

11 August 2016

Second Quarter Results for the 13 weeks ended 25 June 2016

£ million	Q2 2016	Q2 2015 ¹	Change	H1 2016	H1 2015 ¹	Change
Revenue	438.7	425.1	3.2%	854.5	835.3	2.3%
Like-for-like Revenue ²	437.9	422.8	3.6%	853.6	831.0	2.7%
Adjusted EBITDA ³	41.4	35.1	18%	71.9	59.8	20%
Adjusted EBITDA margin ³	9.4%	8.3%	110bps	8.4%	7.2%	120bps
Free cash flow ⁴	31.9	36.0	(4.1)	27.0	30.5	(3.5)

Highlights

- Strong revenue growth across the Group
- Growth in Adjusted EBITDA reflecting volume benefits, cost control and productivity improvements
- Sale of Belgian operation completes strategic exit from Continental Europe
- Leverage ratio now down to 2.8 times

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

“I am pleased to report another excellent set of results for the Group, with both strong revenue and EBITDA growth across our businesses. Although the UK is entering a period of some economic uncertainty following the recent EU referendum, we believe we are well placed to manage the challenges that may lie ahead. We are therefore planning to continue our accelerated capital investment programme to support our ongoing growth with key customers and drive further performance benefits.”

Key

1. The results for Q2 2015 and H1 2015 have been restated to exclude Itaipizza as this is now classified as a discontinued operation following the completion of the sale of this business in July 2015.
2. 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.
3. 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 royalty charges. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by total revenue from continuing operations.
4. Free cash flow is defined as the amount of cash generated by the business from continuing and discontinued operations, after meeting all its obligations for interest, tax and pensions, and after investments in tangible assets but excluding payments relating to historic UK tax liabilities.

Business Performance

The Group reported revenues from continuing operations of £438.7 million for the 13 weeks to 25 June 2016, an increase of 3.2% on the prior year. On a like-for-like basis, excluding acquisitions, sold and closed businesses and at constant currency, revenue growth was 3.6%.

UK

£ million	Q2 2016	Q2 2015	Change	LFL ² Change	H1 2016	H1 2015	Change	LFL ² Change
Revenue	394.8	387.8	1.8%	2.8%	768.6	760.0	1.1%	2.2%
Adjusted EBITDA ³	38.3	34.3	12%		67.0	58.2	15%	
Adjusted EBITDA Margin ³	9.7%	8.8%	90bps		8.7%	7.7%	100bps	

Reported revenues in our UK business totalled £394.8 million in the second quarter, which represents growth of 2.8% on a like-for-like basis. We grew revenues with all four key customers over the period and saw strong performances across all our core categories.

The increase in Adjusted EBITDA reflects the benefit of higher volumes and ongoing cost control. Our operational performance has also improved following our exit from certain low margin business and our continued focus on productivity projects. This improvement in profitability is encouraging, especially given the ongoing pressure on labour costs, exacerbated by the introduction of the National Living Wage in April.

Our commitment to driving innovation is fundamental to the Group's position as the UK's leading own-label fresh prepared foods manufacturer. Supporting this, we opened our new central development kitchen in April, giving our chefs another world-class facility to create new and inspiring products and showcase the latest food trends and tastes to our customers.

International

£ million	Q2 2016	Q2 2015	Change	LFL ² Change	H1 2016	H1 2015	Change	LFL ² Change
Revenue	43.9	37.3	17.7%	11.9%	85.9	75.3	14.1%	8.0%
Adjusted EBITDA ³	3.1	0.8	288%		4.9	1.6	206%	
Adjusted EBITDA Margin ³	7.1%	2.1%	500bps		5.7%	2.1%	360bps	

Reported revenues from our International operations increased by 17.7% in the second quarter with good performances in both of our core regions. On a like for like basis, which excludes currency movements, revenue growth was 11.9% for the quarter.

In the US, the market for short shelf-life fresh prepared foods continues to expand, and underlying growth was driven by increased sales across all of our major customers. We have invested in our commercial and product development teams to build the foundations for future growth as we target both new customers and categories in this important market.

In Asia, we've also continued to strengthen our development capabilities, allowing us to increase the number of new products launched for our customers and driving strong underlying sales growth.

Adjusted EBITDA margin showed a significant year on year increase of 500 basis points across our international operations for the quarter, as both our US and Asian operations benefitted from volume gains and operational performance improvements.

