

12 February 2015

Full Year Results for the 52 weeks ended 27 December 2014

£ million	Q4 2014	Q4 2013		FY 2014	FY 2013	
Revenue	428.4	416.3	3%	1,692.6	1,649.8	3%
Like-for-like Revenue ¹	435.5	417.3	4%	1,722.7	1,650.7	4%
Adjusted EBITDA ²	30.5	26.7	14%	119.9	109.7	9%
Adjusted EBITDA margin ²	7.1%	6.4%	70bps	7.1%	6.6%	50bps
Free cash flow ³	12.7	25.3	(12.6)	43.7	32.3	11.4

The comparative results in 2013 have been restated to reflect the adoption of International Accounting Standard 19 Employee Benefits (revised). This has had the effect of reducing the Group's prior year Adjusted EBITDA by £ 1.9 million.

2014 Highlights

- Once again we outperformed the fresh prepared foods market⁴ with 4% growth in like-for-like revenues in the UK and for the Group
- Adjusted EBITDA margin improved 50 basis points, with continued focus on productivity and costs, and further progress from our international businesses
- Increase in capital investment to drive efficiencies and support growth
- Continued deleveraging through improved trading performance and strong cash conversion

Commenting on the results, Agust Gudmundsson, Chief Executive Officer said:

“In a tough trading environment with low market growth, the Group has made good progress, increasing revenues, market share, margins and cash generation. Against a backdrop of challenging market conditions, we have continued our strategy of leadership in innovation, and close partnering with our customers.”

Key

1. Like-for-like revenue excludes the impact of acquisitions, disposals, closures, and foreign exchange translation but includes the Group's share of revenue generated by associates.
2. Adjusted EBITDA - The Group manages the performance of its businesses through the use of 'Adjusted EBITDA'. EBITDA is generally defined as operating profit / loss before share of results of associates, depreciation, amortisation and asset impairments. In calculating Adjusted EBITDA, we further exclude restructuring costs and Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by total revenue from continuing operations.
3. Free cash flow is defined as the amount of cash generated by the business, after meeting all its obligations for interest, tax and pensions, and after investments in tangible assets.
4. UK fresh prepared foods market grew by 2.6% 12 weeks ended 4 January 2015; and 1.5% for the 52 weeks ended 4 January 2015 – Kantar World Panel.

Business Performance

The Group reported revenues of £1,692.6 million for the 52 weeks to 27 December 2014, an increase of 2.6% on the prior year. On a like-for-like basis, excluding sold and closed businesses and at constant currency, revenue growth was 4.4%.

UK

£ million	Q4 2014	Q4 2013	chg	LFL ¹ chg	FY 2014	FY 2013	chg	LFL ¹ chg
Revenue	380.2	369.7	3%	3%	1,520.1	1,463.6	4%	4%
Adjusted EBITDA ²	27.7	24.8	12%		112.9	104.1	8%	
Adjusted EBITDA (%)	7.3%	6.7%	60bps		7.4%	7.1%	30bps	

In line with the total UK grocery market, the fresh prepared food market has softened over the past year following a reduction in promotional activity and subdued consumer spending. Despite this, our UK segment generated revenues of £1,520.1 million, an increase of 3.8% on a like-for-like basis, comfortably ahead of the wider UK fresh prepared foods market which only grew by 1.5% in the year. Our market share has grown for the third consecutive year and importantly we have increased year-on-year revenues with all of our key customers. Growth remained predominantly volume driven as the annualised effect of business wins offset the weaker underlying market.

Although food price deflation has been widely reported in the media, we experienced year on year inflation across our total cost base, including utilities and labour. Looking forward into 2015, there remain pockets of significant inflation for certain key ingredients such as chicken and seafood, and we continue to see pressure on labour costs in a period of rising employment.

The margin improvement of 30 basis points in the year has principally been driven by the restructuring of our UK business. We reorganised the reporting lines, sharpening our focus and collaboration across the business, which enabled us to reduce cost and complexity. Furthermore, following a number of significant wins over this past year, we took the opportunity to withdraw from certain low margin business due to poor commercial returns.

We completed a number of capital projects in the year which included significant investment in our salads, pizza and bread businesses. In salads, our investments have enabled us to leverage new technologies and reconfigure sites to further improve quality and capacity. Our pizza investment has enabled us to consolidate our number one market position through increasing our stone-baking and wood-fired capacity. We have also recently completed an investment in additional baking capacity at our chilled breads facility in response to increased customer demand. This investment enhances both the quality of our offering in the growing artisan bread market as well as increasing capacity and efficiencies.

International

£ million	Q4 2014	Q4 2013	chg	LFL ¹ chg	FY 2014	FY 2013	chg	LFL ¹ chg
Revenue	48.2	46.6	3%	18%	172.5	186.2	(7%)	10%
Adjusted EBITDA ²	2.8	1.9	47%		7.0	5.6	25%	
Adjusted EBITDA (%)	5.8%	4.1%	170bps		4.1%	3.0%	110bps	

Our International segment has undergone significant restructuring in the past two years with the sale of our Czech and South African businesses, and the closure of our Canadian operations. As a result of these transactions, revenues, as presented on a statutory basis, declined in the period. On a like-for-like basis however, excluding the effect of these disposals and closures and adjusting for currency movements, revenues grew by 9.5%.

