.2	0.2
Share of associate's other equity movements	–	–	–	0.1	–	0.1	–	0.1
At 31 December 2017	0.3	15.3	(0.4)	323.8	29.4	368.4	49.5	417.9
Company								
At 1 January 2016	0.3	15.3	–	38.5	12.1	66.2	–	66.2
Total comprehensive income for the year	–	–	–	4.0	–	4.0	–	4.0
Dividends	–	–	–	(3.7)	–	(3.7)	–	(3.7)
At 31 December 2016	0.3	15.3	–	38.8	12.1	66.5	–	66.5
Total comprehensive income for the year	–	–	–	3.9	–	3.9	–	3.9
Dividends	–	–	–	(3.7)	–	(3.7)	–	(3.7)
At 31 December 2017	0.3	15.3	–	39.0	12.1	66.7	–	66.7

Other reserves of the Group include net exchange differences of £26.1 million deficit (2016: £1.3 million deficit).

Group retained earnings includes £157.4 million (2016: £159.0 million) which would require exchange control permission for remittance as dividends.

ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on the historical cost basis as modified by the revaluation of biological assets, available-for-sale investments, financial assets and financial liabilities and assets held for sale.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. During the year, £8.6 million of comparative amounts previously classified as other payables have been reclassified as provisions.

Going concern

The Directors have, at the time of approving the financial statements, 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.

Basis of consolidation

Subsidiaries
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the effective date of acquisition or disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All Intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Associates
An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of that entity.

Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the Income Statement and its share of post-acquisition movements in reserves is recognised in reserves.

Foreign currency translation

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Translation differences on non-monetary items carried at fair value are reported as part of the fair value gain or loss. Gains and losses arising on retranslation are included in the Income Statement, except for exchange differences arising on non-monetary items where the changes in fair value are recognised directly in equity.

The consolidated financial statements are presented in sterling which is the Company's functional and presentation currency. On consolidation, income statements and cash flows of foreign entities are translated into pounds sterling at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings designated as hedges of such investments, are taken to equity. When a foreign entity is sold such exchange differences arising since 1 January 2004 are recognised in the Income Statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling on the date of acquisition. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions prior to 1 January 2004, the date of the Group's transition from UK GAAP to IFRS, as sterling denominated assets and liabilities.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes and after eliminating intra-group sales.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

(i) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods:

(ii) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) The amount of revenue can be measured reliably;

(iv) It is probable that the economic benefits associated with the transaction will flow to the entity; and

(v) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Invoices are raised when goods are despatched or when the risks and rewards of ownership otherwise irrevocably pass to the customer.

In respect of food storage and distribution services, revenue for handling is recognised at the point that the goods are actually handled.

In respect of engineering services, revenue is recognised based upon the stage of completion and includes costs incurred to date, plus accrued profits.

Investment income

Investment income is recognised when the right to receive payment of a dividend is established.

Segmental reporting

The adoption of IFRS 8 requires operating segments to be identified on the basis of internal reports used to assess performance and allocate resources by the chief operating decision maker. The chief operating decision maker has been identified as the Group Strategy Committee led by the Chief Executive. Inter-segment sales are not significant.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Full disclosure of exceptional items are set out in notes 5 and 6.

Intangible assets

(i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(ii) Identifiable intangible assets

Indefinite life identifiable intangible assets include certain brands acquired. They are not amortised but tested for impairment annually or more frequently if an impairment indicator is triggered, any impairment is charged to the income statement as it arises. The assessment of the classification of intangible assets as indefinite is reviewed annually.

Finite life identifiable intangible assets include certain brands, customer relationships and other intangible assets acquired on the acquisition of subsidiaries. Acquired intangible assets with finite lives are initially recognised at cost and amortised on a straight-line basis over their estimated useful lives, not exceeding 20 years. Intangible assets' estimated lives are re-evaluated annually and an impairment test is carried out if certain indicators of impairment exist.

(iii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are held at cost and are amortised on a straight-line basis over 3 to 7 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which are expected to generate economic benefits exceeding costs beyond one year, are recognised as an intangible asset and amortised over their estimated useful lives.

Property, plant and equipment

Property, plant and equipment now includes biological assets (bearer plants) which are accounted for under IAS 16.

Land and buildings comprises mainly factories and offices. All property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of these assets.

On transition to IFRS, the Group followed the transitional provisions and elected that previous UK GAAP revaluations be treated as deemed cost.

Subsequent costs are included in the assets' carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

No depreciation is provided on freehold land. Depreciation of other property, plant and equipment is calculated to write off their cost less residual value over their expected useful lives.

The rates of depreciation used for the other assets are as follows:-

Biological assets (Bearer plants)	20 to 50 years
Freehold and long leasehold buildings	nil to 50 years
Other short leasehold land and buildings	unexpired term of the lease
Plant, machinery, fixtures, fittings and equipment	3 to 25 years

No depreciation is provided on bearer plants until maturity when commercial levels of production have been reached.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in the income statement.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in the Income Statement.

Investment properties

Properties held to earn rental income rather than for the purpose of the Group's principal activities are classified as Investment properties. Investment properties are recorded at cost less accumulated depreciation and any recognised impairment loss. The depreciation policy is consistent with those described for other Group properties.

Income from Investment properties is disclosed in 'other operating income'. The related operating costs are immaterial and are included within administrative expenses.

Biological assets: non-current

Biological assets are measured at each balance sheet date at fair value and are generally valued at each year end by independent professional valuers. Any changes in fair value are recognised in the Income Statement in the year in which they arise. Costs of new areas planted are included as "new planting additions" in the biological assets note. As timber is harvested the value accumulated to the date of harvest is treated as "decrease due to harvesting" and charged to cost of sales in the Income Statement.

Biological assets: current

Produce is valued on the basis of net present values of expected future cash flows and include certain assumptions about yields, selling prices, costs and discount rates. As the crop is harvested it is transferred to inventory at fair value.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Available-for-sale financial assets include shares of listed and unlisted companies. The fair values of listed shares are based on current bid values. Shares in unlisted companies are measured at cost as fair value cannot be reliably measured.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Income Statement as 'profit/(loss) on disposal of available-for-sale investments'.

Dividends on available-for-sale equity instruments are recognised in the Income Statement as part of investment income when the group's right to receive payments is established.

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Available-for-sale financial assets are subsequently carried at fair value. Available-for-sale financial assets include shares of listed and unlisted companies. The fair values of listed shares are based on current bid values. Shares in unlisted companies are measured at cost as fair value cannot be reliably measured.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in Other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Income Statement as 'Profit/(loss) on disposal of available-for-sale investments'.

Dividends on available-for-sale equity instruments are recognised in the Income Statement as part of investment income when the Group's right to receive payments is established.

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Other investments – heritage assets

Other investments comprise fine art, documents, manuscripts and philately which are measured at cost as fair value cannot be reliably measured.

Investments in subsidiary companies

Investments in subsidiary companies are included at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

(ii) Assets classified as available-for-sale

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated Income Statement.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the Income Statement over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

Inventories

Agricultural produce included within inventory largely comprises stock of 'black' tea. In accordance with IAS 41, on initial recognition, agricultural produce is required to be measured at fair value less estimated point of sale costs.

Other inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and selling expenses.

Trade and other receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the Income Statement.

Amounts due from customers of banking subsidiaries consist of loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to a customer with no intention of trading the receivable and are carried at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Discontinued operations and non-current assets held for sale

A discontinued operation is a separate major line of business or geographic area of operation that has either been disposed of, abandoned or is part of a plan to dispose of a major line of business or geographic area. An operation is classified as a discontinued operation in the year that the above criteria are met. In the consolidated Income Statement, profit/loss from discontinued operations is reported separately from the results from continuing operations. Prior periods Income Statement and cash flow are presented on a comparable basis.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than in a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related tax asset is realised or the tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits

(i) Pension obligations

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions to the fund. Contributions are recognised as an expense in the Income Statement when they are due.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension cost for defined benefit schemes is assessed in accordance with the advice of qualified independent actuaries using the "projected unit" funding method.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Independent actuaries calculate the obligation annually using the “projected unit” funding method. Actuarial gains and losses arising from experience adjustments and changes in actuarial adjustments are recognised in full in the period in which they occur, they are not recognised in the Income Statement and are presented in the Statement of Comprehensive Income.

Past service costs are recognised directly in the Income Statement.

(ii) Other post-employment benefit obligations

Some Group companies have unfunded obligations to pay terminal gratuities to employees. Provisions are made for the estimated liability for gratuities as a result of services rendered by employees up to the balance sheet date and any movement in the provision is recognised in the Income Statement.

The estimated monetary liability for employees’ accrued annual leave entitlement at the balance sheet date is recognised as an accrual.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting will, by definition, seldom equal the actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) Impairment of assets

The Group has significant investments in intangible assets, property, plant and equipment, biological assets, associated companies and other investments. These assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors considered which could trigger an impairment review include the significant fall in market values, significant underperformance relative to historical or projected future operating results, a major change in market conditions or negative cash flows.

(ii) Biological assets

Biological assets are carried at fair value less estimated point-of-sale costs. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value has been determined based on the net present value of expected future cash flows from those assets, discounted at appropriate pre-tax rates. In determining the fair value of biological assets where the discounting of expected future cash flows has been used, the Directors have made certain assumptions about expected life-span of the plantings, yields, selling prices, costs and discount rates. Details of assumptions made and sensitivity analysis are given in note 19.

(iii) Retirement benefit obligations

Pension accounting requires certain assumptions to be made in order to value obligations and to determine the impact on the Income Statement. These figures are particularly sensitive to assumptions for discount rates, mortality, inflation rates and expected long-term rates of return on assets. Details of assumptions made and sensitivity analysis are given in note 33.

(iv) Taxation

Tax provisions are based on management's interpretation of country specific tax law and the likelihood of settlement. This involves a significant amount of judgement as tax legislation can be complex and open to different interpretation. Management uses professional firms and previous experience when assessing tax risks. Where actual tax liabilities differ from the provisions, adjustments are made which can have a material impact on the Group's profits for the year.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2017:

IAS 7 (amendments) Statement of cashflows - effective from 1 January 2017

The Group has adopted the amendments to IAS 7 for the first time in the current year.

IAS 12 (amendment) Recognition of deferred tax - effective from 1 January 2017

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

The amendments to IAS 7 and IAS 12 have not had a material impact on the financial statements of the Group.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9 Financial Instruments – effective from 1 January 2018

The standard covers the classification, measurement and derecognition of financial instruments and applies an approach where the business model of an entity and the cash flows associated with each financial asset defines the classification of the financial instrument. IFRS 9 applies a forward-looking impairment model that will replace the currently applicable incurred loss model.

Classification and measurement

Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in Other comprehensive income.

At the date of initial application of IFRS 9, the Group has elected to apply the FVTOCI option for all of its non-controlling equity interests that were classified as Available for sale financial assets ("AFS") under IAS 39. This election results in all gains and losses being presented in Other comprehensive income except dividend income which is recognised in profit or loss. This differs from the current treatment of AFS instruments under IAS 39 where gains and losses recognised in Other comprehensive income are reclassified to profit and loss on derecognition or impairment. There will be no other changes in the classification and measurement for any of the Group's other financial assets or liabilities.

The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's consolidated financial statements will depend on the financial instruments that the Group holds during 2018 as well as on economic conditions and judgements will be made at the year end. The Group has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9. Based on the Group's preliminary assessment, the adoption of IFRS 9 will not have a material impact on the financial statements.

Impairment

The impairment model under IFRS 9 reflects "expected" credit losses, as opposed to "incurred" credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. The amount of expected credit losses should be assessed on initial recognition of the related asset and updated at each reporting date.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by IFRS.

IFRS 15 Revenue from contracts with customers – effective from 1 January 2018

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations
- Recognise the revenue

The adoption of IFRS 15 is not expected to have a material financial impact on the financial statements of the Group as the Group's revenue recognition practises are in line with IFRS 15 in all material respects.

IFRS 16 Leases – effective from 1 January 2019

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

The Income Statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years.

Additionally, operating expense will be replaced with interest and depreciation.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

1 Business and geographical segments

The principal activities of the Group are as follows:

Agriculture
Engineering
Food Service

For management reporting purposes these activities form the basis on which the Group reports its primary divisions.

