2014

ANNUAL REPORT
& ACCOUNTS

BAKKAVÖR

BAKKAVOR IS A LEADING INTERNATIONAL MANUFACTURER OF FRESH PREPARED FOODS, EMPLOYING OVER 18,000 PEOPLE WORLDWIDE ACROSS 50 OPERATING FACILITIES.

Contents

KPI **Our Group KPIs are indicated by this icon and can be found on pages 10 and 11.**

Download a copy of our Company brochure online.

View our annual report online at ar14.bakkavor.com

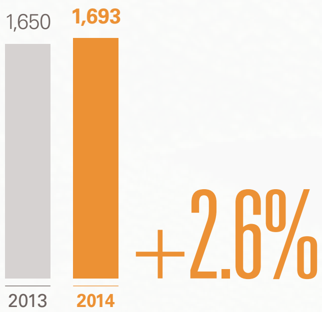
At a glance

WE HAVE OVER 40 YEARS' EXPERIENCE OF DEVELOPING INNOVATIVE, HIGH-QUALITY FRESH PREPARED FOODS WITH LEADING GLOBAL GROCERY RETAILERS AND FOODSERVICE PROVIDERS.

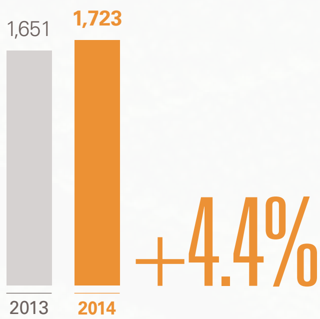
KEY FACTS & FIGURES

- Employ over 18,000 people with over 16,000 based in the United Kingdom
- Operate 50 facilities across six countries
- Supply over 5,500 products across 18 fresh prepared foods categories
- Trade with the top global grocery retailers
- Specialise in private label foods

STATUTORY SALES £m



LIKE-FOR-LIKE SALES[1] £m



UNITED KINGDOM

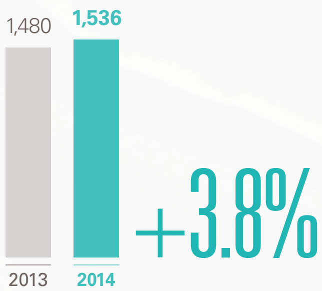
KEY DEVELOPMENTS

- Restructured UK operations to focus on customer and category leadership
- Grew sales ahead of the UK fresh prepared foods market
- Received awards for product innovation, supplier excellence, health & safety and sustainability
- Entered four-year partnership with the Prince's Trust

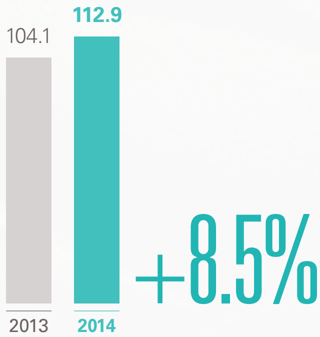
32 facilities

20 locations

LIKE-FOR-LIKE SALES[1] £m



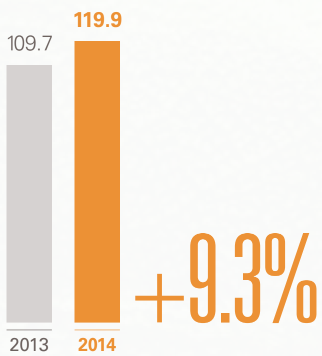
ADJUSTED EBITDA[2] £m



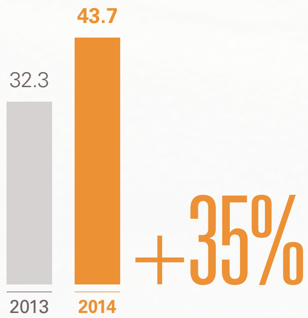
OUR CUSTOMERS

TESCO, M&S, Sainsbury's, Waitrose, ASDA, MORRISONS, The co-operative

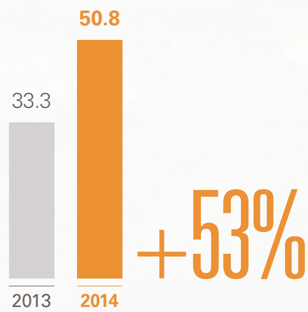
ADJUSTED EBITDA[2] £m



FREE CASH FLOW[3] £m



CAPITAL EXPENDITURE £m



1 Like-for-like sales exclude the impact of acquisitions, disposals, closures and foreign exchange translation, but include the Group's share of revenue generated by associates.

2 Adjusted EBITDA excludes restructuring costs, royalty charges to the Group's parent company, asset impairments and those additional charges or credits that are one-off in nature and significance. The 2013 results have been restated to reflect the adoption of IAS 19 (revised 2011) 'Employee Benefits'. This has had the effect of reducing the Group's prior year Adjusted EBITDA by £1.9 million.

3 Free cash flow is defined as the amount of cash generated by the business, after meeting its obligations for interest, tax and pensions, and after investments in tangible fixed assets.

INTERNATIONAL

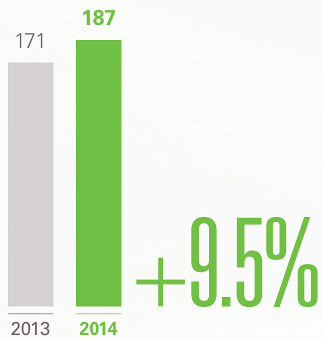
KEY DEVELOPMENTS

- Expanded our presence in US
- Expanded our customer base in Asia
- Continued improvement in margins

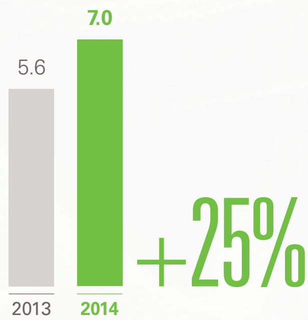
18 facilities

5 countries

LIKE-FOR-LIKE SALES[1] £m



ADJUSTED EBITDA[2] £m



OUR CUSTOMERS

Our products

Chairman's address

I AM PLEASED TO REPORT ANOTHER SUCCESSFUL YEAR FOR BAKKAVOR, CONTINUING OUR STRATEGY OF LEADERSHIP IN INNOVATION AND CLOSE PARTNERING WITH OUR CUSTOMERS.

LYDUR GUDMUNDSSON
GROUP CHAIRMAN

+4.4%
Like-for-like sales[1]

FINANCIAL PERFORMANCE

This has been another successful year for the Group with our UK market share growing for the third consecutive year and our International business making excellent progress.

Statutory sales increased by 2.6% with like-for-like revenues up 4.4%. Sales growth, combined with the benefits of restructuring activity in our UK business, led to an increase of 9.3% in Adjusted EBITDA to £119.9 million, giving an Adjusted EBITDA margin improvement of 50 basis points to 7.1%. Once again, the Group focused on cash conversion generating £43.7 million of free cash from operating activities despite a significant increase in capital expenditure. Net debt decreased by £48.1 million to £471.7 million which together with our strong delivery in EBITDA led to Net Debt: EBITDA leverage of 3.9 times, down from 4.7 times last year.

STRATEGIC DEVELOPMENTS

In the UK, we reorganised our operational structure to further strengthen our customer relationships and build on our leading category positions. These changes have simplified our business structure and reduced our cost base, enabling us to fund investments in marketing, innovation and new technologies to drive growth and manufacturing efficiencies. The benefits of these actions are already being evidenced through market share gains and improved margins.

In our International business, we remain well placed to benefit from growth in the fresh prepared food markets, particularly in the US and Asia. In January 2015, we were delighted to complete our first acquisition in seven years, of B. Robert's Foods, a private label fresh prepared food manufacturer based in Charlotte, North Carolina. The acquisition reinforces our commitment to seeking growth opportunities within the US market and complements our existing operations in California and Pennsylvania.

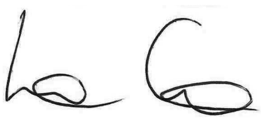
Over the past two years, we have exited a number of non-core businesses so that we can focus resource on growing our presence in the US and Asia. In 2014, we disposed of Spring Valley Foods, our South African prepared fruit business. We also sold 40% of our Italian pizza manufacturing business to its senior management. This transaction, which includes a three-year option for management to purchase the remaining 60% of the business, aligns the long-term interest of all parties.

PEOPLE

Once again, I would like to thank all our employees for their hard work. The growth we have experienced throughout 2014 has been driven by their passion and loyalty to our business. We will continue to place great emphasis on investing in long-term opportunities so they can grow their careers within the business.

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 mean 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.



Lydur Gudmundsson
Group Chairman

11 February 2015

[1] Like-for-like sales exclude the impact of acquisitions, disposals, closures and foreign exchange translation, but include the Group's share of revenue generated by associates.

WAITROSE GOOD TO GO WHEATBERRY, KALE & FETA SALAD PREPARED AT WINGLAND FOODS IN SUTTON BRIDGE, LINCOLNSHIRE

1 Creating value >

Our market

RESPONDING TO MARKET TRENDS

BAKKAVOR INNOVATION 2014

Healthy and tasty meal ranges to help people hit 'five a day' and calorie targets

Traditional cream cakes with a contemporary twist

Exclusive, chef-inspired ranges

Recipes with 'on-trend' flavours and ingredients such as chipotle, beetroot, salted caramel, quinoa, kale and Middle Eastern spices

Snacking pizzas and dips, and party foods for informal meal occasions

£9.6bn

UK fresh prepared foods market size[1]

+18%

annual growth in UK online sales of fresh and chilled foods[1]

>100

Development Chefs across the Group

Q Award

won for our M&S beetroot, quinoa and wheatberries with apple, pecan nuts and a cider vinaigrette salad

72

new ready meals launched by Bakkavor for our UK customers' health ranges

[1] Kantar Worldpanel 52 weeks ending 5 Jan 2015

KEY CHARACTERISTICS OF OUR MARKETPLACE

RETAIL TRENDS

- Restructuring physical and online store portfolios in response to the growth of convenience stores, discounters and online sales
- Investing more in delivery logistics and new collection locations to meet rise in demand for Click and Collect services
- Focusing on communicating with consumers through social media networks and 'smart' technology
- Using simpler pricing and promotions to communicate better value for money
- Developing private label food ranges to attract and retain consumers

CONSUMER TRENDS

- Demand for value for money is driving bargain-hunting, smaller, more frequent shopping trips and a less loyal consumer
- Access to mobile technology is facilitating more research, price comparing and information sharing when buying products and services
- Improving personal health through physical activity and healthy eating remains high on the agenda
- Buying more luxuries and treats to enjoy in the comfort of one's own home to help achieve a better work/life balance

FOOD TRENDS

- Naturally healthy and nutritious foods to suit specific dietary requirements
- Comfort foods and nostalgic recipes with a modern twist
- 'Super premium' ranges that offer affordable luxury treats
- Increasing popularity of regional cuisines with hotter spices and authentic, exotic ingredients
- Snacking options that are easy to eat on the go, out of home or to share when entertaining at home

WHAT DOES THIS MEAN FOR US?

We use our understanding of market dynamics to develop the right products for our customers and their consumers and to shape our long-term strategic focus.

- TARGETING GROWTH OPPORTUNITIES
- STRENGTHENING OUR CUSTOMER RELATIONSHIPS
- DEVELOPING OUR PEOPLE TO DRIVE INDUSTRY-LEADING STANDARDS
- INVESTING AND WORKING EFFICIENTLY

Our strategy and KPIs

TARGETING GROWTH OPPORTUNITIES

Building on our leading positions in high-potential, fast-growing fresh prepared foods markets.

INTERNATIONAL EXPANSION

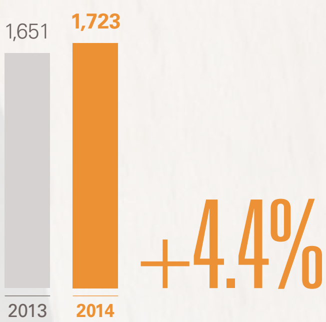
We are well positioned to benefit from growth in the fresh prepared food markets across the US and Asia, enabling us to expand in support of our customers' strategic growth plans.

STRATEGY IN ACTION

- Three consecutive years of market share growth in the UK
- Added an additional 36,000 sq ft to Bakkavor Jessup in Pennsylvania
- Acquired B. Robert's Foods in North Carolina in January 2015 to extend our coverage across the US

LIKE-FOR-LIKE SALES[1] £m KPI

Why we use this measure
Growth in our like-for-like sales shows how successful we are at generating sales through product innovation, effective promotional mechanisms and business wins.



STRENGTHENING OUR CUSTOMER RELATIONSHIPS

Leveraging our strong customer relationships to drive mutual and profitable growth.

CUSTOMER-ALIGNED

We are committed to aligning our goals and objectives with those of our customers, so that our strategic plans are mutually beneficial. Through this approach, together with our commitment to customer service, we have built long-lasting relationships with our customers.

STRATEGY IN ACTION

- M&S Chilled Convenience Supplier of the Year awarded to Cucina Sano
- Tesco Category Supplier of the Year
- Commenced supply to McDonald's in China

LIKE-FOR-LIKE SALES[1] £m KPI

Why we use this measure
Growth in our like-for-like sales shows how successful we are in aligning our goals and objectives with those of our customers.

Recognised in January 2015 for setting a benchmark in product development, innovation, product range, quality and service.

1 Like-for-like sales exclude the impact of acquisitions, disposals, closures and foreign exchange translation, but include the Group's share of revenue generated by associates.

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3 Free cash flow is defined as the amount of cash generated by the business, after meeting its obligations for interest, tax and pensions, and after investments in tangible fixed assets.

DEVELOPING OUR PEOPLE TO DRIVE INDUSTRY-LEADING STANDARDS

Setting the industry benchmark for safety, quality, service and innovation through the talent and commitment of our people.

CREATING THE RIGHT CULTURE

Our business is underpinned by a strong set of values, and we are driving a culture of accident prevention, customer care, personal development and innovation across all aspects of the business.

STRATEGY IN ACTION

- Four RoSPA Gold Awards for our accident prevention work
- 'Recipes for Success' management development programme being rolled out
- Annual Innovation Awards to celebrate and recognise success
- 17 industry awards for product quality and innovation

EMPLOYEE RETENTION KPI

Why we use this measure

Retaining employees who have the right behavioural values, and having systems in place to ensure they can develop with us to the best of their potential, is fundamental to our success.

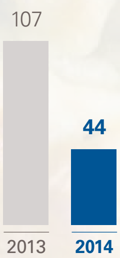
87%

employees retained 2014 (2013: 92%)

MAJOR ACCIDENTS PER 100,000 EMPLOYEES KPI

Why we use this measure

We monitor our performance against the industry average as part of our commitment to take every reasonable step to protect the health & safety of our employees.



59%

reduction on 2013

INVESTING AND WORKING EFFICIENTLY

Delivering sustainable long-term growth through capital investment and a continued focus on efficiency.

TARGETED TO DELIVER TANGIBLE BENEFITS

Any investment must demonstrate it can deliver significant benefits through protecting or winning market share, whilst still delivering a targeted financial return.