Although our International segment is experiencing strong growth, it is not yet operating at margins comparable with our UK segment. Our businesses in the US and Asia are continuing to build their presence and scale, which will require further investment and will therefore limit margin growth in the short term. In Asia, we have focused on capacity and technical capability as we increase our customer base across the foodservice industry. In the US, we tripled capacity at our East Coast facility due to greater demand from new and existing customers. Furthermore, in January 2015 we completed the acquisition of B. Robert's Foods, a private label fresh prepared foods manufacturer based in Charlotte, North Carolina. This transaction increases our customer base and widens our manufacturing presence across the country.

Our European businesses, which are more established in their respective markets, are continuing to show signs of recovery following a period of weak consumer demand and high input costs.

Adjusted EBITDA margin for our International segment was 4.1%, representing an improvement of 110 basis points. Whilst this is encouraging we will continue to take firm action to further improve margins.

Innovation excellence

We firmly believe innovation is fundamental to the growth and profitability of our business. We launched over 1,200 new products in the year and celebrated success in product development, new processes and technology at our annual Innovation Awards. Our success within the business was also recognised externally as we won 17 industry awards for product innovation and quality and three major awards from our customers. Furthermore, in January 2015 we won Manufacturer of the Year at the Food Management Today Awards where we were recognised for setting a benchmark in product development, innovation, product range, quality and service.

Cash flow, net debt and leverage

Free cash generation improved by £11.4 million in the year as we benefited from both increased profitability and effective working capital management. As a result of the cash inflow and disposal proceeds, net debt reduced £48.1 million to £471.7 million despite increased capital expenditure. Leverage (the ratio of net debt to Adjusted EBITDA) was 3.9 times at the year end, down from 4.7 times last year. The Group is operating with good headroom against all financial covenants and remains focussed on further deleveraging.

Our liquidity position remains strong with our revolving credit and receivables financing facilities both undrawn at the year-end. We have therefore accelerated the amortisation of our term loan with a prepayment of £44.2 million to lenders during the year, leaving an outstanding balance of only £10 million due for repayment in October 2016.

Outlook

In a tough trading environment with low market growth, the Group has made good progress, increasing revenues, market share, margins and cash generation. Whilst the results to date are encouraging, the unprecedented changes in the UK grocery market means that we expect these challenging trading conditions to persist. Our strategic priorities of targeted capital investments, close partnering with our customers, technical excellence and outstanding product innovation have proved successful and will remain our focus in 2015.

Results of Operations

Revenues and Expenses

Consolidated Statement of Income						
£ million	Q4 2014	Q4 2013	% chg	FY 2014	FY 2013	% chg
Revenue	428.4	416.3	2.9	1,692.6	1,649.8	2.6
Cost of sales	(314.1)	(308.1)	(1.9)	(1,236.3)	(1,208.8)	(2.3)
Gross profit	114.3	108.2	5.6	456.3	441.0	3.5
Administrative and distribution costs	(94.5)	(93.6)	(1.0)	(380.1)	(378.2)	(0.5)
Exceptional items	(0.5)	(0.2)		(6.6)	(1.7)	
Parent royalty charge	(1.2)	(1.2)		(1.2)	(1.2)	
Impairment of assets	(2.8)	(21.2)		(4.1)	(21.7)	
Profit on disposal of subsidiaries	-	1.8		1.8	1.8	
Share of results of associates	0.5	0.5		1.0	1.2	
Operating profit/(loss)	15.8	(5.7)		67.1	41.2	62.9
Net finance costs	(12.4)	(14.2)	12.7	(53.2)	(58.9)	
Other net gains/(losses)	1.7	0.4		1.7	(1.8)	
Profit/(loss) before tax	5.1	(19.5)		15.6	(19.5)	
Tax	(4.7)	4.3		(4.1)	6.4	
Profit/(loss) for the period from continuing operations	0.4	(15.2)		11.5	(13.1)	
Discontinued operations						
Profit for the period from discontinued operations	-	0.9		-	19.4	
Profit/(loss) for the period	0.4	(14.3)		11.5	6.3	82.5
Attributable to:						
Equity holders of the parent	0.3	(14.3)		10.8	6.3	
Non-controlling interest	0.1	-		0.7	-	
	0.4	(14.3)		11.5	6.3	

The information contained in the table above should be read in conjunction with the consolidated financial statements and the related notes. A more detailed analysis of our financial performance is included within the review of Business Performance.

Group revenues

The Group reported revenues of £1,692.6 million for the year ended 27 December 2014, an increase of 2.6% on the prior year. On a like-for-like basis, excluding sold and closed businesses and at constant currency, revenue growth was 4.4%. Once again we outperformed the wider fresh prepared foods market in the UK as we benefited from annualised business wins, successful customer relaunch activity and favourable weather patterns with a relatively mild winter and reasonable summer. Our International revenues declined in statutory terms due to the sale of our South African prepared fruit business in January 2014. On a like-for-like basis, however, our International segment delivered excellent growth through business wins with new and existing customers.

Gross profit

The gross profit margin for 2014 was 27.0%, representing a year on year increase of 30 basis points. The Group benefited from increased efficiencies at our facilities driven by volume growth as well as productivity investments made earlier in the year.

Although food price deflation has been widely reported in the press, we saw overall inflation across our cost base, including utilities and labour. There remain pockets of significant inflation for key ingredients, such as chicken and seafood, and we continue to see pressure on labour costs in a period of rising employment.

Distribution and other administrative costs

The Group has continued to focus tightly on overheads with distribution and administrative costs increasing by 0.5% year on year, against sales growth of 2.6%. We continued to invest to support volume growth and product innovation, but benefited from the UK restructuring initiatives and a strict control on discretionary spend across the Group.

