



Camellia Plc

Interim report 2016

Camellia Plc

Interim report 2016

Contents	<i>page</i>
Chairman's statement	2
Operating review	3
Interim management report	5
Statement of directors' responsibilities	5
Consolidated income statement	6
Statement of comprehensive income	7
Consolidated balance sheet	8
Consolidated cash flow statement	9
Statement of changes in equity	10
Notes to the accounts	11

Registered office

Linton Park

Linton

Near Maidstone

Kent ME17 4AB

Registered number 29559

www.camellia.plc.uk

Camellia Plc

Chairman's statement

Our results for the first half show a profit before tax of £4.9 million, compared with a loss (restated) of £3.1 million last year. This is the first year in which our permanent plantings have been classified under IAS 16 as property, plant and equipment rather than under IAS 41 as biological assets, which I hope will make the underlying results clearer for shareholders. We are still relatively early in the year for the agricultural business and therefore, as always, the second half will be key to the overall performance for the year.

The divisional results are discussed in more detail in the operating review, but once again demonstrate the strength in the diversity of the group. Weather patterns continue to be erratic with benign conditions in Kenya leading to record crops but no end in sight to the drought in South Africa. There is no question that the uncertainty both before and after the EU referendum vote has had an impact on the UK economy, and on our UK businesses, but with most of our earnings coming from outside the UK the depreciation of sterling following the vote will help our reported result.

Underlying progress was made by all of our businesses in the first half of the year, however a number have faced truly challenging conditions either due to weather or markets. In the 2015 Annual Report we set out the strategy for each of our divisions; strategies which are designed to provide long term value to shareholders in line with the group's ethos. However, markets and economic conditions continue to change rapidly and these strategies will remain under review by the Board and Executive Committees.

Dividend

The Board has declared an interim dividend of 35p (2015: 34p) payable on 7 October 2016 to shareholders registered at the close of business on 9 September 2016.

Outlook

The outlook for the group continues to be mixed. In addition, unpredictable weather makes crop volumes hard to predict and has a consequential effect on prices. However in the short term 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 and 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.

Malcolm Perkins

Chairman

24 August 2016

Operating Review

The operating profit for the group in the first half was £3.2 million on group revenues that were 3.5% ahead of the same period last year at £106.1 million. As explained in the Chairman's statement, if the depreciation of Sterling is sustained it will have a positive impact on reported profits for the full year.

This is the first time that we have reported our bearer crops as property, plant and equipment. In addition, we have included the growing crop of green leaf tea at fair value and included the green leaf element of made tea inventories at fair value as required by IAS 41, the effect of which is to accelerate the recognition of an element of profit which would historically have been recognised in future periods. All numbers including prior years have therefore been restated.

Agriculture

Tea

India: The tea crop in India in the first 6 months was better than last year (up approximately 21%), which was heavily drought affected, and prices were also higher than in the same period last year. Since 1 July, significant rainfall has caused flooding which has reduced our crop expectations for July and August and prices have reduced.

Bangladesh: Conditions in Bangladesh have been excellent for growing tea in the first half of the year with volumes significantly up (66.7%) on last year. Given the volumes, prices have held up relatively well, partly as a result of an increase in the duty levied on imported teas, although they were marginally below last year. Since 1 July prices have shown some improvement.

Kenya: Kenya has seen a record production of tea in the first half of this year, and our estates have been no exception (up approximately 50%). However, as we warned in the annual report, tea prices in Kenya have dropped significantly since the start of the year and our margins have been materially reduced.

Malawi: The weather in Malawi has been less favourable than in other tea growing areas and as a result our crop is down 6% in the first half of the year. Encouragingly however, given the volumes of tea being produced in Kenya, prices have remained stable in dollar terms. Our Malawi operations are committed to the revitalisation programme outlined in the 2015 Annual Report and this is having a significant impact on overall production costs. We continue to believe that this is the correct strategy to build a sustainable future for the Malawi tea industry.

Macadamia

Prices for macadamia have remained firm in the first half of the year, but the impact of the drought caused by last year's El Nino on production volumes is only now fully emerging. We currently estimate that our macadamia kernel volumes for the year will be down by approximately 50% in South Africa and by 25% to 30% in Malawi.