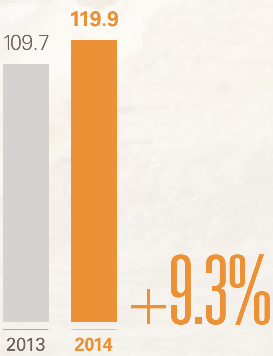
STRATEGY IN ACTION

- £51 million capital expenditure on capacity and efficiency investments
- UK reorganisation reduced complexity and costs across the business
- Effective working capital management delivered £27 million cash inflow

ADJUSTED EBITDA[2] KPI

Why we use this measure

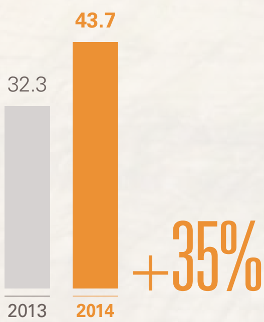
This measure demonstrates the Group's effectiveness in converting sales into profitable growth.



FREE CASH FLOW[3] KPI

Why we use this measure

The generation of free cash flow enables us to re-invest funds in the business for future growth and to pay down debt.



Our business model

WE CREATE SAFE, HIGH-QUALITY FOODS WHICH DELIVER A RETURN FOR OUR CUSTOMERS, WHILST ALSO PROVIDING CHOICE AND VALUE FOR MONEY FOR THEIR CONSUMERS. WE USE THE CASH GENERATED TO MEET OUR FINANCIAL OBLIGATIONS AND RE-INVEST IN FUTURE BUSINESS GROWTH.

CUSTOMERS

NURTURING CUSTOMER RELATIONSHIPS

- Being committed to supplying outstanding customer service and value
- Developing, producing and supplying high-quality fresh prepared foods
- Setting the food industry benchmark for safety, quality, and innovation

3 major supplier awards from customers

PRODUCTS

DEVELOPING INNOVATIVE PRODUCTS

- Staying at the forefront of relevant food and consumer trends
- Developing great-tasting food at the right price
- Encouraging and rewarding a culture of innovation within our business

17 product innovation awards

ASSETS

MANAGING OUR KEY ASSETS EFFECTIVELY

- Investing in continuous improvement throughout the business
- Developing Centres of Excellence which strengthen our core capabilities
- Recruiting and developing the right people

£50.8 million capital expenditure

CASH

FOCUSING ON CASH GENERATION

- Focusing on overhead spend to drive efficiencies
- Using our global buying platforms to source quality ingredients at the right price
- Managing working capital effectively

£43.7 million of free cash generated

INVESTMENT

MAKING INVESTMENTS THAT DELIVER RETURNS

- Following a highly selective capital expenditure programme
- Setting expectations to meet targeted returns on investment
- Reducing leverage and debt to strengthen our capital structure

leverage reduced to 3.9 times

Principal risks

WE HAVE IDENTIFIED EIGHT KEY RISKS, THE SUCCESSFUL MANAGEMENT OF WHICH IS VITAL TO THE DAY-TO-DAY RUNNING OF OUR BUSINESS AND OUR ABILITY TO MEET OUR STRATEGIC GOALS.

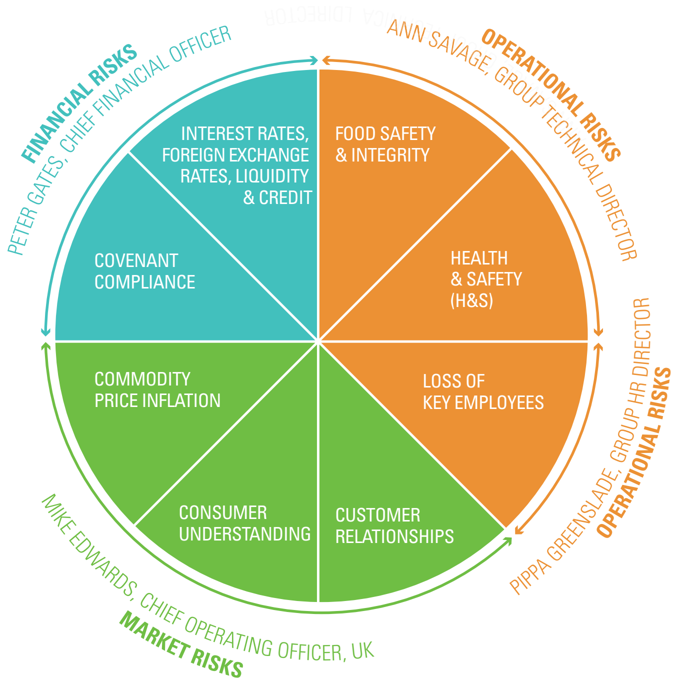
RESPONSIBILITY FOR RISK MANAGEMENT

GROUP BOARD

v

MANAGEMENT BOARD

Responsible for managing key risks and internal control procedures



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OPERATIONAL TEAMS

Dedicated teams responsible for assessing and managing risks at operational level

KEY RISKS TO THE BUSINESS

OPERATIONAL RISKS

FOOD SAFETY & INTEGRITY

Millions of people eat our products every day. We have a duty to make food that is safe and is clearly and correctly labelled.

HEALTH & SAFETY (H&S)

We understand our duty of care to secure and protect the H&S of our employees.

LOSS OF KEY EMPLOYEES

We have a highly experienced senior management team who are passionate about the business and whom we consider to be a key competitive strength.

MARKET RISKS

CUSTOMER RELATIONSHIPS

We work with a limited number of the largest food retailers and foodservice operators in the world.

CONSUMER UNDERSTANDING

Our in-depth consumer understanding enables us to develop a diverse, innovative and commercially viable product range, which is critical to maintaining customer relations and future growth.

INPUT COST INFLATION

We spend over £800 million on ingredients and packaging every year and may be exposed to fluctuating raw material and energy costs.

FINANCIAL RISKS

COVENANT COMPLIANCE

We are subject to various financial covenants and undertakings as a consequence of our borrowing agreements.

INTEREST RATES, FOREIGN EXCHANGE RATES, LIQUIDITY & CREDIT

In the multi-currency trading environment in which the Group operates, there are inherent risks associated with fluctuations in both foreign exchange rates and interest rates. In the current environment, the Group's credit rating and its ability to obtain funding are also specific risks.

WHAT MIGHT HAPPEN IF WE GET IT WRONG	HOW WE MITIGATE OUR RISKS	PROGRESS DURING THE YEAR
Consumer safety and confidence is vital to us; any issue that breaches that trust will also impact our industry's long-term prospects and our reputation.	• Hazard Analysis Critical Control Point (HACCP) principles used to identify food safety controls and train our people. • Sites and key raw material suppliers audited by internal and external food safety experts.	• The Group maintains industry-leading food safety and traceability procedures. • All our businesses and key suppliers are extensively audited both by our internal team and external parties.
The safety of our employees is paramount to our continued success and getting it wrong could carry significant reputational and legal risk.	• H&S KPIs reported monthly to the Management Board. • H&S is managed by our experts who embed and monitor our practices. • Culture of engagement from the Management Board through to the shop floor on accident prevention.	• Significant reduction in major accidents per 100,000 employees from 107 to 44, compared to a marginal fall in the industry benchmark from 212 to 210. KPI
We risk being unable to fulfil our strategic growth objectives without the recruitment, development and retention of talented and committed people who understand and respect our values.	• Values used to recruit, appraise, reward and develop employees. • Succession planning, long-term management incentives, retention initiatives and a commitment to training.	• We expanded our Apprenticeship and Graduate Development Schemes in 2014 and will continue this investment into 2015. • Ongoing investment in people development by providing training for all employees and recruiting the best in the industry.
Given the size and relatively small number of our customers, any major customer loss would have a significant negative impact on our turnover, manufacturing efficiency and profit.	• Business Directors appointed as Customer Champions to manage strategic relationships and account planning. • Communication with our customers at all levels of the decision-making process.	• Tesco Category Supplier of the Year and M&S Chilled Convenience Supplier of the Year. • Ongoing work with major customers on joint optimisation projects to deliver mutual growth.
Investing in product areas which fail or underperform is costly in terms of resource and profitability, and our reputation with our customers.	• Investment in market research to capture latest consumer trends. • Market share performance and trends discussed at each Management Board meeting. • Annual Innovation Awards held to celebrate success in product development, new processes and technology.	• Over 1,200 new products launched. • 17 product awards received for quality and innovation.
Increases in raw material prices adversely affect individual product margins. An inability to pass on these cost increases within a reasonable timeframe impacts the Group's profit.	• Central procurement team focuses on achieving balance between price, quality, availability and service levels. • Forward purchasing agreed and price increases passed on where possible. • Continued focus on cost reduction and productivity enhancements.	• We reorganised and streamlined our central purchasing team and increased our direct purchasing through our procurement team in China.
To achieve our growth objectives, we require a strong financial platform. Breaching any covenant would destabilise the business and impair our ability to secure future financing.	• Financial results, projections and covenant performance reviewed regularly. • Open and regular dialogue with our lenders and an active investor engagement programme.	• Leverage has fallen significantly over the past 12 months and is below 4x at the year-end. • The Group has maintained comfortable headroom with regard to all its covenants.
To achieve our growth objectives, we require a strong financial platform. An inability to access liquidity or a downgrading of the Group's credit rating could impair our ability to secure future financing.	• Treasury function operates within framework of strict Board-approved policies and procedures (see note 29 of the Group Financial Statements). • Active foreign exchange hedging programme. • Majority of borrowings are at fixed interest rates.	• Revolving credit and receivables financing facilities remain undrawn at year-end. • Accelerated amortisation of our term loan with a prepayment of £44.2 million in the year.

WAITROSE MUSHROOM & SPINACH FILO PARCELS PREPARED AT BAKKAVOR MEALS ABBEYDALE IN WEMBLEY, LONDON

2 Delivering growth >

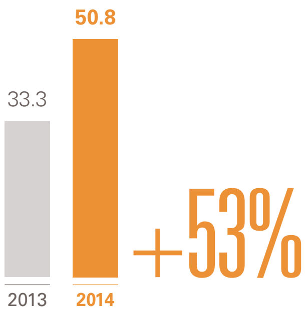
TESCO FINEST BELGIAN CHOCOLATE & IRISH CREAM PROFITEROLE CHEESECAKE
A JOINT COLLABORATION BETWEEN OUR TWO DESSERTS FACTORIES BASED IN HIGHBRIDGE, SOMERSET AND NEWARK, NOTTINGHAMSHIRE

Chief Executive's review

IN A TOUGH TRADING ENVIRONMENT WITH LOW MARKET GROWTH, THE GROUP HAS MADE GOOD PROGRESS, INCREASING REVENUES, MARKET SHARE, MARGINS AND CASH GENERATION.

AGUST GUDMUNDSSON
CHIEF EXECUTIVE OFFICER

CAPITAL EXPENDITURE £m



OVERVIEW

This was a year in which we restructured our UK business to intensify our focus on customers and category leadership; increased our UK marketshare; invested heavily to deliver on the demand from new business wins; and realigned our International resources to benefit from growth in the fresh prepared foods markets in the US and Asia.

We grew revenues, improved margins and generated strong free cash flow which helped us strengthen our balance sheet for future growth. We have carried this momentum into 2015.

All of this was achieved despite subdued consumer spending, limited growth in the retail food market and unprecedented levels of change across the UK grocery market.

COMPETITIVE ENVIRONMENT

As has been widely reported, there are unprecedented levels of change currently affecting the UK grocery market. This has focused on increased sales in the discounter channel, increasing online volumes and a trend towards shopping in smaller convenience outlets.

Although the hard discount retailers continue to gain ground, we remain committed to supporting the growth plans of our existing customers reinforcing our collaborative approach in driving mutual growth. To capture opportunities online, we work closely with customers to optimise cross-selling opportunities, the benefits of which are already being seen. Consumers have also changed how and where they shop with a growing trend towards 'little and often'. We are well positioned to participate in this growth area through our leading positions across a wide range of fresh prepared foods.

INVESTING IN OUR BUSINESS

With the improvement in both our trading results and cash generation, we took the opportunity to increase our levels of capital spend in 2014. These investments have increased capacity and enhanced productivity across the Group, particularly in the categories of chilled bread, pizza and salads. This level of spend represents c.3% of sales across the Group. We have a healthy pipeline of opportunities and expect this level of capital investment to continue into 2015.

INNOVATION EXCELLENCE

We firmly believe innovation is fundamental to the growth of our business. We launched over 1,200 new products in the year and held our annual Innovation Awards which celebrate success in product development, new processes and technology. Our success was also recognised externally as we won 17 industry awards for product innovation and quality as well as three major awards from our customers. In addition, in January 2015 we also 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.

Agust Gudmundsson
Chief Executive Officer

11 February 2015

United Kingdom

IN 2014 OUR UK BUSINESS DELIVERED ENCOURAGING FINANCIAL RESULTS. WE RESTRUCTURED OUR BUSINESS TO FURTHER FOCUS ON CUSTOMER AND CATEGORY LEADERSHIP.

MIKE EDWARDS
CHIEF OPERATING OFFICER

OVERVIEW

Our UK businesses primarily manufacture private label fresh prepared foods on behalf of all the major grocery retailers. We operate 32 facilities and employ over 16,000 people.

We have over 40 years' fresh prepared foods experience in the UK and have the highest market share in 12 of the 16 product categories in which we operate. As a result, we estimate our consolidated market share across these 16 categories to be around 30%.

BUSINESS PERFORMANCE

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 statutory 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 predominently 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 cost base, including utilities and labour. Looking forward into 2015, there remain pockets of significant inflation for key ingredients such as chicken and seafood, and we expect to continue to see pressure on labour costs in a period of rising employment.

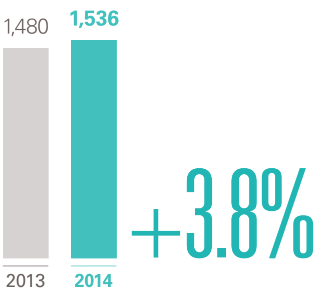
The margin improvement of 30 basis points in the year has principally been driven by the restructuring of our UK business. We reorganised the reporting lines, sharpening our focus and collaboration, and allowing us to reduce cost and complexity across the business. Furthermore, following a number of significant wins over this past year, we took the opportunity to withdraw from certain low-margin business due to poor commercial returns. As normal, we will continue to review the commercial returns across our product portfolio and take actions as appropriate to protect our margin.

CAPITAL INVESTMENT

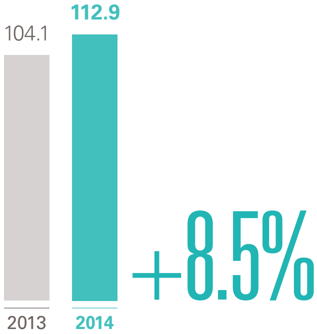
Most of our capital expenditure is dedicated to the UK market. In the first quarter of 2014 we completed a number of projects across our salads facilities, leveraging new technologies and reconfiguring sites to further improve quality as well as increase capacity. These investments are already delivering good returns as we responded to increased demand through the summer.

We have also completed a significant investment in our pizza business which has enabled us to consolidate our number one market position through increasing our stone-baking and wood-fired capacity. In addition, we have 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.

LIKE-FOR-LIKE SALES[1] £m



ADJUSTED EBITDA[2] £m



[1] Like-for-like sales exclude the impact of acquisitions, disposals, closures and foreign exchange translation, but include the Group's share of revenue generated by associates.

[2] Adjusted EBITDA excludes restructuring costs, royalty charges to the Group's parent company, asset impairments and those additional charges or credits that are one-off in nature and significance. The 2013 results have been restated to reflect the adoption of IAS 19 (revised 2011) 'Employee Benefits'. This has had the effect of reducing the Group's prior year Adjusted EBITDA by £1.9 million.

International

WE ARE WELL POSITIONED TO BENEFIT FROM GROWTH IN THE FRESH PREPARED FOODS MARKETS ACROSS THE US AND ASIA.

JOHN GORMAN
PRESIDENT – BAKKAVOR USA INC.