Adjusted EBITDA

Adjusted EBITDA for the Group was £119.9 million, compared with £109.7 million in 2013, an increase of £10.2 million. As a result, our Adjusted EBITDA margin increased by 50 basis points from 6.6% to 7.1%. Increased volumes and productivity investments helped to support our margin, and the restructuring of our UK business was fundamental in reducing both cost and complexity to enable margin growth.

Exceptional items

The restructuring of our UK businesses, which we announced earlier in the year, provides greater alignment in our approach to our categories and intensifies our focus on customers. The benefits of the reorganisation are already being seen through greater efficiencies and a strong pipeline of new product launches. As a consequence of this restructure and other reorganisation initiatives, the Group has recognised exceptional charges of £6.6 million in 2014, principally arising from redundancy payments.

Impairment

Each year the Group is required to assess the appropriateness of its goodwill and intangible asset carrying values by comparing the carrying values with future cash flows expected to be generated from those assets. An impairment charge of £2.6 million (2013: £21.2 million) to goodwill and £0.1 million (2013: £nil) to intangible assets was recognised, representing a write-down of less than 1% of our goodwill carrying value. This was due to more difficult trading conditions across two of our UK businesses. A further impairment charge of £1.4 million (2013: £0.5 million) was recognised in respect of property, plant and equipment.

Operating profit

Operating profit increased by £25.9 million to £67.1 million, representing an operating margin of 4.0%, 150 basis points ahead of the prior year. The majority of this improvement was caused by a one-off impairment charge to assets of £21.7 million in the prior year, which entirely related to our International segment. After stripping out the effect of impairments in both years, the Group's operating profit improved by £8.3 million, or 40 basis points, reflecting benefits from strong sales growth, productivity enhancements and strict cost controls.

Financing costs

Net finance costs reduced from £58.9 million to £53.2 million in 2014. Given the Group's high level of fixed interest charges, borrowing costs remained relatively flat at £48.8 million (2013: £48.2 million). The decrease in finance costs was therefore principally driven by higher non-cash charges in 2013, including the early amortisation of refinancing fees relating to our previous funding structure.

Other gains and losses

Other gains and losses represented mark-to-market movements on both the Group's remaining fixed rate interest swap, maturing in 2016, and foreign exchange forward contracts and options. The loss in 2013 was affected by the impact of hedging the Group's operations in South Africa where the exchange rate was particularly volatile. The Group has now sold these operations.

Tax

The Group tax charge was £4.1 million for 2014 (2013: credit of £6.4 million). The higher tax charge is due to the increased profit before tax of £15.6 million this year compared with a loss before tax of £19.5 million in 2013.

Pensions

Earlier in the year, the Group and the Trustee agreed the triennial valuation of the UK defined benefit pension scheme as at 31 March 2013. This resulted in a funding shortfall which will be paid over a six-year period ending on 31 March 2020. The recovery contributions are paid monthly and amount to £4.5 million per annum through to 31 March 2016, £2 million in the year to 31 March 2017 and £1 million per annum in the following three years.

For accounting purposes, the Group must apply the IAS 19 valuation principles. On this basis, the Group recognised a surplus of £6.7 million as at 27 December 2014 (2013: surplus of £2.6 million). Although a reduction to the discount rate used by the Group to value the scheme's liabilities has led to an increase in liabilities, this was more than offset by the combination of the performance of the scheme's assets and the recovery contributions paid.

Appendices

Free Cash Flow³

£ million	Q4 2014	Q4 2013	FY 2014	FY 2013
Adjusted EBITDA ²	30.5	26.7	119.9	109.7
Adjusted EBITDA from discontinued operations	-	-	-	0.9
Working capital	8.3	20.2	26.8	11.1
Pensions (cash and non-cash)	(1.1)	(1.1)	(3.8)	(3.7)
Interest paid	(8.2)	(8.2)	(49.0)	(52.1)
Tax paid	(0.6)	(0.3)	(1.0)	(0.8)
Capital expenditure (net)	(16.2)	(12.0)	(49.2)	(32.8)
Free cash generated from operating activities	12.7	25.3	43.7	32.3

Reconciliation of Operating Profit to Adjusted EBITDA

£ million	Q4 2014	Q4 2013	FY 2014	FY 2013
Operating profit	15.8	(5.7)	67.1	41.2
Add:				
Depreciation	9.3	9.9	36.0	38.2
Amortisation	2.2	2.2	8.7	8.7
Exceptional items (net)	0.5	0.2	6.6	1.7
Parent royalty charge	1.2	1.2	1.2	1.2
Impairment of assets	2.8	21.2	4.1	21.7
Profit on disposal of property, plant and equipment	(0.8)	-	(1.0)	-
Profit on disposal of subsidiaries	-	(1.8)	(1.8)	(1.8)
Share of results of associates after tax	(0.5)	(0.5)	(1.0)	(1.2)
Adjusted EBITDA	30.5	26.7	119.9	109.7

Analyst and Investor Call

On 12 February 2015 a conference call facility will be available for analysts and investors at 2pm (UK time). The conference call details can be requested from:

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Bakkavor at a Glance

We are a leading provider of fresh prepared foods, employing over 18,000 people globally and producing over 5,500 products in 18 different categories.

In the UK, we continue to be the number one producer by value in 12 of the 16 categories of chilled food we supply to the market. Products include ready meals, pizzas, salads, desserts, soups and sauces.

Our customers include some of the UK's best known grocery retailers including Tesco, Marks & Spencer, Sainsbury's, Waitrose, Asda and Morrisons, who sell our products to consumers under their respective retailer brands.

