

14 August 2014

Half Year Results for the 26 weeks ended 28 June 2014

£ million	Q2 2014	Q2 2013		H1 2014	H1 2013	
Revenue	434.2	428.7	1%	842.1	821.4	3%
Like-for-like Revenue ¹	442.5	428.8	3%	856.8	818.5	5%
Adjusted EBITDA ²	33.5	31.8	5%	57.2	54.0	6%
Adjusted EBITDA margin ²	7.7%	7.4%	30bps	6.8%	6.6%	20bps
Free cash flow ³	23.0	26.1	(3.1)	8.7	0.1	8.6

Highlights

- Once again we outperformed the UK fresh prepared food market with 3% growth in like-for-like revenues in the quarter⁴
- Adjusted EBITDA margin up 30 basis points, driven by efficiency improvements and cost savings in the UK, and encouraging progress from our overseas businesses
- Significant increase in capital investment to underpin business wins and support our customers' growth plans
- Improved trading performance and strong cash conversion continues deleveraging trend

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

“The Group delivered a strong first half performance, building our market share whilst also improving margins. We expect the trading environment to continue to be challenging with the UK grocery market remaining highly competitive. Although the discounters continue to gain ground, we remain absolutely committed to supporting the growth plans of our existing customers. To achieve this, we are significantly increasing our capital spend to underpin recent business wins and we continue to invest heavily in product innovation.”

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 those additional charges or credits that are one-off in nature and significance. 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 food market declined by 0.7% – Kantar World Panel, 12 weeks ended 23 June 2014

Business Performance

The Group reported revenues of £434.2 million for the 13 weeks to 28 June 2014, an increase of 1.3% on the prior year. On a like-for-like basis, excluding sold and closed businesses and at constant currency, revenue growth was 3.2%.

UK

£ million	Q2 2014	Q2 2013	chg	LFL ¹ chg	H1 2014	H1 2013	chg	LFL ¹ chg
Revenue	394.2	382.4	3%	3%	758.3	725.1	5%	4%
Adjusted EBITDA	32.3	30.7	5%		54.5	51.2	6%	
Adjusted EBITDA (%)	8.2%	8.0%	20bps		7.2%	7.1%	10bps	

In line with the UK grocery market, the fresh prepared food market has softened over recent months with a reduction in promotional activity and subdued consumer spending. Despite this, our UK division generated revenues of £394.2 million, comfortably ahead of the wider UK fresh prepared food market which declined by 0.7% in the quarter. Growth remained predominantly volume driven as the annualised effect of recent business wins offset the weaker underlying market.

Although raw material inflation eased during the quarter, we continue to see pressure on labour and utility costs. The margin improvement of 20 basis points in the quarter has therefore principally been driven by the ongoing restructuring of our UK business. This included, for example, the recent transfer of our frying business to a new state of the art facility, allowing the original site to be closed. In addition, following on from a number of significant wins over this past year, we took the opportunity to withdraw from certain low margin business. As a consequence of these actions, the Group incurred exceptional charges of £3.6 million in the quarter, principally arising from redundancy payments and asset impairments.

International

£ million	Q2 2014	Q2 2013	chg	LFL ¹ chg	H1 2014	H1 2013	chg	LFL ¹ chg
Revenue	40.0	46.3	(14%)	5%	83.8	96.3	(13%)	6%
Adjusted EBITDA	1.2	1.1	9%		2.7	2.8	(4%)	
Adjusted EBITDA (%)	3.0%	2.4%	60bps		3.2%	2.9%	30bps	

Our International division has undergone significant restructuring in the past 12 months 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 5.0%. Our performance was driven by strong revenue growth in the US and the continued recovery within our European businesses, which together led to a 60 basis point improvement to margin in the quarter. This recovery is encouraging and we are continuing to take firm action to further improve the relatively low margins within this division.

Investing in our customers

We have significantly increased our capital investment across the Group to support our customers' growth plans and to drive efficiency. Investments in our pizza operations will allow us to consolidate our number one position in the market through increasing our stone-baking and wood-firing capacity. The competitive landscape for this category has changed significantly over the past 18 months with capacity taken out of the market. This has enabled us to build share and further enhance our offering.

We have also undertaken significant investments across our salad facilities, leveraging new technologies and reconfiguring sites to further improve quality as well as increase capacity. These investments are already delivering returns as we respond to the increased demand through this summer.