Segment information about these businesses is presented below:

	Agriculture		Engineering		Food Service		Other operations		Consolidated	
	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*
Revenue										
External sales	239.4	*207.1*	20.5	*18.8*	37.8	*31.6*	0.6	*0.4*	298.3	*257.9*
Trading profit										
Segment profit/(loss)	35.6	*29.9*	(2.6)	*(2.6)*	1.8	*0.8*	–	*0.1*	34.8	*28.2*
Unallocated corporate expenses									(8.4)	*(9.2)*
Trading profit									26.4	*19.0*
Share of associates' results									2.0	*5.1*
Impairment of property, plant and equipment and provisions									(1.8)	*–*
Profit on disposal of available-for-sale investments									0.7	*1.5*
Investment income									0.6	*0.6*
Net finance (cost)/income									(0.3)	*0.3*
Profit before tax from continuing operations									27.6	*26.5*
Taxation									(13.8)	*(12.4)*
Profit after tax from continuing operations									13.8	*14.1*
Other information										
Segment assets	344.2	*354.8*	18.1	*19.1*	26.2	*24.0*	20.0	*18.5*	408.5	*416.4*
Investments in associates									55.4	*61.0*
Discontinued operation									–	*266.9*
Unallocated assets									112.6	*69.6*
Consolidated total assets									576.5	*813.9*
Segment liabilities	(56.6)	*(55.4)*	(7.9)	*(4.6)*	(6.5)	*(5.4)*	–	*–*	(71.0)	*(65.4)*
Discontinued operation									–	*(244.2)*
Unallocated liabilities									(87.6)	*(124.7)*
Consolidated total liabilities									(158.6)	*(434.3)*
Capital expenditure	17.2	*13.0*	0.3	*0.4*	2.3	*0.6*	1.0	*0.7*	20.8	*14.7*
Depreciation	(11.4)	*(11.0)*	(1.8)	*(1.9)*	(1.7)	*(1.7)*	(0.3)	*(0.2)*	(15.2)	*(14.8)*
Amortisation					(0.3)	*(0.3)*			(0.3)	*(0.3)*
Impairments			(0.9)				(0.2)	*(0.1)*	(1.1)	*(0.1)*

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, biological assets, prepaid operating leases, inventories, trade and other receivables and cash and cash equivalents. Receivables for tax have been excluded. Investments in associates, valued using the equity method, have been shown separately in the segment information. Segment liabilities are primarily those relating to the operating activities and generally exclude liabilities for taxes, short-term loans, finance leases and non-current liabilities.

1 Business and geographical segments *(continued)*

Geographical segments

The Group's operations are based in nine main geographical areas. The United Kingdom is the home country of the parent. The principal geographical areas in which the Group operates are as follows:

United Kingdom
Continental Europe
Bangladesh
India
Kenya
Malawi
North America and Bermuda
South Africa
South America

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	2017 £'m	*2016 £'m*
United Kingdom	53.9	*41.4*
Continental Europe	34.1	*35.6*
Bangladesh	28.1	*24.2*
India	85.6	*67.2*
Kenya	42.3	*35.6*
Malawi	11.0	*8.6*
North America and Bermuda	9.9	*10.1*
South Africa	2.9	*1.5*
South America	6.5	*5.3*
Other	24.0	*28.4*
	298.3	*257.9*

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment		Additions to investment properties	
	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*
United Kingdom	58.0	*60.4*	3.2	*1.1*	0.2	*0.5*
Continental Europe	6.3	*6.1*	0.1	*0.1*	–	*–*
Bangladesh	63.1	*69.6*	2.5	*1.1*	–	*–*
India	103.4	*104.8*	5.2	*4.6*	–	*–*
Kenya	89.8	*84.6*	4.0	*3.5*	–	*–*
Malawi	51.4	*52.7*	2.9	*2.0*	–	*–*
North America and Bermuda	12.2	*12.5*	0.2	*0.2*	–	*–*
South Africa	13.4	*13.0*	2.0	*1.2*	–	*–*
South America	10.9	*12.7*	0.5	*0.4*	–	*–*
	408.5	*416.4*	20.6	*14.2*	0.2	*0.5*

2 Revenue

An analysis of the Group's revenue is as follows:

	2017 £'m	*2016 £'m*
Sale of goods	238.8	*206.5*
Distribution and warehousing revenue	37.8	*31.6*
Engineering services revenue	20.5	*18.8*
Agency commission revenue	0.6	*0.6*
Property rental revenue	0.6	*0.4*
Total Group revenue	298.3	*257.9*
Other operating income	2.4	*2.3*
Investment income	0.6	*0.6*
Interest income	3.0	*2.7*
Total Group income	304.3	*263.5*

3 Trading profit

	2017 £'m	*2016 £'m*
The following items have been included in arriving at trading profit:		
Employment costs (note 14)	101.5	*92.0*
Inventories:		
Cost of inventories recognised as an expense (included in cost of sales)	162.8	*137.6*
Cost of inventories provision recognised as an expense (included in cost of sales)	0.1	*0.3*
Fair value gain included in Made Tea	1.2	*0.8*
Depreciation of property, plant and equipment:		
Owned assets	15.0	*14.6*
Under finance leases	0.1	*–*
Amortisation of intangibles (included in administrative expenses)	0.3	*0.3*
Gain from change in fair value of non-current biological assets	1.1	*1.1*
Impairment of available-for-sale financial assets (included in administrative expenses)	0.2	*0.1*
Profit on disposal of property, plant and equipment	0.1	*0.2*
Operating leases - lease payments:		
Plant and machinery	0.3	*0.4*
Property	0.6	*0.6*
Repairs and maintenance expenditure on property, plant and equipment	5.5	*4.6*

	2017 £'m	*2016 £'m*
Currency exchange (gains)/losses (credited)/charged to income include:		
Revenue	–	*(0.3)*
Cost of sales	–	*0.1*
Distribution costs	–	*0.1*
Administrative expenses	(0.2)	*(0.2)*
Finance income	0.1	*(0.4)*
	(0.1)	*(0.7)*

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2017 £'m	*2016 £'m*
Audit services:		
Statutory audit:		
Parent company and consolidated financial statements	0.2	*0.2*
Subsidiary companies	0.5	*0.8*
	0.7	*1.0*
Audit – related regulatory reporting	0.1	*0.1*
Other services not covered above	0.2	*–*
	1.0	*1.1*

4 Share of associates' results

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

	2017 £'m	*2016 £'m*
Profit before tax	2.0	*6.0*
Taxation	–	*(0.9)*
Profit after tax	2.0	*5.1*

5 Impairment of property, plant and equipment and provisions

Following a decision to sell both British Metal Treatments Limited and GU Cutting and Grinding Services Limited to their respective management teams, the assets and liabilities associated with the two companies have been fair valued and reclassified as held for sale (note 9). Impairments and provisions totalling £1.8 million have been charged to the income statement.

6 Profit on disposal of available-for-sale investments

In 2016, the profit of £1.5 million included a profit of £1.1 million relating to the disposal of the Group's investment in Ascendant Group, a Bermudian power company.

7 Finance income and costs

	2017 £'m	*2016 £'m*
Interest payable on loans and bank overdrafts	(0.5)	*(0.6)*
Finance costs	(0.5)	*(0.6)*
Finance income – interest income on short-term bank deposits	3.0	*2.7*
Net exchange (loss)/gain on foreign cash balances	(0.1)	*0.4*
Employee benefit expense (note 33)	(2.7)	*(2.2)*
Net finance (cost)/income	(0.3)	*0.3*

8 Taxation

Analysis of charge in the year	2017 £'m	2017 £'m	*2016 £'m*
Current tax			
UK corporation tax			
UK corporation tax at 19.25 per cent. (2016: 20.00 per cent.)	1.8		*1.4*
Double tax relief	(1.8)		*(1.4)*
		–	*–*
Foreign tax			
Corporation tax	14.0		*11.6*
Adjustment in respect of prior years	0.3		*0.1*
		14.3	*11.7*
Total current tax		14.3	*11.7*
Deferred tax			
Origination and reversal of timing differences			
Overseas		(0.5)	*0.7*
Tax on profit on ordinary activities		13.8	*12.4*

Factors affecting tax charge for the year	2017 £'m	*2016 £'m*
Profit on ordinary activities before tax	42.4	*6.5*
Share of associated undertakings profit	(2.0)	*(5.1)*
Group profit on ordinary activities before tax	40.4	*1.4*
Tax on ordinary activities at the standard rate of corporation tax in the UK of 19.25 per cent. (2016: 20.00 per cent.)	7.8	*0.3*
Effects of:		
Adjustment to tax in respect of prior years	0.3	*0.1*
Expenses not deductible for tax purposes	2.6	*6.6*
Adjustment in respect of foreign tax rates	4.6	*3.7*
Additional tax arising on dividends from overseas companies	1.1	*1.0*
Other income not charged to tax	(2.2)	*(1.5)*
Profit on disposal of discontinued operation not charged to tax	(3.9)	*–*
Increase in tax losses carried forward	1.9	*1.6*
Movement in other timing differences	1.6	*0.6*
Total tax charge for the year	13.8	*12.4*

The Profit on disposal of discontinued operation not charged to tax arises from the disposal of Duncan Lawrie Asset Management, the gain from which is not expected to be chargeable to tax. Expenses not deductible for tax purposes in 2016 included £4.0 million arising from the discontinued operation and consists of losses not recoverable and expenses not allowable for tax purposes.

9 Assets classified as held for sale

Following a decision to sell both British Metal Treatments Limited and GU Cutting and Grinding Services Limited, the assets and liabilities associated with the two companies have been fair valued and reclassified as held for sale. The disposal of these companies which form part of the Engineering segment is expected to complete during 2018.

The following assets and liabilities were reclassified as held for sale in relation to British Metal Treatments Limited and GU Cutting and Grinding Services Limited:

	2017 £'m	2016 £'m
Assets classified as held for sale		
Property, plant and equipment	2.7	–
Inventories	0.9	–
Trade and other receivables	1.2	–
Cash and cash equivalents	0.3	–
	5.1	–
Impairments	(0.9)	–
Assets classified as held for sale	4.2	–
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	(0.9)	–
Provisions	(0.9)	–
	(1.8)	–

In addition, the property previously occupied by Loddon Engineering was sold in March 2018. £0.7 million has been reclassified from investment property to assets held for sale.

10 Discontinued operation

On 19 December 2016 the Group announced its intention to exit the banking and financial services businesses operated by Duncan Lawrie. The assets and liabilities associated with Duncan Lawrie were consequently presented as held for sale in the 2016 financial statements.

The UK loan book was sold to Arbuthnot Latham in December 2016. The sale of the Duncan Lawrie Asset Management to Brewin Dolphin was also agreed in 2016 and completed in 2017, generating a gain on sale of £19.2 million which is reflected in these results.

The financial performance for the year end 31 December 2017 and 31 December 2016 is as follows:

	2017 £'m	*2016 £'m*
Revenue	2.8	*12.1*
Other operating income	–	*0.1*
	2.8	*12.2*
Operating expenses	(8.3)	*(19.7)*
	(5.5)	*(7.5)*
Costs associated with closure:		
– Staff termination	–	*(5.0)*
– Contract settlement	–	*(2.6)*
– Advisors fees	–	*(2.7)*
	–	*(10.3)*
Profit on sale of Duncan Lawrie Asset Management	19.2	–
Profit on sale of other operations	1.1	–
Impairment of non-current assets and loans and advances to customers	–	*(1.2)*
Profit on sale of available-for-sale-investments	–	*1.2*
Profit on sale of held-to-maturity financial assets	–	*0.6*
Loss on sale of UK loan book and provision for loss on sale of Isle of Man loan book	–	*(2.8)*
Profit/(loss) from discontinued operation	14.8	*(20.0)*

Cash flows are as follows:

	2017 £'m	*2016 £'m*
Profit/(loss) from discontinued operation	14.8	*(20.0)*
Depreciation and amortisation	–	*0.5*
Profit on sale of operations	(20.3)	–
Impairment of assets	–	*0.6*
Profit on sale of financial assets	–	*(1.8)*
Increase in working capital	17.3	*1.3*
Net decrease in banking funds	–	*9.0*
Cash flow from discontinued operation	11.8	*(10.4)*
Proceeds from sale of operations	26.4	–
Purchase of property, plant and equipment	–	*(0.1)*
Net cash inflow/(outflow) from discontinued operation	38.2	*(10.5)*

10 Discontinued operation *(continued)*

The following assets and liabilities were reclassified as held for sale in relation to Duncan Lawrie:

	2017 £'m	*2016 £'m*
Assets classified as held for sale		
Intangible assets	–	*6.3*
Available-for-sale financial assets	–	*1.0*
Held-to-maturity financial assets	–	*30.0*
Trade and other receivables	–	*28.0*
Cash and cash equivalents	–	*201.6*
Total assets of Duncan Lawrie held for sale	–	*266.9*
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	–	*(244.0)*
Current income tax liabilities	–	*(0.2)*
	–	*(244.2)*

11 Profit for the year

	2017 £'m	*2016 £'m*
The profit of the Company was:	3.9	*4.0*

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to disclose its income statement.

12 Equity dividends

	2017 £'m	*2016 £'m*
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2016 of 95p (2015: 95p) per share	2.6	*2.6*
Interim dividend for the year ended 31 December 2017 of 37p (2016: 35p) per share	1.0	*1.0*
	3.6	*3.6*

Dividends amounting to £0.1 million (2016: £0.1 million) have not been included as group companies hold 62,500 issued shares in the Company. These are classified as treasury shares.

Proposed final dividend for the year ended 31 December 2017 of 98p (2016: 95p) per share	2.8	*2.7*

The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in these financial statements.