EINAR GUSTAFSSON
MANAGING DIRECTOR – BAKKAVOR ASIA

OVERVIEW

Our International businesses predominantly supply private label products to major grocery retailers and global foodservice operators. We operate 18 facilities and employ over 1,800 people. These operations are based in five countries: Belgium, Italy, Spain, the US and China (including Hong Kong).

BUSINESS PERFORMANCE

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. Our investment has focused on capacity and technical capability in Asia as we increase our customer base across the food service industry. In the US, we are increasing capacity due to greater demand from new and existing customers.

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.

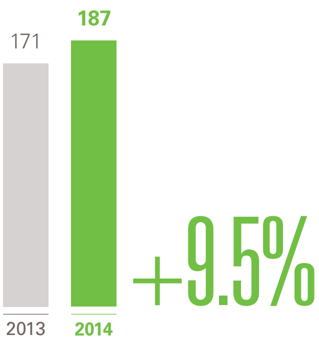
Adjusted EBITDA margin for our Internationals segment was 4.1%, representing an improvement of 110 basis points, and whilst this is encouraging we will continue to take firm action to further improve margins.

CAPITAL INVESTMENT

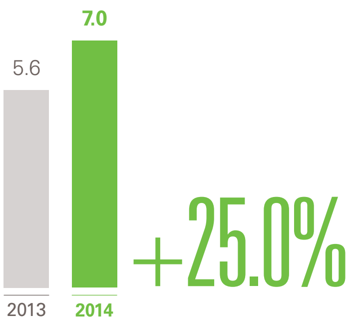
We continue to invest in our International businesses. The expansion to our East Coast facility in the US remains on track with completion due in summer 2015. This additional space will triple capacity, replicating our successful and established business on the West Coast and allowing us to continue to grow with national customers.

In January 2015 we also completed the acquisition of B. Robert's Foods, a private label fresh prepared food manufacturer based in Charlotte, North Carolina. This transaction increases our customer base and widens our manufacturing presence across the country.

LIKE-FOR-LIKE SALES[1] £m



ADJUSTED EBITDA[2] £m



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[2] Adjusted EBITDA excludes restructuring costs, royalty charges to the Group's parent company, asset impairments and those additional charges or credits that are one-off in nature and significance. The 2013 results have been restated to reflect the adoption of IAS 19 (revised 2011) 'Employee Benefits'. This has had the effect of reducing the Group's prior year Adjusted EBITDA by £1.9 million.

A TRIO OF PIZZA EXPRESS PIZZA SLICES
WE MANUFACTURE RETAIL PIZZAS FOR PIZZA EXPRESS. SAINSBURY'S WAS THE FIRST SUPERMARKET TO SELL THESE PRODUCTS BACK IN JANUARY 2001

Financial review

ANOTHER YEAR OF SOLID PROGRESS WITH SALES GROWTH OUTPERFORMING THE MARKET, MARGIN IMPROVEMENT AND A SIGNIFICANT REDUCTION TO NET DEBT AND LEVERAGE.

PETER GATES
GROUP CHIEF FINANCIAL OFFICER

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 media, we experienced year-on-year inflation across our total cost base, including utilities and labour. Looking forward into 2015, there still 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.

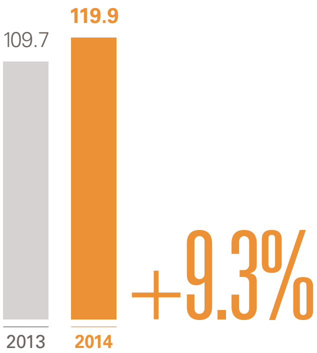
DISTRIBUTION AND OTHER ADMINISTRATIVE COSTS

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, and benefited from the UK restructuring initiatives and a strict control on discretionary spend across the Group.

ADJUSTED EBITDA[2]

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, in support of margin growth.

ADJUSTED EBITDA[2] £m



[2] Adjusted EBITDA excludes restructuring costs, royalty charges to the Group's parent company, asset impairments and those additional charges or credits that are one-off in nature and significance. The 2013 results have been restated to reflect the adoption of IAS 19 (revised 2011) 'Employee Benefits'. This has had the effect of reducing the Group's prior year Adjusted EBITDA by £1.9 million.

RECONCILIATION TO ADJUSTED EBITDA[2]

£ million	FY 2014	FY 2013
Operating profit	**67.1**	41.2
Add/(deduct):		
Depreciation	**36.0**	38.2
Amortisation	**8.7**	8.7
Exceptional items (net)	**6.6**	1.7
Parent royalty charge	**1.2**	1.2
Impairment of assets	**4.1**	21.7
Profit on disposal of property, plant and equipment	**(1.0)**	–
Profit on disposal of subsidiaries	**(1.8)**	(1.8)
Share of results of associates after tax	**(1.0)**	(1.2)
Adjusted EBITDA[2]	**119.9**	109.7

For further analysis of the Group's adjusted EBITDA performance refer to our Business Review on pages 20 and 21.

Financial review

+4.4%

Like-for-like sales[1]

+9.3%

Adjusted EBITDA[2]

£6.6m

We incurred one-off costs as a result of our restructuring programme

£119.9m

Adjusted EBITDA[2]

EXCEPTIONAL ITEMS

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

£ million	2014	2013
Restructuring costs	(6.6)	(2.5)
Insurance claim	–	0.8
Total	**(6.6)**	(1.7)

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 restructuring 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 businesses. 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 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.

1 Like-for-like sales exclude the impact of acquisitions, disposals, closures and foreign exchange translation, but include the Group's share of revenue generated by associates.

2 Adjusted EBITDA excludes restructuring costs, royalty charges to the Group's parent company, asset impairments and those additional charges or credits that are one-off in nature and significance. The 2013 results have been restated to reflect the adoption of IAS 19 (revised 2011) 'Employee Benefits'. This has had the effect of reducing the Group's prior year Adjusted EBITDA by £1.9 million.

Financial review

CASH FLOW[3]

£ million	2014	2013
Adjusted EBITDA[2]	**119.9**	109.7
Adjusted EBITDA[2] from discontinued operations	–	0.9
Working capital	**26.8**	11.1
Pensions (cash and non-cash)	**(3.8)**	(3.7)
Interest paid	**(49.0)**	(52.1)
Tax paid	**(1.0)**	(0.8)
Capital expenditure (net)	**(49.2)**	(32.8)
Free cash generated from operating activities	**43.7**	32.3
Free cash generated from operating activities	**43.7**	32.3
Cash impact of exceptional items	**(5.8)**	(3.2)
Payment of deferred consideration	–	(0.1)
Disposal of subsidiary net of cash disposed of	**3.5**	27.0
Tax paid on disposal of subsidiary	–	(2.0)
Disposal of investment	**7.3**	–
Refinancing costs	–	(11.1)
Cash before financing activities	**48.7**	42.9

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. 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 focused 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.

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, £2.0 million in the year to 31 March 2017 and £1.0 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 in 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.

As required by accounting standards, the Group applied 'IAS 19 (Revised 2011): Employee Benefits', from the start of the financial year ending 27 December 2014. This has led to a restatement of our prior year results. The changes have led to a £0.8 million reduction in the non-cash financing credit recognised in the 2013 Income Statement. In addition, the scheme administration costs, which totalled £1.1 million, have been recognised as an operating cost in the 2013 Income Statement. These costs had previously been allowed for within the calculation of the expected return on assets, acting to reduce the non-cash financing credit. These changes have had no impact on cash funding requirements and no impact on the surplus for actuarial purposes.

Peter Gates
Chief Financial Officer

[2] Adjusted EBITDA excludes restructuring costs, royalty charges to the Group's parent company, asset impairments and those additional charges or credits that are one-off in nature and significance. The 2013 results have been restated to reflect the adoption of IAS 19 (revised 2011) 'Employee Benefits'. This has had the effect of reducing the Group's prior year Adjusted EBITDA by £1.9 million.

[3] Free cash flow is defined as the amount of cash generated by the business, after meeting its obligations for interest, tax and pensions, and after investments in tangible fixed assets.

M&S TRATTORIA SPINACH & RICOTTA RAVIOLI
PREPARED AT CUCINA SANO IN OLD LEAKE, LINCOLNSHIRE

3 Governance >

Our responsibilities

RUNNING OUR BUSINESS RESPONSIBLY ENABLES US TO CREATE TANGIBLE BENEFITS ACROSS THE GROUP.

We gain trust from our stakeholders by setting industry standards and we manage our resources more efficiently and cost effectively.

We have a focused approach, concentrating our actions where we have direct control and, consequently, where we can make the most impact.

SUPPLIERS/CONTRACTORS

Collaboration to promote customer service, food safety excellence and continuous improvement.

CUSTOMERS

Strong day-to-day customer engagement across the business.

INVESTORS

Open, timely and unbiased communication which respects commercial sensitivities.

INDUSTRY BODIES

Participation in food industry debates by engaging with leading industry bodies and working groups.

UNIONS

Development of productive partnerships with our unions.

COMMUNITY

Understanding of local community viewpoints and development of community relationships.

EMPLOYEES

Formal and informal communication channels.

HEALTH & SAFETY
WE TRAIN AND ENGAGE OUR PEOPLE TO DEVELOP A PROACTIVE SAFETY AWARENESS AND ACCIDENT PREVENTION CULTURE.

COMMUNITIES
WE SUPPORT CAUSES CLOSE TO WHERE WE OPERATE SUCH AS LOCAL SCHOOLS, GROUPS, SPORTS CLUBS AND CHARITIES.

OUR VALUES

Customer care

Can-do attitude

Teamwork

Innovation

Getting it right, keeping it right

FOOD SAFETY
OUR FOOD SAFETY COMMITMENT INCLUDES RUNNING OUR OWN MICROBIOLOGY AND CHEMISTRY LABORATORIES.

OUR PEOPLE
GROWING THE TALENTS OF OUR OWN PEOPLE PLAYS A KEY ROLE IN OUR SUCCESS. WE RUN GRADUATE, APPRENTICESHIP AND MANAGEMENT DEVELOPMENT SCHEMES.

ENVIRONMENT
WE FOCUS ON AREAS WHERE WE CAN MAKE A REAL DIFFERENCE: ENERGY, WASTE, WATER, PACKAGING AND TRANSPORT.

Our responsibilities

ANN SAVAGE
GROUP TECHNICAL DIRECTOR

RESPONSIBLE FOR:

Food Safety & Integrity, Health & Safety and Environment

PIPPA GREENSLADE
GROUP HR DIRECTOR

RESPONSIBLE FOR:

Our People and Communities

FOOD SAFETY & INTEGRITY

We have a duty to make food that is safe for people to eat and correctly labelled. We must also respect and protect the integrity of our customers' brands.

RIGOROUS CONTROLS

Our central technical team, led by our Group Technical Director, ensures we have rigorous food safety controls in place. These are backed up by stringent quality policies and procedures which recognise our legal and customer requirements along with HACCP-based quality management systems to support the high standards we expect.

We carry out scientific testing in our own laboratories, announced and unannounced internal audits, and regular management reviews to verify our processes. All of our sites are also subject to announced and unannounced audits by customers and external bodies. Information from all these verification processes is fed back into our quality management systems so that we can take prompt corrective and preventative action if required.

The Group's food safety performance is presented at each Management Board meeting.

Focus areas

- Raw material risk assessment procedures to encompass new and emerging risks
- Employee recruitment and development processes to meet future technical needs
- Information systems to enhance the analysis and use of our technical data

HEALTH & SAFETY

We take every practical step to secure and protect the Health & Safety of our own employees and people who work at our premises.

ACCIDENT PREVENTION CULTURE

We remain focused on accident prevention and empower our employees to do the right thing by raising risk awareness, providing relevant training and sharing best practice. We train and engage our people to develop a proactive safety awareness and prevention culture.

We carry out in-depth annual H&S audits at all UK sites to ensure that our workplaces are safe and appropriate, that consistent systems and controls are in place, and that each business has a live action plan to address its highest risks.

H&S performance indicators and annual H&S audit results are reported monthly to the Management Board. Our main Group KPI is major accidents per 100,000 employees and this reduced by 59% in 2014 compared to 2013. We also measure our performance against industry figures and continue to outperform this benchmark – by 79% in 2014.

KPI page 11 for more information.

Focus areas

- Managing risks associated with people and vehicles
- Fire prevention
- Further reinforcement of an accident prevention culture

MICROBIOLOGY TESTING

Our Central Laboratory based in Holbeach carries out our microbiology testing requirements.

OUR H&S PERFORMANCE

59%

Reduction in major accidents per 100,000 employees in 2014.

ENVIRONMENT

We manage the direct impacts of our businesses on the environment and focus on those areas that are most material to our operations.

FOCUSED ON ENVIRONMENTAL EFFICIENCY

We encourage environmental efficiency through a Group-wide focus on resource management supported by our Group Environmental Policy. Through this focus we have identified that both waste and water recovery are two key areas where we can make significant improvements.

In 2014 we sent 0.3% of our UK waste to landfill against an ultimate target of zero, and we became more efficient in segregating waste, with a 30% year-on-year increase in food waste sent to anaerobic digestion plants.

We also optimise our water efficiency by minimising usage, increasing water recycling, and assessing and refining on-site wastewater treatment processes. For example, in the production of leafy salads we use and discharge a relatively high amount of water. Tilmanstone Salads has recently installed a recycled water treatment plant which has reduced its water footprint by 75%, lowered its mains water and trade effluent disposal costs, and improved long-term water security for the site and its local community.

Focus areas

- Integrating waste information into existing management systems
- Continued improvement in water recycling rates at water-intensive businesses
- Site-specific initiatives to reduce energy and transport costs

OUR PEOPLE

We ensure our people's valuable skills and talents are used and developed to support the Group's objectives.

STRATEGIC PEOPLE MANAGEMENT

We focus on the following four areas: talent management, reward and engagement, learning and development and digital HR. We manage existing talent and attract new talent to the business by promoting our unique culture and values internally and in our communities, highlighting Bakkavor as a great place to work. We also want to motivate and retain our people by recognising and rewarding their valuable contribution, engaging openly with them and helping them grow their careers through the learning and development opportunities which we can support them with. With a growing International presence, this now includes overseas opportunities for our people. To support these approaches we continue to develop and simplify our HR systems and processes to widen access to online information and training.

Focus areas

- Supporting local communities through targeted employment schemes and partnerships
- Working with our Site Employee Forums to improve our open employee communication
- Rolling out our 'Recipes for Success' management programme
- Introducing online self-service HR applications and e-learning

COMMUNITIES

We work with our communities to understand and respond to their concerns, as well as support their sustainable development.

LOCAL IMPACT

We believe our local business teams are best placed to understand the needs of their communities and support local initiatives. We recognise, reward and celebrate their community engagement through our annual Group Responsibility Awards and by communicating their achievements both internally and externally.

We also support relevant national campaigns that focus on the sustainability of the food industry and rely upon the support of manufacturers to help people develop the right skills and capabilities for gaining employment. At the end of 2014 the Group entered into partnership with the Prince's Trust. Working with them, we aim to improve the work prospects of young, unemployed people in our local communities, and those struggling at school and at risk of exclusion.

Focus areas

- Concentrating support on local community causes close to our business sites
- Continued collaboration to promote the sustainable growth of the food industry
- Ongoing projects as part of our four-year partnership with the Prince's Trust

REDUCING OUR WASTE

0.3%

UK waste sent to landfill in 2014, against an ultimate target of zero.

FEEDING BRITAIN'S FUTURE

Shane Perry was recruited by our Welcome Foods business following our involvement in IGD's 'Feeding Britain's Future' campaign.