We also have operations in Continental Europe, the US and Asia, supplying fresh prepared food products to both retail and foodservice customers.

Forward-looking statements:

This announcement may contain certain forward-looking statements with respect to Bakkavor's expectations and plans, strategy, management objectives, future developments and performance costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Certain statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of Bakkavor speak only as of the date they are made. Bakkavor does not undertake to update forward-looking statements to reflect any changes in Bakkavor's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be construed as a profit forecast. Past performance cannot be relied on as a guide to future performance.

This report, the most recent Annual Report and other information are available on Bakkavor's website at <http://www.bakkavor.com>. Neither the content of Bakkavor's website nor any other website accessible by hyperlinks from Bakkavor's websites are incorporated in, or form part of, this announcement.

Bakkavor Finance (2) plc
Condensed consolidated financial statements
52 weeks ended 27 December 2014

Bakkavor Finance (2) plc

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Bakkavor Finance (2) plc

Condensed consolidated income statement for the 4th quarter

	Unaudited			Unaudited		
	13 weeks ended 27 December 2014			13 weeks ended 28 December 2013		
£ million	Before non-recurring items	Non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
Continuing operations						
Revenue	428.4	-	428.4	416.3	-	416.3
Cost of sales	(314.1)	-	(314.1)	(308.1)	-	(308.1)
Gross profit	114.3	-	114.3	108.2	-	108.2
Distribution costs	(20.2)	-	(20.2)	(20.0)	-	(20.0)
Other administrative costs	(74.3)	-	(74.3)	(73.6)	-	(73.6)
Exceptional items (net)	-	(0.5)	(0.5)	-	(0.2)	(0.2)
Royalty charge	(1.2)	-	(1.2)	(1.2)	-	(1.2)
Impairment of assets	-	(2.8)	(2.8)	-	(21.2)	(21.2)
Total administrative costs	(75.5)	(3.3)	(78.8)	(74.8)	(21.4)	(96.2)
Profit on disposal of subsidiaries	-	-	-	-	1.8	1.8
Share of results of associates	0.5	-	0.5	0.5	-	0.5
Operating profit/(loss)	19.1	(3.3)	15.8	13.9	(19.6)	(5.7)
Investment revenue	0.1	-	0.1	0.1	-	0.1
Finance costs	(12.5)	-	(12.5)	(14.3)	-	(14.3)
Other gains (net)	1.7	-	1.7	0.4	-	0.4
Profit/(loss) before tax	8.4	(3.3)	5.1	0.1	(19.6)	(19.5)
Tax	(4.7)	-	(4.7)	3.8	0.5	4.3
Profit/(loss) for the period from continuing operations	3.7	(3.3)	0.4	3.9	(19.1)	(15.2)
Discontinued operations						
Profit for the period from discontinued operations	-	-	-	-	0.9	0.9
Profit/(loss) for the period	3.7	(3.3)	0.4	3.9	(18.2)	(14.3)
Attributable to:						
Equity holders of the parent	3.6	(3.3)	0.3	3.9	(18.2)	(14.3)
Non-controlling interest	0.1	-	0.1	-	-	-
	3.7	(3.3)	0.4	3.9	(18.2)	(14.3)

Bakkavor Finance (2) plc

Condensed consolidated income statement

	Audited			Audited			
		52 weeks ended 27 December 2014		Restated			
		52 weeks ended 27 December 2014		52 weeks ended 28 December 2013			
£ million	Notes	Before non-recurring items	Non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
Continuing operations							
Revenue	3	1,692.6	-	1,692.6	1,649.8	-	1,649.8
Cost of sales		(1,236.3)	-	(1,236.3)	(1,208.8)	-	(1,208.8)
Gross profit		456.3	-	456.3	441.0	-	441.0
Distribution costs		(80.2)	-	(80.2)	(80.5)	-	(80.5)
Other administrative costs		(299.9)	-	(299.9)	(297.7)	-	(297.7)
Exceptional items (net)	5	-	(6.6)	(6.6)	-	(1.7)	(1.7)
Royalty charge		(1.2)	-	(1.2)	(1.2)	-	(1.2)
Impairment of assets	6	-	(4.1)	(4.1)	-	(21.7)	(21.7)
Total administrative costs		(301.1)	(10.7)	(311.8)	(298.9)	(23.4)	(322.3)
Profit on disposal of subsidiaries	13	-	1.8	1.8	-	1.8	1.8
Share of results of associates		1.0	-	1.0	1.2	-	1.2
Operating profit/(loss)		76.0	(8.9)	67.1	62.8	(21.6)	41.2
Investment revenue		0.1	-	0.1	0.1	-	0.1
Finance costs	4	(53.3)	-	(53.3)	(59.0)	-	(59.0)
Other gains and (losses)		1.7	-	1.7	(1.8)	-	(1.8)
Profit/(loss) before tax		24.5	(8.9)	15.6	2.1	(21.6)	(19.5)
Tax		(5.7)	1.6	(4.1)	5.9	0.5	6.4
Profit/(loss) for the period from continuing operations		18.8	(7.3)	11.5	8.0	(21.1)	(13.1)
Discontinued operations							
Profit for the period from discontinued operations		-	-	-	3.6	15.8	19.4
Profit/(loss) for the period		18.8	(7.3)	11.5	11.6	(5.3)	6.3
Attributable to:							
Equity holders of the parent		18.1	(7.3)	10.8	11.6	(5.3)	6.3
Non-controlling interest		0.7	-	0.7	-	-	-
		18.8	(7.3)	11.5	11.6	(5.3)	6.3