13 Earnings/(loss) per share (EPS)

	2017 Earnings £'m	2017 Weighted average number of shares Number	2017 EPS Pence	*2016 (Loss)/ earnings £'m*	*2016 Weighted average number of shares Number*	*2016 EPS Pence*
Attributable to ordinary shareholders	22.2	2,762,000	803.8	*(10.7)*	*2,762,000*	*(387.4)*
Attributable to ordinary shareholders – continuing operations	7.4	2,762,000	268.0	*9.3*	*2,762,000*	*336.7*
Attributable to ordinary shareholders – discontinued operation	14.8	2,762,000	535.8	*(20.0)*	*2,762,000*	*(724.1)*

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 during the period, excluding those held by the Group as treasury shares (note 34).

14 Employees

	2017 Number	*2016 Number*
Average number of employees by activity:		
Agriculture	79,665	*79,075*
Engineering	250	*251*
Food Service	334	*294*
Central Management	26	*24*
	80,275	*79,644*

	2017 £'m	*2016 £'m*
Employment costs:		
Wages and salaries	91.3	*82.8*
Social security costs	2.5	*2.4*
Employee benefit obligations (see note 33) – UK	1.4	*4.6*
– Overseas	6.3	*2.2*
	101.5	*92.0*

Total remuneration paid to key employees who are members of the Executive Committees, excluding Directors of Camellia Plc, amounted to £2.1 million (2016: £1.4 million).

15 Emoluments of the Directors

	2017 £'m	*2016 £'m*
Aggregate emoluments excluding pension contributions	1.9	*1.8*

Emoluments of the highest paid Director excluding pension contributions were £0.6 million (2016: £0.6 million).

Further details of Directors' emoluments are set out on pages 34 to 35.

16 Intangible assets

Group	Goodwill £'m	Customer relationships £'m	Brands £'m	Computer software £'m	Total £'m
Cost					
At 1 January 2016	4.0	4.8	–	6.4	15.2
Additions	–	–	–	0.2	0.2
Disposals	–	–	–	(1.9)	(1.9)
Reclassification to assets held for sale	(4.0)	(4.8)	–	(2.3)	(11.1)
At 1 January 2017	–	–	–	2.4	2.4
Exchange differences	–	–	(0.1)	–	(0.1)
Additions	–	–	2.4	0.1	2.5
Disposals	–	–	–	(0.1)	(0.1)
At 31 December 2017	–	–	2.3	2.4	4.7
Amortisation					
At 1 January 2016	–	2.3	–	4.9	7.2
Exchange differences	–	–	–	0.1	0.1
Charge for the year	–	0.2	–	0.3	0.5
Disposals	–	–	–	(1.9)	(1.9)
Impairment provision	–	–	–	0.2	0.2
Reclassification to assets held for sale	–	(2.5)	–	(2.3)	(4.8)
At 1 January 2017	–	–	–	1.3	1.3
Charge for the year	–	–	–	0.3	0.3
Disposals	–	–	–	(0.1)	(0.1)
At 31 December 2017	–	–	–	1.5	1.5
Net book value at 31 December 2017	–	–	2.3	0.9	3.2
Net book value at 31 December 2016	–	–	–	*1.1*	*1.1*

17 Property, plant and equipment

Group	Bearer plants £'m	Land and buildings £'m	Plant and machinery £'m	Fixtures, fittings and equipment £'m	Total £'m
Deemed cost					
At 1 January 2016	117.5	84.4	104.6	18.9	325.4
Exchange differences	19.8	8.9	11.7	1.3	41.7
Additions	4.5	3.2	5.6	0.9	14.2
Disposals	–	(0.1)	(2.2)	(0.3)	(2.6)
Reclassification to investment properties	–	(0.7)	–	–	(0.7)
Reclassification to assets held for sale	–	–	–	(3.7)	(3.7)
At 1 January 2017	141.8	95.7	119.7	17.1	374.3
Exchange differences	(12.7)	(4.0)	(4.9)	(0.7)	(22.3)
Additions	5.8	5.3	8.5	1.0	20.6
Disposals	(1.3)	(0.2)	(2.5)	(0.3)	(4.3)
Transfer between categories	–	10.7	(10.7)	–	–
Reclassification to investment properties	–	(2.3)	–	–	(2.3)
Reclassification to assets held for sale	–	(3.1)	(3.9)	–	(7.0)
At 31 December 2017	133.6	102.1	106.2	17.1	359.0
Depreciation					
At 1 January 2016	5.3	37.7	67.0	10.3	120.3
Exchange differences	1.4	3.6	6.9	0.8	12.7
Charge for the year	5.7	2.4	6.0	0.8	14.9
Disposals	–	(0.1)	(2.1)	(0.3)	(2.5)
Impairment provision	–	–	–	0.4	0.4
Reclassification to assets held for sale	–	–	–	(3.7)	(3.7)
At 1 January 2017	12.4	43.6	77.8	8.3	142.1
Exchange differences	(1.3)	(1.4)	(2.7)	(0.6)	(6.0)
Charge for the year	6.0	1.5	6.6	1.0	15.1
Disposals	(0.3)	(0.1)	(2.4)	(0.3)	(3.1)
Transfer between categories	–	9.2	(9.2)	–	(0.0)
Impairment provision	–	0.1	0.2	–	0.3
Reclassification to investment properties	–	(1.1)	–	–	(1.1)
Reclassification to assets held for sale	–	(0.9)	(3.7)	–	(4.6)
At 31 December 2017	16.8	50.9	66.6	8.4	142.7
Net book value at 31 December 2017	116.8	51.2	39.6	8.7	216.3
Net book value at 31 December 2016	*129.4*	*52.1*	*41.9*	*8.8*	*232.2*

Land and buildings at net book value comprise:

	2017 £'m	*2016 £'m*
Freehold	26.6	*26.0*
Long leasehold	24.3	*25.6*
Short leasehold	0.3	*0.5*
	51.2	*52.1*

The amount of expenditure for property, plant and equipment in the course of construction amounted to £3.3 million (2016: £1.5 million).

18 Investment properties

	£'m
Group	
Cost	
At 1 January 2016	16.4
Exchange differences	0.1
Additions	0.5
Transfers from property, plant and equipment	0.7
At 1 January 2017	17.7
Additions	0.2
Transfers from property, plant and equipment	2.3
Reclassification to assets held for sale	(0.7)
At 31 December 2017	19.5
Depreciation	
At 1 January 2016	0.6
Exchange differences	0.1
At 1 January 2017	0.7
Transfers from property, plant and equipment	1.1
Charge for the year	0.1
At 31 December 2016	1.9
Net book value at 31 December 2017	17.6
Net book value at 31 December 2016	17.0

Included in revenue is £0.6 million (2016: £0.4 million) of rental income generated from investment properties. Direct operating expenses arising on the investment property, the majority of which generated rental income in the period, amounted to £0.2 million (2016: £0.2 million).

At the end of the year the fair value of the investment properties was £23.4 million (2016: £22.8 million). Investment properties were valued by the Directors (fair value hierarchy Level 2).

19 Biological assets

Non-current:	Forestry £'m	Livestock £'m	Total £'m
Group			
At 1 January 2016	10.2	0.9	11.1
Exchange differences	2.3	0.2	2.5
New planting additions	0.3	–	0.3
Gains arising from changes in fair value less estimated point-of-sale costs	0.9	0.2	1.1
Decreases due to harvesting	(0.8)	(0.3)	(1.1)
At 1 January 2017	12.9	1.0	13.9
Exchange differences	(1.2)	(0.1)	(1.3)
New planting additions	0.2	–	0.2
Gains arising from changes in fair value less estimated point-of-sale costs	0.8	0.3	1.1
Decreases due to harvesting	(0.8)	(0.3)	(1.1)
At 31 December 2017	11.9	0.9	12.8

Current:	2017 £'m	2016 £'m
Group		
Tea	0.2	0.3
Edible nuts	1.9	1.3
Citrus	1.0	1.3
Soya	2.3	3.1
Avocado	1.1	0.9
Other	0.1	0.3
	6.6	7.2

Biological assets are carried at fair value. Where meaningful market-determined prices do not exist to assess the fair value of biological assets, the fair value has been determined based on the net present value of expected future cash flows from those assets, discounted at appropriate pre-tax rates. At 31 December 2017 professional valuations were obtained on a significant proportion of assets. In determining the fair value of biological assets where the discounting of expected future cash flows has been used, the Directors have made certain assumptions about the expected life-span of the plantings, yields, selling prices and costs. There are no individually significant unobservable inputs. The fair value of livestock is based on market prices of livestock of similar age and sex.

New planting additions represent new areas planted to the particular crop at cost.

As at 31 December 2017 the area planted to Forestry amounted to 5,866 Hectares (2016: 5,946) from which 196,121 cubic metres (2016: 169,089) were harvested during the year.

Livestock numbers were 4,502 head (2016: 4,704) at 31 December 2017.

Fair value measurement
All of the biological assets fall under level 3 of the hierarchy defined in IFRS 13.

The basis upon which the valuations are determined is set out in accounting policies on page 46.

19 Biological assets *(continued)*

Valuations by external professional valuers and those derived from discounted cash flows both make assumptions based on unobservable inputs of: yields, an increase in which will raise the value; costs, an increase in which will decrease the value; market prices, an increase in which will raise the value; life span of the plantings, an increase in which will raise the value; discount rates, an increase in which will decrease the value. These assumptions vary significantly across different countries, crops and varieties. In preparing these valuations a long term view is taken on the yields and prices achieved.

The fair value of biological assets is sensitive to these assumptions, the more significant of which are as follows:

Non-current:

– Forestry – a 10% movement in the market price for trees or volume of trees assumed would result in a £1.2 million (2016: £1.3 million) increase/decrease in the fair value of forestry.

Current:

– Macadamia – a 10% increase/decrease in the volumes assumed would result in a £0.2 million (2016: £0.1 million) increase/decrease in the fair value of macadamia growing crop. A 10% increase/decrease in selling price assumed for macadamia would result in a £1.0 million (2016: £0.9 million) increase/decrease in the fair value.

– Avocados – a 10% increase/decrease in the volume or the price assumed would result in a £0.1 million (2016: £0.1 million) increase/decrease in the fair value of Hass avocados growing crop.

– Soya – a 10% increase/decrease in the volume or the price assumed would result in a £0.2 million (2016: £0.4 million) increase/decrease in the fair value of soya growing crop.

Financial risk management strategies

The Group is exposed to financial risks arising from changes in the prices of the agricultural products it produces. The Group does not anticipate that these prices will decline significantly in the foreseeable future. There are no futures markets available for the majority of crops grown by the Group. The Group's exposure to this risk is mitigated by the geographical spread of its operations, selective forward selling in certain instances when considered appropriate, and regular reviews of available market data on sales and production. The Group monitors closely the returns it achieves from its crops and considers replacing its biological assets when yields decline with age or markets change.

Further financial risk arises from changes in market prices of key cost components. Such costs are closely monitored.

20 Prepaid operating leases

	£'m
Group	
Cost	
At 1 January 2016	0.8
Exchange differences	0.2
At 1 January 2017	1.0
Exchange differences	(0.1)
At 31 December 2017	0.9
Net book value at 31 December 2017	0.9
Net book value at 31 December 2016	*1.0*

21 Investments in subsidiaries

	2017 £'m	*2016 £'m*
Company		
Cost		
At 1 January and 31 December	73.5	*73.5*

Details of the Company's subsidiaries are shown in note 40.

22 Investments in associates

	2017 £'m	*2016 £'m*
Group		
At 1 January	89.8	*73.0*
Exchange differences	(8.4)	*14.4*
Share of profit (note 4)	2.0	*5.1*
Dividends	(2.8)	*(2.3)*
Additions	1.0	*–*
Other equity movements	0.1	*(0.4)*
At 31 December	81.7	*89.8*
Provision for diminution in value		
At 1 January	28.8	*24.1*
Exchange differences	(2.5)	*4.7*
At 31 December	26.3	*28.8*
Net book value at 31 December	55.4	*61.0*

Details of the Group's associates are shown in note 40.