On a more positive note, the new macadamia cracking facility in Kenya has been completed within budget and has now been fully commissioned and is meeting our expectations.

Avocado

It is early in the season for the main avocado crop but harvesting has begun and currently looks to be in line with our expectations.

Speciality crops

Pricing for rubber has marginally improved from the very low levels of last year, but is unlikely to become commercially attractive until there is a sustained improvement in the oil price.

In California, the Murcott harvest was significantly down on expectations for both volume and price. Although the Navel harvest was significantly higher than last year, prices were lower and the net benefit was insufficient to compensate for the lower Murcott revenues. Harvesting of the almonds and pistachios has yet to begin. There was a higher rainfall this winter than for some time which has increased the availability of surface water at the farm.

The grape harvest in South Africa was poor as a result of the drought which will inevitably impact volumes and revenues this year.

Soya yields in Brazil were above expectations.

Camellia Plc

Operating Review

The remaining speciality crops are performing broadly in line with expectations.

In total, the Agriculture division made a trading profit of £7.3 million (2015: profit £1.6 million) on turnover of £75.1 million (2015: £65.3 million).

Banking and Financial Services

The first half of the year saw Duncan Lawrie implementing the first stage of its new strategic plan. Sally Tennant has now been appointed as Chairman, certain restrictions on bank lending have been removed and a number of other key appointments have been made. As with all banks, the decision by the Bank of England to lower interest rates and the uncertainties surrounding the property market, make the environment more challenging. The group continues to monitor the risk environment surrounding the bank.

Of our associated companies, BF&M reported core operating earnings in the first three months of 2016 ahead of the corresponding period in 2015. The remaining associates traded in line with expectations.

In total, the Banking and Financial Services division's subsidiaries made a trading loss of £2.8 million (2015: trading loss £1.2 million) on turnover of £6.0 million (2015: £6.7 million). In addition, our share of the profits of associates amounted to £2.6 million (2015: £0.5 million) reflecting the inclusion of BF&M as an associate from 1 July 2015.

Engineering

Engineering North: The oil industry in Aberdeen continues to suffer from the decline in the oil price and uncertainties surrounding investment in the North Sea. Orders at AJT continue to be below where we would like them to be and consequently we have had to take measures including a redundancy programme and the temporary introduction of reduced working hours in order to contain overheads. The situation remains under close review.

Engineering South: Abbey Metal Finishing continues to trade ahead of expectations following its turnaround last year. The remaining businesses in the division are trading broadly in line with expectations.

In total, the Engineering division made a trading loss of £0.9 million (2015: trading loss £3.5 million) on turnover of £10.1 million (2015: £15.1 million).

Food Service

The Food Service division continues to trade in line with expectations reporting trading profit of £0.1 million for the year to date (2015: profit £0.4 million) on turnover of £14.7 million (2015: £15.2 million).

Investments

Our Investment portfolio has increased in value from £30.6 million at 31 December 2015 to £34.2 million, primarily reflecting the depreciation of sterling against the Japanese Yen during the period.

Pensions

With expectations for future investment returns remaining at low levels and in light of the performance of our UK operations, we have started a statutory 60 day consultation with the active members of the Linton Park Pension Scheme (2011) on a proposal to close the defined benefit section to future accrual.

Tom Franks

Chief Executive

Interim management report

The chairman's statement and operating review form part of this report and includes important events that have occurred during the six months ended 30 June 2016 and their impact on the financial statements set out herein.

Principal risks and uncertainties

The directors' report in the statutory financial statements for the year ended 31 December 2015 (the accounts are available on the company's website: www.camellia.plc.uk) highlighted risks and uncertainties that could have an impact on the group's businesses. As these businesses are widely spread both in terms of activity and location, it is unlikely that any one single factor could have a material impact on the group's performance. These risks and uncertainties continue to be relevant for the remainder of the year. In addition, the chairman's statement included in this report refers to certain specific risks and uncertainties that the group is presently facing.

Statement of directors' responsibilities

The directors confirm that these condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by sections 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The directors of Camellia Plc are listed in the Camellia Plc statutory financial statements for the year ended 31 December 2015. There have been no subsequent changes of directors and a list of current directors is maintained on the group's website at www.camellia.plc.uk.