Bakkavor Finance (2) plc

Condensed consolidated statement of comprehensive income

£ million	Unaudited		Audited	
	13 weeks ended 27 December 2014	Restated 13 weeks ended 28 December 2013	52 weeks ended 27 December 2014	Restated 52 weeks ended 28 December 2013
Profit/(loss) for the period	0.4	(14.3)	11.5	6.3
Other comprehensive income/(expense)				
Items that will not be reclassified to the income statement:				
Actuarial (loss)/gain on defined benefit pension schemes	(0.7)	5.8	0.3	(11.1)
Tax relating to components of other comprehensive income	0.2	(0.9)	-	2.6
	(0.5)	4.9	0.3	(8.5)
Items that may subsequently be reclassified to the income statement:				
Exchange differences on translation of foreign operations	2.1	(1.5)	0.6	(0.6)
Exchange differences on translation of discontinued foreign operations	-	-	-	0.1
Net exchange (gains)/losses recycled to income statement on disposal of subsidiaries	-	(2.4)	1.7	(4.7)
	2.1	(3.9)	2.3	(5.2)
Total other comprehensive income/(expense)	1.6	1.0	2.6	(13.7)
Total comprehensive income/(expense)	2.0	(13.3)	14.1	(7.4)
Attributable to:				
Equity holders of the parent	1.9	(13.3)	13.8	(7.4)
Non-controlling interest	0.1	-	0.3	-
	2.0	(13.3)	14.1	(7.4)

Bakkavor Finance (2) plc

Condensed consolidated statement of financial position

£ million	Notes	Audited 27 December 2014	Audited 28 December 2013
Non-current assets			
Goodwill	7	642.1	644.4
Other intangible assets		9.4	18.3
Property, plant and equipment	8	277.8	264.7
Interests in associates		10.9	10.0
Other investments		0.1	0.1
Retirement benefit asset		6.7	2.6
		947.0	940.1
Current assets			
Inventories	9	64.3	58.5
Trade and other receivables	10	201.3	189.0
Cash and cash equivalents		24.6	45.0
Derivative financial instruments		0.5	0.3
		290.7	292.8
Assets classified as held for sale		-	7.0
		290.7	299.8
Total assets		1,237.7	1,239.9
Current liabilities			
Trade and other payables	11	(364.1)	(315.5)
Current tax liabilities		(18.3)	(17.7)
Borrowings	12	(9.2)	(43.6)
Provisions		(0.6)	(0.5)
Derivative financial instruments		(6.9)	(8.0)
		(399.1)	(385.3)
Liabilities associated with assets classified as held for sale		-	(5.2)
		(399.1)	(390.5)
Non-current liabilities			
Trade and other payables	11	(0.2)	(0.1)
Borrowings	12	(487.1)	(521.2)
Provisions		(11.5)	(11.5)
Deferred tax liabilities		(16.9)	(15.1)
		(515.7)	(547.9)
Total liabilities		(914.8)	(938.4)
Net assets		322.9	301.5

Bakkavor Finance (2) plc

Condensed consolidated statement of financial position (continued)

£ million	Audited 27 December 2014	Audited 28 December 2013
Equity		
Share capital	0.1	0.1
Share premium	315.2	315.2
Merger reserve	45.2	45.2
Capital reserve	4.0	4.0
Translation reserve	17.5	14.8
Retained earnings	(67.9)	(77.8)
Shareholders' equity	314.1	301.5
Non-controlling interest	8.8	-
Total equity	322.9	301.5

Bakkavor Finance (2) plc

Condensed consolidated statement of changes in equity

Audited									
Equity attributable to equity holders of the Company									
£ million	Share capital	Share premium	Merger reserve	Capital reserve	Translation reserve	Restated	Total	Non-controlling interest	Total
						Retained earnings			
Balance at 30 December 2012	0.1	315.2	45.2	4.0	20.0	(75.6)	308.9	-	308.9
Profit for the period	-	-	-	-	-	6.3	6.3	-	6.3
Other comprehensive expense for the period	-	-	-	-	(5.2)	(8.5)	(13.7)	-	(13.7)
Total comprehensive expense for the period	-	-	-	-	(5.2)	(2.2)	(7.4)	-	(7.4)
Balance at 28 December 2013	0.1	315.2	45.2	4.0	14.8	(77.8)	301.5	-	301.5
Profit for the period	-	-	-	-	-	10.8	10.8	0.7	11.5
Other comprehensive income/(expense) for the period	-	-	-	-	2.7	0.3	3.0	(0.4)	2.6
Total comprehensive income for the period	-	-	-	-	2.7	11.1	13.8	0.3	14.1
Disposal of investment (note 13)	-	-	-	-	-	(1.2)	(1.2)	8.5	7.3
Balance at 27 December 2014	0.1	315.2	45.2	4.0	17.5	(67.9)	314.1	8.8	322.9