The Group's share of the results of its principal associates and its share of the assets (including goodwill) and liabilities are as follows:

	Country of incorporation	Assets £'m	Liabilities £'m	Revenues £'m	Profit £'m	Interest held %	Market value £'m
2017							
Listed							
BF&M	Bermuda	702.4	(632.4)	69.9	0.9	36.3	40.9
United Finance Limited	Bangladesh	81.0	(71.5)	7.4	0.9	38.4	13.8
United Insurance Company Limited	Bangladesh	3.0	(0.8)	0.3	0.2	37.0	4.1
		786.4	(704.7)	77.6	2.0		58.8
2016							
Listed							
BF&M	Bermuda	*522.9*	*(446.2)*	*71.7*	*3.8*	*35.8*	*52.2*
United Finance Limited	Bangladesh	*80.9*	*(70.2)*	*7.0*	*1.1*	*38.4*	*12.4*
United Insurance Company Limited	Bangladesh	*3.1*	*(0.7)*	*0.3*	*0.2*	*37.0*	*3.7*
		606.9	*(517.1)*	*79.0*	*5.1*		*68.3*

23 Available-for-sale financial assets

	Group		Company	
	2017	*2016*	2017	*2016*
	£'m	*£'m*	£'m	*£'m*
Cost or fair value				
At 1 January	39.6	*35.7*	0.2	*0.2*
Exchange differences	(3.7)	*6.4*	–	–
Fair value adjustment	10.9	*3.5*	–	–
Additions	4.0	*3.4*	–	–
Disposals	(1.1)	*(7.2)*	–	–
Fair value adjustment for disposal	(0.3)	*(1.2)*	–	–
Reclassification to assets held for resale	–	(1.0)	–	–
At 31 December	49.4	*39.6*	0.2	*0.2*
Provision for diminution in value				
At 1 January	2.4	*5.1*	–	–
Exchange differences	(0.2)	*0.6*	–	–
Provided during year	0.2	*0.1*	0.2	–
Disposals	–	*(3.4)*	–	–
At 31 December	2.4	*2.4*	*0.2*	–
Net book value at 31 December	47.0	*37.2*	–	*0.2*

Available-for-sale financial assets include the following:

	Group		Company	
	2017	*2016*	2017	*2016*
	£'m	*£'m*	£'m	*£'m*
Listed securities:				
Equity securities – Bermuda	5.2	*5.1*	–	–
Equity securities – Japan	20.3	*15.7*	–	–
Equity securities – Switzerland	9.5	*8.5*	–	–
Equity securities – US	4.1	*2.8*	–	–
Equity securities – India	3.8	*3.5*	–	–
Equity securities – Europe	0.5	*0.5*	–	–
Equity securities – Other	0.3	*0.4*	–	–
Treasury infrastructure bonds – 12.0% to 12.2% interest payable twice yearly and redeemable in November 2022 – Kenya	1.5	–	–	–
Treasury infrastructure bonds – 12.0% to 12.2% interest payable twice yearly and redeemable in November 2024 – Kenya	1.5	–	–	–
Debentures with fixed interest of 12.5% and repayable twice yearly until 31 October 2019 – Kenya	0.3	0.5	–	–
Unlisted investments	–	0.2	–	0.2
	47.0	*37.2*	–	*0.2*

23 Available-for-sale financial assets *(continued)*

Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*
Sterling	–	*0.2*	–	*0.2*
US Dollar	4.1	*2.8*	–	*–*
Euro	0.5	*0.5*	–	*–*
Swiss Franc	9.5	*8.5*	–	*–*
Indian Rupee	3.8	*3.5*	–	*–*
Bermudian Dollar	5.2	*5.1*	–	*–*
Japanese Yen	20.3	*15.7*	–	*–*
Kenyan Shilling	3.3	*0.5*	–	*–*
Other	0.3	*0.4*	–	*–*
	47.0	*37.2*	–	*0.2*

24 Held-to-maturity financial assets

	Group	
	2017 £'m	*2016 £'m*
Cost or fair value		
At 1 January	–	*29.5*
Additions	–	*30.0*
Disposals	–	*(29.5)*
Reclassification to assets held for resale	–	*(30.0)*
At 31 December	–	*–*

25 Other investments – heritage assets

	Group		Company	
	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*
Cost				
At 1 January	9.2	*9.0*	10.4	*10.2*
Additions	0.2	*0.2*	0.2	*0.2*
At 31 December	9.4	*9.2*	10.6	*10.4*

Heritage assets comprise the Group's and Company's investment in fine art, philately, documents and manuscripts. The market value of these collections is expected to be in excess of book value.

26 Inventories

	2017 £'m	*2016 £'m*
Group		
Made Tea	31.3	*34.8*
Other agricultural produce	1.9	*1.6*
Work in progress	0.2	*0.4*
Trading stocks	2.5	*2.2*
Raw materials and consumables	11.5	*11.6*
	47.4	*50.6*

Made Tea inventories include the fair value of green leaf which includes a fair value uplift of £1.2 million (2016: £0.8 million).

27 Trade and other receivables

	Group	
	2017 £'m	*2016 £'m*
Group		
Current:		
Trade receivables	30.3	*27.8*
Amounts owed by associated undertakings	0.1	–
Other receivables	7.4	*7.6*
Prepayments and accrued income	5.9	*5.2*
	43.7	*40.6*
Non-current:		
Other receivables	1.9	*1.8*
	1.9	*1.8*

27 Trade and other receivables *(continued)*

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2017 £'m	*2016 £'m*
Current:		
Sterling	11.7	*9.6*
US Dollar	3.5	*3.8*
Euro	1.3	*1.4*
Kenyan Shilling	2.5	*2.1*
Indian Rupee	19.5	*19.2*
Malawian Kwacha	0.9	*0.4*
Bangladesh Taka	2.3	*1.9*
South African Rand	0.2	*0.4*
Brazilian Real	0.9	*1.2*
Other	0.9	*0.6*
	43.7	*40.6*
Non-current:		
US Dollar	–	*0.3*
Kenyan Shilling	0.5	*0.5*
Indian Rupee	1.1	*0.6*
Bangladesh Taka	0.3	*0.4*
	1.9	*1.8*

Included within trade receivables is a provision for doubtful debts of £0.3 million (2016: £0.3 million) and all other trade receivables are with normal trading partners and there is no history of defaults.

Trade receivables include receivables of £6.0 million (2016: £4.4 million) which are past due at the reporting date against which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. Ageing of past due but not provided for receivables is as follows:

	2017 £'m	*2016 £'m*
Up to 30 days	4.0	*3.1*
30-60 days	0.8	*0.5*
60-90 days	0.3	*0.2*
Over 90 days	0.9	*0.6*
	6.0	*4.4*

28 Cash and cash equivalents

	Group		Company	
	2017	*2016*	2017	*2016*
	£'m	*£'m*	£'m	*£'m*
Cash at bank and in hand	42.8	*31.0*	0.1	–
Short-term bank deposits	61.1	*37.8*	–	–
Short-term liquid investments	4.1	*4.1*	–	–
	108.0	*72.9*	0.1	–

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2017	*2016*	2017	*2016*
	£'m	*£'m*	£'m	*£'m*
Cash and cash equivalents	108.0	*72.9*	0.1	–
Bank overdrafts (note 30)	(1.2)	*(1.1)*	–	–
	106.8	*71.8*	0.1	–

	2017	*2016*	2017	*2016*
Effective interest rate:				
Short-term deposits	0.57 - 12.00%	2.50 - 12.50%	–	–
Short-term liquid investments	5.08 - 9.75%	6.45 - 6.49%	–	–
Average maturity period:				
Short-term deposits	58 days	*88 days*	–	–
Short-term liquid investments	64 days	*46 days*	–	–

29 Trade and other payables

	Group		Company	
	2017	*2016*	2017	*2016*
	£'m	*£'m*	£'m	*£'m*
Current:				
Trade payables	28.3	*30.3*	–	–
Other taxation and social security	1.6	*2.6*	–	–
Other payables	18.4	*19.4*	0.2	*0.1*
Accruals	8.2	*6.4*	–	–
	56.5	*58.7*	0.2	*0.1*

30 Financial liabilities – borrowings

	2017 £'m	*2016 £'m*
Group		
Current:		
Bank overdrafts	1.2	*1.1*
Bank loans	0.6	*0.6*
	1.8	*1.7*
Current borrowings include the following amounts secured on property, plant and equipment and investment properties:		
Bank overdrafts	0.8	*0.2*
Bank loans	0.6	*0.6*
	1.4	*0.8*
Non-current:		
Bank loans	3.9	*4.5*
Finance leases	0.1	*–*
	4.0	*4.5*
Non-current borrowings include the following amounts secured on plant and equipment and investment properties:		
Bank loans	3.9	*4.5*
Finance leases	0.1	*–*
	4.0	*4.5*
The repayment of bank loans and overdrafts fall due as follows:		
Within one year or on demand (included in current liabilities)	1.8	*1.7*
Between 1 – 2 years	0.6	*0.6*
Between 2 – 5 years	3.3	*3.9*
	5.7	*6.2*
Minimum finance lease payments fall due as follows:		
Between 2 – 5 years	0.1	–
	0.1	–
Future finance charges on finance leases	–	–
Present value of finance lease liabilities	0.1	–

30 Financial liabilities – borrowings *(continued)*

The rates of interest payable by the group ranged between:

	2017 %	*2016 %*
Bank overdrafts	2.25 – 21.50	*2.00 – 33.00*
Bank loans	3.03	*3.03*
Finance leases	6.80 - 9.50	–

31 Provisions

	Wages and salaries £'m	Claims £'m	Total £'m
Group			
At 1 January 2016	4.0	0.8	4.8
Exchange differences	1.0	–	1.0
Utilised in the period	(2.0)	(0.1)	(2.1)
Provided in the period	4.7	0.2	4.9
At 1 January 2017	7.7	0.9	8.6
Exchange differences	(1.0)	–	(1.0)
Utilised in the period	(0.4)	–	(0.4)
Provided in the period	7.7	0.7	8.4
Unused amounts reversed in period	–	(0.4)	(0.4)
At 31 December 2017	14.0	1.2	15.2
Current:			
At 31 December 2017	14.0	1.2	15.2
At 31 December 2016	7.7	0.9	8.6

The wages and salaries provisions are in respect of unresolved wage negotiations in Kenya for the Collective Bargaining Agreement years of 2014/15 and 2016/17 and ongoing wage negotiations in India and Bangladesh.

32 Deferred tax

The net movement on the deferred tax account is set out below:

	Group		Company	
	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*
At 1 January	43.1	*37.2*	0.2	*0.2*
Exchange differences	(3.7)	*6.4*	–	–
(Credited)/charged to the income statement	(0.5)	*0.7*	–	–
Credited to equity	1.1	*(1.2)*	–	–
At 31 December	40.0	*43.1*	0.2	*0.2*

32 Deferred tax *(continued)*

The movement in deferred tax assets and liabilities is set out below:

Deferred tax liabilities

	Accelerated tax depreciation £'m	Other £'m	Total £'m
At 1 January 2016	43.2	0.1	43.3
Exchange differences	7.7	0.2	7.9
(Credited)/charged to the income statement	(1.9)	2.8	0.9
At 1 January 2017	49.0	3.1	52.1
Exchange differences	(4.4)	(0.2)	(4.6)
Charged/(credited) to the income statement	3.5	(2.0)	1.5
At 31 December 2017	48.1	0.9	49.0
Deferred tax assets offset			(8.8)
Net deferred tax liability after offset			40.2

Deferred tax assets

	Tax losses £'m	Pension scheme asset £'m	Other £'m	Total £'m
At 1 January 2016	0.5	1.1	4.5	6.1
Exchange differences	0.1	0.1	1.3	1.5
Credited to the income statement	(0.3)	(1.3)	1.8	0.2
Credited to equity	–	0.9	0.3	1.2
At 1 January 2017	0.3	0.8	7.9	9.0
Exchange differences	–	(0.5)	(0.4)	(0.9)
Credited to the income statement	0.4	0.1	1.5	2.0
Charged to equity	–	(1.0)	(0.1)	(1.1)
Recategorisation	–	3.8	(3.8)	–
At 31 December 2017	0.7	3.2	5.1	9.0
Offset against deferred tax liabilities				(8.8)
Net deferred tax asset after offset				0.2

Deferred tax liabilities of £23.8 million (2016: £24.3 million) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets of £10.9 million (2016: £9.5 million) in respect of losses that can be carried forward against future taxable income.

33 Employee benefit obligations

(i) Pensions

Certain Group subsidiaries operate defined contribution and funded defined benefit pension schemes. The most significant is the UK funded, final salary defined benefit scheme. The assets of this scheme are administered by trustees and are kept separate from those of the Group. The performance of the assets is monitored on a regular basis by the trustees and their investment advisors. A full actuarial valuation was undertaken as at 1 July 2017 and updated to 31 December 2017 by a qualified independent actuary. The UK final salary defined benefit pension scheme is closed to new entrants and with effect from 1 November 2016, the scheme was closed to future accruals. Since that date members have participated in a defined contribution scheme.

The overseas schemes are operated in Group subsidiaries located in Bangladesh, India and The Netherlands. Actuarial valuations have been updated to 31 December 2017 by qualified actuaries for these schemes.

Assumptions

The major assumptions used in the valuation to determine the present value of the schemes' defined benefit obligations were as follows:

	2017 % per annum	*2016* *% per annum*
UK schemes		
Rate of increase in salaries	N/a	*2.00*
Rate of increase to LPI (Limited Price Indexation) pensions in payment	2.20 – 5.00	*2.40 – 5.00*
Discount rate applied to scheme liabilities	2.45	*2.65*
Inflation assumption (CPI/RPI)	2.20/3.20	*2.40/3.40*

Assumptions regarding future mortality experience are based on advice received from independent actuaries. The current mortality tables used are SAPS 2, males 105% and females 104%, on a year of birth basis, with CMI_2016 future improvement factors and subject to a long term annual rate of future improvement of 1.25% per annum. This results in males and females aged 65 having life expectancies of 21.7 years (2016: 22.5 years) and 23 years respectively (2016: 24.4 years).