By order of the board

Malcolm Perkins
Chairman

24 August 2016

Camellia Plc

Consolidated income statement for the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 £ millions	Six months ended 30 June 2015 £ millions Restated	Year ended 31 December 2015 £ millions Restated
Revenue	5	106.1	102.5	257.8
Cost of sales	6	(76.5)	(78.5)	(179.2)
Gross profit		29.6	24.0	78.6
Other operating income		1.3	0.9	1.9
Distribution costs		(3.9)	(3.5)	(12.9)
Administrative expenses		(27.5)	(28.3)	(58.0)
Trading (loss)/profit	5	(0.5)	(6.9)	9.6
Share of associates' results	8	2.6	0.5	4.2
Impairment of available-for-sale financial assets		–	–	(0.5)
Impairment of property, plant and equipment and provisions		–	–	0.2
Profit on disposal of non-current assets	9	–	0.9	3.7
Profit on disposal of available-for-sale investments	10	1.1	0.2	0.3
Profit/(loss) from operations		3.2	(5.3)	17.5
Investment income		0.3	1.2	1.4
Finance income		1.6	1.4	3.1
Finance costs		(0.2)	(0.3)	(0.7)
Net exchange gain		0.5	0.5	0.8
Employee benefit expense		(0.5)	(0.6)	(1.7)
Net finance income	11	1.4	1.0	1.5
Profit/(loss) before tax		4.9	(3.1)	20.4
Comprising				
– headline profit/(loss) before tax	7	4.9	(3.1)	26.5
– post employment benefits – past service cost	7	–	–	(6.1)
		4.9	(3.1)	20.4
Taxation	12	(2.5)	(1.2)	(13.2)
Profit/(loss) for the period		2.4	(4.3)	7.2
Profit/(loss) attributable to:				
Owners of the parent		0.8	(5.2)	1.4
Non-controlling interests		1.6	0.9	5.8
		2.4	(4.3)	7.2
Earnings per share – basic and diluted	14	29.0p	(188.3)p	50.7p

Statement of comprehensive income
for the six months ended 30 June 2016

	Six months ended 30 June 2016 £ millions	Six months ended 30 June 2015 £ millions Restated	Year ended 31 December 2015 £ millions Restated
Profit/(loss) for the period	<u>2.4</u>	<u>(4.3)</u>	<u>7.2</u>
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post employment benefit obligations (note 19)	(15.9)	7.2	9.1
Deferred tax movement in relation to post employment benefit obligations	<u>–</u>	<u>–</u>	<u>0.6</u>
	<u>(15.9)</u>	<u>7.2</u>	<u>9.7</u>
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences	28.1	(5.7)	(12.3)
Available-for-sale investments:			
Valuation (losses)/gains taken to equity	(0.2)	(1.1)	0.2
Transferred to income statement on sale	<u>–</u>	<u>–</u>	<u>(0.2)</u>
Share of other comprehensive income of associates	<u>–</u>	<u>–</u>	<u>(0.1)</u>
	<u>27.9</u>	<u>(6.8)</u>	<u>(12.4)</u>
Other comprehensive income/(expense) for the period, net of tax	<u>12.0</u>	<u>0.4</u>	<u>(2.7)</u>
Total comprehensive income/(expense) for the period	<u>14.4</u>	<u>(3.9)</u>	<u>4.5</u>
Total comprehensive income/(expense) attributable to:			
Owners of the parent	9.0	(3.4)	3.7
Non-controlling interests	<u>5.4</u>	<u>(0.5)</u>	<u>0.8</u>
	<u>14.4</u>	<u>(3.9)</u>	<u>4.5</u>