Since the quarter end we have completed the sale of Vaco, our Belgian fresh prepared food business, to Culinor Food Group. This transaction completes the Group's long term strategic goal to exit from the low margin Continental European market and focus our resources on the significant opportunities in the US and Asia.

Funding and cash flow

Free cash generation for the quarter was slightly down on the same period in 2015, with the improved profitability from strong trading being partly offset by an increase in capital spend as we continued our ongoing investment programme. Net debt has marginally increased in the quarter due to the payment of a cash dividend of £36.3 million, used to fund the purchase of the outstanding shares in Bakkavor Group Limited not already acquired by Bakk AL Holdings Limited in January this year.

Leverage at the end of June of 2.8 times is a further reduction from the 2.9 times reported at the end of March 2016. The Group continues to operate with good headroom against all financial covenants and our liquidity position remains strong.

During the quarter, both Standard & Poor's and Moody's upgraded Bakkavor's corporate credit ratings to B+ (stable outlook) and B1 (stable outlook) respectively. These upgrades were welcomed by the Group and investors as acknowledgement of the significant improvement that has been made to the financial strength of the business over recent years.

Outlook

The Group has reported excellent results for the first half of 2016 with strong revenue and EBITDA growth across our operations.

The uncertainty following the recent EU referendum, together with the ongoing cost implications of the National Living Wage and likely volatility in input pricing will undoubtedly pose challenges for the sector as a whole. However, we believe we are well placed for the future with a clear commitment to drive innovation and investment across our businesses.

Appendices

Reconciliation of Operating Profit to Adjusted EBITDA

£ million	Q2 2016	Q2 2015	H1 2016	H1 2015
Operating profit	31.6	23.9	50.2	36.9
Depreciation	9.2	8.4	18.7	17.0
Amortisation	0.5	1.4	1.5	3.4
EBITDA	41.3	33.7	70.4	57.3
Parent royalty charge	0.3	0.6	0.6	0.6
Exceptional items (net)	-	0.9	1.3	2.0
Share of results of associates after tax	(0.2)	(0.1)	(0.4)	(0.1)
Adjusted EBITDA³	41.4	35.1	71.9	59.8

Free Cash Flow⁴

£ million	Q2 2016	Q2 2015	H1 2016	H1 2015
Adjusted EBITDA ³	41.4	35.1	71.9	59.8
Adjusted EBITDA from discontinued operations	-	3.0	-	5.6
Adjusted EBITDA – Total Group	41.4	38.1	71.9	65.4
Working capital	15.3	20.6	4.2	12.3
Pensions (cash and non-cash)	(0.2)	(1.0)	(1.1)	(1.9)
Interest paid	(8.1)	(10.2)	(18.8)	(25.6)
Tax paid	(3.1)	(3.9)	(4.1)	(4.3)
Capital expenditure (net)	(13.4)	(7.6)	(25.1)	(15.4)
Free cash generated from operating activities⁴	31.9	36.0	27.0	30.5

Analyst and Investor Call

On 11 August 2016 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

2016 marks the 30th anniversary of Bakkavor being founded by Agust and Lydur Gudmundsson in Iceland to manufacture and export fish products.

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

In the UK, we are the number one producer by value in 11 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 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
26 weeks ended 25 June 2016

Bakkavor Finance (2) plc

Contents

Condensed consolidated income statement for the 2nd quarter	8
Condensed consolidated income statement	9
Condensed consolidated statement of comprehensive income	10
Condensed consolidated statement of financial position	11-12
Condensed consolidated statement of changes in equity	13
Condensed consolidated statement of cash flows	14
Notes to the condensed consolidated financial statements	15-22