	2017 % per annum	*2016* *% per annum*
Overseas schemes		
Rate of increase in salaries	1.50 – 7.00	*1.50 – 7.00*
Rate of increase to LPI (Limited Price Indexation) pensions in payment	0.00 – 3.00	*0.00 – 5.00*
Discount rate applied to scheme liabilities	2.00 – 7.50	*1.80 – 9.00*
Inflation assumption	0.00 – 7.00	*0.00 – 7.00*

(ii) Post-employment benefits

Certain Group subsidiaries located in Kenya, India and Bangladesh have an obligation to pay terminal gratuities, based on years of service. These obligations are estimated annually using the projected unit method by qualified independent actuaries. Schemes operated in India are funded but the schemes operated in Kenya and Bangladesh are unfunded. Operations in India and Bangladesh also have an obligation to pay medical benefits upon retirement. These schemes are unfunded.

33 Employee benefit obligations *(continued)*

Assumptions

The major assumptions used in the valuation to determine the present value of the post-employment benefit obligations were as follows:

	2017	2016
	% per annum	*% per annum*
Rate of increase in salaries	6.00 – 10.00	*6.00 – 10.00*
Discount rate applied to scheme liabilities	7.00 – 13.50	*6.75 – 14.50*
Inflation assumptions	0.00 – 10.00	*0.00 – 10.00*

(iii) Leave obligations

Certain Group subsidiaries located in India have an obligation to pay leave benefit, based on years of service. These obligations are estimated annually using the projected unit method by qualified independent actuaries. These schemes are unfunded.

Sensitivity analysis

The sensitivity of the UK defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation
Discount rate	0.5% higher	7.2% decrease
Discount rate	0.5% lower	8.1% increase
Rate of RPI inflation	0.25% higher	1.8% increase
Rate of RPI inflation	0.25% lower	1.7% decrease
Life expectancy	+1 year	4.5% increase
Life expectancy	-1 year	4.5% decrease

The above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the scheme holds a proportion of its assets in corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, thus mitigating the increase in the defined benefit obligation to some extent. The sensitivities have been calculated by changing the key assumption only and leaving all others fixed.

Duration of the scheme liabilities

The weighted average duration of the UK scheme's liabilities is 15 years.

Analysis of scheme liabilities

The liabilities of the UK scheme are split as follows:

	%
Deferred pensioners	41
Current pensioners	59
Total membership	100

33 Employee benefit obligations *(continued)*

(iv) Actuarial valuations

	2017			*2016*		
	UK £'m	Overseas £'m	Total £'m	*UK £'m*	*Overseas £'m*	*Total £'m*
Equities and property	108.6	0.7	109.3	*96.5*	*0.7*	*97.2*
Bonds	48.2	19.5	67.7	*62.6*	*17.6*	*80.2*
Diversified growth	16.9	–	16.9	–	–	–
Cash	0.6	7.2	7.8	*5.0*	*6.8*	*11.8*
Other	–	4.9	4.9	–	*4.9*	*4.9*
Total fair value of plan assets	174.3	32.3	206.6	*164.1*	*30.0*	*194.1*
Present value of defined benefit obligations	(188.6)	(48.9)	(237.5)	*(208.7)*	*(52.1)*	*(260.8)*
Total deficit in the schemes	(14.3)	(16.6)	(30.9)	*(44.6)*	*(22.1)*	*(66.7)*
Amount recognised as asset in the balance sheet	–	0.3	0.3	–	*0.1*	*0.1*
Amount recognised as current liability in the balance sheet	–	(0.7)	(0.7)	–	*(0.9)*	*(0.9)*
Amount recognised as non-current liability in the balance sheet	(14.3)	(16.2)	(30.5)	*(44.6)*	*(21.3)*	*(65.9)*
	(14.3)	(16.6)	(30.9)	*(44.6)*	*(22.1)*	*(66.7)*
Related deferred tax asset (note 32)	–	3.2	3.2	–	*0.8*	*0.8*
Net deficit	(14.3)	(13.4)	(27.7)	*(44.6)*	*(21.3)*	*(65.9)*

Movements in the fair value of scheme assets were as follows:

	2017			*2016*		
	UK £'m	Overseas £'m	Total £'m	*UK £'m*	*Overseas £'m*	*Total £'m*
At 1 January	164.1	30.0	194.1	*149.6*	*22.4*	*172.0*
Transfer from other creditors	–	–	–	–	*0.6*	*0.6*
Expected return on plan assets	4.1	1.8	5.9	*5.6*	*1.8*	*7.4*
Employer contributions	0.9	3.8	4.7	*1.4*	*2.8*	*4.2*
Benefit payments	(9.6)	(2.1)	(11.7)	*(7.6)*	*(2.1)*	*(9.7)*
Actuarial gains	14.8	0.1	14.9	*15.1*	*0.4*	*15.5*
Exchange differences	–	(1.3)	(1.3)	–	*4.1*	*4.1*
At 31 December	174.3	32.3	206.6	*164.1*	*30.0*	*194.1*

33 Employee benefit obligations *(continued)*

Movements in the present value of defined benefit obligations were as follows:

	2017 UK £'m	2017 Overseas £'m	2017 Total £'m	*2016 UK £'m*	*2016 Overseas £'m*	*2016 Total £'m*
At 1 January	(208.7)	(52.1)	(260.8)	*(174.1)*	*(36.5)*	*(210.6)*
Transfer from other creditors	–	–	–	*–*	*(1.1)*	*(1.1)*
Current service cost	–	(2.5)	(2.5)	*(0.4)*	*(1.8)*	*(2.2)*
Interest cost	(5.3)	(3.3)	(8.6)	*(6.5)*	*(3.1)*	*(9.6)*
Benefit payments	9.6	2.1	11.7	*7.6*	*2.1*	*9.7*
Actuarial gains/(losses)	15.8	3.6	19.4	*(35.3)*	*(4.5)*	*(39.8)*
Exchange differences	–	3.3	3.3	*–*	*(7.2)*	*(7.2)*
At 31 December	(188.6)	(48.9)	(237.5)	*(208.7)*	*(52.1)*	*(260.8)*

In 2015, the total fair value of plan assets was £172.0 million, present value of defined benefit obligations was £210.6 million and the deficit was £38.6 million. In 2014, the total fair value of plan assets was £169.6 million, present value of defined benefit obligations was £211.2 million and the deficit was £41.6 million and in 2013, the total fair value of plan assets was £164.0 million, present value of defined benefit obligations was £185.4 million and the deficit was £21.4 million.

Income Statement

The amounts recognised in the Income Statement are as follows:

	2017 UK £'m	2017 Overseas £'m	2017 Total £'m	*2016 UK £'m*	*2016 Overseas £'m*	*2016 Total £'m*
Amounts charged to operating profit:						
Current service cost	–	(2.5)	(2.5)	*(0.4)*	*(1.8)*	*(2.2)*
Total operating charge	–	(2.5)	(2.5)	*(0.4)*	*(1.8)*	*(2.2)*
Amounts charged to other finance costs:						
Interest expense	(1.2)	(1.5)	(2.7)	*(0.9)*	*(1.3)*	*(2.2)*
Total charged to income statement	(1.2)	(4.0)	(5.2)	*(1.3)*	*(3.1)*	*(4.4)*

Employer contributions to defined contribution schemes are charged to profit when payable and the costs charged were £5.2 million (2016: £4.6 million).

33 Employee benefit obligations *(continued)*

Actuarial gains and losses recognised in the Statement of Comprehensive Income
The amounts included in the Statement of Comprehensive Income:

		2017			*2016*	
	UK £'m	Overseas £'m	Total £'m	*UK £'m*	*Overseas £'m*	*Total £'m*
Remeasurements:						
Return on plan assets, excluding amount included in interest	14.8	0.1	14.9	*15.1*	*0.4*	*15.5*
Gain from changes in demographic assumptions	14.7	–	14.7	*–*	*–*	*–*
(Loss)/gain from changes in financial assumptions	(4.8)	4.8	–	*(37.1)*	*(5.3)*	*(42.4)*
Experience gains/(losses)	5.9	(1.2)	4.7	*1.8*	*0.8*	*2.6*
Actuarial gain/(loss)	30.6	3.7	34.3	*(20.2)*	*(4.1)*	*(24.3)*

Cumulative actuarial losses recognised in the Statement of Comprehensive Income are £25.0 million (2016: £59.3 million).

As the UK defined benefit pension scheme was closed to future accrual and active members were transferred to a defined contribution scheme, no employer contributions will be paid for the year commencing 1 January 2018, however, contributions totalling £0.2 million will be paid in accordance with the previous schedule of contributions. No contributions will be made after 1 April 2018 as the latest actuarial valuation shows a funding surplus of £7.1 million.

34 Share capital

	2017 £'m	*2016 £'m*
Authorised: 2,842,000 (2016: 2,842,000) ordinary shares of 10p each	0.3	*0.3*
Allotted, called up and fully paid: ordinary shares of 10p each:		
At 1 January and 31 December – 2,824,500 (2016: 2,824,500) shares	0.3	*0.3*

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

35 Reconciliation of profit from continuing operations to cash flow

	2017 £'m	*2016 £'m*
Group		
Profit from continuing operations	27.3	*25.6*
Share of associates' results	(2.0)	*(5.1)*
Depreciation and amortisation	15.4	*14.9*
Impairment of assets and provisions	1.8	*0.1*
Profit on disposal of non-current assets	(0.1)	*(0.2)*
Profit on disposal of investments	(0.7)	*(1.5)*
Increase in working capital	1.2	*3.0*
Pensions and similar provisions less payments	(2.2)	*(1.5)*
Cash generated from continuing operations	40.7	*35.3*

36 Reconciliation of net cash flow to movement in net cash

	2017 £'m	*2016 £'m*
Group		
Increase/(decrease) in cash and cash equivalents in the year	40.2	*(4.1)*
Net cash outflow from decrease in debt	0.5	*0.6*
Increase/(decrease) in net cash resulting from cash flows	40.7	*(3.5)*
Exchange rate movements	(5.2)	*10.3*
Increase in net cash in the year	35.5	*6.8*
Net cash at beginning of year	66.7	*59.9*
Net cash at end of year	102.2	*66.7*

37 Commitments

Capital commitments
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2017 £'m	*2016 £'m*
Group		
Property, plant and equipment	2.5	*1.9*
	2.5	*1.9*

Operating leasing commitments – minimum lease payments
The Group leases land and buildings, plant and machinery under non-cancellable operating lease arrangements, which have various terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 £'m	*2016 £'m*
Group		
Land and buildings:		
Within 1 year	1.0	*2.0*
Between 1 – 5 years	3.0	*2.8*
After 5 years	17.1	*18.3*
	21.1	*23.1*
Plant and machinery:		
Within 1 year	0.2	*0.3*
Between 1 – 5 years	0.2	*0.2*
	0.4	*0.5*

The Group's most significant operating lease commitments are long term property leases with renewal terms in excess of 60 years.

38 Contingencies

In India, assessments have been received for excise duties of £3.8 million and of £1.3 million for income tax matters. These are being contested on the basis that they are without technical merit.

In India, a long running dispute between our local subsidiaries and the Government of West Bengal over the payment of a land transfer tax, locally called, "Salami", remains unresolved. Lawyers acting for the Group have advised that payment of Salami does not apply. The sum in dispute, excluding fines and penalties, amounts to £1.4 million. Since the year end, and pending resolution of the dispute (which, if resolved in our favour, will result in the sums being returned), the Group has agreed to deposit the tax in seven equal annual instalments in order to allow the normal functioning of the estates.

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

39 Financial instruments

Capital risk management
The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of its debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 30, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Board reviews the capital structure, with an objective to ensure that gross borrowings as a percentage of tangible net assets does not exceed 50 per cent.

The ratio at the year end is as follows:

	2017 £'m	*2016* *£'m*
Borrowings	5.8	*6.2*
Tangible net assets	365.2	*329.7*
Ratio	1.59%	*1.88%*

Borrowings are defined as current and non-current borrowings, as detailed in note 30.

Tangible net assets includes all capital and reserves of the Group attributable to equity holders of the parent less intangible assets.

Financial instruments by category
At 31 December 2017

	Loans and receivables £'m	Available for sale £'m	Total £'m
Group			
Assets as per Balance Sheet			
Available-for-sale financial assets	–	47.0	47.0
Trade and other receivables excluding prepayments	39.7	–	39.7
Cash and cash equivalents	108.0	–	108.0
	147.7	47.0	194.7

39 Financial instruments *(continued)*

	Other financial liabilities at amortised cost £'m	Total £'m
Group		
Liabilities as per Balance Sheet		
Borrowings	5.8	5.8
Trade and other payables	69.7	69.7
	75.5	75.5
Company		
Trade and other payables	0.1	0.1

At 31 December 2016

	Loans and receivables £'m	Available for sale £'m	Total £'m
Group			
Assets as per Balance Sheet			
Available-for-sale financial assets	*–*	*37.2*	*37.2*
Trade and other receivables excluding prepayments	*37.2*	*–*	*37.2*
Cash and cash equivalents (excluding bank subsidiaries)	*72.9*	*–*	*72.9*
	110.1	*37.2*	*147.3*
Company			
Available-for-sale financial assets	*–*	*0.2*	*0.2*

	Other financial liabilities at amortised cost £'m	Total £'m
Group		
Liabilities as per Balance Sheet		
Borrowings	*6.2*	*6.2*
Trade and other payables	*64.3*	*64.3*
	70.5	*70.5*
Company		
Trade and other payables	*0.1*	*0.1*

39 Financial instruments *(continued)*

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value. See note 19 for disclosures of biological assets that are measured at fair value.