SUPPORTING YOUNG ROLE MODELS

Bakkavor Desserts Newark sponsored Nottinghamshire's Young Person of the Year (YOPEY), recognising young heroes across the county.

Board of Directors

RUNNING OUR BUSINESS WITH INTEGRITY

LYDUR GUDMUNDSSON
GROUP CHAIRMAN

Lydur founded Bakkavor Group with his brother Agust in 1986 and has served on its Board of Directors since it was founded. He became Group Chairman of the Board of Directors in 2006, before which he served as Chief Executive Officer of Bakkavor Group. Lydur was educated at the Commercial College of Iceland.

AGUST GUDMUNDSSON
CHIEF EXECUTIVE OFFICER

Agust founded Bakkavor Group with his brother Lydur in 1986 and has served on its Board of Directors since it was founded. He became Chief Executive Officer of Bakkavor Group in 2006, before which he served as the Company's Executive Chairman. Agust was educated at the College of Armuli in Reykjavík, Iceland.

HALLDOR B. LUDVIGSSON
NON-EXECUTIVE DIRECTOR

Halldor was elected to the Bakkavor Group Board of Directors in May 2010. He serves as a Managing Director at Arion Banki's investment banking division. Before Halldor joined the bank, he held various management positions, including serving as the CEO of Maritech, an international technology company. He holds a degree in Mechanical Engineering and a BSc in Computer Science from the University of Iceland. He is a member of the Board of Valitor hf., Atorka hf., Klakki ehf. and Interbulk plc.

BJARNI TH. BJARNASON
NON-EXECUTIVE DIRECTOR

Bjarni was elected to the Group´s Board of Directors in May 2010. He is the Deputy CEO and one of the founders of Arctica Finance hf., a securities company in Iceland. Bjarni has held various corporate advisory positions in Icelandic banks, most recently as head of corporate advisory at Landsbanki from 2003 to 2008. He is a member of the Board of Arvakur hf., Byrjun ehf., Arctica Eignarhaldsfelag ehf., Viti fjarfestingafelag ehf., Þorsmork ehf., BG12 GP hf. and BG12 slhf. Bjarni holds a BSc degree in Mechanical Engineering from the University of Iceland and an MBA from Southern Methodist University.

GUDMUNDUR I. SIGURDSSON
NON-EXECUTIVE DIRECTOR

Gudmundur was elected to the Bakkavor Group Board of Directors on 25 September 2012. From May 2010 to September 2012, he served as an alternate Director to the Bakkavor Group Board. Gudmundur is a partner at Lex law offices, an Icelandic legal firm, where he is an Attorney at Law. He holds a Cand jur. degree from the Faculty of Law of the University of Iceland and a Master's degree in Law (LL.M) from Duke University School of Law. Gudmundur is admitted to practise before the District and Supreme Courts of Iceland.

Management Board

A STRONG TEAM WITH SKILLS & EXPERIENCE

AGUST GUDMUNDSSON
CHIEF EXECUTIVE OFFICER

Agust founded Bakkavor Group with his brother Lydur in 1986 and has served on its Board of Directors since it was founded. He became Chief Executive Officer of Bakkavor Group in 2006, before which he served as the company's Executive Chairman. Agust was educated at the College of Armuli in Reykjavík, Iceland.

PETER GATES
CHIEF FINANCIAL OFFICER

Peter was appointed CFO in November 2010. He has worked in a number of international companies, including Saatchi & Saatchi Co. plc and Avis Europe plc. Peter has over 31 years' experience in corporate finance. He is a Chartered Accountant and a member of the Association of Corporate Treasurers.

MIKE EDWARDS
CHIEF OPERATING OFFICER, UK

Mike joined Bakkavor in 2001. Prior to taking up his current role in January 2014, he was Managing Director of Meal Solutions and has been on the Management Board since March 2011. Mike has over 26 years' experience in the food sector. Prior to joining Bakkavor he worked at United Biscuits and Heinz.

ANN SAVAGE
GROUP TECHNICAL DIRECTOR

Ann has over 16 years' service within the Group and was appointed Group Technical Director on the Management Board in 2004. She has over 35 years' experience in technical, research and development and manufacturing roles within the food industry.

PIPPA GREENSLADE
GROUP HR DIRECTOR

Pippa joined Bakkavor in February 2013 and joined the Management Board in September 2013. She has over 25 years' experience in HR with previous roles as Global HR and Business Services Director at Cadbury Schweppes and Global HR Director for the British Council.

JOHN GORMAN
PRESIDENT & CEO OF BAKKAVOR USA

John took up his current position in January 2012 prior to which he worked as the Group's Business Director of Fresh Meal Solutions in the UK. He has over 31 years' experience in chilled food, 24 of which have been at Bakkavor and Geest.

IVAN CLINGAN
MANAGING DIRECTOR, FRESH CONVENIENCE

Ivan has been with the Group since 1990 and was appointed to the Management Board in March 2011. He has 28 years' experience in the food sector and prior to joining Bakkavor he worked at Nestlé. Ivan is also a Management Accountant.

EINAR GUSTAFSSON
MANAGING DIRECTOR, BAKKAVOR ASIA

Einar was appointed Managing Director for Bakkavor Asia in 2005 and has served within the Group for ten years. He successfully turned around two businesses in the seafood industry and has a background in management consulting with Deloitte.

Corporate Governance

AT BAKKAVOR, WE BELIEVE THAT EFFECTIVE GOVERNANCE IS REALISED THROUGH LEADERSHIP AND COLLABORATION.

OUR GOVERNANCE FRAMEWORK

We operate within a governance framework that reflects our business structure, culture and values and which we believe identifies all the elements of a sound approach to governance and responsibility.

The Board, together with the Management Board, uses the governance framework to set and monitor governance and responsibility objectives, identify improvement opportunities and ensure that activities align with business strategy. Through this framework we provide assurance to all our stakeholders that Bakkavor is a well-managed, responsible company. Each element of the governance framework is detailed below.

The Group Board retains ultimate responsibility for upholding corporate governance standards and determining the strategic objectives of the Group. The Management Board implements the strategic objectives of the Group Board, determines investment policies, agrees on performance criteria and delegates to management of the Group operations the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. It monitors compliance with policies and achievement against objectives by holding management accountable for its activities through monthly and quarterly performance reporting and budget updates. The Management Board receives regular presentations from Heads of key Group functions, including Marketing, Human Resources and Legal, enabling it to explore specific issues and developments in greater detail.

The governance framework is reinforced across the organisation and addresses stakeholder interests through the five Bakkavor values, which define our approach to all aspects of our business. Our values are Customer care, Can Do attitude, Team work, Innovation and Getting it right, keeping it right. These values are fundamental to our ability to carry out our day-to-day business with integrity. We recruit people and reward all managers against their ability to demonstrate Bakkavor values.

ABOUT OUR GROUP BOARD

The majority of the Board Directors were non-executive members during the financial reporting period. It is considered that the size and composition of the Board of Directors makes it possible for it to discharge its duties efficiently and with integrity. Together, the Board of Directors brings a valuable and balanced range of experience as all members hold senior positions in business. See page 32 for profiles of our Board of Directors.

BOARD MEETINGS

During the year under review six scheduled Board meetings were held. Attendance for all Board meetings during the year was 100% as detailed in the table opposite. In advance of each regular Board meeting, the Board members are provided with a Board report which includes a comprehensive report of the Group's financial and operational performance, and a broader market update. Board members are informed about all significant matters as they arise.

See more about our values online at bakkavor.com/our-values

MEETINGS AND ATTENDANCE

	Board appointment by date[1]	Scheduled Board meeting attendance
Lydur Gudmundsson Group Chairman	01/08/1986	6/6
Agust Gudmundsson Chief Executive Officer	01/08/1986	6/6
Bjarni Th. Bjarnason Non-Executive Director	14/05/2010	6/6
Halldor B. Ludvigsson Non-Executive Director	14/05/2010	6/6
Gudmundur I. Sigurdsson Non-Executive Director	25/09/2012	6/6

RISK IDENTIFICATION AND MANAGEMENT

Our decentralised model empowers the management of our businesses to identify, evaluate and manage the risks they face on a timely basis. Principal risks and internal control procedures are assigned to key members of the Management Board. It is their responsibility to report to the Board each month on the actions associated with each key risk.

In 2014 we reported eight key risks, the management of which is paramount to the day-to-day running of our business and the achievement of our long-term vision. We continue to believe that all eight identified risks remain key risks to the business. For more information about these risks and why they are deemed to be key, how we mitigate them and who is responsible for managing them see pages 14 to 15.

The Group has robust internal control and risk management processes, which are designed to provide assurance but which cannot avoid all risks. The systems are designed to manage rather than to eliminate all possible risk and to provide reasonable, but not absolute, assurance against material misstatement or loss. These processes also support management's decision-making, improve the reliability of business performance and assist in the preparation of the Group's consolidated accounts.

AUDIT COMMITTEE

The Board has delegated authority to the Audit Committee, which comprises key management across the business, to regularly monitor internal controls. Each year the Audit Committee meets to discuss and approve the nature and scope of the audit programme for the year. The Audit Committee then instructs the internal audit function to undertake an agreed schedule of audits, during which the effectiveness of the controls operating within the business are reviewed. The Group's internal audit function, which comprises both employees and professionals from an external provider, Baker Tilly, has the skills and experience relevant to the operation of each business. In addition to our internal audit function, the completion of comprehensive internal control questionnaires is required from Financial Controllers within each business unit. These self-assessment representations are designed to ensure that any material control breakdowns are highlighted. The results of these representations are reviewed by internal audit before being reported to the Audit Committee.

AUDITORS

The Audit Committee is also responsible for the appointment of the Company's Auditor, Deloitte LLP. Annually, the Committee reviews the relationships the Company has with Deloitte LLP and considers the level of non-audit services provided by the Auditor. The engagement of Deloitte LLP for non-audit services requires approval from the Group Financial Controller and, if significant, the Audit Committee, to ensure that any services provided do not impair the objectivity of the external Auditor. A list of non-audit services provided by Deloitte LLP in 2014 and the associated fees has been provided in note 6 of the Group's financial statements.

ENGAGING WITH INVESTORS

The Board delegates the management of Bakkavor's investor engagement programmes to our CEO, CFO and Head of External Affairs. In 2014 the team ran a comprehensive programme of events and held numerous meetings and telephone calls with investors and analysts.

Please refer to the Investor Relations section on our website for further information and key dates.

[1] The appointment of Board members to the holding company of the Group, prior to the incorporation of Bakkavor Finance (2) plc, in 2011. For further details of other Company appointments refer to the Directors' biographies on page 32.

Directors' report

The Directors present their annual report on the affairs of the Bakkavor Finance (2) plc Group (the 'Group'). This is accompanied by the Financial Statements and Auditor's Report for the 52 weeks ended 27 December 2014. Comparatives are for the 52 weeks ended 28 December 2013.

RESULTS FOR THE YEAR

The results of the Group for the year are set out in the Group Income Statement. The profit for the year after taxation and exceptional items was £11.5 million (2013: profit after tax of £6.3 million). Further details of the Group's financial performance are outlined in the Financial Review on pages 23 to 25.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 12 January 2015, the Group completed the acquisition of B. Robert's Foods, a private label fresh prepared foods manufacturer based in Charlotte, North Carolina. This acquisition is in line with Bakkavor's strategy for the US to build a growing presence in the fresh prepared foods sector.

FUTURE DEVELOPMENTS

In a tough trading environment with low market growth, the Group has made good progress by increasing revenues, market share, margins and cash generation. Whilst these results to date are encouraging, unprecedented changes in the UK grocery market means that we expect challenging trading conditions to persist. The Directors are of the opinion, however, that the strategic actions being implemented by management, coupled with capacity and productivity investments across the Group's businesses, put the Company in a stronger position to compete with these pressures. Further details on future prospects are outlined on pages 1 to 31 of this Annual Report.

GOING CONCERN DISCLOSURE

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 Company and the Group 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.

RESEARCH AND DEVELOPMENT

The main focus of the Group's research and development expenditure is product innovation. Research and development expenditure totalled £7.9 million in the year (2013: £7.9 million).

EMPLOYEE INVOLVEMENT

During the financial year we continued to provide open channels of communication between employees and management through regular Site Employee Forums (SEFs) and the annual Group Employee Forum (GEF). At the GEF, matters of common concern to employees are discussed (including updates on the Group's financial performance) and learnings, best practice and ideas are shared. This enables positive policy development and the communication and discussion of operational changes.

EQUAL OPPORTUNITIES

The Group is an equal opportunities employer. Equal opportunities are offered to all regardless of race, colour, nationality, ethnic origin, sex (including gender reassignment), marital or civil partnership status, disability, religion, belief, sexual orientation, pregnancy and maternity, age or trade union membership. All candidates and employees are treated equally in respect of recruitment, promotion, training, pay and other employment policies and conditions. All decisions are based on relevant merit and abilities.

DISABLED EMPLOYEES

The Group gives full and fair consideration to employment applications made by people with disabilities. We offer equal opportunity to all disabled candidates and employees who have a disability or who become disabled during the course of their employment. A full assessment of the individual's needs is undertaken and reasonable adjustments are made to the work environment and/or practices in order to assist those with disabilities.

OVERSEAS SUBSIDIARIES

Information on the Company's subsidiaries is set out in note 9 to the Company's financial statements.

DIRECTORS

The Directors who served throughout the period and to the date of this Report were as follows:

A Gudmundsson (appointed 21 January 2011)

L Gudmundsson (appointed 7 March 2011)

B Bjarnason (appointed 7 March 2011)

H Ludvigsson (appointed 7 March 2011)

G Sigurdsson (appointed 25 September 2012)

The Company has made qualifying third–party indemnity provisions for the benefit of Directors which remain in force at the date of this report.

DIVIDENDS

The Directors do not propose payment of a dividend for the 52 weeks ended 27 December 2014 (2013: £nil).

FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

Information on the Group's financial risk management objectives and policies and on the exposure of the Group to relevant risks in respect of financial instruments is set out in the Principal risks section and in note 29 (Financial Instruments).

AUDITORS

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006. Deloitte LLP has expressed its willingness to continue in office as Auditor and a resolution to reappoint Deloitte LLP will be proposed at the Company's Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company and the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

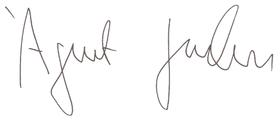
STRATEGIC REPORT

In accordance with section 414A of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as a large private company, Bakkavor Finance (2) plc Group (the 'Group'), has prepared a Strategic Report, which can be found on pages 1 to 25 of this Annual Report.

Further information about employee and environmental matters can be found on pages 28 to 31 in the Our responsibilities section.

The Strategic Report was approved by the Board of Directors on 11 February 2015.