Camellia Plc

Consolidated balance sheet at 30 June 2016

	Notes	30 June 2016 £ millions	30 June 2015 £ millions Restated	31 December 2015 £ millions Restated
Non-current assets				
Intangible assets		7.7	7.6	7.9
Property, plant and equipment	15	220.3	224.7	203.3
Investment properties		16.0	10.7	15.8
Biological assets	16	12.6	10.0	11.3
Prepaid operating leases		0.9	0.8	0.8
Investments in associates		55.5	8.9	48.9
Deferred tax assets		2.9	0.2	2.5
Available-for-sale financial assets		34.2	63.0	30.6
Held-to-maturity financial assets		4.3	–	27.7
Other investments – heritage assets		9.0	9.0	9.0
Retirement benefit surplus	19	0.2	0.8	0.2
Trade and other receivables		35.3	7.8	22.7
Total non-current assets		398.9	343.5	380.7
Current assets				
Inventories		51.6	42.9	38.1
Biological assets	16	8.7	6.9	7.2
Trade and other receivables		57.1	79.9	55.6
Held-to-maturity financial assets		38.5	–	1.8
Current income tax assets		1.0	1.2	0.8
Cash and cash equivalents	17	218.9	241.8	237.8
Total current assets		375.8	372.7	341.3
Current liabilities				
Borrowings	18	(2.3)	(4.1)	(5.4)
Trade and other payables		(288.6)	(266.8)	(258.9)
Current income tax liabilities		(7.8)	(4.4)	(9.5)
Employee benefit obligations	19	(1.3)	(0.5)	(1.0)
Provisions		(0.1)	(0.4)	(0.3)
Total current liabilities		(300.1)	(276.2)	(275.1)
Net current assets		75.7	96.5	66.2
Total assets less current liabilities		474.6	440.0	446.9
Non-current liabilities				
Borrowings	18	(4.8)	(5.4)	(5.1)
Trade and other payables		(4.2)	(3.7)	(4.4)
Deferred tax liabilities		(38.3)	(39.1)	(38.0)
Employee benefit obligations	19	(54.7)	(34.4)	(37.8)
Other non-current liabilities		–	(0.1)	–
Total non-current liabilities		(102.0)	(82.7)	(85.3)
Net assets		372.6	357.3	361.6
Equity				
Called up share capital		0.3	0.3	0.3
Share premium		15.3	15.3	15.3
Reserves		313.0	300.4	306.6
Equity attributable to owners of the parent		328.6	316.0	322.2
Non-controlling interests		44.0	41.3	39.4
Total equity		372.6	357.3	361.6

Consolidated cash flow statement
for the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 £ millions	Six months ended 30 June 2015 £ millions Restated	Year ended 31 December 2015 £ millions Restated
Cash generated from operations				
Cash flows from operating activities	20	(6.0)	(0.8)	39.5
Interest paid		(0.3)	(0.3)	(0.6)
Income taxes paid		(7.3)	(5.1)	(9.4)
Interest received		1.6	1.6	3.1
Dividends received from associates		1.2	0.3	1.2
Net cash flow from operating activities		(10.8)	(4.3)	33.8
Cash flows from investing activities				
Purchase of intangible assets		(0.1)	(0.8)	(1.4)
Purchase of property, plant and equipment		(6.9)	(5.2)	(16.3)
Purchase of investment properties		(0.2)	(8.6)	(8.7)
Proceeds from sale of non-current assets		0.1	1.8	6.5
Biological assets – new plantings		(0.1)	(0.2)	(0.4)
Biological assets – disposals		0.3	0.5	0.5
Part disposal of a subsidiary		0.9	0.1	0.3
Purchase of available-for-sale financial assets		(1.0)	(2.1)	(2.3)
Proceeds from sale of available-for-sale financial assets		1.2	1.0	1.7
Purchase of other investments – heritage assets		–	(0.1)	(0.2)
Income from investments		0.3	1.2	1.4
Net cash flow from investing activities		(5.5)	(12.4)	(18.9)
Cash flows from financing activities				
Equity dividends paid		–	–	(3.5)
Dividends paid to non-controlling interests		(1.5)	(1.1)	(4.5)
New loans		–	6.0	6.0
Loans repaid		(0.3)	(0.1)	(0.4)
Net cash flow from financing activities		(1.8)	4.8	(2.4)
Net (increase)/decrease in cash and cash equivalents		(18.1)	(11.9)	12.5
Cash and cash equivalents at beginning of period		65.6	54.1	54.1
Exchange gains/(losses) on cash		5.5	(1.7)	(1.0)
Cash and cash equivalents at end of period		53.0	40.5	65.6