Bakkavor Finance (2) plc

Condensed consolidated statement of cash flows

£ million	Notes	Unaudited		Audited	
		13 weeks ended 27 December 2014	13 weeks ended 28 December 2013	52 weeks ended 27 December 2014	52 weeks ended 28 December 2013
Net cash generated from operating activities	14	28.0	35.6	86.4	48.1
Investing activities					
Interest received		0.1	0.1	0.1	0.1
Dividends received from associates		-	0.2	0.6	0.6
Purchases of property, plant and equipment		(17.3)	(12.1)	(50.8)	(33.3)
Proceeds from disposals of property, plant and equipment		1.1	0.1	1.6	0.5
Payment of deferred consideration		-	-	-	(0.1)
Disposal of subsidiaries net of cash disposed of	13	-	0.1	3.5	27.0
Disposal of investment	13	-	-	7.3	-
Net cash used in investing activities		(16.1)	(11.6)	(37.7)	(5.2)
Financing activities					
Increase in borrowings		-	1.8	1.6	259.9
Repayments of borrowings		(12.6)	(2.0)	(72.6)	(285.2)
Repayments of obligations under finance leases		(0.2)	(0.3)	(0.5)	(0.5)
Net cash used in financing activities		(12.8)	(0.5)	(71.5)	(25.8)
Net (decrease)/increase in cash and cash equivalents		(0.9)	23.5	(22.8)	17.1
Cash and cash equivalents at beginning of period attributable to:					
Continuing operations		25.5	24.4	45.0	30.5
Assets held for sale		-	-	2.5	0.6
Effect of foreign exchange rate changes		-	(0.4)	(0.1)	(0.7)
Cash and cash equivalents at end of period		24.6	47.5	24.6	47.5

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements

1. General information

Description of business

Bakkavor Finance (2) plc (the “Company”) is a Public Limited Company whose ultimate parent company and controlling party is Bakkavor Group Limited, a company registered in the United Kingdom.

The financial information, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes, does not constitute full accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The auditors have reported on the Group’s statutory accounts for the 52 weeks ended 27 December 2014 and 52 weeks ended 28 December 2013 which do not contain any statement under s498 of the Companies Act 2006 and are unqualified. The statutory accounts for the 52 weeks ended 28 December 2013 have been delivered to the Registrar of Companies and the statutory accounts for the 52 weeks ended 27 December 2014 will be filed with the Registrar in due course. The financial information for the 13 weeks ended 27 December 2014 and the 13 weeks ended 28 December 2013 is unaudited.

This financial information does not include all of the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Bakkavor Finance (2) plc group’s (the “Group”) annual financial statements for the 52 weeks ended 27 December 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Principal activities and seasonality

The principal activities of the Group comprise the preparation and marketing of fresh prepared foods and the marketing and distribution of fresh produce. These activities are undertaken in the UK, Continental Europe, Asia and the United States and products are primarily sold through high street supermarkets. The Group’s cash flows are affected by seasonal variations. Sales of fresh prepared food have historically tended to be marginally higher during the summer months and in the weeks leading up to Christmas. The Group generally has higher gross profit margins during the summer months because the Group is able to source locally produced raw materials during that period, which reduces costs.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The same accounting policies, presentation, and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group’s financial statements for the 52 weeks ended 27 December 2014.

Going concern

The Directors, in their detailed consideration of going concern, have reviewed the Group’s future cash forecasts and revenue projections, which they believe are based on prudent market data and past experience. The Directors considered the Group’s level of liquidity and compliance with its financing arrangements. At the date of this report the Group has complied in all respects with the terms of its borrowing agreements, including its financial covenants, and forecasts to continue to do so. Furthermore, the Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

Consequently, the Directors have a reasonable expectation that the Group will have adequate resources to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements

2. Significant accounting policies (continued)

During the period the Group has adopted IAS 19 (Revised 2011) 'Employee Benefits'. In accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors' the prior year condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows have been restated.

The adoption of this standard has had the following impact on the prior year:

£ million	13 weeks ended 28 December 2013	52 weeks ended 28 December 2013
Reduction in Profit for the period	(0.5)	(1.5)
Reduction in EBITDA for the period	(0.7)	(1.9)
Increase in Other comprehensive income	0.5	1.5

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

3. Segment information

The chief operating decision-maker has been defined as the Management Board headed by the Chief Executive Officer. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the segments based on these reports.

As at the statement of financial position date, the Group is organised as follows:

- UK: The preparation and marketing of fresh prepared foods and fresh produce for distribution in the UK.
- International: The preparation and marketing of fresh prepared foods and fresh produce outside of the UK.

The Group's segment measure of profit represents operating profit before exceptional items (as presented in note 5) and impairment of assets (as presented in note 6), royalty charges, disposals of subsidiaries and property, plant and equipment and share of results of associates.

The following table provides an analysis of the Group's segment information for the period 29 December 2013 to 27 December 2014:

Continuing operations			
£ million	UK	International	Total Group
Revenue	1,520.1	172.5	1,692.6
Segment profit	74.5	0.7	75.2
Exceptional items (net)	(6.4)	(0.2)	(6.6)
Royalty charge	(1.2)	-	(1.2)
Impairment of assets	(3.8)	(0.3)	(4.1)
Profit on disposal of property, plant and equipment	1.0	-	1.0
Profit on disposal of subsidiaries	-	1.8	1.8
Share of results of associates	0.2	0.8	1.0
Operating profit	64.3	2.8	67.1
Investment revenue			0.1
Finance costs			(53.3)
Other gains (net)			1.7
Profit before tax			15.6
Tax			(4.1)
Profit for the period			11.5
Other segment information			
Depreciation and amortisation	(38.4)	(6.3)	(44.7)
Adjusted EBITDA	112.9	7.0	119.9

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

3. Segment information (continued)

The following table provides an analysis of the Group's segment information for the period 30 December 2012 to 28 December 2013 as restated:

£ million	UK	International	Total Group	Discontinued operations	Continuing operations
Revenue	1,463.6	211.8	1,675.4	25.6	1,649.8
Segment profit/(loss)	64.3	(0.6)	63.7	0.9	62.8
Exceptional items	(0.1)	(1.6)	(1.7)	-	(1.7)
Royalty charge	(1.2)	-	(1.2)	-	(1.2)
Impairment assets	-	(21.7)	(21.7)	-	(21.7)
Profit on disposal of subsidiaries	-	17.3	17.3	15.5	1.8
Share of results of associates	0.3	0.9	1.2	-	1.2
Operating profit/(loss)	63.3	(5.7)	57.6	16.4	41.2
Investment revenue			0.1	-	0.1
Finance costs			(59.0)	-	(59.0)
Other losses (net)			(1.8)	-	(1.8)
(Loss)/profit before tax			(3.1)	16.4	(19.5)
Tax			9.4	3.0	6.4
Profit/(loss) for the period			6.3	19.4	(13.1)
Other segment information					
Depreciation and amortisation	(39.8)	(7.1)	(46.9)	-	(46.9)
Adjusted EBITDA	104.1	6.5	110.6	0.9	109.7

All discontinued operations relate to the International segment.

4. Finance costs

£ million	52 weeks ended 27 December 2014	52 weeks ended 28 December 2013
Interest on borrowings	48.8	48.2
Interest on obligations under finance leases	0.2	0.2
Amortisation of refinancing costs	4.0	9.4
Unwinding of discount on provisions	0.3	1.2
	53.3	59.0

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

5. Exceptional items (net)

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Exceptional items are as follows:

Continuing operations	52 weeks ended 27 December 2014	52 weeks ended 28 December 2013
£ million		
Restructuring costs	(6.6)	(2.5)
Insurance claim	-	0.8
	(6.6)	(1.7)

The restructuring of our UK businesses, which we announced early in 2014, provides greater alignment in our approach to our categories and customers. The benefits of the reorganisation are already being seen through greater efficiencies and a strong pipeline of new product launches. As a consequence of this restructure and other reorganisation initiatives, the Group has recognised exceptional charges of £6.6 million in 2014, principally arising from redundancy payments.

In 2013, the Group incurred £2.5 million of restructuring costs of which £1.2 million represented closure costs associated with the Canadian operations. Additional charges were also incurred in the restructure of our European ready meals business. Finally, in March 2013, the Group agreed settlement of an outstanding insurance claim totalling £0.8 million.

6. Impairment of assets

Continuing operations	52 weeks ended 27 December 2014	52 weeks ended 28 December 2013
£ million		
Impairment of goodwill	2.6	21.2
Impairment of intangible assets	0.1	-
Impairment of property, plant and equipment	1.4	0.5
	4.1	21.7

The annual impairment review of the carrying value of goodwill and intangible assets has resulted in a goodwill impairment charge of £2.6 million (2013: £21.2 million within the International segment) and an intangible assets impairment charge of £0.1 million (2013: £nil) all being recognised in the quarter and all of which relating to the UK segment. This has arisen due to more difficult trading conditions across two of the UK businesses.

During the period, the Group impaired £1.4 million (2013: £0.5 million) of property, plant and equipment, £1.1 million (2013: £nil) being impaired within the UK segment and £0.3 million (2013: £0.5 million) within the International segment.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

7. Goodwill

£ million	
At 30 December 2012	665.4
Impairment	(21.2)
Exchange rate difference during the period	0.2
At 28 December 2013	644.4
Impairment	(2.6)
Exchange rate difference during the period	0.3
At 27 December 2014	642.1

8. Property, plant and equipment

£ million	
At 30 December 2012	267.9
Additions	36.1
Disposals	(0.5)
Disposal of subsidiary	(0.9)
Depreciation charge for the period	(38.2)
Impairment	(0.5)
Exchange rate difference during the period	1.4
Transfer to held for sale (note 13)	(0.6)
At 28 December 2013	264.7
Additions	51.1
Disposals	(0.6)
Depreciation charge for the period	(36.0)
Impairment of assets	(1.4)
At 27 December 2014	277.8

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

9. Inventories

£ million	27 December 2014	28 December 2013
Raw materials and packaging	51.9	46.1
Work-in-progress	2.4	2.6
Finished goods	10.0	9.8
	64.3	58.5

10. Trade and other receivables

£ million	27 December 2014	28 December 2013
Amounts receivable from trade customers	168.2	159.5
Allowance for doubtful debts	(1.0)	(0.8)
Net amounts receivable from trade customers	167.2	158.7
Other receivables	14.6	12.9
Prepayments	19.5	17.4
Trade and other receivables due within one year	201.3	189.0

11. Trade and other payables

£ million	27 December 2014	28 December 2013
Trade payables	211.1	203.6
Other payables	44.3	32.0
Accruals	108.9	80.0
	364.3	315.6
Less amounts due after one year:		
Other payables	(0.2)	(0.1)
Trade and other payables due within one year	364.1	315.5

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

12. Net debt

£ million	27 December 2014	28 December 2013
Analysis of net debt		
Cash and cash equivalents	24.6	45.0
Borrowings	(1.9)	(35.4)
Unamortised fees	3.9	3.9
Interest accrual	(10.8)	(11.7)
Finance leases	(0.4)	(0.4)
Total debt due within one year	(9.2)	(43.6)
Borrowings	(493.3)	(530.8)
Unamortised fees	7.9	11.8
Finance leases	(1.7)	(2.2)
Total debt due after one year	(487.1)	(521.2)
Statutory net debt	(471.7)	(519.8)
Statutory net debt	(471.7)	(519.8)
Unamortised fees	(11.8)	(15.7)
Interest accrual	10.8	11.7
Cash included in assets held for sale	-	2.5
Operational net debt	(472.7)	(521.3)

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

13. Disposals

Disposal of investment

On 7 May 2014, the Group completed the sale of 40% of its 100% holding in its Italian Pizza Business for a total cash consideration of €9.0 million (£7.4 million). This transaction was accounted for as an equity transaction as the Group has decreased its stake in an existing subsidiary without any changes in control.