At 31 December 2017

	Level 1 £'m	Level 3 £'m	Total £'m
Assets			
Available-for sale financial assets:			
– Equity securities	43.7	–	43.7
Debt investments:			
– Debentures	3.3	–	3.3
	47.0	–	47.0

At 31 December 2016

	Level 1 £'m	Level 3 £'m	Total £'m
Assets			
Available-for sale financial assets:			
– Equity securities	*36.5*	*0.2*	*36.7*
Debt investments:			
– Debentures	*0.5*	–	*0.5*
	37.0	*0.2*	*37.2*

Financial risk management objectives

The Group finances its operations by a mixture of retained profits, bank borrowings, long-term loans and leases. The objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. To achieve this, the maturity profile of borrowings and facilities are regularly reviewed. The Group also seeks to maintain sufficient undrawn committed borrowing facilities to provide flexibility in the management of the Group's liquidity.

Given the nature and diversity of the Group's operations, the board does not believe a highly complex use of financial instruments would be of significant benefit to the Group. However, where appropriate, the Board does authorise the use of certain financial instruments to mitigate financial risks that face the Group, where it is effective to do so.

Various financial instruments arise directly from the Group's operations, for example cash and cash equivalents, trade receivables and trade payables. In addition, the Group uses financial instruments for two main reasons, namely:

- To finance its operations (to mitigate liquidity risk);
- To manage currency risks arising from its operations and arising from its sources of finance (to mitigate foreign exchange risk).

39 Financial instruments *(continued)*

The Group, including Duncan Lawrie, the Group's discontinued banking subsidiary, did not, in accordance with Group policy, trade in financial instruments throughout the period under review.

(A) Market risk

(i) Foreign exchange risk

The Group has no material exposure to foreign currency exchange risk on currencies other than the functional currencies of the operating entities, with the exception of significant Japanese available-for-sale financial assets. A movement by 5 per cent. in the exchange rate of the Japanese Yen with Sterling, the Group's equity balance would increase/decrease by £1.0 million (2016: £0.8 million).

Currency risks are primarily managed through the use of natural hedging and regularly reviewing when cash should be exchanged into either sterling or another functional currency.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The majority of the Group's equity investments are publicly traded and are quoted on stock exchanges located in Bermuda, Japan, Switzerland, UK and US. Should these equity indexes increase or decrease by 5 per cent. with all other variables held constant and all the Group's equity instruments move accordingly, the Group's equity balance would increase/decrease by £2.2 million (2016: £1.8 million).

The Group's exposure to commodity price risk is not significant.

(iii) Cash flow and interest rate risk

The Group's interest rate risk arises from interest-bearing assets and short and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's UK borrowings of £4.6 million are at fixed rates.

At 31 December 2017, if interest rates on non-sterling denominated interest-bearing assets and borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £0.3 million (2016: £0.3 million) higher/lower.

The interest rate exposure of the Group's interest bearing assets and liabilities by currency, at 31 December was:

	Assets		Liabilities	
	2017	*2016*	2017	*2016*
	£'m	£'m	£'m	£'m
Sterling	40.9	*7.5*	4.6	*5.1*
US Dollar	13.1	*17.3*	–	–
Euro	0.9	*0.9*	0.1	–
Swiss Franc	0.6	*0.8*	–	–
Kenyan Shilling	26.8	*19.2*	–	–
Indian Rupee	9.4	*12.5*	0.6	*0.1*
Malawian Kwacha	0.1	*0.1*	0.3	*0.9*
Bangladesh Taka	10.9	*9.7*	0.1	*0.1*
South African Rand	0.6	*1.5*	0.1	–
Brazilian Real	2.7	*2.7*	–	–
Bermudian Dollar	2.0	*0.7*	–	–
	108.0	*72.9*	5.8	*6.2*

39 Financial instruments *(continued)*

(B) Credit risk

The Group has policies in place to limit its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise if there is no independent rating, management assesses the credit quality of the customer taking into account its financial position, past experience and other factors and if appropriate holding liens over stock and receiving payments in advance of services or goods as required. Management monitors the utilisation of credit limits regularly.

The Group has a large number of trade receivables, the largest five receivables at the year end comprise 27 per cent. (2016: 27 per cent.) of total trade receivables.

(C) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and managing the maturity profiles of financial assets and liabilities.

At 31 December 2017, the Group had undrawn committed facilities of £25.8 million (2016: £28.5 million), all of which are due to be reviewed within one year.

The table below analyses the Group's financial assets and liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m	Undated £'m	Total £'m
At 31 December 2017						
Assets						
Available-for-sale financial assets	0.1	0.2	1.5	1.5	43.7	47.0
Trade and other receivables	37.8	1.9	–	–	–	39.7
Cash and cash equivalents	108.0	–	–	–	–	108.0
	145.9	2.1	1.5	1.5	43.7	194.7
Liabilities						
Borrowings	1.8	0.6	3.4	–	–	5.8
Trade and other payables	54.9	–	–	–	–	54.9
	56.7	0.6	3.4	–	–	60.7
At 31 December 2016						
Assets						
Available-for-sale financial assets	*0.1*	*0.1*	*0.3*	–	*36.7*	*37.2*
Trade and other receivables	*35.4*	*1.8*	–	–	–	*37.2*
Cash and cash equivalents	*72.9*	–	–	–	–	*72.9*
	108.4	*1.9*	*0.3*	–	*36.7*	*147.3*
Liabilities						
Borrowings	*1.7*	*0.6*	*3.9*	–	–	*6.2*
Trade and other payables	*56.1*	–	–	–	–	*56.1*
	57.8	*0.6*	*3.9*	–	–	*62.3*

Included in borrowings due in less than 1 year is £1.2 million (2016: £1.1 million) repayable on demand.

40 Subsidiary and associated undertakings

Subsidiary undertakings
The subsidiary undertakings of the Group at 31 December 2017, which are wholly owned and incorporated in Great Britain unless otherwise stated, were:

	Principal country of operation	Registered Office
Agriculture		
Amgoorie India Limited (Incorporated in India – 99.8 per cent. holding)	India	*(ii)*
Amo Tea Company Limited	Bangladesh	*(i)*
C.C. Lawrie Comércio e Participacões Ltda. (Incorporated in Brazil)	Brazil	*(vi)*
Chittagong Warehouse Limited (Incorporated in Bangladesh – 93.3% holding)	Bangladesh	*(vii)*
Duncan Brothers Limited (Incorporated in Bangladesh)	Bangladesh	*(vii)*
Eastern Produce Cape (Pty) Limited (Incorporated in South Africa)	South Africa	*(viii)*
Eastern Produce Estates South Africa (Pty) Limited (Incorporated in South Africa – held by Eastern Produce South Africa (Pty) Limited)	South Africa	*(ix)*
Eastern Produce Kenya Limited (Incorporated in Kenya – 70.0 per cent. holding)	Kenya	*(x)*
Eastern Produce Malawi Limited (Incorporated in Malawi– 73.2 per cent. holding)	Malawi	*(xii)*
Eastern Produce South Africa (Pty) Limited (Incorporated in South Africa – 73.2 per cent. holding)	South Africa	*(ix)*
Eastland Camellia Limited (Incorporated in Bangladesh – 93.8% holding)	Bangladesh	*(vii)*
Goodricke Group Limited (Incorporated in India – 76.5 per cent. holding)	India	*(iii)*
Goodricke Tech Limited (Incorporated in India - 99.8 per cent. holding)	India	*(iii)*
Horizon Farms (An United States of America general partnership – 80 per cent. holding)	USA	*(xiii)*
Kakuzi Limited (Incorporated in Kenya – 50.7 per cent. holding)	Kenya	*(xi)*
Koomber Tea Company Limited (Incorporated in India)	India	*(iv)*
Octavius Steel & Company of Bangladesh Limited (Incorporated in Bangladesh)	Bangladesh	*(vii)*
Robertson Bois Dickson Anderson Limited	UK	*(i)*
Stewart Holl (India) Limited (Incorporated in India – 92.0 per cent. holding)	India	*(v)*
Surmah Valley Tea Company Limited	Bangladesh	*(i)*
The Allynugger Tea Company Limited	Bangladesh	*(i)*
The Chandpore Tea Company Limited	Bangladesh	*(i)*
The Lungla (Sylhet) Tea Company Limited	Bangladesh	*(i)*
The Mazdehee Tea Company Limited	Bangladesh	*(i)*
Victoria Investments Limited (Incorporated in Malawi – 73.2 per cent. holding)	Malawi	*(xii)*
Zetmac (Pty) Limited (Incorporated in South Africa – 55.8 per cent. held by Eastern Produce Estates South Africa (Pty) Limited)	South Africa	*(ix)*
Engineering		
Abbey Metal Finishing Company Limited	UK	(i)
AJT Engineering Limited	UK	(xiv)
AKD Engineering Limited	UK	(xv)
Atfin GmbH (Incorporated in Germany – 51.0 per cent. holding)	Germany	(xvi)
British Metal Treatments Limited	UK	(i)
GU Cutting and Grinding Services Limited	UK	(i)
Unochrome Investments Limited (formerly Loddon Engineering Limited)	UK	(i)
XiMo AG (Incorporated in Switzerland – 51.0 per cent. holding)	Switzerland	(xvii)
Food Service		
Affish BV (Incorporated in Holland)	The Netherlands	(xviii)
Associated Cold Stores & Transport Limited	UK	(i)
Duncan Products Limited (Incorporated in Bangladesh)	Bangladesh	(vii)
Wylax International BV (Incorporated in Holland)	The Netherlands	(xviii)

40 Subsidiary and associated undertakings *(continued)*

Subsidiary undertakings *(continued)*

	Principal country of operation	Registered Office
Banking and Financial Services		
Duncan Lawrie Limited	UK	*(i)*
Duncan Lawrie Holdings Limited	UK	*(i)*
Duncan Lawrie International Holdings Limited (Incorporated in Isle of Man)	Isle of Man	*(xix)*
Duncan Lawrie (IOM) Limited (Incorporated in Isle of Man)	Isle of Man	*(xix)*
Duncan Lawrie Offshore Services Limited (Incorporated in Isle of Man)	Isle of Man	*(xix)*
Dunman Nominees Limited (Incorporated in Isle of Man)	Isle of Man	*(xix)*
Havelock Nominees Limited (Incorporated in Isle of Man)	Isle of Man	*(xix)*
Hobart Place Nominees Limited	UK	*(i)*
Mount Havelock Directors Limited (Incorporated in Isle of Man)	Isle of Man	*(xix)*
Mount Havelock Investments Limited (Incorporated in Isle of Man)	Isle of Man	*(xix)*
Mount Havelock Secretaries Limited (Incorporated in Isle of Man)	Isle of Man	*(xix)*
Investment Holding		
Affish Limited	UK	*(i)*
Assam Dooars Investments Limited	UK	*(i)*
Associated Fisheries Limited	UK	*(i)*
Borbam Limited (Incorporated in India – 99.8 per cent. holding)	India	*(iii)*
Bordure Limited	UK	*(i)*
Duncan Properties Limited (Incorporated in Bangladesh)	Bangladesh	*(vii)*
Eastern Produce Investments Limited	UK	*(i)*
Elgin Investments Limited (Incorporated in India – 99.8 per cent. holding)	India	*(iii)*
Endogram Limited	India	*(iii)*
EP USA Inc. (Incorporated in the United States of America)	USA	*(xiii)*
EP California Inc. (Incorporated in the United States of America)	USA	*(xiii)*
John Ingham & Sons Limited	UK	*(i)*
Koomber Properties Limited (Incorporated in India – 94.0 per cent. holding)	India	*(iii)*
Lawrie (Bermuda) Limited (Incorporated in Bermuda)	Bermuda	*(xx)*
Lawrie Group Plc (Owned directly by the company)	UK	*(i)*
Lawrie International Limited (Incorporated in Bermuda)	Bermuda	*(xx)*
Lebong Investments Limited (Incorporated in India – 94.0 per cent. holding)	India	*(iii)*
Linton Park Plc (Owned directly by the company)	UK	*(i)*
Lintak Investments Limited (Incorporated in Kenya)	Kenya	*(x)*
Longbourne Holdings Limited	Bangladesh	*(i)*
Plantation House Investments Limited (Incorporated in Malawi – 50.2 per cent. held by subsidiaries)	Malawi	*(xii)*
Shula Limited (Incorporated in Isle of Man)	Isle of Man	*(xix)*
Unochrome Industries Limited	UK	*(i)*
Western Dooars Investments Limited	UK	*(i)*
Other		
Linton Park Services Limited	UK	*(i)*