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

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

Cash and cash equivalents	218.9	241.8	237.8
Less banking operation's funds	(164.2)	(197.8)	(167.4)
Overdrafts repayable on demand (included in current liabilities – borrowings)	(1.7)	(3.5)	(4.8)
	<u>53.0</u>	<u>40.5</u>	<u>65.6</u>

Camellia Plc

Statement of changes in equity for the six months ended 30 June 2016

	Share capital £ millions	Share premium £ millions	Treasury shares £ millions	Retained earnings £ millions Restated	Other reserves £ millions Restated	Total £ millions Restated	Non- controlling interests £ millions Restated	Total equity £ millions Restated
At 1 January 2015	0.3	15.3	(0.4)	303.2	3.3	321.7	42.7	364.4
Restatement (note 3)	–	–	–	0.2	–	0.2	0.1	0.3
At 1 January 2015 restated	0.3	15.3	(0.4)	303.4	3.3	321.9	42.8	364.7
Total comprehensive income/(expense) for the period	–	–	–	2.1	(5.5)	(3.4)	(0.5)	(3.9)
Dividends	–	–	–	(2.5)	–	(2.5)	(1.1)	(3.6)
Non-controlling interest subscription	–	–	–	–	–	–	0.1	0.1
At 30 June 2015	0.3	15.3	(0.4)	303.0	(2.2)	316.0	41.3	357.3
At 1 January 2015	0.3	15.3	(0.4)	303.2	3.3	321.7	42.7	364.4
Restatement (note 3)	–	–	–	0.2	–	0.2	0.1	0.3
At 1 January 2015 restated	0.3	15.3	(0.4)	303.4	3.3	321.9	42.8	364.7
Total comprehensive income/(expense) for the period	–	–	–	11.6	(7.9)	3.7	0.8	4.5
Dividends	–	–	–	(3.5)	–	(3.5)	(4.5)	(8.0)
Non-controlling interest subscription	–	–	–	–	–	–	0.3	0.3
Share of associate's other equity movements	–	–	–	0.1	–	0.1	–	0.1
At 31 December 2015	0.3	15.3	(0.4)	311.6	(4.6)	322.2	39.4	361.6
Total comprehensive (expense)/income for the period	–	–	–	(15.2)	24.2	9.0	5.4	14.4
Dividends	–	–	–	(2.6)	–	(2.6)	(1.5)	(4.1)
Non-controlling interest subscription	–	–	–	–	–	–	0.7	0.7
At 30 June 2016	0.3	15.3	(0.4)	293.8	19.6	328.6	44.0	372.6

Notes to the accounts

1 Basis of preparation

These financial statements are the interim condensed consolidated financial statements of Camellia Plc, a company registered in England, and its subsidiaries (the “group”) for the six month period ended 30 June 2016 (the “Interim Report”). They should be read in conjunction with the Report and Accounts (the “Annual Report”) for the year ended 31 December 2015.

The financial information contained in this interim report has not been audited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2015 has been delivered to the Registrar of Companies. The auditors’ opinion on these accounts was unqualified and does not contain an emphasis of matter paragraph or a statement made under Section 498(2) and Section 498(3) of the Companies Act 2006.

The interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) including IAS 34 “Interim Financial Reporting”. For these purposes, IFRS comprise the Standards issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Standards Interpretations Committee (“IFRS IC”) that have been adopted by the European Union.

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

These interim condensed financial statements were approved by the board of directors on 24 August 2016. At the time of approving these financial statements, the directors have a reasonable expectation that the company and the group have adequate resources to continue to operate for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

2 Accounting policies

These interim condensed financial statements have been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2015. In addition, the group has implemented the following amended standards:

IAS 16 and IAS 41 (amendments) Reporting for bearer plants

A summary of the above amendments was provided on page 48 of the 2015 Annual Report.

IAS 16 and IAS 41 (amendments) amends the reporting for bearer plants. The group has applied the amendments retrospectively in accordance with the transition provisions of the standard and the comparative figures have been restated. The impact on the group has been in the following areas:

As bearer plants are now accounted for under IAS 16 rather than IAS 41 in the same way as property, plant and equipment, fair value adjustments are no longer required and instead the assets will now be depreciated. The produce on bearer plants will remain in the scope of IAS 41 and require a fair value adjustment. The effect has been that the loss before tax for the period to 30 June 2015 has reduced by £5.3 million and profit for the year to 31 December 2015 has decreased by £20.1 million.

