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# Camellia Plc

## 2016 Interim Results

Tom Franks – CEO

Susan Walker – CFO

**CAMELLIA PLC**  
growing  globally

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# Operational highlights

- A strong financial performance led by underlying trading in Agriculture and UK business rationalisation
- Results benefited from higher tea crop in Kenya, India and Bangladesh
- Lower prices for tea in Kenya, Bangladesh and Malawi in part offset these gains. Prices in Bangladesh are higher in H2 2016 to date
- Significantly lower macadamia kernel volumes expected this year as result of the impact of El Niño
- AJT Engineering continues to be adversely affected by conditions in the oil and gas market. Situation remains under close review and restructuring implemented
- Duncan Lawrie; lower interest rates and uncertainty surrounding property market make the environment more challenging and investment remains under close review
- An actuarial loss of £15.9m was recognised in the period in relation to the UK defined benefit pension scheme. In consultation with members on a proposal to close the UK defined benefit section to future accrual

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## Financial highlights

- Group revenue £106.1m (up 4% from H1 2015: £102.5m)
- Profit before tax £4.9m (H1 2015: loss £(3.1)m)
- Profit after tax for the year £2.4m (H1 2015: loss £(4.3)m)
- Earnings per share 29.0p (H1 2015: (188.3)p)
- Cash and cash equivalents (excluding Duncan Lawrie) £53.0m
- The Board has declared an interim dividend of 35p (2015: 34p) payable on 7 October 2016

## Bearer plants – accounting change

- Effective from 1 January 2016, comparative figures for 2015 have been restated
- Bearer plants are now property plant and equipment and depreciated over their useful life. Previously bearer crops were carried at fair value resulting in exceptional movements year on year reflected in the P&L account
- Growing crop on bearer plants are still carried at fair value
- However, we are now also including the fair value of growing crop of tea and reflecting the fair value of green leaf in stock valuations
- The effect of the amendments has been to reduce the loss before tax for H1 2015 by £5.3 million and to reduce the profit for the year to 31 December 2015 by £20.1 million

# Agriculture

	H1 2016	H1 2015
Revenue	£75.1m	£65.3m
Trading profit	£7.3m	£1.6m

Tea	Macadamia	Avocado	Speciality
Crop in India was better than in the same period last year (up c.21%) combined with higher prices	Prices for macadamia have remained firm in the first half of the year	Harvesting is complete and is in line with our expectations	Generally, speciality crops performed in line with expectations
Record crops in Kenya in 2016 caused significant fall in prices	Continued adverse impact of drought and El Niño on volumes. Macadamia kernel volumes for the year expected to be down by c.50% in South Africa and 25% to 30% in Malawi		Poor demand for natural latex which can be substituted with synthetic rubber continues but pricing has marginally improved
Excellent conditions in Bangladesh for growing tea saw volumes up (66.7% increase); prices have held up relatively well following tariff introduction	New cracking facility in Kenya complete and meeting expectations		Murcott harvest was below expectations for both volumes and price. Navel harvest was higher but prices were lower and the net benefit was insufficient to offset the lower Murcott sales
Crop in Malawi was down 6%; prices have held up in US \$ terms			Soya yields in Brazil were above expectations
			Massive pistachio harvest in US has significantly reduced prices
	Investment in Macadamia and Avocado continues		

## Banking and Financial Services

	H1 2016	H1 2015
Revenue	£6.0m	£6.7m
Trading loss	£(2.8)m	£(1.2)m
Profits from associates	£2.6m	£0.5m

- Losses likely to continue for the medium term as a result of the challenging environment, investment in infrastructure, people and client experience
- The decision by the Bank of England to lower interest rates and the uncertainties surrounding the property market has made the environment more challenging
- Continuing to monitor the environment surrounding Duncan Lawrie
- Of our associated companies, BF&M reported a Q1 2016 ahead of Q1 2015. The remaining associates traded in line with expectations. BF&M reported as an associate from 1 July 2015

## Engineering

	H1 2016	H1 2015
Revenue	£10.1m	£15.1m
Trading loss	£(0.9)m	£(3.5)m

- AJT continues to suffer from the reduced levels of activity in oilfield services sector. Restructuring underway to expedite a return to profit
- Abbey continues to trade ahead of expectations

## Food Service

	H1 2016	H1 2015
Revenue	£14.7m	£15.2m
Trading profit	£0.1m	£0.4m

- Continues to trade in line with expectations
- New management appointed at Affish and Wylax
- Reduced revenues from end of JV with TICCO at Colnbrook