Bakkavor Finance (2) plc

Condensed consolidated income statement for the 2nd quarter

£ million	13 weeks ended 25 June 2016			13 weeks ended 27 June 2015		
	Before non-recurring items	Non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
Continuing operations						
Revenue	438.7	-	438.7	425.1	-	425.1
Cost of sales	(312.7)	-	(312.7)	(307.0)	-	(307.0)
Gross profit	126.0	-	126.0	118.1	-	118.1
Distribution costs	(19.5)	-	(19.5)	(18.9)	-	(18.9)
Other administrative costs	(74.8)	-	(74.8)	(73.9)	-	(73.9)
Royalty charge	(0.3)	-	(0.3)	(0.6)	-	(0.6)
Exceptional items	-	-	-	-	(0.9)	(0.9)
Total administrative costs	(75.1)	-	(75.1)	(74.5)	(0.9)	(75.4)
Share of results of associates	0.2	-	0.2	0.1	-	0.1
Operating profit/(loss)	31.6	-	31.6	24.8	(0.9)	23.9
Finance costs	(9.4)	-	(9.4)	(11.7)	(9.3)	(21.0)
Other gains (net)	0.5	-	0.5	1.1	-	1.1
Profit/(loss) before tax	22.7	-	22.7	14.2	(10.2)	4.0
Tax	(2.6)	-	(2.6)	(1.6)	1.9	0.3
Profit/(loss) for the period from continuing operations	20.1	-	20.1	12.6	(8.3)	4.3
Discontinued operations						
Profit for the period from discontinued operations	-	-	-	2.2	-	2.2
Profit/(loss) for the period	20.1	-	20.1	14.8	(8.3)	6.5
Attributable to:						
Equity holders of the parent	20.1	-	20.1	13.6	(8.3)	5.3
Non-controlling interest	-	-	-	1.2	-	1.2
	20.1	-	20.1	14.8	(8.3)	6.5

Bakkavor Finance (2) plc

Condensed consolidated income statement

£ million	Notes	26 weeks ended 25 June 2016			26 weeks ended 27 June 2015		
		Before non-recurring items	Non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
Continuing operations							
Revenue	3	854.5	-	854.5	835.3	-	835.3
Cost of sales		(614.0)	-	(614.0)	(609.0)	-	(609.0)
Gross profit		240.5	-	240.5	226.3	-	226.3
Distribution costs		(38.0)	-	(38.0)	(37.0)	-	(37.0)
Other administrative costs		(150.8)	-	(150.8)	(149.9)	-	(149.9)
Royalty charge		(0.6)	-	(0.6)	(0.6)	-	(0.6)
Exceptional items	4	-	(1.3)	(1.3)	-	(2.0)	(2.0)
Total administrative costs		(151.4)	(1.3)	(152.7)	(150.5)	(2.0)	(152.5)
Share of results of associates		0.4	-	0.4	0.1	-	0.1
Operating profit/(loss)		51.5	(1.3)	50.2	38.9	(2.0)	36.9
Finance costs	5	(20.3)	(1.5)	(21.8)	(24.6)	(9.3)	(33.9)
Other gains and (losses)		1.1	-	1.1	(1.7)	-	(1.7)
Profit/(loss) before tax		32.3	(2.8)	29.5	12.6	(11.3)	1.3
Tax		(4.0)	0.6	(3.4)	(1.0)	2.1	1.1
Profit/(loss) for the period from continuing operations		28.3	(2.2)	26.1	11.6	(9.2)	2.4
Discontinued operations							
Profit for the period from discontinued operations		-	-	-	3.2	-	3.2
Profit/(loss) for the period		28.3	(2.2)	26.1	14.8	(9.2)	5.6
Attributable to:							
Equity holders of the parent		28.3	(2.2)	26.1	12.9	(9.2)	3.7
Non-controlling interest		-	-	-	1.9	-	1.9
		28.3	(2.2)	26.1	14.8	(9.2)	5.6

Bakkavor Finance (2) plc

Condensed consolidated statement of comprehensive income

£ million	13 weeks ended 25 June 2016	13 weeks ended 27 June 2015	26 weeks ended 25 June 2016	26 weeks ended 27 June 2015
Profit for the period	20.1	6.5	26.1	5.6
Other comprehensive income/(expense)				
Items that will not be reclassified to the income statement:				
Actuarial loss on defined benefit pension schemes	(7.8)	(3.7)	(6.7)	(10.7)
Tax relating to components of other comprehensive income	1.4	0.8	1.2	2.2
	(6.4)	(2.9)	(5.5)	(8.5)
Items that may subsequently be reclassified to the income statement:				
Exchange differences on translation of foreign operations	3.2	(4.8)	8.1	(1.7)
Exchange differences on translation of discontinued operations	-	(0.8)	-	(2.2)
	3.2	(5.6)	8.1	(3.9)
Total other comprehensive (expense)/income	(3.2)	(8.5)	2.6	(12.4)
Total comprehensive income/(expense)	16.9	(2.0)	28.7	(6.8)
Attributable to:				
Equity holders of the parent	16.9	(3.0)	28.7	(7.9)
Non-controlling interest	-	1.0	-	1.1
	16.9	(2.0)	28.7	(6.8)