Although most of our capital investment is dedicated to the UK market, we continue to invest in our overseas businesses. We are currently tripling capacity at our East Coast facility in the United States to respond to significant customer demand. This expansion replicates our successful and established business on the West Coast and strengthens our relationships with national customers.

Cash flow, net debt and leverage

The Group's free cash performance significantly improved in the first half of the year compared to the prior year with free cash generated from operations increasing by £8.6m as we continued to focus on effective working capital management.

As a result of the cash inflow and disposal proceeds, net debt reduced by £16.0 million in the first six months of the year. Leverage (the ratio of net debt to Adjusted EBITDA) was 4.4 times at the quarter-end, down from 5.0 times at this time last year. Although the Group has completed a number of disposals during these past 12 months, the reduction to leverage was principally driven by an improved trading performance and strong conversion of profits to cash. Leverage will continue to be an important area of focus for the Group.

Our liquidity position remains strong with the Group's revolving credit facility and receivables financing facility both undrawn at the quarter-end.

Outlook

It has been a strong first half as we continue to build our market share. We are seeing wider economic conditions improving, although the UK grocery market continues to face pressure and uncertainty. We remain focused on our key customers and will continue our significant capital investment across the Group to both support their growth plans and drive efficiencies.

Appendices

Free Cash Flow³

£ million	Q2 2014	Q2 2013	H1 2014	H1 2013
Adjusted EBITDA ²	33.5	31.8	57.2	54.0
Adjusted EBITDA from discontinued operations	-	-	-	0.9
Working capital	11.7	7.0	(0.1)	(11.6)
Pensions (cash and non-cash)	(1.0)	(1.0)	(1.8)	(1.7)
Interest paid	(8.4)	(5.3)	(25.1)	(28.4)
Tax paid	(0.3)	(0.1)	(0.4)	(0.1)
Capital expenditure (net)	(12.5)	(6.3)	(21.1)	(13.0)
Free cash generated from operating activities	23.0	26.1	8.7	0.1

Reconciliation of Operating Profit to Adjusted EBITDA

£ million	Q2 2014	Q2 2013	H1 2014	H1 2013
Operating profit	19.0	18.0	30.4	29.1
Add:				
Depreciation	8.9	9.7	17.8	18.9
Amortisation	2.1	2.1	4.3	4.3
Exceptional items (net)	3.6	2.2	6.9	2.0
Profit on disposal of property, plant and equipment	(0.1)	(0.1)	(0.2)	(0.1)
Profit on disposal of subsidiaries	-	-	(1.8)	-
Share of results of associates after tax	-	(0.1)	(0.2)	(0.2)
Adjusted EBITDA²	33.5	31.8	57.2	54.0

Analyst and Investor Call

On 14 August 2014 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 close to 19,000 people globally and producing over 5,000 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 UK 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, United States 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
26 weeks ended 28 June 2014

Bakkavor Finance (2) plc

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Bakkavor Finance (2) plc

Condensed consolidated income statement for the 2nd quarter

£ million	13 weeks ended 28 June 2014			Restated 13 weeks ended 29 June 2013		
	Before non-recurring items	Non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
Continuing operations						
Revenue	434.2	-	434.2	428.7	-	428.7
Cost of sales	(315.9)	-	(315.9)	(314.0)	-	(314.0)
Gross profit	118.3	-	118.3	114.7	-	114.7
Distribution costs	(20.6)	-	(20.6)	(21.5)	-	(21.5)
Other administrative costs	(75.1)	-	(75.1)	(73.1)	-	(73.1)
Exceptional items (net)	-	(3.6)	(3.6)	-	(2.2)	(2.2)
Total administrative costs	(75.1)	(3.6)	(78.7)	(73.1)	(2.2)	(75.3)
Share of results of associates	-	-	-	0.1	-	0.1
Operating profit/(loss)	22.6	(3.6)	19.0	20.2	(2.2)	18.0
Finance costs	(13.8)	-	(13.8)	(17.6)	-	(17.6)
Other losses (net)	(0.4)	-	(0.4)	(0.4)	-	(0.4)
Profit/(loss) before tax	8.4	(3.6)	4.8	2.2	(2.2)	-
Tax	(0.5)	0.2	(0.3)	(0.6)	-	(0.6)
Profit/(loss) for the period from continuing operations	7.9	(3.4)	4.5	1.6	(2.2)	(0.6)
Discontinued operations						
Profit for the period from discontinued operations	-	-	-	-	14.5	14.5
Profit/(loss) for the period	7.9	(3.4)	4.5	1.6	12.3	13.9
Attributable to:						
Equity holders of the parent	7.7	(3.4)	4.3	1.6	12.3	13.9
Non-controlling interest	0.2	-	0.2	-	-	-
	7.9	(3.4)	4.5	1.6	12.3	13.9