## Investments

	30 June 2016	30 June 2015	31 December 2015
Investment property	£16.0	£10.7	£15.8
Available for sale financial assets	£34.2	£63.0	£30.6
Other investments	£9.0	£9.0	£9.0

- Investment property increased primarily as a result of re-categorisation from PPE to investment property of property for development
- Available for sale financial assets at June 2015 included the investment in BF&M, which has since then been re-classified as an associate
- Increase in value of investment portfolio between December 2015 and June 2016, primarily reflects currency movements, in particular the depreciation of sterling against the Japanese Yen

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# Implications of Brexit

- Reduction in interest rates and uncertainty in the property market makes the trading environment for Duncan Lawrie more challenging
- Reduction in interest rates and lower expected inflation led to a revision of the actuarial assumptions for the defined benefit pension scheme, increasing the deficit by £15.9m to £39.9m
- Trading environment for our other UK businesses more challenging, especially AJT, which is also impacted by the continued low oil price environment
- Depreciation of Sterling versus the functional currencies of the majority of our operations will positively impact our 2016 reported earnings

# Outlook

- Unpredictable weather makes crop volumes hard to predict and has a consequential effect on prices
- In the short term however the depreciation in sterling against most of our operating currencies in the agricultural division is likely to have a positive impact on our full year results
- In the UK, the lowering of the interest rate will inevitably have a detrimental impact on our banking operations
- The continuing uncertainty following the EU referendum vote has triggered a slowdown in our engineering businesses
- It is too early, and there remain too many uncertainties, to make any prediction for the full year

## Appendix: Income Statement

£'m	6 months ended 30 June 2016	6 months ended 30 June 2015 Restated	2015 Restated
Revenue	106.1	102.5	257.8
Gross Profit	29.6	24.0	78.6
Trading (loss)/profit	(0.5)	(6.9)	9.6
Profit/(loss) from operations	3.2	(5.3)	17.5
Profit before Tax	4.9	(3.1)	20.4
Tax	(2.5)	(1.2)	(13.2)
<b>Profit for the period</b>	<b>2.4</b>	<b>(4.3)</b>	<b>7.2</b>
Earnings per share	29.0p	(188.3)p	50.7p

## Appendix: Balance Sheet

£'m	30 June 2016	30 June 2015 Restated	31 December 2015 Restated
<i>Non-current assets</i>			
Intangible assets	7.7	7.6	7.9
PPE and other non-current assets	268.6	243.3	238.5
Investment properties (directors' valuation £21.4m)	16.0	10.7	15.8
Biological assets	12.6	10.0	11.3
Investment in associates (inc BF&M)	55.5	8.9	48.9
Available for sale financial assets	34.2	63.0	30.6
Held to maturity financial assets	4.3	-	27.7
<i>Current assets</i>			
Cash and Cash equivalents	218.9	241.8	237.8
Other	156.9	130.9	103.5

## Appendix: Balance Sheet

£'m	30 June 2016	30 June 2015 Restated	31 December 2015 Restated
<i>Current liabilities</i>			
Borrowings	(2.3)	(4.1)	(5.4)
Trade and other payables	(288.6)	(266.8)	(258.9)
Tax, pensions and other	(9.2)	(5.3)	(10.8)
<i>Non-current liabilities</i>			
Borrowings	(4.8)	(5.4)	(5.1)
Trade and other payables	(4.2)	(3.8)	(4.4)
Deferred tax	(38.3)	(39.1)	(38.0)
Employee benefit	(54.7)	(34.4)	(37.8)
Other non-current liabilities	-	(0.1)	-
<b>Net assets</b>	<b>372.6</b>	<b>357.3</b>	<b>361.6</b>
Non-controlling interests	(44.0)	(41.3)	(39.4)
<b>Equity attributable to owners of the parent</b>	<b>328.6</b>	<b>316.0</b>	<b>322.2</b>

## Appendix: Cash flow (excluding Duncan Lawrie)

£'m	6 months ended 30 June 2016	6 months ended 30 June 2015 Restated	Year ended 31 December 2015 Restated
Cash generated from operations	(6.0)	(0.8)	39.5
Tax and interest paid and interest/dividends received	(4.8)	(3.5)	(5.7)
Net cash (out)/in flow from operations	(10.8)	(4.3)	33.8
Net cash flow from investing activities	(5.5)	(12.4)	(18.9)
Net cash (out)/in flow from financing activities	(1.8)	4.8	(2.4)
Net (decrease)/increase in cash and cash equivalents	(18.1)	(11.9)	12.5