Bakkavor Finance (2) plc

Condensed consolidated statement of financial position

£ million	Notes	25 June 2016	26 December 2015
Non-current assets			
Goodwill	6	646.9	642.9
Other intangible assets		3.9	5.1
Property, plant and equipment	7	290.1	281.2
Interests in associates		12.0	10.7
Other investments		0.1	0.1
		953.0	940.0
Current assets			
Inventories	8	52.2	57.5
Trade and other receivables	9	198.1	182.9
Cash and cash equivalents	11	16.4	97.0
Derivative financial instruments		3.8	0.5
		270.5	337.9
Total assets		1,223.5	1,277.9
Current liabilities			
Trade and other payables	10	(403.7)	(389.8)
Current tax liabilities		(6.4)	(6.2)
Borrowings	11	(25.1)	(15.4)
Provisions		(3.5)	(3.4)
Derivative financial instruments		(0.7)	(2.5)
Deferred income		(0.7)	(0.7)
		(440.1)	(418.0)
Non-current liabilities			
Trade and other payables	10	(0.4)	(0.3)
Borrowings	11	(395.8)	(470.2)
Provisions		(11.2)	(10.7)
Deferred tax liabilities		(14.3)	(16.5)
Retirement benefit liability	13	(9.5)	(3.9)
Deferred income		(2.7)	(1.2)
		(433.9)	(502.8)
Total liabilities		(874.0)	(920.8)
Net assets		349.5	357.1

Bakkavor Finance (2) plc

Condensed consolidated statement of financial position (continued)

£ million	25 June 2016	26 December 2015
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	27.6	19.5
Retained earnings	(42.6)	(26.9)
Shareholder's equity	349.5	357.1

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 27 June 2015									
Balance at 28 December 2014	0.1	315.2	45.2	4.0	17.5	(67.9)	314.1	8.8	322.9
Profit for the period	-	-	-	-	-	3.7	3.7	1.9	5.6
Other comprehensive expense for the period	-	-	-	-	(3.1)	(8.5)	(11.6)	(0.8)	(12.4)
Total comprehensive (expense)/income for the period	-	-	-	-	(3.1)	(4.8)	(7.9)	1.1	(6.8)
Dividends paid	-	-	-	-	-	-	-	(1.3)	(1.3)
Balance at 27 June 2015	0.1	315.2	45.2	4.0	14.4	(72.7)	306.2	8.6	314.8
26 weeks ended 25 June 2016									
Balance at 27 December 2015	0.1	315.2	45.2	4.0	19.5	(26.9)	357.1	-	357.1
Profit for the period	-	-	-	-	-	26.1	26.1	-	26.1
Other comprehensive income/(expense) for the period	-	-	-	-	8.1	(5.5)	2.6	-	2.6
Total comprehensive income for the period	-	-	-	-	8.1	20.6	28.7	-	28.7
Dividends paid	-	-	-	-	-	(36.3)	(36.3)	-	(36.3)
Balance at 25 June 2016	0.1	315.2	45.2	4.0	27.6	(42.6)	349.5	-	349.5

Bakkavor Finance (2) plc

Condensed consolidated statement of cash flows

£ million	Notes	13 weeks ended 25 June 2016	13 weeks ended 27 June 2015	26 weeks ended 25 June 2016	26 weeks ended 27 June 2015
Net cash generated from operating activities	12	44.5	20.5	50.0	22.1
Investing activities					
Interest received		0.1	-	0.1	-
Dividends received from associates		0.1	0.5	0.1	0.5
Purchases of property, plant and equipment		(13.5)	(7.6)	(25.2)	(15.4)
Proceeds from disposals of property, plant and equipment		0.1	-	0.1	-
Acquisition of business		-	-	-	(19.3)
Net cash used in investing activities		(13.2)	(7.1)	(24.9)	(34.2)
Financing activities					
Dividends paid		(36.3)	-	(36.3)	(1.3)
Increase in borrowings		9.7	136.7	10.0	149.4
Repayments of borrowings		-	(140.1)	(80.0)	(140.3)
Repayments of obligations under finance leases		(0.2)	(0.1)	(0.3)	(0.2)
Net cash (used in)/generated from financing activities		(26.8)	(3.5)	(106.6)	7.6
Net increase/(decrease) in cash and cash equivalents		4.5	9.9	(81.5)	(4.5)
Cash and cash equivalents at beginning of period		11.6	10.1	97.0	24.6
Effect of foreign exchange rate changes		0.3	(0.4)	0.9	(0.5)
Cash and cash equivalents at end of period		16.4	19.6	16.4	19.6

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 100% owned by Bakkavor Finance (1) Limited, which is 100% owned by Bakkavor Group Limited. Bakkavor Group Limited is 100% owned by Bakk AL Holdings Limited, a company registered in the British Virgin Islands.