By order of the Board



A Gudmundsson
Director

11 February 2015

CHARGRILLING OVEN
AT CUCINA SANO IN OLD LEAKE,
LINCOLNSHIRE

Independent auditor's report

TO THE MEMBERS OF BAKKAVOR FINANCE (2) PLC

We have audited the financial statements of Bakkavor Finance (2) plc (the 'Company') and its subsidiaries (the 'Group') for the 52 weeks ended 27 December 2014 ('period') which comprise the consolidated income statement, the consolidated statement of comprehensive income and expense, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statements of cash flows, and the related notes 1 to 39, company income statement, company statement of changes in equity, company statement of financial position, company statement of cash flows and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 27 December 2014 and of the Group's profit and Company result for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

SEPARATE OPINION IN RELATION TO IFRSS AS ISSUED BY THE IASB

As explained in Note 2 to the financial statements, the Group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Christopher Robertson
(Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK

11 February 2015

Consolidated income statement

52 WEEKS ENDED 27 DECEMBER 2014

£ million	Notes	52 weeks ended 27 December 2014 Before non-recurring items	Non-recurring items	Total	Restated* 52 weeks ended 28 December 2013 Before non-recurring items	Non-recurring items	Total
Continuing operations							
Revenue	4,5	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)	7	–	(6.6)	(6.6)	–	(1.7)	(1.7)
Royalty charge		(1.2)	–	(1.2)	(1.2)	–	(1.2)
Impairment of assets	8	–	(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 subsidiary	32	–	1.8	1.8	–	1.8	1.8
Share of results of associates after tax	18	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	5,10	0.1	–	0.1	0.1	–	0.1
Finance costs	11	(53.3)	–	(53.3)	(59.0)	–	(59.0)
Other gains and (losses)	12	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	13	(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	6	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 interests	31	0.7	–	0.7	–	–	-
		18.8	(7.3)	11.5	11.6	(5.3)	6.3

*The comparatives for the 52 weeks ended 28 December 2013 have been restated to reflect the adoption of IAS 19 (revised 2011) 'Employee Benefits' as set out in notes 2 and 36.

Consolidated statement of comprehensive income and expense

52 WEEKS ENDED 27 DECEMBER 2014

£ million	Notes	52 weeks ended 27 December 2014	Restated* 52 weeks ended 28 December 2013
Profit for the period		11.5	6.3
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to income statement:			
Actuarial gain/(loss) on defined benefit pension schemes	36	0.3	(11.1)
Tax relating to components of other comprehensive income	13	–	2.6
		0.3	(8.5)
Items that may be reclassified subsequently to income statement:			
Exchange differences on translation of foreign operations		0.6	(0.6)
Exchange differences on translation of discontinued foreign operations		–	0.1
Net exchange losses/(gains) recycled to income statement on disposal of subsidiaries	32	1.7	(4.7)
		2.3	(5.2)
Total comprehensive income/(expense)		14.1	(7.4)
Attributable to:			
Equity holders of the parent		13.8	(7.4)
Non-controlling interests		0.3	–
		14.1	(7.4)

*The comparatives for the 52 weeks ended 28 December 2013 have been restated to reflect the adoption of IAS 19 (revised 2011) 'Employee Benefits' as set out in notes 2 and 36.

Consolidated statement of financial position

27 DECEMBER 2014

£ million	Notes	27 December 2014	28 December 2013
Non-current assets			
Goodwill	14	642.1	644.4
Other intangible assets	15	9.4	18.3
Property, plant and equipment	16	277.8	264.7
Interests in associates	18	10.9	10.0
Other investments	19	0.1	0.1
Retirement benefit asset	36	6.7	2.6
		947.0	940.1
Current assets			
Inventories	20	64.3	58.5
Trade and other receivables	21	201.3	189.0
Cash and cash equivalents	22	24.6	45.0
Derivative financial instruments	24	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	27	(364.1)	(315.5)
Current tax liabilities		(18.3)	(17.7)
Borrowings	23	(8.8)	(43.2)
Obligations under finance leases	26	(0.4)	(0.4)
Provisions	28	(0.6)	(0.5)
Derivative financial instruments	24	(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	27	(0.2)	(0.1)
Borrowings	23	(485.4)	(519.0)
Obligations under finance leases	26	(1.7)	(2.2)
Provisions	28	(11.5)	(11.5)
Deferred tax liabilities	25	(16.9)	(15.1)
		(515.7)	(547.9)
Total liabilities		(914.8)	(938.4)
Net assets		322.9	301.5
Equity			
Share capital	30	0.1	0.1
Share premium	30	315.2	315.2
Merger reserve	30	45.2	45.2
Capital reserve	30	4.0	4.0
Translation reserve	30	17.5	14.8
Retained earnings		(67.9)	(77.8)
Shareholder's equity		314.1	301.5
Non-controlling interest	31	8.8	–
Total equity		322.9	301.5

The financial statements of Bakkavor Finance (2) plc and the accompanying notes, which form an integral part of the consolidated financial statements, were approved by the Board of Directors on 11 February 2015. They were signed on behalf of the Board of Directors by:

A Gudmundsson
Director

Consolidated statement of changes in equity

52 WEEKS ENDED 27 DECEMBER 2014

	Equity attributable to owners of the parent								
£ million	Share capital	Share premium	Merger reserve	Capital reserve	Translation reserve	Restated Retained earnings	Total	Non controlling interests	Total equity
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 32)	–	–	–	–	–	(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**

Consolidated statement of cash flows

52 WEEKS ENDED 27 DECEMBER 2014

£ million	Notes	52 weeks ended 27 December 2014	52 weeks ended 28 December 2013
Net cash generated from operating activities	33	**86.4**	48.1
Investing activities:			
Interest received		**0.1**	0.1
Dividends received from associates		**0.6**	0.6
Purchases of property, plant and equipment		**(50.8)**	(33.3)
Proceeds on disposal of property, plant and equipment		**1.6**	0.5
Payment of deferred consideration		**–**	(0.1)
Disposal of subsidiary net of cash disposed of	32	**3.5**	27.0
Disposal of investment	32	**7.3**	–
Net cash used in investing activities		**(37.7)**	(5.2)
Financing activities:			
Increase in borrowings		**1.6**	259.9
Repayments of borrowings		**(72.6)**	(285.2)
Repayments of obligations under finance leases		**(0.5)**	(0.5)
Net cash used in financing activities		**(71.5)**	(25.8)
Net (decrease)/increase in cash and cash equivalents		**(22.8)**	17.1
Cash and cash equivalents at beginning of period		**47.5**	31.1
Effect of foreign exchange rate changes		**(0.1)**	(0.7)
Cash and cash equivalents at end of period		**24.6**	47.5
Attributable to:			
Continuing operations		**24.6**	45.0
Assets held for sale		**–**	2.5
		24.6	47.5

Notes to the consolidated financial statements

52 WEEKS ENDED 27 DECEMBER 2014

1 GENERAL INFORMATION

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 address of the registered office is given in note 39.

The principal activities of the Company and its subsidiaries (the 'Group') comprise 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 US and products are primarily sold through high street supermarkets.

In the current year, the Group has adopted the following Standards and Interpretations with no material impact on the financial statements of the Group, with the exception of the adoption of IAS 19 (revised 2011) 'Employee Benefits', further details of which can be found in note 2.

New or revised standards:

IFRS 10	Consolidated Financial Instruments (May 2011)
IFRS 11	Joint Arrangements (May 2011)
IFRS 12	Disclosures of Interests in Other Entities (May 2011)
IFRS 13	Fair Value Measurement (May 2011)
IAS 19	Employee Benefits (June 2011)
IAS 27	Separate Financial Statements (May 2011)
IAS 28	Investments in Associates and Joint Ventures (May 2011)

Amendments:

IFRS 1	Government loans (Mar 2012)
IFRS 7	Disclosures: Offsetting Financial Assets and Financial Liabilities (Dec 2011)
Various	Annual Improvements 2009 – 2011 cycle (May 2012)
Various	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance (June 2012)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not yet been adopted by the EU):

New or revised standards:

IFRS 9	Financial Instruments (Nov 2009 and Oct 2010)
IFRS 9	Financial Instruments: Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 (Nov 2013)
IFRS 9	Financial Instruments 2014 (Nov 2013)
IFRS 14	Regulatory Deferral Accounts (Jan 2014)
IFRS 15	Revenue from Contracts with Customers (May 2014)
IFRIC 21	Levies (May 2013)

Amendments:

IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Sep 2014)
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (May 2014)
IAS 16 & IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (May 2014)
IAS 16 & IAS 41	Agriculture: Bearer Plants (June 2014)
IAS 19	Defined Benefit Plans: Employee Contributions (Nov 2013)
IAS 27	Equity Method in Separate Financial Statements (Aug 2014)
IAS 32	Presentation: Offsetting Financial Assets and Financial Liabilities (Dec 2011)
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets (May 2013)
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (June 2013)
Various	Annual Improvements 2010 – 2012 cycle (Dec 2013)
Various	Annual Improvements 2011 – 2013 cycle (Dec 2013)
Various	Annual Improvements 2012 – 2014 cycle (Sep 2014)
Various	IFRS 10, IFRS 12 and IAS 27: Investment Entities (Oct 2012)

With the exception of IFRS 9 Financial Instruments, the Directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Group.

Notes to the consolidated financial statements

CONTINUED

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the foreign currency policy set out below.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below.

During the 52 week period ended 27 December 2014, 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 52 week period ended 28 December 2013 consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the notes to the statement of cash flows have been restated.

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

£ million	2013
Continuing operations	
Reduction in profit for the period	(1.5)
Increase in Other comprehensive income	1.5

As a result of the restatement, the EBITDA (which is stated before the tax impact of £0.4 million) for the 52 week period ended 28 December 2013 has been reduced by £1.9 million.

GOING CONCERN

The Directors have reviewed the historical trading performance of the Group and the forecasts through to March 2016. See note 3, for the Directors' consideration of Going Concern.

BASIS OF CONSOLIDATION

The Group financial statements comprise the financial statements of the parent undertaking and its subsidiary undertakings, together with the Group's share of the results of associated undertakings comprising a 53 or 52 week period ending on the Saturday nearest to 31 December. Where the fiscal year 2014 is quoted in these financial statements this relates to the 52 week period ended 27 December 2014. The fiscal year 2013 relates to the 52 week period ended 28 December 2013.

SUBSIDIARIES

Subsidiary undertakings are included in the Group financial statements from the date on which control is achieved, and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved when the Group is exposed, or have rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether or not it controls an investee when facts and circumstances indicate that there are changes to one or more of the elements of control.

When the Company has less than a majority of the voting rights of an investee, it considers all relevant facts and circumstances in assessing whether or not it has power over the investee to direct the relevant activities of the investee unilaterally.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Notes to the consolidated financial statements

CONTINUED

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

BUSINESS COMBINATIONS

Business acquisitions from third parties are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on business combinations is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after the reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

When the consideration in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred. Changes in the fair value of the contingent consideration are adjusted retrospectively, with corresponding adjustments against goodwill.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the income statement.

GOODWILL

Goodwill is initially recognised and measured as set out above in the business combinations note.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units (CGUs) or groups of CGUs expected to benefit from the synergies of the combination. CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill on the acquisition of an associate is described in the investment of associate note below.

INVESTMENTS IN ASSOCIATES

An investment in an associate is an entity over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are initially recognised in the statement of financial position at cost and adjusted thereafter by the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments.

On acquisition of the investment, goodwill is the excess of cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities, which is included within the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment, as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 'Impairment of Assets'.

Where a Group company transacts with an associate of the Group, profits and losses are only recognised in the financial statements to the extent of interests in the associate that are not related to the Group.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the disposal group is available for immediate sale in its present condition and management are committed to and expect to complete the sale within 12 months from the date of classification. Disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

When the Group is committed to the loss of control of a subsidiary, through a sale transaction, all the assets and liabilities of that subsidiary are grouped together, but not offset, to present amounts classified as assets and liabilities held for sale separately in the statement of financial position.

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation. A disposal group which qualifies as a discontinued operation is presented as a single amount and shown separately from continuing operations in the income statement and statement of comprehensive income.

Notes to the consolidated financial statements

CONTINUED

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Group sells fresh prepared foods and fresh produce.

Revenue from the sale of these goods is recognised when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow into the entity;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

As a result, revenue for the sale of these goods is generally recognised upon delivery to the customer.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

FINANCE LEASES

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of the finance cost is charged to the income statement over the lease period.

OPERATING LEASES

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

FOREIGN CURRENCY

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, being the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items carried at historical cost of which gains and losses are recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the annual average rate, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's translation reserve.

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to the income statement. However, a partial disposal of a foreign operation where the Group does not lose control, results in the proportionate share of accumulated exchange differences being re-attributed to non-controlling interests and is not recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

RESEARCH AND DEVELOPMENT

Research and development costs comprise all directly attributable costs necessary to create and produce new products which are both new in design and those being modified. Expenditure on research and development is recognised as an expense in the period in which it is incurred.

Notes to the consolidated financial statements

CONTINUED

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

OPERATING PROFIT

Operating profit is stated after charging exceptional items (net), royalties, impairment of assets, disposal of subsidiaries and share of results of associates but before investment revenue, finance costs and other gains and losses.

RETIREMENT BENEFIT OBLIGATIONS

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity, which then invests the contributions to buy annuities for the pension liabilities as they become due based on the value of the fund and hence the Group has no legal or constructive obligations to pay further contributions. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as employee service is received. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

DEFINED BENEFIT PENSION PLANS

A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on factors such as age, years of service and compensation.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of the income statement and presented in the statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Where current and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the consolidated financial statements

CONTINUED

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated in the statement of financial position at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings – maximum period of 50 years
Plant and machinery – 1 to 20 years
Fixtures and equipment – 3 to 5 years

Freehold land is not depreciated. Most plant and machinery is depreciated over 12 years.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Reviews of the estimated remaining useful lives of and residual values of individual productive assets are performed annually, taking account of commercial and technological obsolescence as well as normal wear and tear. All items of property, plant and equipment are reviewed for impairment when there are indications that the carrying value may not be recoverable.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

OTHER INTANGIBLE ASSETS

Intangible assets have finite useful lives over which the assets are amortised on a straight line basis. The amortisation charge for customer relationships and customer contracts is recognised as an expense over 10 years.

IMPAIRMENT

The useful economic lives of intangible assets are determined based on a review of a combination of factors including the asset ownership rights and the nature of the overall product life cycle.

Intangible assets and property, plant and equipment are tested for impairment when an event that might affect asset values has occurred. Examples of such triggering events include significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows.

An impairment loss is recognised, in the income statement, to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from operating the assets in accordance with IAS 36 'Impairment of Assets'.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

FINANCIAL ASSETS

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL), and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

FINANCIAL LIABILITIES

Financial liabilities held by the Group are classified as other financial liabilities at amortised cost and derivatives at FVTPL.

LOANS AND RECEIVABLES

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Notes to the consolidated financial statements

CONTINUED

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FINANCIAL LIABILITIES CONTINUED

OTHER FINANCIAL LIABILITIES

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

EFFECTIVE INTEREST METHOD

Finance costs are recognised on an effective interest basis for debt instruments other than those financial liabilities designated as at FVTPL. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating finance costs over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FVTPL

Financial assets and financial liabilities are classified as at FVTPL when the financial asset/liability is either held for trading or it is designated as at FVTPL.

A financial asset/liability is classified as held for trading if:
- It has been acquired/incurred principally for the purpose of selling/disposal in the near term; or
- It is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset/liability other than a financial asset/liability held for trading may be designated as at FVTPL upon initial recognition if:
- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset/liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets/liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset and interest paid on the financial liability. Fair value is determined in the manner described in note 29.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national and local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial liabilities are derecognised when, and only when the Group's obligations are discharged, cancelled or expire.

Notes to the consolidated financial statements

CONTINUED

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

DERIVATIVE FINANCIAL INSTRUMENTS

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to manage these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Present obligations arising from onerous contacts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the amount of the obligation cannot be measured reliably. A contingent liability is disclosed in the notes to the financial statements and is not recognised when the obligation is not probable. When an outflow becomes probable, it is recognised as a provision.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The following are areas of particular significance to the Group's financial statements and include the application of judgement, which is fundamental to the compilation of a set of financial statements:

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 Company and the Group 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.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

The recoverable amount of CGUs or groups of CGUs are determined based on the higher of net realisable value and value in use calculations, which require the use of estimates. The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the impairment tests of the CGUs carrying values. See notes 14 and 15 for further details.