40 Subsidiary and associated undertakings *(continued)*

Subsidiary undertakings *(continued)*

	Principal country of operation	Registered Office
Dormant companies		
ACS&T Gloucester Limited	UK	*(i)*
ACS&T Grimsby Limited	UK	*(i)*
ACS&T Humberside Limited	UK	*(i)*
ACS&T Seamer Limited	UK	*(i)*
ACS&T Tewkesbury Limited	UK	*(i)*
ACS&T Wolverhampton Limited	UK	*(i)*
Alex Lawrie & Company Limited	UK	*(i)*
Amgoorie Investments Limited	UK	*(i)*
Assam-Dooars Holdings Limited	UK	*(i)*
Associated Fisheries (Scotland) Limited	UK	*(xiv)*
Banbury Tea Warehouses Limited	UK	*(i)*
Blantyre & East Africa Limited	UK	*(xiv)*
Blantyre Insurance & General Agencies Limited (Incorporated in Malawi – Eastern Produce Malawi Limited)	Malawi	*(xii)*
Bonathaba Farms (Pty) Limited (Incorporated in South Africa)	South Africa	*(viii)*
British African Tea Estates (Holdings) Limited	UK	*(i)*
British African Tea Estates Limited	UK	*(i)*
British Heat Treatments Limited	UK	*(i)*
British Indian Tea Company Limited	UK	*(i)*
British United Trawlers Limited	UK	*(i)*
BTS Chemicals Limited	UK	*(i)*
BUT Engineers (Fleetwood) Limited	UK	*(i)*
BUT Engineers (Grimsby) Limited	UK	*(i)*
Camellia Investments Limited	UK	*(i)*
Chisambo Holdings Limited	UK	*(i)*
Chisambo Tea Estate Limited	UK	*(i)*
Cholo Holdings Limited	UK	*(i)*
Craighead Investments Limited	UK	*(i)*
David Field Limited	UK	*(i)*
East African Tea Plantations Limited (Incorporated in Kenya – held by Eastern Produce Kenya Limited)	Kenya	*(x)*
Eastern Produce Africa Limited	UK	*(i)*
Eastern Produce Kakuzi Services Limited (Incorporated in Kenya – held by Kakuzi Limited)	Kenya	(x)
EP (RBDA) Limited (Incorporated in Malawi – Eastern Produce Malawi Limited)	Malawi	*(xii)*
Estate Services Limited (Incorporated in Kenya – held by Kakuzi Limited)	Kenya	*(xi)*
Feltham 1 Limited	UK	*(i)*
Feltham 2 Limited	UK	*(i)*
Fescol Limited	UK	*(i)*
G. F. Sleight & Sons Limited	UK	*(i)*
Goodricke Lawrie Consultants Limited	UK	*(i)*
Gotha Tea Estates Limited	UK	*(i)*
Granton Transport Limited	UK	*(xiv)*
Hamstead Village Investments Limited	UK	*(i)*
Hellyer Brothers Limited	UK	*(i)*
Horace Hickling & Company Limited	UK	*(i)*
Hudson Brothers Trawlers Limited	UK	*(i)*

40 Subsidiary and associated undertakings *(continued)*

Subsidiary undertakings *(continued)*

	Principal country of operation	Registered Office
Dormant companies *(continued)*		
Humber Commercials Limited	UK	*(i)*
Humber St. Andrew's Engineering Company Limited	UK	*(i)*
Isa Bheel Tea Company Limited	UK	*(i)*
Jatel Plc	UK	*(i)*
Jetinga Holdings Limited	UK	*(i)*
Jetinga Valley Tea Company Limited	UK	*(i)*
Kaguru EPZ Limited (Incorporated in Kenya – held by Kakuzi Limited)	Kenya	*(xi)*
Kapsumbeiwa Factory Company Limited	UK	*(i)*
Kip Koimet Limited (Incorporated in Kenya – held by Eastern Produce Kenya Limited)	Kenya	*(x)*
Kumadzi Tea Estates Limited	UK	*(i)*
Lankapara Tea Company Limited	UK	*(i)*
Lawrie Bhutan Limited	UK	*(i)*
Lawrie Plantation Services Limited	UK	*(i)*
Leasing Investments Limited	UK	*(i)*
Nasonia Tea Company Limited (Incorporated in Malawi)	Malawi	*(xii)*
North West Profiles Limited	UK	*(i)*
Octavius Steel & Company (London) Limited	UK	*(i)*
Robert Hudson Holdings Limited	UK	*(i)*
Rosehaugh (Africa) Limited	UK	*(i)*
Ruo Estates Limited	UK	*(i)*
Ruo Estates Holdings Limited	UK	*(i)*
Sandbach Export Limited	UK	*(i)*
Sapekoe Pusela (Pty) Limited (Incorporated in South Africa – held by Eastern Produce South Africa (Pty) Limited)	South Africa	*(ix)*
Silverthorne-Gillott Limited	UK	*(i)*
SIS Securities Limited	UK	*(i)*
Sterling Industrial Securities Limited	UK	*(i)*
Stewart Holl Investments Limited	UK	*(i)*
The Amgoorie Tea Estates Limited	UK	*(i)*
The Bagracote Tea Company, Limited	UK	*(i)*
The Ceylon Upcountry Tea Estates Limited	UK	*(i)*
The Dejoo Tea Company Limited	UK	*(i)*
The Dhoolie Tea Company Limited	UK	*(i)*
The Doolahat Tea Company Limited	UK	*(i)*
The Eastern Produce & Estates Company Limited	UK	*(i)*
The Endogram Tea Company Limited	UK	*(i)*
The Jhanzie Tea Association Ltd	UK	*(i)*
The Harmutty Tea Company Limited	UK	*(i)*
The Kapsumbeiwa Tea Company Limited	UK	*(i)*
The Longai Valley Tea Company Limited	UK	*(i)*
The Tyspane Tea Company Limited	UK	*(i)*
Thyolo Highlands Tea Estates Limited	UK	*(i)*
Vaghamon (Travancore) Tea Company Limited	UK	*(i)*
Walter Duncan & Goodricke Limited	UK	*(i)*
WDG Properties Limited	UK	*(i)*
Western Dooars Tea Holdings Limited	UK	*(i)*

40 Subsidiary and associated undertakings *(continued)*

Subsidiary undertakings *(continued)*

Summarised financial information on subsidiaries with material non-controlling interests

Summarised balance sheet

	Eastern Produce Kenya Limited as at 31 December		Eastern Produce Malawi Limited as at 31 December	
	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*
Current				
Assets	29.0	*23.6*	11.9	*11.8*
Liabilities	(25.1)	*(20.0)*	(9.5)	*(11.4)*
Total current net assets/(liabilities)	3.9	*3.6*	2.4	*0.4*
Non-current				
Assets	26.5	*27.5*	39.3	*42.4*
Liabilities	(4.1)	*(5.7)*	(12.0)	*(12.4)*
Total non-current net assets	22.4	*21.8*	27.3	*30.0*
Net assets	26.3	*25.4*	29.7	*30.4*

	Eastern Produce South Africa Limited as at 31 December		Goodricke Group Limited as at 31 December	
	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*
Current				
Assets	3.9	*5.8*	36.9	*37.9*
Liabilities	(1.2)	*(1.1)*	(22.0)	*(19.8)*
Total current net assets	2.7	*4.7*	14.9	*18.1*
Non-current				
Assets	6.2	*5.3*	34.8	*30.5*
Liabilities	(1.1)	*(1.5)*	(10.3)	*(10.5)*
Total non-current net assets	5.1	*3.8*	24.5	*20.0*
Net assets	7.8	*8.5*	39.4	*38.1*

40 Subsidiary and associated undertakings *(continued)*

Subsidiary undertakings *(continued)*

	Horizon Farms as at 31 December 2017 £'m	*2016 £'m*	Kakuzi Limited as at 31 December 2017 £'m	*2016 £'m*
Current				
Assets	4.3	*3.6*	17.1	*16.0*
Liabilities	(0.5)	*(0.2)*	(4.4)	*(3.4)*
Total current net assets	3.8	*3.4*	12.7	*12.6*
Non-current				
Assets	7.9	*8.9*	24.0	*24.0*
Liabilities	(0.7)	*(0.8)*	(5.8)	*(6.3)*
Total non-current net assets	7.2	*8.1*	18.2	*17.7*
Net assets	11.0	*11.5*	30.9	*30.3*

Summarised income statement

	Eastern Produce Kenya Limited for year ended 31 December 2017 £'m	*2016 £'m*	Eastern Produce Malawi Limited for year ended 31 December 2017 £'m	*2016 £'m*
Revenue	44.0	*38.9*	26.0	*21.1*
Profit before tax	9.0	*4.7*	5.2	*3.9*
Taxation	(3.0)	*(1.2)*	(1.8)	*(1.2)*
Other comprehensive income	(2.1)	*0.2*	(2.7)	*–*
Total comprehensive income	3.9	*3.7*	0.7	*2.7*
Total comprehensive income allocated to non-controlling interests	1.2	*1.1*	0.2	*0.7*
Dividends paid to non-controlling interests	0.8	*1.9*	0.5	*0.5*

40 Subsidiary and associated undertakings *(continued)*

Subsidiary undertakings *(continued)*

	Eastern Produce South Africa Limited for year ended 31 December		Goodricke Group Limited for year ended 31 December	
	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*
Revenue	3.7	*4.5*	84.0	*72.7*
(Loss)/profit before tax	(1.3)	*(0.6)*	5.4	*6.6*
Taxation	0.4	*0.2*	(2.1)	*(3.0)*
Other comprehensive expense	–	*–*	(0.7)	*(1.0)*
Total comprehensive (expense)/income	(0.9)	*(0.4)*	2.6	*2.6*
Total comprehensive (expense)/income allocated to non-controlling interests	(0.2)	*(0.1)*	0.8	*0.5*
Dividends paid to non-controlling interests	–	*–*	0.3	*0.2*

	Horizon Farms for year ended 31 December		Kakuzi Limited for year ended 31 December	
	2017 £'m	*2016 £'m*	2017 £'m	*2016 £'m*
Revenue	6.6	*4.4*	19.2	*17.2*
Profit before tax	3.8	*0.8*	6.3	*5.5*
Taxation	(1.4)	*(0.3)*	(1.9)	*(1.4)*
Other comprehensive income	(0.8)	*–*	(2.9)	*0.1*
Total comprehensive income	1.6	*0.5*	1.5	*4.2*
Total comprehensive income allocated to non-controlling interests	0.3	*0.1*	0.7	*2.1*
Dividends paid to non-controlling interests	0.4	*0.3*	0.4	*0.4*

40 Subsidiary and associated undertakings *(continued)*

Subsidiary undertakings *(continued)*

Summarised cash flows

	Eastern Produce Kenya Limited for year ended 31 December		Eastern Produce Malawi Limited for year ended 31 December	
	2017	*2016*	2017	*2016*
	£'m	*£'m*	£'m	*£'m*
Cash flows from operating activities				
Cash generated from operations	17.3	*7.8*	6.0	*5.6*
Net interest received/(paid)	1.1	*0.9*	0.1	*(0.1)*
Income tax paid	(3.4)	*(5.9)*	(1.0)	*(1.4)*
Net cash generated from operating activities	15.0	*2.8*	5.1	*4.1*
Net cash used in investing activities	(3.4)	*(0.9)*	(2.9)	*(1.9)*
Net cash used in financing activities	(2.8)	*(6.2)*	(1.2)	*(1.7)*
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	8.8	*(4.3)*	1.0	*0.5*
Cash, cash equivalents and bank overdrafts at beginning of year	13.0	*14.9*	(0.4)	*(0.9)*
Exchange (losses)/gains on cash and cash equivalents	(1.4)	*2.4*	(0.1)	*–*
Cash, cash equivalents and bank overdrafts at end of year	20.4	*13.0*	0.5	*(0.4)*

	Eastern Produce South Africa Limited for year ended 31 December		Goodricke Group Limited for year ended 31 December	
	2017	*2016*	2017	*2016*
	£'m	*£'m*	£'m	*£'m*
Cash flows from operating activities				
Cash generated from operations	0.1	*2.0*	8.2	*6.7*
Net interest received	0.1	*0.1*	–	*–*
Income tax paid	–	*–*	(1.6)	*(0.8)*
Net cash generated from operating activities	0.2	2.1	6.6	*5.9*
Net cash used in investing activities	(1.5)	*(0.5)*	(6.3)	*(3.0)*
Net cash generated from/(used in) financing activities	0.1	*–*	(1.4)	*(1.1)*
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	(1.2)	*1.6*	(1.1)	*1.8*
Cash, cash equivalents and bank overdrafts at beginning of year	3.9	*1.7*	2.5	*0.6*
Exchange (losses)/gains on cash and cash equivalents	(0.2)	*0.6*	0.2	*0.1*
Cash, cash equivalents and bank overdrafts at end of year	2.5	*3.9*	1.6	*2.5*