The information for the 26 weeks ended 25 June 2016 and 26 weeks ended 27 June 2015 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 26 December 2015 has been derived from the consolidated statement of financial position included in the Group's financial statements for the 52 weeks ended 26 December 2015, 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 26 December 2015, 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 26 December 2015. Certain costs have been reclassified from Distribution costs to Cost of Sales for the 13 weeks and 26 weeks ended 27 June 2015 to conform with the current year presentation.

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 4), disposals of subsidiaries, associates 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 27 December 2015 to 25 June 2016:

Continuing operations			
£ million	UK	International	Total Group
Revenue	768.6	85.9	854.5
Segment profit	49.2	2.5	51.7
Royalty charge	(0.6)	-	(0.6)
Exceptional items	(1.3)	-	(1.3)
Share of results of associates	-	0.4	0.4
Operating profit	47.3	2.9	50.2
Finance costs			(21.8)
Other gains (net)			1.1
Profit before tax			29.5
Tax			(3.4)
Profit for the period			26.1
Other segment information			
Depreciation and amortisation	(17.8)	(2.4)	(20.2)
Adjusted EBITDA	67.0	4.9	71.9

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 28 December 2014 to 27 June 2015:

£ million	UK	International	Continuing operations	Discontinued operations	Total Group
Revenue	760.0	75.3	835.3	31.1	866.4
Segment profit	40.0	(0.6)	39.4	4.9	44.3
Royalty charge	(0.6)	-	(0.6)	-	(0.6)
Exceptional items	(1.1)	(0.9)	(2.0)	-	(2.0)
Share of results of associates	(0.2)	0.3	0.1	-	0.1
Operating profit	38.1	(1.2)	36.9	4.9	41.8
Finance costs			(33.9)	(0.1)	(34.0)
Other gains and (losses) (net)			(1.7)	0.1	(1.6)
Profit before tax			1.3	4.9	6.2
Tax			1.1	(1.7)	(0.6)
Profit for the period			2.4	3.2	5.6
Other segment information					
Depreciation and amortisation	(18.2)	(2.2)	(20.4)	(0.7)	(21.1)
Adjusted EBITDA	58.2	1.6	59.8	5.6	65.4

4. Exceptional items

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 25 June 2016	26 weeks ended 27 June 2015
Restructuring costs	(1.3)	(2.0)

The Group has incurred restructuring costs of £1.3 million, mainly attributable to redundancy costs due to recent business losses in one of the Group's UK operations.

Of the restructuring costs of £2.0 million in 2015, £1.1 million is attributable to the closure of a fresh prepared fruit facility within the UK sector. The other £0.9 million is for the restructuring of the Group's operation in Belgium. The costs are mainly in respect of redundancy payments.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

5. Finance costs

£ million	26 weeks ended 25 June 2016	26 weeks ended 27 June 2015
Interest on borrowings	18.1	22.5
Interest on obligations under finance leases	0.1	0.1
Amortisation of refinancing costs	1.9	5.4
Unwind of discount on provisions	0.2	0.1
Call premium for 2018 Senior Secured Notes	1.5	5.8
	21.8	33.9

Finance costs include a non-recurring cost of £1.5 million relating to the call premium paid on the part redemption of the 2018 Senior Secured Notes. In 2015, a call premium of £5.8 million and £3.5 million of accelerated amortisation of refinancing costs, relating to the refinancing completed in April 2015, were classed as non-recurring items in the consolidated income statement.