Notes to the consolidated financial statements

CONTINUED

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Derivative financial instruments and certain other financial assets are recorded at fair value in the statement of financial position. The fair value of the financial instruments that do not have quoted market prices requires significant judgement and estimates. The Directors use their judgement in selecting an appropriate valuation technique for these financial instruments. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates. These assumptions are based on past and expected future performance. Details of the assumptions used and of the results of sensitivity analysis regarding these assumptions are disclosed in note 29.

PENSIONS

The Group maintains a number of defined benefit pension plans for which it has recorded a pension asset or liability. The pension asset/liability is based on an actuarial valuation that requires a number of assumptions including discount rate, mortality rates and actual return on plan assets that may necessitate material adjustments to this asset/liability in the future. The assumptions used by the Group are the best estimates based on historical trends and the composition of the work force. Details of the principal actuarial assumptions used in calculating the recognised asset/liability for the defined benefit plan are given in note 36.

RECOGNITION OF DEFERRED TAX ASSETS AND CURRENT TAX PROVISION

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Where the temporary differences relate to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. The Group had unrecognised deferred tax assets as a result of unused tax losses of £30.1 million (2013: £34.4 million), available for offset against future profits. Deferred tax assets are not recognised on the losses carried forward to the extent that it is not probable that the losses will be utilised.

The Group operates in various countries and its income tax returns are subject to audit and adjustment by local tax authorities. The nature of the Group's tax exposures is often complex and subject to change and the amounts at issue can be substantial. The Group develops an estimate of the potential tax liability based on the tax positions taken, historical experience and its internal tax expertise. These estimates are refined as additional information becomes known. Any outcome upon settlement that differs from a recorded provision may result in a materially higher or lower tax expense in future periods.

4 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, impairment of assets, disposals of subsidiaries and property, plant and equipment, royalty charges and share of results of associates. Measures of total assets are provided to the Management Board; however, cash and cash equivalents, short term deposits and some other central assets are not allocated to individual segments. Measures of segment liabilities are not provided to the Management Board.

Notes to the consolidated financial statements

CONTINUED

4 SEGMENT INFORMATION CONTINUED

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

£ million	UK	International	Un-allocated	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 subsidiary	–	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
Capital additions	42.3	8.8	–	51.1
Total assets	1,089.3	123.3	25.1	1,237.7

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 and amortisation. In calculating Adjusted EBITDA, we further exclude restructuring costs, royalty charges, asset impairments and those additional charges or credits that are one-off in nature and significance.

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4 SEGMENT INFORMATION CONTINUED

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

£ million	UK	International	Un-allocated	Total Group	Discontinued operations	Continuing operations
Revenue	1,463.6	211.8	–	1,675.4	25.6	1,649.8
Segment profit/(loss) (restated)	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 of 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 (restated)				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 (restated)	104.1	6.5	–	110.6	0.9	109.7
Capital additions	31.1	5.4	–	36.5	0.4	36.1
Total assets	1,071.1	122.8	46.0	1,239.9	–	1,239.9

Discontinued operations relate to the Group's International segment.

MAJOR CUSTOMERS

In 2014 the Group's four largest customers accounted for 76% (2013: 75%) of our total revenue from continuing operations, with no single customer representing more than 30% (2013: 30%) of our global revenue from continuing operations. The Group does not enter into long-term contracts with its retail customers.

5 REVENUE

£ million	2014	2013
Continuing operations		
Sale of goods	**1,692.6**	1,649.8
Investment revenue	**0.1**	0.1
	1,692.7	1,649.9
Discontinued operations		
Sale of goods	–	25.6

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PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging/(crediting):

£ million	2014	Restated 2013
Depreciation of property, plant and equipment – owned	35.6	37.9
– leased	0.4	0.3
Research and development costs	7.9	7.9
Cost of inventory recognised as an expense	830.5	831.4
Write down of inventories recognised as an expense	0.1	2.9
Amortisation of intangible assets	8.7	8.7
Impairment of assets (note 8)	4.1	21.7
Exceptional items (note 7)	6.6	1.7
Profit on disposal of property, plant and equipment	(1.0)	–
Profit on disposal of subsidiary (note 32)	(1.8)	(1.8)
Staff costs (note 9)	401.2	393.9

The analysis of auditor remuneration is as follows:

£'000	2014	2013
Fees payable to the Company's auditor for the audit of the Company's annual accounts	73	73
The audit of the Company's subsidiaries pursuant to legislation	299	322
Total audit fees	372	395
Tax services	340	265
Fees payable to the Company's auditor and their associates for other services to the Group	86	283
Total non-audit fees	426	548

Of the prior period total non-audit fees, £245,400 relates to the refinancing that was completed in June 2013 and has been offset against the financing raised and amortised over the period of the financial instrument.

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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	2014	2013
Restructuring costs	(6.6)	(2.5)
Temporary site closure and insurance recovery	–	0.8
	(6.6)	(1.7)

RESTRUCTURING COSTS

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 (2013: £2.5 million), principally arising from redundancy payments.

TEMPORARY SITE CLOSURE AND INSURANCE RECOVERY

In March 2013, the Group agreed settlement of an outstanding insurance claim of £0.8 million.

The allocation of exceptional items by segment is shown in note 4.

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8 IMPAIRMENT OF ASSETS

£ million	2014	2013
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 asset impairment charge of £0.1 million (2013: £nil) all of which relate to the UK segment.

During the period, the Group impaired £1.4 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.

9 STAFF COSTS

The average monthly number of employees (including executive Directors) during the year was:

	2014 Number	2013 Number
Production	15,685	16,506
Management and administration	1,535	1,595
Sales and distribution	802	791
	18,022	18,892

Their aggregate remuneration comprised:

£ million	2014	Restated 2013
Wages and salaries	355.3	350.9
Social security and other costs	38.8	36.8
Other pension costs (note 36)	7.1	6.2
	401.2	393.9

The Directors' emoluments were as follows:

£'000	2014	2013
Directors' emoluments excluding pension contributions	876	908
Directors' pension contributions	79	88
	955	996

The aggregate emoluments of the highest paid Director were £565,474 (2013: £606,155). The pension contributions of the highest paid Director at 27 December 2014 were £41,805 (2013: £51,800).

10 INVESTMENT REVENUE

£ million	2014	2013
Interest on bank deposits	0.1	0.1

Notes to the consolidated financial statements

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11 FINANCE COSTS

£ million	2014	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 (note 28)	0.3	1.2
	53.3	59.0

12 OTHER GAINS AND LOSSES

£ million	2014	2013
Change in the fair value of derivative financial instruments	1.3	(1.0)
Foreign exchange gains/(losses)	0.4	(0.8)
	1.7	(1.8)

13 TAX

£ million	2014	Restated 2013
Continuing operations		
Current tax:		
Current period	4.9	0.7
Prior period adjustment	(2.6)	(1.9)
Deferred tax:		
Current period (note 25)	0.4	(0.9)
Prior period adjustment (note 25)	1.4	(4.3)
Tax charge/(credit) for the period	4.1	(6.4)

Corporation tax is calculated at 21.5% (2013: 23.25%) of the estimated assessable profit/(loss) for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge/(credit) for the period can be reconciled to the profit/(loss) per the income statement as follows:

	2014 £ million	2014 %	Restated 2013 £ million	Restated 2013 %
Profit/(loss) before tax:	15.6	100.0	(19.5)	(100.0)
Tax at the blended UK corporation tax rate of 21.5% (2013: 23.25%)	3.4	21.5	(4.5)	(23.3)
Non-deductible expenses	1.2	7.7	4.4	22.6
Adjustment in respect of prior periods	(1.2)	(7.7)	(6.2)	(31.7)
R&D tax credits	–	–	(0.1)	(0.5)
Tax effect of losses carried forward not recognised	1.3	8.4	2.7	13.8
Unprovided deferred tax assets now recognised	(0.7)	(4.4)	–	–
Overseas taxes at different rates	0.8	5.1	0.5	2.6
Release of deferred tax on IBA reversal	(0.9)	(5.7)	(1.0)	(5.1)
Deferred tax change in rate	(0.1)	(0.6)	(2.2)	(11.2)
Group relief surrendered to Bakkavor Group Limited free of charge	0.3	1.9	–	–
Tax charge/(credit) and effective tax rate for the period	4.1	26.2	(6.4)	(32.8)

In addition to the amount charged/credited to the income statement, a £nil charge (2013: £2.6m credit) relating to tax has been recognised directly in other comprehensive income. No other tax charges/credits have been recognised directly in equity.

The UK corporation tax rate reduced from 23% to 21% from 1 April 2014 and will reduce to 20% with effect from 1 April 2015.

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GOODWILL

£ million	
Cost	
At 30 December 2012	735.9
Disposal of subsidiaries	(23.1)
Exchange differences	(0.2)
At 28 December 2013	712.6
Exchange differences	(0.4)
At 27 December 2014	**712.2**
Accumulated impairment losses	
At 30 December 2012	(70.5)
Disposal of subsidiaries	23.1
Impairment	(21.2)
Exchange differences	0.4
At 28 December 2013	(68.2)
Impairment	(2.6)
Exchange differences	0.7
At 27 December 2014	**(70.1)**
Carrying amount	
At 27 December 2014	**642.1**
At 28 December 2013	644.4

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or groups of CGUs that are expected to benefit from that business combination. A summary of the allocation of the carrying value of goodwill by segment is as follows:

£ million	27 December 2014	28 December 2013
UK	**601.5**	604.1
International	**40.6**	40.3
	642.1	644.4

The recoverable amounts of the CGUs or groups of CGUs are determined based on value in use calculations.

The following impairments have been recognised within the Group's two reporting segments during the periods presented:

£ million	2014	2013
Continuing operations		
UK	**2.6**	–
International	–	21.2

The 2014 impairment within the Group's UK segment has arisen due to more difficult trading conditions across two of the businesses. The 2013 International segment impairment was a result of adverse trading conditions.

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14 GOODWILL CONTINUED

The key assumptions used in the impairment reviews were as follows:

- Discount rates: Management uses post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The present value of the future cash flows is calculated using a pre-tax discount rate that ranges from 8.4% to 10.4% (2013: 8.1% to 10.3%).
- Growth rates. The revenue growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group this year has prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next three years determined by business units, and extrapolated cash flows for the following two years based on an estimated growth rate, to provide a five year forecast. Cash flows are then extrapolated using a perpetuity growth rate of 2 per cent (2013: 2 per cent). The forecast cash flow of CGUs in those territories with growth rates below 2% perpetuity have been adjusted to reflect this.

The Group has conducted a sensitivity analysis on the impairment test of each CGUs carrying value. The assumptions used, and the impact of sensitivities on these assumptions, are shown below:

£ million	UK	International
Sensitivity:		
Head room of impairment test based on management assumptions	241.7	53.5

If the pre-tax discount rate were to be increased by a factor of 5%, the increase in the impairment charge would be £2.8 million and for an increase of 10% the additional impairment charge would be £6.3 million. A 10% reduction in the perpetuity growth rate would result in a further impairment charge of £1.1 million. Furthermore, management continually review the commercial returns across the Group's product portfolio, and, as in the past, if such returns deteriorate then management may choose to exit from low margin business.

15 OTHER INTANGIBLE ASSETS

£ million	Customer Relationships	Customer Contracts	Total
Cost			
At 30 December 2012	92.4	1.6	94.0
Disposal of subsidiaries	(2.7)	–	(2.7)
Exchange differences	0.1	–	0.1
At 28 December 2013	89.8	1.6	91.4
Exchange differences	(0.2)	–	(0.2)
At 27 December 2014	**89.6**	**1.6**	**91.2**
Amortisation and impairment			
At 30 December 2012	(65.8)	(1.3)	(67.1)
Disposal of subsidiaries	2.7	–	2.7
Charge for the period	(8.6)	(0.1)	(8.7)
At 28 December 2013	(71.7)	(1.4)	(73.1)
Impairment	–	(0.1)	(0.1)
Charge for the period	(8.6)	(0.1)	(8.7)
Exchange differences	0.1	–	0.1
At 27 December 2014	**(80.2)**	**(1.6)**	**(81.8)**
Carrying amount			
At 27 December 2014	**9.4**	**–**	**9.4**
At 28 December 2013	18.1	0.2	18.3

The intangibles impairment charge of £0.1 million (2013: £nil) all relates to the UK segment. The impairment has a risen due to difficult trading conditions in one particular business.

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16 PROPERTY, PLANT AND EQUIPMENT

£ million	Land and buildings	Plant and machinery	Fixtures and equipment	Total
Cost				
At 30 December 2012	185.0	280.5	49.7	515.2
Additions	1.6	31.1	3.4	36.1
Disposals	(0.1)	(1.7)	(1.7)	(3.5)
Disposal of subsidiary	(1.1)	(1.1)	(0.5)	(2.7)
Reclassification	(2.0)	1.9	1.0	0.9
Transfer to assets held for sale	(0.7)	(1.8)	(0.2)	(2.7)
Exchange differences	1.1	(0.4)	–	0.7
At 28 December 2013	183.8	308.5	51.7	544.0
Additions	7.2	38.1	5.8	51.1
Disposals	(0.8)	(0.7)	(0.5)	(2.0)
Reclassifications	(1.0)	0.8	0.2	–
Exchange differences	–	(0.8)	0.1	(0.7)
At 27 December 2014	**189.2**	**345.9**	**57.3**	**592.4**
Accumulated depreciation and impairment				
At 30 December 2012	(85.2)	(134.3)	(27.8)	(247.3)
Charge for the period	(6.7)	(24.9)	(6.6)	(38.2)
Disposals	–	1.4	1.6	3.0
Disposal of subsidiary	0.4	1.0	0.4	1.8
Impairment of assets	(0.2)	(0.3)	–	(0.5)
Reclassification	–	(0.9)	–	(0.9)
Transfer to assets held for sale	0.6	1.3	0.2	2.1
Exchange differences	0.2	0.4	0.1	0.7
At 28 December 2013	(90.9)	(156.3)	(32.1)	(279.3)
Charge for the period	(6.5)	(22.9)	(6.6)	(36.0)
Disposals	0.4	0.6	0.4	1.4
Impairment of assets	(0.3)	(1.1)	–	(1.4)
Reclassifications	(0.1)	–	0.1	–
Exchange differences	–	0.7	–	0.7
At 27 December 2014	**(97.4)**	**(179.0)**	**(38.2)**	**(314.6)**
Carrying amount				
At 27 December 2014	**91.8**	**166.9**	**19.1**	**277.8**
At 28 December 2013	92.9	152.2	19.6	264.7

The carrying value of the Group's plant and machinery includes an amount of £2.3 million (2013: £2.7 million) in respect of assets held under finance leases.

At 27 December 2014, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2.1 million (2013: £4.9 million).

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

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17 SUBSIDIARIES

The Group consists of a parent company, Bakkavor Finance (2) plc, incorporated in the UK and a number of subsidiaries and associates held directly and indirectly by Bakkavor Finance (2) plc. Note 9 to the Company's separate financial statements lists details of the material interests in subsidiaries.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

£ million	Place of registration and operation	Proportion of non-controlling voting interests 2014	Profit allocated to non-controlling interests 2014	Accumulated non-controlling interests 2014
Name of subsidiary				
Italpizza Srl	Italy	40%	0.7	8.8

During 2014, the Group disposed of 40% of its interest in Italpizza Srl, which was accounted for as an equity transaction, as the Group retains control of the operations. Notes 31 and 32 provide summarised financial information relating to the subsidiary, a reconciliation of non-controlling interest and the disposal of investment. There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities of the subsidiary.