Bakkavor Finance (2) plc

Condensed consolidated income statement

£ million	Notes	26 weeks ended 28 June 2014			Restated 26 weeks ended 29 June 2013		
		Before non-recurring items	Non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
Continuing operations							
Revenue	3	842.1	-	842.1	821.4	-	821.4
Cost of sales		(615.8)	-	(615.8)	(601.2)	-	(601.2)
Gross profit		226.3	-	226.3	220.2	-	220.2
Distribution costs		(41.0)	-	(41.0)	(41.9)	-	(41.9)
Other administrative costs		(150.0)	-	(150.0)	(147.4)	-	(147.4)
Exceptional items (net)	5	-	(6.9)	(6.9)	-	(2.0)	(2.0)
Total administrative costs		(150.0)	(6.9)	(156.9)	(147.4)	(2.0)	(149.4)
Profit on disposal of subsidiaries	12	-	1.8	1.8	-	-	-
Share of results of associates		0.2	-	0.2	0.2	-	0.2
Operating profit/(loss)		35.5	(5.1)	30.4	31.1	(2.0)	29.1
Finance costs	4	(27.5)	-	(27.5)	(30.8)	-	(30.8)
Other losses (net)		-	-	-	(0.1)	-	(0.1)
Profit/(loss) before tax		8.0	(5.1)	2.9	0.2	(2.0)	(1.8)
Tax		(0.6)	1.0	0.4	5.2	-	5.2
Profit/(loss) for the period from continuing operations		7.4	(4.1)	3.3	5.4	(2.0)	3.4
Discontinued operations							
Profit for the period from discontinued operations		-	-	-	0.9	14.5	15.4
Profit/(loss) for the period		7.4	(4.1)	3.3	6.3	12.5	18.8
Attributable to:							
Equity holders of the parent		7.2	(4.1)	3.1	6.3	12.5	18.8
Non-controlling interest		0.2	-	0.2	-	-	-
		7.4	(4.1)	3.3	6.3	12.5	18.8

Bakkavor Finance (2) plc

Condensed consolidated statement of comprehensive income

£ million	13 weeks ended 28 June 2014	Restated 13 weeks ended 29 June 2013	26 weeks ended 28 June 2014	Restated 26 weeks ended 29 June 2013
Profit for the period	4.5	13.9	3.3	18.8
Other comprehensive income/(expense)				
Items that will not be reclassified to the income statement:				
Actuarial gain/(loss) on defined benefit pension schemes	1.4	(7.0)	0.3	(13.7)
Tax relating to components of other comprehensive income	(0.3)	1.3	(0.1)	2.7
	1.1	(5.7)	0.2	(11.0)
Items that may subsequently be reclassified to the income statement:				
Exchange differences on translation of foreign operations	(2.0)	0.6	(3.1)	5.7
Exchange differences on translation of discontinued foreign operations	-	-	-	0.1
Net exchange (losses)/gains recycled to income statement on disposal of subsidiaries	-	(2.3)	1.7	(2.3)
	(2.0)	(1.7)	(1.4)	3.5
Total other comprehensive expense	(0.9)	(7.4)	(1.2)	(7.5)
Total comprehensive income	3.6	6.5	2.1	11.3
Attributable to:				
Equity holders of the parent	3.4	6.5	1.9	11.3
Non-controlling interest	0.2	-	0.2	-
	3.6	6.5	2.1	11.3