The effect of these amendments is to increase earnings per share from a loss of (288.1)p per share to a loss of (188.3)p per share for the period 30 June 2015 and decrease earnings per share from a profit of 450.7p per share to a profit of 50.7p per share for the year to 31 December 2015, the effect on the cash flow statement is immaterial.

3 Restatement – fair value of green leaf tea

As disclosed in the 2015 Annual Report, made tea was included in inventory at cost as no reliable fair value was available to reflect the uplift in value arising at the point of harvest of green leaf. Following a reassessment, the fair value for green leaf at the point of harvest can now be more reliably calculated. Made tea inventories now include the fair value of green leaf and the impact of this change is a £0.2 million uplift in opening reserves and £0.1 million uplift in non-controlling interest, at 1 January 2015.

4 Cyclical and seasonal factors

Due to climatic conditions the group’s tea operations in India and Bangladesh produce most of their crop during the second half of the year. Tea production in Kenya remains at consistent levels throughout the year but in Malawi the majority of tea is produced in the first six months.

Soya and maize in Brazil and citrus in California are generally harvested in the first half of the year. In California the pistachio crop occurs in the second half of the year and has ‘on’ and ‘off’ years. The majority of the macadamia crop in Malawi and South Africa is harvested in the second half of the year but in Kenya the majority of macadamia is harvested in the first half. Avocados in Kenya are mostly harvested in the second half of the year.

There are no other cyclical or seasonal factors which have a material impact on the trading results.

Camellia Plc

Notes to the accounts

5 Segment reporting

	Six months ended 30 June 2016		Six months ended 30 June 2015		Year ended 31 December 2015	
	Revenue £ millions	Trading (loss)/profit £ millions	Revenue £ millions	Trading (loss)/profit £ millions <i>Restated</i>	Revenue £ millions	Trading profit/(loss) £ millions <i>Restated</i>
Agriculture and horticulture	75.1	7.3	65.3	1.6	186.5	26.8
Engineering	10.1	(0.9)	15.1	(3.5)	25.8	(5.5)
Food storage and distribution	14.7	0.1	15.2	0.4	31.9	0.7
Banking and financial services	6.0	(2.8)	6.7	(1.2)	13.1	(3.6)
Other operations	0.2	–	0.2	–	0.5	–
	<u>106.1</u>	<u>3.7</u>	<u>102.5</u>	<u>(2.7)</u>	<u>257.8</u>	<u>18.4</u>
Unallocated corporate expenses		(4.2)		(4.2)		(8.8)
Trading (loss)/profit		(0.5)		(6.9)		9.6
Share of associates' results		2.6		0.5		4.2
Profit on disposal of non-current assets		–		0.9		3.7
Profit on disposal of available-for-sale investments		1.1		0.2		0.3
Impairment of available-for-sale financial assets		–		–		(0.5)
Impairment of property, plant and equipment and provisions		–		–		0.2
Investment income		0.3		1.2		1.4
Net finance income		1.4		1.0		1.5
Profit/(loss) before tax		4.9		(3.1)		20.4
Taxation		(2.5)		(1.2)		(13.2)
Profit/(loss) after tax		<u>2.4</u>		<u>(4.3)</u>		<u>7.2</u>

6 Cost of sales

Included in cost of sales are the following gains/(losses) arising from changes in fair value of biological assets:

	Six months ended 30 June 2016 £ millions	Six months ended 30 June 2015 £ millions <i>Restated</i>	Year ended 31 December 2015 £ millions <i>Restated</i>
Gain arising from change in fair value of agricultural produce	3.8	3.9	2.9
Gain/(loss) from change in fair value of non-current biological assets	0.2	(0.2)	1.9
	<u>4.0</u>	<u>3.7</u>	<u>4.8</u>

In addition, included within inventories is a fair value gain of £4.1 million (2015: six months £4.1 million gain – year £0.4 million gain) relating to the uplift in green leaf tea values at the point of harvest.