18 ASSOCIATES

Details of the principal associated undertakings of the Group at 27 December 2014 were as follows:

	Place of registration and operation	Principal activity	Proportion of voting interest 2014	Proportion of voting interest 2013	Method of accounting
Name of associate					
Manor Fresh Limited	United Kingdom	Supply of Produce	27.5%	27.5%	Equity
La Rose Noire Limited	Hong Kong	Producer of bakery and pastry products	45.0%	45.0%	Equity

£ million	Manor Fresh Limited	La Rose Noire Limited	Total
Associates that are not individually material			
At 30 December 2012	0.6	9.4	10.0
Share of profit after tax	0.3	0.9	1.2
Exchange differences	–	(0.6)	(0.6)
Dividend payment	(0.1)	(0.5)	(0.6)
At 28 December 2013	0.8	9.2	10.0
Share of profit after tax	0.2	0.8	1.0
Exchange differences	–	0.5	0.5
Dividend payment	(0.1)	(0.5)	(0.6)
At 27 December 2014	**0.9**	**10.0**	**10.9**

19 OTHER INVESTMENTS

£ million	Non listed investments held at cost
At 28 December 2013 and 27 December 2014	**0.1**

20 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

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21 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
	201.3	189.0

The Group has a £65 million (2013: £80 million) Receivables Securitisation Facility which it can draw against, up to a maximum of 72% of its net eligible receivables balance. As at 27 December 2014 the Group had not drawn against this facility (2013: £25 million). The arrangement is with recourse and so the Group continues to recognise these receivables until payment is received from the customer.

The average credit period taken on sales of goods is 33 days (2013 – 32 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £1.0 million (2013: £0.8 million). Allowances against receivables are made on a specific basis based on objective evidence and previous default experience. Receivables are therefore deemed past due but not impaired when the contractual obligation to pay has been exceeded, but as yet no objective evidence or previous default experience indicates this debt will be irrecoverable.

The Directors consider that the carrying amount of trade and other receivables from customers approximates to their fair value due to their short-term nature. The following table is an ageing analysis of trade receivables from customers:

£ million	27 December 2014	28 December 2013
Not past due	152.1	149.3
Past due by 1 – 30 days	13.8	7.0
Past due by 31 – 60 days	1.3	1.5
Past due by 61 – 90 days	0.2	0.8
Past due by more than 90 days	0.8	0.9
	168.2	159.5

Trade receivables renegotiated in 2014 that would otherwise have been past due or impaired amounted to £nil (2013: £nil).

The majority of the Group's customers are all leading UK retailers, representing more than 76% (2013: 75%) of the Group's revenue and therefore hold favourable credit ratings. On this basis the Group does not see any need to charge interest, seek collateral or credit enhancements to secure any of its trade receivables due to their short term nature.

The following table is an analysis of the movement of the Group's trade receivables allowance for doubtful debts:

£ million	27 December 2014	28 December 2013
Balance at beginning of the period	(0.8)	(0.8)
Allowances recognised against receivables	(0.8)	(1.2)
Amounts written off as uncollectible during the period	0.1	0.7
Amounts recovered during the period	0.4	0.3
Allowance reversed	0.1	0.2
Balance at end of the period	(1.0)	(0.8)

22 CASH AND CASH EQUIVALENTS

£ million	27 December 2014	28 December 2013
Cash and cash equivalents	24.6	45.0

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

The carrying amount of these assets approximates their fair value.

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23 BORROWINGS

BAKKAVOR FINANCE (2) PLC SENIOR SECURED NOTES

8.25% SENIOR SECURED NOTES

The Group has £332 million (2013: £332 million) of 8.25% Senior Secured Notes due in 2018. Interest on the Notes is payable semi-annually each year on 15 February and 15 August. The Notes will mature on 15 February 2018.

8.75% SENIOR SECURED NOTES

The Group has £150 million (2013: £150 million) of 8.75% Senior Secured Notes due in 2020. Interest on the Notes is payable semi-annually each year on 15 June and 15 December. The Notes will mature on 15 June 2020.

BAKKAVOR CENTRAL FINANCE LIMITED RECEIVABLES SECURITISATION FACILITY

The Group has a £65 million (2013: £80 million) Receivables Securitisation Facility maturing in June 2016, with the option of a one year extension to 2017. The maximum drawing of the receivable facility depends on the size of the Group's UK receivable book and the Group's ability to deliver against performance triggers. The Group can draw a maximum of 72% of net eligible receivables. Net eligible receivables, in its simplest form, is the Group's UK receivables aged no greater than 60 days less accruals for customer deductions.

The maximum drawdown period under this facility is one month provided that the amount drawn is less than 72% of net eligible receivables at any reporting date. The interest rate incurred by the Group for amounts drawn against the receivables facility is Libor plus a margin of 2.6% (2013: Libor plus a margin of 2.6%). As at 27 December 2014, the Group has not drawn against the facility (2013: £25.0 million). Where the facility is undrawn the interest rate is a fixed 1.3% (2013: 1.3%) being the non-utilisation fee.

BAKKAVOR FINANCE (2) PLC BANK FACILITIES

The Group's £130 million bank facilities mature on 1 October 2016 and comprised a £60 million term loan and £70 million RCF (including an overdraft facility of £1515 million and further ancilliary facilities of £12.44 million). The Group has repaid £50 million (2013: £5.8 million) of the term loan as at 27 December 2014 and therefore the balance owing at that date was £10 million (2013: £54.2 million). At 27 December 2014 there were no drawings under the RCF and overdraft facilities (2013: £nil).

The remaining term loan amount of £10 million and any RCF balance outstanding is to be repaid on 1 October 2016. The interest rate on the term loan at 27 December 2014 was a variable rate of 4.56% (2013: 5.34%), which represents LIBOR plus a margin of 4.00%.

The Senior Secured Notes and bank facilities are secured by fixed and floating charges over the assets of Bakkavor Finance (2) plc and its subsidiaries as governed by the Inter-creditor Agreement. The receivables securitisation is secured by floating charges over the assets of Bakkavor Central Finance Limited.

£ million	27 December 2014	28 December 2013
Bank overdrafts	1.3	3.6
Bank loans	11.4	55.1
Receivables securitisation	(0.4)	24.3
8.25% Senior Secured Notes	337.0	335.3
8.75% Senior Secured Notes	144.9	143.9
	494.2	562.2
Borrowings repayable as follows:		
On demand or within one year	8.8	43.2
In the second year	8.7	11.9
In the third to fifth years inclusive	328.6	360.0
Over five years	148.1	147.1
	494.2	562.2
Analysed as:		
Amount due for settlement within 12 months		
(shown within current liabilities)	8.8	43.2
Amount due for settlement after 12 months	485.4	519.0
	494.2	562.2

The Group has not drawn against the receivables facility as at 27 December 2014 and as such the £(0.4) million receivables securitisation credit represents unamortised fees. In 2013, the Group had drawn £25.0 million against the facility and unamortised fees were £(0.7) million.

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23 BORROWINGS CONTINUED

The following table is an analysis of the Group's borrowings by currency:

£ million	27 December 2014	28 December 2013
Borrowings by currency		
GBP	489.5	555.4
Euro	4.5	5.8
RMB	0.2	1.0
	494.2	562.2

	27 December 2014 %	28 December 2013 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	2.08	1.70
Senior Secured Notes and bank loans	8.29	7.71

The Group has a £63.2 million (2013: £63.2 million) interest rate swap in place at 27 December 2014, which matures in September 2016. Both the 8.25% and 8.75% Senior Secured Notes due in 2018 and 2020 respectively, were issued at a fixed rate. The Group's term loan, receivables securitisation and other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The Directors estimate the fair value of the Group's borrowings are not materially different from their book value due to the current rates available to the Group being in line with the rates agreed over the facilities and the relative costs of renegotiation of the debt as compared to the capital value.

£ 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)
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)
Debt due after one year	(487.1)	(521.2)
Group statutory net debt	(471.7)	(519.8)
Group 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
Group operational net debt	(472.7)	(521.3)

Notes to the consolidated financial statements

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24 DERIVATIVE FINANCIAL INSTRUMENTS

Held for trading derivatives that are not designated in hedge accounting relationships:

£ million	27 December 2014	28 December 2013
Foreign currency contracts – included in current assets	0.5	0.3
Foreign currency contracts	(2.4)	(1.6)
Interest rate contracts	(4.5)	(6.4)
Included in current liabilities	(6.9)	(8.0)
Total	(6.4)	(7.7)

Further details of derivative financial instruments are provided in note 29.

25 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

£ million	Accelerated tax depreciation	Fair value gains	Intangibles	Provisions	Impairment losses	Restated Retirement benefit obligations	Total
At 30 December 2012	19.6	(2.1)	6.2	(1.7)	(1.4)	2.3	22.9
(Credit)/charge to income	(5.8)	0.6	(2.5)	1.2	0.5	0.8	(5.2)
Credit to equity	–	–	–	–	–	(2.6)	(2.6)
At 28 December 2013	13.8	(1.5)	3.7	(0.5)	(0.9)	0.5	15.1
Charge/(credit) to income	2.6	0.2	(1.8)	–	–	0.8	1.8
At 27 December 2014	**16.4**	**(1.3)**	**1.9**	**(0.5)**	**(0.9)**	**1.3**	**16.9**

Certain deferred tax assets and liabilities have been offset and the net liability is shown as deferred tax liabilities in the statement of financial position.

At the statement of financial position date, the Group had unused tax losses of £30.1 million (2013: £34.4 million) available for offset against future profits. Deferred tax assets are not recognised on the losses carried forward to the extent that it is not probable that the losses will be utilised.

The Group is not aware of any temporary differences associated with undistributed earnings of subsidiaries due to the availability of tax credits against such liabilities. The Group is in a position to control the timing of the reversal of any such temporary differences should they arise.

Temporary differences arising in connection with interests in associates are insignificant.

Notes to the consolidated financial statements

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26 OBLIGATIONS UNDER FINANCE LEASES

£ million	Minimum lease payments 27 December 2014	Minimum lease payments 28 December 2013	Present value of minimum lease payments 27 December 2014	Present value of minimum lease payments 28 December 2013
Amounts payable under finance leases:				
Within one year	**0.5**	0.6	**0.4**	0.4
In the second to fifth years inclusive	**1.8**	1.9	**1.4**	1.5
Over five years	**0.3**	0.8	**0.3**	0.7
	2.6	3.3	**2.1**	2.6
Less: future finance charges	**(0.5)**	(0.7)		
Present value of lease obligations	**2.1**	2.6	**2.1**	2.6
Analysed as:				
Amount due for settlement within 12 months (shown within current liabilities)			**0.4**	0.4
Amount due for settlement after 12 months			**1.7**	2.2
			2.1	2.6

The weighted average lease term outstanding is 5.5 years (2013: 6.3 years). For the 52 weeks ended 27 December 2014, the weighted average effective borrowing rate was 7.69% (2013: 7.36%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The finance lease obligations are denominated in Sterling and the fair value of the Group's lease obligations approximates their carrying amount. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

27 TRADE AND OTHER PAYABLES

£ million	27 December 2014	28 December 2013
Trade payables	**211.1**	203.6
Social security and other taxation	**2.0**	2.1
Amounts owed to ultimate parent company	**2.4**	1.2
Other payables	**39.9**	28.7
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

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 61 days (2013 – 66 days). No interest is incurred against trade payables.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the consolidated financial statements

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28 PROVISIONS

£ million	Onerous leases	Dilapidation provisions	Total
At 30 December 2012	4.5	7.3	11.8
Increase of provision	–	2.1	2.1
Release of provision	(2.5)	–	(2.5)
Utilisation of provision	(0.6)	–	(0.6)
Unwinding of discount	0.3	0.9	1.2
At 28 December 2013	1.7	10.3	12.0
Included in current liabilities	0.5	–	0.5
Included in non-current liabilities	1.2	10.3	11.5
At 28 December 2013	1.7	10.3	12.0
Utilisation of provision	(0.2)	–	(0.2)
Unwinding of discount	–	0.3	0.3
At 27 December 2014	**1.5**	**10.6**	**12.1**
Included in current liabilities	0.6	–	0.6
Included in non-current liabilities	0.9	10.6	11.5

Onerous lease provisions will be utilised over the term of the individual leases to which they relate.

Provision releases of £2.5 million in the prior year relate entirely to onerous leases and follow changes to circumstances in the sub-letting of properties. Releases are recognised through administrative expenses, which is where the original charge was recognised.

Dilapidation provisions relate to obligations under various property leases to ensure that, at the end of the leases, the buildings are in the condition agreed with the landlords. The provisions will be utilised at the end of the individual lease terms to which they relate.

29 FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of borrowings, as disclosed in note 23, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group manages its capital by collating timely and reliable information to produce various internal reports such as capital expenditure and weekly net debt reports, which enable the Board of Directors to assess the Group's capital, and manage that capital effectively and in line with the Group's objectives. The gearing of the Group is constantly monitored and managed to ensure that the ratio between debt and equity is at an acceptable level and enables the Group to operate as a going concern and maximise stakeholders return.

GEARING RATIO

The gearing ratio at the period end was as follows:

£ million	**27 December 2014**	28 December 2013
Debt	**496.3**	564.8
Cash and cash equivalents	**(24.6)**	(45.0)
Net debt	**471.7**	519.8
Equity	**322.9**	301.5
Net debt to net debt plus equity	**59.4%**	63.3%

Debt is defined as long and short term borrowings, as disclosed in note 23 and finance leases payable in note 26.

Notes to the consolidated financial statements

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FINANCIAL INSTRUMENTS CONTINUED

SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

CATEGORIES OF FINANCIAL INSTRUMENTS

£ million	27 December 2014	28 December 2013
Financial assets		
Fair value through profit and loss:		
Derivative financial instruments	0.5	0.3
Loans and receivables at amortised cost:		
Trade receivables	167.2	158.7
Other receivables	14.6	12.9
Cash and cash equivalents	24.6	45.0
	206.9	216.9

£ million	27 December 2014	28 December 2013
Financial liabilities		
Fair value through profit and loss:		
Derivative financial instruments	6.9	8.0
Other financial liabilities at amortised cost:		
Trade payables	211.1	203.6
Amounts owed to ultimate parent company	2.4	1.2
Other payables	39.9	28.7
Borrowings	494.2	562.2
Finance leases	2.1	2.6
	756.6	806.3

The fair value of the financial assets approximates to their carrying value due to the short term nature of the receivables. Fair values have been determined as level 2 under IFRS 7 'Financial Instruments: Disclosures'.

The fair value of other financial liabilities at amortised cost approximates to their carrying value. The trade and other payables approximate to their fair value due to the short term nature of the payables. The finance lease fair value approximates to the carrying value based on discounted future cash flows.

FINANCIAL RISK MANAGEMENT

The Group is exposed to a number of financial risks such as access to and cost of funding, interest rate exposure, currency exposure and working capital management. The Group seeks to minimise these risks where possible and does this by constantly monitoring and reviewing the best use of derivative financial instruments. Use of financial instruments is governed by Group policies which are approved by the Board. The treasury function does not operate as a profit centre, makes no speculative transactions and only enters into or trades financial instruments to manage specific exposures.