Bakkavor Finance (2) plc

Condensed consolidated statement of financial position

£ million	Notes	28 June 2014	28 December 2013
Non-current assets			
Goodwill	6	643.0	644.4
Other intangible assets		13.8	18.3
Property, plant and equipment	7	267.1	264.7
Interests in associates		9.3	10.0
Other investments		0.1	0.1
Retirement benefit asset		4.7	2.6
		938.0	940.1
Current assets			
Inventories	8	55.4	58.5
Trade and other receivables	9	206.0	189.0
Cash and cash equivalents		31.2	45.0
Derivative financial instruments		-	0.3
		292.6	292.8
Assets classified as held for sale		-	7.0
		292.6	299.8
Total assets		1,230.6	1,239.9
Current liabilities			
Trade and other payables	10	(333.5)	(315.5)
Current tax liabilities		(17.5)	(17.7)
Borrowings	11	(14.5)	(43.6)
Provisions		(0.6)	(0.5)
Derivative financial instruments		(7.8)	(8.0)
		(373.9)	(385.3)
Liabilities associated with assets classified as held for sale		-	(5.2)
		(373.9)	(390.5)
Non-current liabilities			
Trade and other payables	10	(0.1)	(0.1)
Borrowings	11	(519.2)	(521.2)
Provisions		(11.8)	(11.5)
Deferred tax liabilities		(14.7)	(15.1)
		(545.8)	(547.9)
Total liabilities		(919.7)	(938.4)
Net assets		310.9	301.5

Bakkavor Finance (2) plc

Condensed consolidated statement of financial position (continued)

£ million	28 June 2014	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	13.6	14.8
Retained earnings	(75.7)	(77.8)
Shareholders' equity	302.4	301.5
Non-controlling interest	8.5	-
Total equity	310.9	301.5

Bakkavor Finance (2) plc

Condensed consolidated statement of changes in equity

Equity attributable to equity holders of the Company									
£ million	Share capital	Share premium	Merger reserve	Capital reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
26 weeks ended									
29 June 2013 (restated)									
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	-	-	-	-	-	18.8	18.8	-	18.8
Other comprehensive income/(expense) for the period	-	-	-	-	3.5	(11.0)	(7.5)	-	(7.5)
Total comprehensive income for the period	-	-	-	-	3.5	7.8	11.3	-	11.3
Balance at 29 June 2013	0.1	315.2	45.2	4.0	23.5	(67.8)	320.2	-	320.2
26 weeks ended									
28 June 2014									
Balance at 29 December 2013	0.1	315.2	45.2	4.0	14.8	(77.8)	301.5	-	301.5
Profit for the period	-	-	-	-	-	3.1	3.1	0.2	3.3
Other comprehensive (expense)/income for the period	-	-	-	-	(1.2)	0.2	(1.0)	(0.2)	(1.2)
Total comprehensive (expense)/income for the period	-	-	-	-	(1.2)	3.3	2.1	-	2.1
Disposal of investment (note 12)	-	-	-	-	-	(1.2)	(1.2)	8.5	7.3
Balance at 28 June 2014	0.1	315.2	45.2	4.0	13.6	(75.7)	302.4	8.5	310.9

Bakkavor Finance (2) plc

Condensed consolidated statement of cash flows

£ million	Notes	13 weeks ended 28 June 2014	13 weeks ended 29 June 2013	26 weeks ended 28 June 2014	26 weeks ended 29 June 2013
Net cash generated from operating activities	13	32.4	24.0	25.6	1.3
Investing activities					
Dividends received from associates		0.6	0.3	0.6	0.3
Purchases of property, plant and equipment		(12.7)	(6.6)	(21.5)	(13.3)
Proceeds from disposals of property, plant and equipment		0.2	0.3	0.4	0.3
Payment of deferred consideration		-	(0.1)	-	(0.1)
Disposal of subsidiaries net of cash disposed of		-	20.2	3.5	20.3
Disposal of investment	12	7.3	-	7.3	-
Net cash (used in)/generated from investing activities		(4.6)	14.1	(9.7)	7.5
Financing activities					
Increase in borrowings		-	258.1	3.3	258.1
Repayments of borrowings		(30.3)	(274.1)	(35.0)	(251.4)
Repayments of obligations under finance leases		(0.1)	-	(0.2)	(0.2)
Net cash (used in)/generated from financing activities		(30.4)	(16.0)	(31.9)	6.5
Net (decrease)/increase in cash and cash equivalents		(2.6)	22.1	(16.0)	15.3
Cash and cash equivalents at beginning of period attributable to:					
Continuing operations		33.9	24.8	45.0	30.5
Assets held for sale		-	-	2.5	0.6
Effect of foreign exchange rate changes		(0.1)	(0.1)	(0.3)	0.4
Cash and cash equivalents at end of period		31.2	46.8	31.2	46.8

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 information for the 26 weeks ended 28 June 2014 and 26 weeks ended 29 June 2013 is unaudited and does not constitute statutory accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’. The condensed consolidated interim statement of financial position as at 28 December 2013 has been derived from the consolidated statement of financial position included in the Group’s financial statements for the 52 weeks ended 28 December 2013, a copy of which has been delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not include any reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

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 28 December 2013, 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 28 December 2013.