Notes to the accounts

7 **Headline profit/(loss)**

The group seeks to present an indication of the underlying performance which is not impacted by exceptional items. This measure of profit/(loss) is described as 'headline' and is used by management to measure and monitor performance.

The following item has been excluded from the headline measure:

- A charge of £6.1 million included in cost of sales for the year ended 31 December 2015 for past service relating to legislation enacted in Bangladesh which required companies to make a payment on retirement or other events terminating employment to all employees, based upon compensation and length of service.

8 **Share of associates' results**

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

	Six months ended 30 June 2016 £ millions	<i>Six months ended 30 June 2015 £ millions</i>	<i>Year ended 31 December 2015 £ millions</i>
Profit before tax	3.2	0.8	5.2
Taxation	(0.6)	(0.3)	(1.0)
Profit after tax	<u>2.6</u>	<u>0.5</u>	<u>4.2</u>

From 1 July 2015, following a re-evaluation of the group's relationship with BF&M Limited, the directors concluded that the group is in a position to exercise significant influence over BF&M Limited. As a result the investment in this company has been reclassified from available-for-sale financial assets to an investment in associate. Six months of the group's share of BF&M's result for the year ending 31 December 2015 have been included in the above results. In addition, in 2015 £22.7 million was credited to the income statement which reflected the negative goodwill arising from the recognition of BF&M Limited as an associate, which was offset by an impairment provision of £22.7 million which was provided against the group's equity carrying value of this investment to reflect its fair value. The net effect impact of these items on the income statement was £nil.

9 **Profit on non-current assets**

In 2015, a profit of £1.6 million was realised in relation to the property, plant and equipment previously owned by AKD Engineering Limited which was sold following the closure of the business at the end of June 2015 and profits of £2.1 million (2015: six months £0.9 million) were realised during the year in relation to the disposal of former sites owned by Abbey Metal Finishing Company Limited and GU Cutting and Grinding Services Limited.

10 **Profit on disposal of available-for-sale investments**

The profit of £1.1 million includes a profit of £0.9 million relating to the part disposal of the group's interest in VISA Europe.

Camellia Plc

Notes to the accounts

11 Finance income and costs

	Six months ended 30 June 2016 £ millions	Six months ended 30 June 2015 £ millions	Year ended 31 December 2015 £ millions
Interest payable on loans and bank overdrafts	(0.2)	(0.3)	(0.7)
Finance costs	(0.2)	(0.3)	(0.7)
Finance income – interest income on short-term bank deposits	1.6	1.4	3.1
Net exchange gain on foreign currency balances	0.5	0.5	0.8
Employee benefit expense	(0.5)	(0.6)	(1.7)
Net finance income	<u>1.4</u>	<u>1.0</u>	<u>1.5</u>

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

12 Taxation on profit on ordinary activities

	Six months ended 30 June 2016 £ millions	Six months ended 30 June 2015 £ millions Restated	Year ended 31 December 2015 £ millions Restated
Current tax			
Overseas corporation tax	5.0	3.3	13.4
Deferred tax			
Origination and reversal of timing differences			
Overseas deferred tax	(2.5)	(2.1)	(0.2)
Tax on profit on ordinary activities	<u>2.5</u>	<u>1.2</u>	<u>13.2</u>

Tax on profit on ordinary activities for the six months to 30 June 2016 has been calculated on the basis of the estimated annual effective rate for the year ending 31 December 2016.

13 Equity dividends

	Six months ended 30 June 2016 £ millions	Six months ended 30 June 2015 £ millions	Year ended 31 December 2015 £ millions
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2015 of 95.00p (2014: 92.00p) per share	<u>2.6</u>	<u>2.5</u>	2.5
Interim dividend for the year ended 31 December 2015 of 34.00p per share			<u>1.0</u>
			<u>3.5</u>

Dividends amounting to £0.1 million (2015: six months £0.1 million – year £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 interim dividend for the year ended 31 December 2016 of 35.00p (2015: 34.00p) per share

<u>1.0</u>	<u>1.0</u>
------------	------------

The proposed interim dividend was approved by the board of directors on 24 August 2016 and has not been included as a liability in these financial statements.