6. Goodwill

£ million	
At 28 December 2014	642.1
Acquisition of business	17.7
Exchange rate difference during the period	(1.9)
At 27 June 2015	657.9
At 27 December 2015	642.9
Exchange rate difference during the period	4.0
At 25 June 2016	646.9

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

7. Property, plant and equipment

£ million	
At 28 December 2014	277.8
Additions	14.6
Acquisition of business	1.0
Depreciation charge for the period	(17.4)
Exchange rate difference during the period	(1.4)
At 27 June 2015	274.6
At 27 December 2015	281.2
Additions	24.9
Depreciation charge for the period	(18.7)
Exchange rate difference during the period	2.7
At 25 June 2016	290.1

8. Inventories

£ million	25 June 2016	26 December 2015
Raw materials and packaging	43.7	48.3
Work-in-progress	2.7	3.2
Finished goods	5.8	6.0
	52.2	57.5

9. Trade and other receivables

£ million	25 June 2016	26 December 2015
Amounts receivable from trade customers	160.8	155.1
Allowance for doubtful debts	(0.8)	(0.6)
Net amounts receivable from trade customers	160.0	154.5
Other receivables	17.4	18.3
Prepayments	20.7	10.1
Trade and other receivables due within one year	198.1	182.9

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

10. Trade and other payables

£ million	25 June 2016	26 December 2015
Trade payables	194.5	203.5
Other payables	30.8	22.8
Accruals	178.8	163.8
	404.1	390.1
Less amounts due after one year:		
Other payables	(0.4)	(0.3)
Trade and other payables due within one year	403.7	389.8

11. Net debt

£ million	25 June 2016	26 December 2015
Analysis of net debt		
Cash and cash equivalents	16.4	97.0
Borrowings	(20.0)	(10.0)
Unamortised fees	1.8	2.4
Interest accrual	(6.4)	(7.3)
Finance leases	(0.5)	(0.5)
Total debt due within one year	(25.1)	(15.4)
Borrowings	(400.9)	(480.7)
Unamortised fees	2.9	4.2
Fair value of call option	6.3	10.7
Finance leases	(4.1)	(4.4)
Total debt due after one year	(395.8)	(470.2)
Statutory net debt	(404.5)	(388.6)
Statutory net debt	(404.5)	(388.6)
Unamortised fees	(4.7)	(6.6)
Interest accrual	6.4	7.3
Fair value of call option	(6.3)	(10.7)
Operational net debt	(409.1)	(398.6)

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

11. Net debt (continued)

The 8.75% Senior Secured Notes due in 2020 contain a call option from 15 June 2016 that under IAS 39 'Financial Instruments: Recognition and Measurement' should be accounted for as an embedded derivative and is required to be separately accounted for at fair value with the issued bond value carried at amortised cost. As at 25 June 2016 the fair value of the call option amounted to an asset of £6.3 million (June 2015: £nil) compared to an asset of £10.7 million at 26 December 2015 with a loss of £4.4 million recognised in the period in Other gains and (losses) in the Income statement.

12. Notes to the condensed consolidated statement of cash flows

£ million	13 weeks ended 25 June 2016	13 weeks ended 27 June 2015	26 weeks ended 25 June 2016	26 weeks ended 27 June 2015
Operating profit				
- Continuing operations	31.6	23.9	50.2	36.9
- Discontinued operations	-	2.7	-	4.9
	31.6	26.6	50.2	41.8
Adjustments for:				
Share of results of associates	(0.2)	(0.1)	(0.4)	(0.1)
Depreciation of property, plant and equipment	9.2	8.6	18.7	17.4
Amortisation of intangible assets	0.5	1.5	1.5	3.7
Net retirement benefits charge less contributions	(0.2)	(1.0)	(1.1)	(1.9)
Operating cash flows before movements in working capital	40.9	35.6	68.9	60.9
(Increase)/decrease in inventories	(0.1)	0.1	5.1	6.3
(Increase)/decrease in receivables	(11.5)	2.7	(15.0)	1.5
Increase in payables	27.3	15.0	14.3	1.7
(Decrease)/increase in provisions	(0.1)	-	0.4	-
(Decrease)/increase in exceptional payables	(0.6)	(1.3)	0.9	(0.9)
Cash generated by operations	55.9	52.1	74.6	69.5
Income taxes paid	(3.1)	(13.7)	(4.1)	(14.1)
Interest paid	(8.3)	(17.9)	(20.5)	(33.3)
Net cash generated from operating activities	44.5	20.5	50.0	22.1

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

13. 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 25 June 2016 by a qualified independent actuary. Under IAS 19 valuation principles a deficit of £9.5 million (26 December 2015: deficit £3.9 million) has been recognised as at 25 June 2016 in the condensed consolidated statement of financial position.

14. Events after the statement of financial position date

On 1 August 2016, the Group completed the sale of the trade and assets of its Belgium fresh prepared food business, NV Vaco BV, to Culinor Food Group.