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:

	13 weeks ended 29 June 2013	26 weeks ended 29 June 2013
£ million		
Reduction in Profit for the period	(0.4)	(0.9)
Reduction in EBITDA for the period	(0.5)	(1.1)
Increase in Other comprehensive income	0.4	0.9

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), 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 28 June 2014:

Continuing operations			
£ million	UK	International	Total Group
Revenue	758.3	83.8	842.1
Segment profit/(loss)	35.4	(0.3)	35.1
Exceptional items	(6.5)	(0.4)	(6.9)
Profit on disposal of property, plant and equipment	0.1	0.1	0.2
Profit on disposal of subsidiaries	-	1.8	1.8
Share of results of associates	(0.2)	0.4	0.2
Operating profit	28.8	1.6	30.4
Finance costs			(27.5)
Profit before tax			2.9
Tax			0.4
Profit for the period			3.3
Other segment information			
Depreciation and amortisation	(19.1)	(3.0)	(22.1)
Adjusted EBITDA	54.5	2.7	57.2

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 29 June 2013 as restated:

£ million	UK	International	Total Group	Discontinued operations	Continuing operations
Revenue	725.1	121.9	847.0	25.6	821.4
Segment profit	31.5	0.2	31.7	0.9	30.8
Exceptional items	0.3	(2.3)	(2.0)	-	(2.0)
Profit on disposal of subsidiaries	-	14.5	14.5	14.5	-
Profit on disposal of property, plant and equipment	0.1	-	0.1	-	0.1
Share of results of associates	(0.2)	0.4	0.2	-	0.2
Operating profit	31.7	12.8	44.5	15.4	29.1
Finance costs			(30.8)	-	(30.8)
Other losses (net)			(0.1)	-	(0.1)
Profit/(loss) before tax			13.6	15.4	(1.8)
Tax			5.2	-	5.2
Profit for the period			18.8	15.4	3.4
Other segment information					
Depreciation and amortisation	(19.7)	(3.5)	(23.2)	-	(23.2)
Adjusted EBITDA	51.2	3.7	54.9	0.9	54.0

All discontinued operations relate to the International segment.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

4. Finance costs

£ million	26 weeks ended 28 June 2014	26 weeks ended 29 June 2013
Interest on borrowings	25.0	23.1
Interest on obligations under finance leases	0.1	-
Amortisation of refinancing costs	2.0	7.3
Unwinding of discount on provisions	0.4	0.4
	27.5	30.8

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:

£ million	26 weeks ended 28 June 2014	26 weeks ended 29 June 2013
Restructuring costs	(5.6)	(2.2)
Insurance claim	-	0.7
Impairment of assets	(1.3)	(0.5)
	(6.9)	(2.0)

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 products to be launched later in the year. As a consequence of this restructuring, the Group has recognised exceptional charges of £5.6 million in 2014, principally arising from redundancy payments.

The Group also recognised impairments to property, plant and equipment of £1.3 million in the period, £1.1m of which is within the UK sector.

In 2013, the Group incurred £2.2 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. An impairment of £0.5m was recognised in 2013 relating to both our Canadian facility and our European ready meals business. Finally, in March 2013, the Group agreed settlement of an outstanding insurance claim totalling £0.7 million.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

6. Goodwill

£ million	
At 30 December 2012	665.4
Exchange rate difference during the period	3.4
At 29 June 2013	668.8
At 29 December 2013	644.4
Exchange rate difference during the period	(1.4)
At 28 June 2014	643.0