Notes to the accounts

14 Earnings per share (EPS)

	Six months ended 30 June 2016		<i>Six months ended 30 June 2015</i>		<i>Year ended 31 December 2015</i>	
	Earnings £ millions	EPS Pence	<i>Earnings £ millions Restated</i>	<i>EPS Pence Restated</i>	<i>Earnings £ millions Restated</i>	<i>EPS Pence Restated</i>
Basic and diluted EPS						
Attributable to ordinary shareholders	0.8	29.0	<i>(5.2)</i>	<i>(188.3)</i>	<i>1.4</i>	<i>50.7</i>

Basic and diluted earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of 2,762,000 (2015: six months 2,762,000 – year 2,762,000), which excludes 62,500 (2015: six months 62,500 – year 62,500) shares held by the group as treasury shares.

15 Property, plant and equipment

During the six months ended 30 June 2016 the group acquired assets with a cost of £6.9 million (2015: six months £5.2 million – year £16.3 million). Assets with a carrying amount of £0.1 million were disposed of during the six months ended 30 June 2016 (2015: six months £0.9 million – year £2.8 million).

16 Biological assets

Non-current biological assets includes the fair value of timber and livestock. Current biological assets relates to the fair value of growing crop and agricultural produce for bearer crops.

17 Cash and cash equivalents

Included in cash and cash equivalents of £218.9 million (2015: six months £241.8 million – year £237.8 million) are cash and short-term funds, time deposits with banks and building societies and certificates of deposit amounting to £164.2 million (2015: six months £197.8 million – year £167.4 million), which are held by banking subsidiaries and which are an integral part of the banking operations of the group.

18 Borrowings

Borrowings (current and non-current) include loans and finance leases of £5.4 million (2015: six months £6.0 million – year £5.7 million) and bank overdrafts of £1.7 million (2015: six months £3.5 million – year £4.8 million). The following loans and finance leases were taken out and repaid during the six months ended 30 June 2016:

	£ million
Balance at 1 January 2016	5.7
Repayments – loans	(0.3)
Balance at 30 June 2016	<u>5.4</u>

19 Retirement benefit schemes

The UK defined benefit pension scheme for the purpose of IAS 19 has been updated to 30 June 2016 from the valuation as at 31 December 2015 by the actuary and the movements have been reflected in this interim statement. Overseas schemes have not been updated from 31 December 2015 valuations as it is considered that there have been no significant changes.

An actuarial loss of £15.9 million was realised in the period, of which a gain of £6.9 million was realised in relation to the scheme assets, £0.4 million was realised in relation to experience gains on scheme liabilities and a loss of £23.2 million was realised in relation to changes in the underlying actuarial assumptions. The assumed discount rate has decreased to 2.8% (31 December 2015: 3.8%), the assumed rate of inflation (CPI) has decreased to 1.8% (31 December 2015: 2.0%) and the assumed inflation rate for salaries decreased to 1.8% (31 December 2015: 2.0%). There has been no change in the mortality assumptions used.

Camellia Plc

Notes to the accounts

20 Reconciliation of profit/(loss) from operations to cash flow

	Six months ended 30 June 2016 £ millions	<i>Six months ended 30 June 2015 £ millions Restated</i>	<i>Year ended 31 December 2015 £ millions Restated</i>
Profit/(loss) from operations	3.2	(5.3)	17.5
Share of associates' results	(2.6)	(0.5)	(4.2)
Depreciation and amortisation	7.6	7.6	14.4
Impairment of assets	–	–	0.5
Gain arising from changes in fair value of biological assets	(8.1)	(7.8)	(5.2)
Profit on disposal of non-current assets	–	(0.9)	(3.7)
Profit on disposal of investments	(1.1)	(0.2)	(0.3)
Profit on part disposal of subsidiary	(0.2)	–	–
(Increase)/decrease in working capital	(2.4)	6.7	16.4
Pensions and similar provisions less payments	3.3	(0.6)	4.0
Net (increase)/decrease in funds of banking subsidiaries	(5.7)	0.2	0.1
	<u>(6.0)</u>	<u>(0.8)</u>	<u>39.5</u>

21 Related party transactions

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