The net effect of the transaction was as follows:

£ million	7 May 2014
Carrying value of disposed 40% investment	8.5
Disposal costs	0.1
Amount recognised within equity attributable to equity holders of the parent	(1.2)
Total cash consideration	7.4

Net cash consideration is £7.3m after paying £0.1m in disposal costs.

Disposal of subsidiaries

On 13 January 2014, the Group completed the sale of Spring Valley Foods, its South African Prepared Fruit Business for a cash consideration of ZAR 110.0 million (£6.6 million). This transaction resulted in a profit on disposal of £1.9 million being recorded in the income statement.

The net assets of the business at the date of disposal were as follows:

£ million	13 January 2014
Property, plant and equipment	0.6
Inventories	1.2
Trade and other receivables	3.1
Cash at bank	2.4
Trade and other payables	(2.8)
Derivative financial instruments	(2.1)
Net assets	2.4
Disposal costs	0.6
Recycle net foreign exchange losses	1.7
Profit on disposal	1.9
Total cash consideration	6.6
Net cash inflow arising on disposal:	
Total cash consideration	6.6
Cash disposed of with business	(2.4)
Disposal costs	(0.6)
Net cash consideration received	3.6

In March 2014, the Group incurred and paid costs of £0.1 million, relating to the Czech business Heli Foods Fresh A.S. which was disposed of by the Group in December 2013.

The Group therefore recorded a net profit on disposal of £1.8 million, relating to the sale of both businesses.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

14. Notes to the condensed consolidated statement of cash flows

£ million	Unaudited		Audited	
	13 weeks ended 27 December 2014	Restated 13 weeks ended 28 December 2013	52 weeks ended 27 December 2014	Restated 52 weeks ended 28 December 2013
Operating profit/(loss) – continuing operations	15.8	(5.7)	67.1	41.2
– discontinued operations	-	0.6	-	16.4
	15.8	(5.1)	67.1	57.6
Adjustments for:				
Share of results of associates	(0.5)	(0.5)	(1.0)	(1.2)
Depreciation of property, plant and equipment	9.3	9.9	36.0	38.2
Amortisation of intangible assets	2.2	2.2	8.7	8.7
Profit on disposal of property, plant and equipment	(0.8)	-	(1.0)	-
Profit on disposal of subsidiaries (note 13)	-	(2.4)	(1.8)	(17.3)
Impairment of assets	2.8	21.2	4.1	21.7
Net retirement benefits charge less contributions	(1.1)	(1.1)	(3.8)	(3.7)
Operating cash flows before movements in working capital	27.7	24.2	108.3	104.0
(Increase)/decrease in inventories	(5.1)	(2.3)	(5.6)	2.0
Increase in receivables	(11.5)	(2.2)	(12.8)	(3.8)
Increase in payables	26.2	26.3	46.7	15.0
(Decrease)/increase in exceptional creditor	(0.3)	(0.7)	0.8	(1.5)
Decrease in provisions	(0.1)	(0.4)	(0.3)	(0.9)
Cash generated by operations	36.9	44.9	137.1	114.8
Income taxes	(0.6)	(0.3)	(1.0)	(2.8)
Interest paid	(8.3)	(9.0)	(49.7)	(63.9)
Net cash generated from operating activities	28.0	35.6	86.4	48.1

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

15. Retirement benefit schemes

The Group operates a number of pension schemes in the UK and overseas. The schemes are defined contribution, apart from a UK funded defined benefit scheme that was closed to future accrual in March 2011.

For the defined benefit scheme a full actuarial valuation of plan assets and the present value of the defined benefit obligation for funding purposes has been carried out as at 31 March 2013. The results from this valuation were updated for IAS 19 purposes to 27 December 2014 by a qualified independent actuary. Under IAS 19 valuation principles a surplus of £6.7 million (28 December 2013: surplus £2.6 million) has been recognised as at 27 December 2014 in the condensed consolidated statement of financial position.

The current deficit reduction contributions have been agreed between the Group and the Trustee as part of the 2013 triennial valuation. These are paid over a six year recovery plan ending on 31 March 2020. The recovery contributions are paid monthly and the agreed rates were £4.5 million per annum through to 31 March 2016, £2.0 million in the year to 31 March 2017 and £1.0 million per annum in the following three years.

The Group has adopted IAS 19 (Revised 2011) 'Employee Benefits' in the period (see note 2). The change in accounting requirements has resulted in the profit for the 39 weeks ended 28 December 2013 being reduced by £1.5 million and other comprehensive income being increased by the same amount.

16. Events after the statement of financial position date

On 12 January 2015, the Group completed the acquisition of the trade and assets of B. Robert's Foods, a private label fresh prepared foods manufacturer based in Charlotte, North Carolina in the United States of America for a cash consideration of £19 million (US\$ 30 million). Under the completion mechanism for the transaction the final value of the assets purchased will be determined by 12 May 2015 and therefore at the date of approval of the Group's consolidated financial statements the initial accounting for the transaction cannot be determined. The Group has therefore taken advantage of the exemption under IFRS 3 'Business Combinations', available in these circumstances, not to disclose any further information in respect of the transaction at this time.