7. Property, plant and equipment

£ million	
At 30 December 2012	267.9
Additions	13.1
Disposals	(0.1)
Depreciation charge for the period	(18.9)
Impairment	(0.5)
Exchange rate difference during the period	4.1
At 29 June 2013	265.6
At 29 December 2013	264.7
Additions	22.8
Depreciation charge for the period	(17.8)
Impairment of assets	(1.3)
Exchange rate difference during the period	(1.3)
At 28 June 2014	267.1

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

8. Inventories

£ million	28 June 2014	28 December 2013
Raw materials and packaging	44.0	46.1
Work-in-progress	2.6	2.6
Finished goods	8.8	9.8
	55.4	58.5

9. Trade and other receivables

£ million	28 June 2014	28 December 2013
Amounts receivable from trade customers	168.4	159.5
Allowance for doubtful debts	(0.9)	(0.8)
Net amounts receivable from trade customers	167.5	158.7
Other receivables	15.6	12.9
Prepayments	22.9	17.4
Trade and other receivables due within one year	206.0	189.0

10. Trade and other payables

£ million	28 June 2014	28 December 2013
Trade payables	209.1	203.6
Other payables	32.6	32.0
Accruals	91.9	80.0
	333.6	315.6
Less amounts due after one year:		
Other payables	(0.1)	(0.1)
Trade and other payables due within one year	333.5	315.5

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

11. Net debt

£ million	28 June 2014	28 December 2013
Analysis of net debt		
Cash and cash equivalents	31.2	45.0
Borrowings	(7.1)	(35.4)
Unamortised fees	3.9	3.9
Interest accrual	(10.9)	(11.7)
Finance leases	(0.4)	(0.4)
Total debt due within one year	(14.5)	(43.6)
Borrowings	(527.0)	(530.8)
Unamortised fees	9.8	11.8
Finance leases	(2.0)	(2.2)
Total debt due after one year	(519.2)	(521.2)
Statutory net debt	(502.5)	(519.8)
Statutory net debt	(502.5)	(519.8)
Unamortised fees	(13.7)	(15.7)
Interest accrual	10.9	11.7
Cash included in assets held for sale	-	2.5
Operational net debt	(505.3)	(521.3)

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

12. 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 in the first quarter relating to the sale of both businesses.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

13. Notes to the condensed consolidated statement of cash flows

£ million	13 weeks ended 28 June 2014	Restated 13 weeks ended 29 June 2013	26 weeks ended 28 June 2014	Restated 26 weeks ended 29 June 2013
Operating profit – continuing operations	19.0	18.0	30.4	29.1
– discontinued operations	-	14.5	-	15.4
	19.0	32.5	30.4	44.5
Adjustments for:				
Share of results of associates	-	(0.1)	(0.2)	(0.2)
Depreciation of property, plant and equipment	8.9	9.7	17.8	18.9
Amortisation of intangible assets	2.1	2.1	4.3	4.3
Profit on disposal of property, plant and equipment	(0.1)	(0.1)	(0.2)	(0.1)
Profit on disposal of subsidiaries (note 12)	-	(14.5)	(1.8)	(14.5)
Impairment of assets	1.3	0.5	1.3	0.5
Net retirement benefits charge less contributions	(1.0)	(1.0)	(1.8)	(1.7)
Operating cash flows before movements in working capital	30.2	29.1	49.8	51.7
(Increase)/decrease in inventories	(2.6)	2.6	2.9	4.7
Increase in receivables	(6.6)	(11.1)	(17.3)	(21.3)
Increase in payables	21.0	15.8	14.4	5.4
(Decrease)/increase in exceptional creditor	(0.2)	1.5	2.0	(0.1)
Decrease in provisions	(0.1)	(0.3)	(0.1)	(0.4)
Cash generated by operations	41.7	37.6	51.7	40.0
Income taxes	(0.3)	1.9	(0.4)	(0.1)
Interest paid	(9.0)	(15.5)	(25.7)	(38.6)
Net cash generated from operating activities	32.4	24.0	25.6	1.3

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

14. 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 28 June 2014 by a qualified independent actuary. Under IAS 19 valuation principles a surplus of £4.7 million (28 December 2013: surplus £2.6 million) has been recognised as at 28 June 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 million in the year to 31 March 2017 and £1 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 26 weeks ended 29 June 2013 being reduced by £0.9 million and other comprehensive income being increased by the same amount.

15. Events after the statement of financial position date

There were no events after the statement of financial position date.