40 Subsidiary and associated undertakings *(continued)*

Subsidiary undertakings *(continued)*

	Horizon Farms for year ended 31 December		Kakuzi Limited for year ended 31 December	
	2017	*2016*	2017	*2016*
	£'m	*£'m*	£'m	*£'m*
Cash flows from operating activities				
Cash generated from operations	5.0	*0.7*	9.8	*8.5*
Net interest received	–	*–*	0.7	*0.6*
Income tax paid	(1.0)	*(1.1)*	(0.9)	*(1.7)*
Net cash generated from/(used in) operating activities	4.0	*(0.4)*	9.6	*7.4*
Net cash used in investing activities	(0.2)	*–*	(6.2)	*(4.8)*
Net cash used in financing activities	(1.9)	*(1.5)*	(0.9)	*(0.7)*
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	1.9	*(1.9)*	2.5	*1.9*
Cash, cash equivalents and bank overdrafts at beginning of year	0.7	*2.3*	11.3	*7.8*
Exchange (losses)/gains on cash and cash equivalents	(0.1)	*0.3*	(1.2)	*1.6*
Cash, cash equivalents and bank overdrafts at end of year	2.5	*0.7*	12.6	*11.3*

Associated undertakings
The principal associated undertakings of the Group at 31 December 2017 were:

	Principal country of operation	Registered Office	Accounting date 2017	Group interest in equity capital (%)
Insurance and banking				
BF&M Limited (Incorporated in Bermuda – common stock)	Bermuda	*(xx)*	31 December	36.3
United Insurance Company Limited (Incorporated in Bangladesh – ordinary shares)	Bangladesh	*(vii)*	31 December	37.0
United Finance Limited (Incorporated in Bangladesh – ordinary shares)	Bangladesh	*(vii)*	31 December	38.4

40 Subsidiary and associated undertakings *(continued)*

Registered Offices:

(i) Linton Park
Linton
Maidstone
Kent
ME17 4AB
England

(ii) Amgoorie Tea Garden
PO: Amguri
Haloating – 785 681
Dist: Sibsagar
Assam
India

(iii) Camellia House
14 Gurusaday Road
Kolkata – 700019
West Bengal
India

(iv) Koomber Tea Garden
PO: Kumbhir
Cachar – 788 108
Assam
India

(v) Sessa Tea Garden
PO: Dibrugarh – 786001
Dist: Dibrugarh
Assam
India

(vi) Fazenda Maruque s/n
sala 03
Bairro Maruque
Itaberá
São Paulo
Brazil

(vii) Camellia House
22 Kazi Nazrul Islam
Avenue
Dhaka 1000
Bangladesh

(viii) Slangrivier Road
Slangrivier Plaas
Wellington
7655
South Africa

(ix) 7 Windsor Street
Tzaneen
850
Limpopo Province
South Africa

(x) New Rehema House
Rhapta Road
Westlands
P O Box 45560
GPO 00100
Nairobi
Kenya

(xi) Main Office
Punda Milia Road
Makuyu
P O Box 24
01000 Thika
Kenya

(xii) PO Box 53
Mulanje
Malawi

(xiii) 2520 West Shaw Lane
Suite 101
Fresno
California
USA

(xiv) Craigshaw Crescent
West Tullos
Aberdeen
AB12 3TB
Scotland

(xv) Tower Bridge House
St Katharine's Way
London
E1W 1DD
England

(xvi) Robert-Drosten-Platz 1
D-82380
Peissenberg
Germany

(xvii) Altsagenstrasse 3
CH-6048 Horw
Luzern
Switzerland

(xviii) Burg. van der Lelystraat 2
4285 BL
Woudrichem
Netherlands

(xix) First Names House
Victoria Road
Douglas
Isle of Man
IM2 4DF

(xx) 112 Pitts Bay Road
Pembroke
Bermuda
HM08

41 Control of Camellia Plc

Camellia Holding AG continues to hold 1,427,000 ordinary shares of Camellia Plc (representing 51.67 per cent. of the total voting rights). Camellia Holding AG is owned by The Camellia Private Trust Company Limited, a private trust company incorporated under the laws of Bermuda as trustee of The Camellia Foundation ("the Foundation"). The Foundation is a Bermudian trust, the income of which is utilised for charitable, educational and humanitarian causes at the discretion of the trustees.

The activities of Camellia Plc and its group (the "Camellia Group") are conducted independently of the Foundation and none of the directors of Camellia Plc are connected with The Camellia Private Trust Company Limited or the Foundation. While The Camellia Private Trust Company Limited as a Trustee of the Foundation maintains its rights as a shareholder, it has not participated in, and has confirmed to the board of Camellia Plc that it has no intention of participating in, the day to day running of the business of the Camellia Group. The Camellia Private Trust Company Limited has also confirmed its agreement that where any director of Camellia Plc is for the time being connected with the Foundation, he should not exercise any voting rights as a director of Camellia Plc in relation to any matter concerning the Camellia Group's interest in any assets in which the Foundation also has a material interest otherwise than through Camellia Plc.

Gordon Fox is listed as a person of significant influence on the Company's register, a copy of which has been filed at the UK Registrar of Companies.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMELLIA PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- **The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;**
- **The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements of Camellia Plc (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- The consolidated income statement;
- The consolidated statement of comprehensive income;
- The consolidated and parent company balance sheets;
- The consolidated and parent company statements of changes in equity;
- The consolidated and parent company cash flow statements; and
- The related notes 1 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ■ Revenue recognition ■ Fair value of biological assets under IAS 41 'Agriculture' ■ Impairment of factories and bearer plants ■ Profit on disposal of Duncan Lawrie businesses
Materiality	The materiality that we used for the Group financial statements was £1.4m which was determined on the basis of 5% of profit before tax from continuing operations.
Scoping	Our scoping provides full scope audit coverage of 98% of the Group's revenue, 91% of the Group's profit before tax and 78% of the Group's net assets.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- The directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter description	The Group's agricultural operations involve a wide range of customer delivery models, including auction and retail sales. Per IAS 18, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Given the complexity of the Group's operations and the terms of business with buyers, there is a risk of inappropriate cut-off of revenue recognition around the balance sheet date. The Group's agricultural revenue is included within Sale of Goods of £238.8m, disclosed in note 2 to the financial statements. Further information regarding the agricultural revenue recognition policy is in the principal accounting policies disclosed in the financial statements.
How our scope of work responded to the key audit matter	We have performed the following procedures in order to address the risk: – We gained an understanding of the key processes used to record revenue transactions and assessed the design and implementation of controls. – We performed detailed cut-off testing of revenue transactions during the period either side of the balance sheet date with reference to the relevant terms of business, dispatch or delivery documentation as appropriate. – We examined material journal entries that were posted to revenue accounts and obtained supporting evidence to test the appropriateness of revenue recognition.
Key observations	We have concluded that revenue is appropriately recognised in the correct accounting period in accordance with IAS18 Revenue.

Fair value of biological assets under IAS 41 'Agriculture'

Key audit matter description	The group holds £6.6 million (2016: £7.2 million) of biological assets as current assets. As required by IAS 41 'Agriculture', management estimates the fair value of these assets through the use of valuation models and recent transaction prices. Significant judgement is required for key assumptions for each model, including the life-span of the plantings, yields, selling prices, costs and discount rates. The valuation is sensitive to some of the underlying assumptions. Biological assets are disclosed in note 19 to the financial statements, the valuation is discussed as a key source of estimation uncertainty and the valuation policy is disclosed in the principal accounting policies.
How our scope of work responded to the key audit matter	We have performed the following procedures in order to address the risk: – We gained an understanding of key controls around the valuation of biological assets and assessed the design and implementation of controls. – For a sample of fair value models, ■ We assessed the inputs by assessing the historical accuracy of management's forecasts and utilising third-party and market data; ■ We tested the mechanical integrity of the model.
Key observations	From the work performed, we are satisfied that the key assumptions applied in respect of the valuation of biological assets are appropriate.

Impairment of factories and bearer plants

Key audit matter description	The Group holds £216.3 million (2016: £232.2 million) of property, plant and equipment (PP&E), which includes factories and bearer plants. Management identified gardens as cash generating units (CGUs) and performed an annual review for indicators of impairment. This considered indicators such as underutilisation, adverse weather conditions and land use rights. There is, therefore, a risk that an impairment is required but not recognised. PP&E is disclosed in note 17 to the financial statements, the valuation is discussed as source of estimation uncertainty, and the valuation policy is disclosed in the principal accounting policies.
How our scope of work responded to the key audit matter	We gained an understanding of key controls around the valuation of biological assets and assessed the design and implementation of controls. We challenged management's assessment as to whether indicators of impairment exist for factories and bearer plants with reference to disease or crop damage, sustained generation of operating losses, long term commodity price reductions, underutilised plant or warehousing, loss of key customers, long term failure of water or power supply, variation in rights to land use, significant changes in tax or foreign exchange rates. We also challenged management's allocation of assets to individual cash generating units.
Key observations	We concur with management that no impairment of factories and bearer plants is required.

Profit on disposal of Duncan Lawrie businesses

Key audit matter description	On 19 December 2016 the Group announced that, due to lower interest rates and other factors changing the outlook for private banking, it would sell most of the Duncan Lawrie business and wind down the remainder. This process began in December 2016 and each company in the Duncan Lawrie Group prepared their accounts on a basis other than going concern. The Group completed the disposals during the year and recognised a profit on disposal of £20.3 million, as disclosed in note 10 of the financial statements. Due to its materiality to the Group and the complexity of accounting and taxation arrangements, we have identified the calculation of the gain on the disposal of Duncan Lawrie Asset Management of £19.2 million as representing a key audit matter.
How our scope of work responded to the key audit matter	We have performed the following procedures in order to address the risk – We gained an understanding of key controls around the accounting for the gain on disposal and assessed the design and implementation of the controls; – We agreed transactions and amounts to appropriate evidences including legal agreements, cash received, board minutes and ledger entries; – We recalculated the gain on disposal and checked the accounting for each aspect of the transaction; – We involved taxation specialists to assist us in auditing the taxation position resulting from the disposal of the Duncan Lawrie Asset Management business. In particular we assessed the reasonableness of management's assumption that the intangible assets sold can be treated under the capital gains regime and the resultant conclusion that there is no de-grouping charge or required additional disclosure.
Key observations	From our work performed, we are satisfied that the asset disposals for the Duncan Lawrie Group have been accounted for and disclosed appropriately in the financial statements.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.4 million	£0.6 million
Basis for determining materiality	5% of profit before tax from continuing operations.	2% of net assets, capped at 50% of Group materiality
Rationale for the benchmark applied	We have used a profit based measure given the Group is listed and therefore shareholders focus on profitability. The profit is adjusted for the discontinued operations to avoid distortion that could otherwise arise due to non-recurring items.	We have used net assets measure given that entity is a holding company, generating no revenue.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.07 million for the Group and £0.03 million for the parent company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The Group holds agricultural operations in countries across Africa, North and South America, and Asia, with its principal crops grown in Bangladesh, India, Kenya and Malawi. The Group's engineering, food service and discontinued banking operations are located in Europe, principally in the UK. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Of the group's 80 principal components, 35 were subject to a full audit and 3 were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

These 38 components represent the principal business units and account for 98% of the Group's revenue and 91% of the Group's profit before tax and 78% of the Group's net assets.

The group engagement team worked from the group's London office, directing and supervising the work of component auditors. Senior members of the group audit team visited the Bangladesh, India, Kenya and Malawi components during the current year to discuss the component auditors' risk assessment, and review documentation of the findings from their work.

Scope	Revenue %	Profit before tax %	Net assets %
Full scope	88	87	68
Specified audit procedures	10	4	10
Review at group level	2	9	22

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT OF THE INDEPENDENT AUDITORS

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and or the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Michael Williams, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

18 April 2018

FIVE YEAR RECORD

	2017 £'m	2016 £'m	2015 £'m Restated	2014 £'m	2013 £'m
Revenue – continuing operations	298.3	257.9	244.7	238.9	251.3
Profit before tax	27.6	26.5	24.0	22.0	59.6
Taxation	(13.8)	(12.4)	(13.2)	(13.7)	(22.1)
Profit from continuing operations	13.8	14.1	10.8	8.3	37.5
Profit/(loss) attributable to owners of the parent	22.2	(10.7)	1.4	2.8	28.3
Equity dividends paid	3.6	3.6	3.5	3.5	3.4
Equity					
Called up share capital	0.3	0.3	0.3	0.3	0.3
Reserves	368.1	330.5	320.6	321.4	332.2
Total shareholders' funds	368.4	330.8	320.9	321.7	332.5
Earnings/(loss) per share	803.8p	(387.4)p	50.7p	102.7p	1020.2p
Dividend paid per share	132p	130p	126p	125p	122p

Perivan Financial Print 249229