MARKET RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- Forward foreign exchange contracts to hedge the exchange rate risk arising on revenues and purchases in foreign currencies.
- Interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Notes to the consolidated financial statements

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29 FINANCIAL INSTRUMENTS CONTINUED

FOREIGN CURRENCY RISK MANAGEMENT

Foreign currency risk management occurs at a transactional level on revenues and purchases in foreign currencies and at a translational level in relation to the translation of overseas operations. All transactional risks, cash flow forecasts and related hedges are reviewed by the Group Hedging Committee and Group Treasury, at least quarterly, to monitor foreign exchange rates and confirm the appropriateness of the Group's hedged cover.

The Group's main foreign exchange risk is to the Euro and US dollar.

During the 52 week period to 27 December 2014, the Euro weakened against Sterling by 6.8%, with the closing rate at €1.2787 compared to €1.1972 at the prior period end. The average rate for the 52 week period to 27 December 2014 was €1.2413, a weakening of the Euro of 5.4% versus prior year.

In the same period the US dollar, strengthened against Sterling by 5.7%, with the closing rate at $1.5562 compared to $1.6494 at the prior period end. The average rate for the period to 27 December 2014 was $1.6478, a 5.3% weakening of the US dollar versus the prior year.

The net foreign exchange impact on profit from transactions is a gain of £0.4 million (2013: loss of £0.8 million).

FOREIGN CURRENCY SENSITIVITY ANALYSIS

A sensitivity analysis has been performed on the financial assets and liabilities to a sensitivity of 10% increase/decrease in the exchange rates. A 10% increase/decrease has been used, and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where Sterling strengthens 10% against the relevant currency.

	Profit or (loss) 10% Strengthening		Profit or (loss) 10% Weakening	
£ million	27 December 2014	28 December 2013	27 December 2014	28 December 2013
Euro	**(5.5)**	(4.6)	**6.8**	5.6
USD	**(2.3)**	(1.2)	**2.8**	1.5
HKD	**0.3**	0.3	**0.2**	0.1
RMB	**0.2**	–	**(0.3)**	–

FOREIGN EXCHANGE CONTRACTS

It is the policy of the Group to enter into foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions to minimise the exposure generated.

The following table details Sterling foreign currency contracts outstanding as at 27 December 2014:

	Average exchange rate		Foreign currency (million)		Contract value (£ million)		Fair value (£ million)	
Outstanding contracts	2014	2013	2014	2013	2014	2013	2014	2013
Net Euros:								
3 months less	**1.24**	1.19	**38.5**	32.9	**31.1**	27.6	**(1.2)**	(0.4)
3 to 6 months	**1.23**	1.19	**27.5**	33.5	**22.4**	28.1	**(0.6)**	(0.5)
6 to 12 months	**1.24**	1.21	**25.3**	24.3	**20.4**	20.1	**(0.4)**	(0.3)
Over 12 months	**1.25**	1.20	**2.0**	(5.1)	**1.6**	(4.2)	**–**	(0.1)
Net US Dollars:								
3 months less	**1.58**	1.56	**30.4**	5.2	**19.2**	3.3	**0.3**	(0.1)
3 to 6 months	**1.67**	1.57	**2.5**	2.8	**1.5**	1.8	**0.1**	(0.1)
6 to 12 months	**1.60**	1.59	**2.4**	3.6	**1.5**	2.3	**0.1**	(0.1)
Over 12 months	**1.57**	–	**0.1**	–	**–**	–	**–**	–
					97.7	79.0	**(1.7)**	(1.6)

Notes to the consolidated financial statements

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29 **FINANCIAL INSTRUMENTS** CONTINUED

FOREIGN EXCHANGE CONTRACTS CONTINUED

The following table details the Euro foreign currency contracts outstanding as at 27 December 2014:

	Average exchange rate		Foreign currency (million)		Contract value (€ million)		Fair value (€ million)		Fair value (£ million)	
Outstanding contracts	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Sell US Dollars:										
3 to 6 months	1.21	1.37	2.5	0.5	2.0	0.4	(0.1)	–	(0.1)	–
6 to 9 months	1.21	–	4.0	–	3.3	–	(0.1)	–	(0.1)	–
					5.3	0.4	(0.2)	–	(0.2)	–

The following table details the South African Rand (ZAR) foreign currency contracts outstanding as at 27 December 2014:

	Average exchange rate		Foreign currency (million)		Contract value (ZAR million)		Fair value (ZAR million)		Fair value (£ million)	
Outstanding contracts	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Buy Sterling:										
Less than 3 months	–	16.75	–	6.6	–	110.0	–	5.2	–	0.3

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk on borrowings. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of derivative financial instruments such as interest rate swaps to minimise the risk associated with variable interest rates. At the year end 12.8% of the Group's borrowings were covered by interest rate swaps (2013: 11.2%). The Group has in issue £332 million (2013: £332 million) of 8.25% and £150 million (2013: £150 million) of 8.75% fixed rate Senior Secured Notes that are both listed on the Irish Stock Exchange (see note 23). Use of interest rate derivatives is governed by Group policies which are approved by the Board.

INTEREST RATE SENSITIVITY ANALYSIS

Interest rate sensitivity analysis has been performed on the financial assets and liabilities to illustrate the impact on Group profits and equity if interest rates increased/decreased. This analysis assumes the liabilities outstanding at the period end were outstanding for the whole period. A 100 basis points increase or decrease has been used, comprising management's assessment of reasonably possible changes in interest rates.

£ million	Profit/(loss) 27 December 2014	Profit/(loss) 28 December 2013
Effects of 100 basis points increase in interest rate	0.5	(0.3)
Effects of 100 basis points decrease in interest rate	(0.5)	0.3

It is assumed that all other variables remained the same when preparing the interest rate sensitivity analysis.

Notes to the consolidated financial statements

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29 FINANCIAL INSTRUMENTS CONTINUED

INTEREST RATE SWAPS

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate borrowings held and the cash flow exposures on the issued variable rate borrowings held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 27 December 2014:

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2014 %	2013 %	**2014 £ million**	2013 £ million	**2014 £ million**	2013 £ million
Interest rate swaps						
1 to 2 years	**4.90**	4.90	**63.2**	63.2	**(4.5)**	(6.4)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is 3 months LIBOR. The Group will settle the difference between fixed and floating interest rates on a net basis.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk of financial loss to the Group if a counterparty defaults on its contractual obligations of the loans and receivables at amortised cost held in the statement of financial position.

The Group's main credit risk is attributable to its trade receivables. The Group's top four customers, all leading UK retailers, continue to represent more than 76% (2013: 75%) of the Group's revenue. These customers have favourable credit ratings and consequently reduce the credit risk for the Group's overall trade receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies. Group policy dictates that Group deposits are shared between banks to spread the risk. Currently Group deposits are shared between banks that are counterparties in the Group's secured committed bank facilities. Bakkavor Finance (2) plc's current bank credit limit consists of a £60 million Term loan, of which £50 million has been repaid and a £70 million RCF facility, through a bank syndicate. Barclays Capital is the syndicate agent of this facility and they manage the syndicate and participation with other counterparties.

Processes are in place to manage receivables and overdue debt and to ensure that appropriate action is taken to resolve issues on a timely basis. Credit control operating procedures are in place to review all new customers. Existing customers are reviewed as management become aware of changes of circumstances for specific customers. The amounts presented in the statement of financial position are net of appropriate allowance for doubtful trade receivables, specific customer risk and assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

COMMODITY RISK MANAGEMENT

The Group acquires substantial amounts of raw materials for its operations, including dairy, wheat and rapeseed oil. The Group is exposed to commodity price and supply risks for these raw materials. The Group takes action to reduce overall material costs and exposure to price fluctuations by sourcing raw materials from suppliers all over the world, thereby decreasing geographic risk and also frequently tenders to benchmark market prices. In general our requirements are managed using contracts for periods of between three to twelve months forward. The Group also manage any local currency exposure in line with agreed contracts.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk that the Group may not be able to fund the day to day running of the Group. The Group manages liquidity risk by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group also monitors the drawdown of borrowings against the available banking facilities and reviews the level of reserves. Liquidity risk management ensures sufficient borrowings funding is available for the Group's day to day needs. Group policy is to maintain reasonable headroom of unused committed bank facilities in a range of maturities at least 12 months beyond the period end.

Notes to the consolidated financial statements

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29 FINANCIAL INSTRUMENTS CONTINUED

MATURITY PROFILE OF FINANCIAL LIABILITIES

The following table illustrates the Group's remaining contractual maturity for its financial liabilities when they fall due.

£ million	27 December 2014	28 December 2013
Due within one year:		
Trade payables	211.1	203.6
Other payables	42.1	29.8
Derivative financial instruments	6.9	8.0
Borrowings	1.9	35.4
Finance leases	0.4	0.4
Interest on borrowings	11.9	55.3
Total due within one year	274.3	332.5
In the second to fifth years inclusive:		
Other payables	0.2	0.1
Borrowings	344.8	382.6
Finance leases	1.3	1.5
Interest on borrowings	120.7	153.8
Total due in the second to fifth years	467.0	538.0
Due after five years:		
Borrowings	150.0	150.0
Finance leases	0.4	0.7
Interest on borrowings	6.6	19.7
Total due after five years	157.0	170.4

The weighted average interest rates for the Group's borrowings are found in note 23 and in note 26 for Finance leases.

30 SHARE CAPITAL AND RESERVES

SHARE CAPITAL

£ million	27 December 2014	28 December 2013
Issued and fully paid:		
55,258 (2013: 55,258) Ordinary shares of £1 each	0.1	0.1

SHARE PREMIUM

The share premium account represents amounts received by the Company over and above the nominal value of the shares sold.

MERGER RESERVE

The incorporation of Bakkavor Finance (2) plc as an intermediate holding company of the Group in 2011 was accounted for using the principles of merger accounting.

CAPITAL RESERVE

The capital reserve of £4.0 million arose in 2009 following the capitalisation of an inter-company balance between Bakkavor London Limited and Bakkavor Group ehf.

TRANSLATION RESERVE

The translation reserve represents foreign exchange rate differences arising on the consolidation of the Group's foreign operations. The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in the translation reserve.

Notes to the consolidated financial statements

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31 NON-CONTROLLING INTERESTS

The summarised information below represents amounts, before intragroup eliminations, of Italpizza Srl, the Group's subsidiary with material non-controlling interests. Notes 17 and 32 provide summary information of the subsidiary and the disposal of 40% of the Group's 100% holding, respectively.

ITALPIZZA SRL

£ million	27 December 2014
Statement of financial position	
Non-current assets	**3.1**
Current assets	**21.1**
Current liabilities	**(16.8)**
Non-current liabilities	**(2.8)**
Income statement and statement of other comprehensive income	
Revenue	**59.1**
Profit attributable to owners of the Company	**2.5**
Profit attributable to the non-controlling interests	**0.7**
Other comprehensive expense attributable to owners of the Company	**(0.5)**
Other comprehensive expense attributable to the non-controlling interests	**(0.4)**
Cash flow statement	
Net cash inflow from operating activities	**5.7**
Net cash outflow from investing activities	**(1.6)**
Net cash outflow from financing activities	**(4.9)**

The table below provides a reconciliation of non-controlling interests:

£ million	
Cost of investment at 7 May 2014	8.5
Share of profit for the period	0.7
Exchange differences	(0.4)
Balance at 27 December 2014	**8.8**

32 DISPOSALS

DISPOSAL OF INVESTMENT

On 7 May 2014, the Group completed the sale of 40% of its 100% holding in Italpizza Srl 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 £7.3 million after paying £0.1 million in disposal costs.

Notes to the consolidated financial statements

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32 **DISPOSALS** CONTINUED

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 and total cash consideration received were as follows:

£ million	13 January 2014	28 December 2013
Property, plant and equipment	0.6	0.6
Inventories	1.2	1.3
Trade and other receivables	3.1	2.6
Cash and cash equivalents	2.4	2.5
Trade and other payables	(2.8)	(2.9)
Derivative financial instruments	(2.1)	(2.3)
Net assets	2.4	1.8
Disposal costs	0.6	
Recycle net foreign exchange losses	1.7	
Profit on disposal	1.9	
Total cash consideration	6.6	

In 2013 the net assets of Spring Valley Foods were classified as held for sale in the statement of financial position. Total assets classified as held for sale amounted to £7.0 million and total liabilities associated with assets classified as held for sale were £5.2 million.

The cash inflow arising on disposal of the business was as follows:

£ million	13 January 2014
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.

2013

On 3 April 2013 the Group completed the sale of its French and Spanish businesses comprising Cinquieme Saison Saint-Pol SAS, Cinquieme Saison Macon SAS, Bakkavor France SAS, Crudi SAS and Sogesol SA for a cash consideration of €32.9 million (£28.0 million) debt free and cash free. The Group incurred disposal costs of £1.2 million in 2013 relating to this disposal. This transaction resulted in a profit on disposal of £15.5 million, of which £2.3 million relates to the recycling of foreign exchange gains. The profit on disposal has been recorded in the income statement within discontinued operations which also includes £3.9 million of trading profit. £0.3 million of which is included within non-recurring items.

On 11 December 2013, the Group completed the sale of its Czech business Heli Food Fresh A.S. for a cash consideration of €0.3 million (£0.2 million) debt free. This transaction resulted in a profit on disposal of £1.8 million, of which £2.4 million relates to the recycling of foreign exchange gains. The profit on disposal has been recorded within the income statement in 2013 with a loss of £0.1 million being recognised in 2014.

Notes to the consolidated financial statements

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NOTES TO THE STATEMENT OF CASH FLOWS

£ million	27 December 2014	Restated 28 December 2013
Operating profit – continuing operations	67.1	41.2
– discontinued operations	–	16.4
	67.1	57.6
Adjustments for:		
Share of results of associates	(1.0)	(1.2)
Depreciation of property, plant and equipment	36.0	38.2
Amortisation of intangible assets	8.7	8.7
Profit on disposal of property, plant and equipment	(1.0)	–
Profit on disposal of subsidiaries (note 32)	(1.8)	(17.3)
Impairment of assets	4.1	21.7
Net retirement benefits charge less contributions	(3.8)	(3.7)
Operating cash flows before movements in working capital	108.3	104.0
(Increase)/decrease in inventories	(5.6)	2.0
Increase in receivables	(12.8)	(3.8)
Increase in payables	46.7	15.0
Increase/(decrease) in exceptional creditor	0.8	(1.5)
Decrease in provisions	(0.3)	(0.9)
Cash generated by operations	137.1	114.8
Income taxes paid	(1.0)	(2.8)
Interest paid	(49.7)	(63.9)
Net cash from operating activities	86.4	48.1

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CONTINGENT LIABILITIES AND COMMITMENTS

The Group may from time to time, and in the normal course of business, be subject to claims from customers and counterparties. The Group regularly reviews all of these claims to determine any possible financial loss to the Group. No provision was considered necessary in the consolidated financial statements. In addition, there are a number of legal claims or potential claims against the Group, the outcome of which cannot at present be foreseen. Provision has been made for all probable liabilities.

As at 27 December 2014 the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £115.9 million (2013: £119.1 million).

Notes to the consolidated financial statements

CONTINUED

35 OPERATING LEASE ARRANGEMENTS

THE GROUP AS LESSEE

£ million	2014	2013
Continuing operations		
Minimum lease payments under operating leases recognised as an expense in the period	**11.8**	11.7

At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
£ million	**27 December 2014**	28 December 2013	**27 December 2014**	28 December 2013
Operating leases which expire:				
Within one year	**7.1**	6.6	**3.6**	3.6
Within two to five years	**26.5**	26.7	**5.0**	4.7
After five years	**42.1**	46.2	**0.1**	–
	75.7	79.5	**8.7**	8.3

The Group leases various offices and operational facilities under non-cancellable operating lease arrangements. The leases have various terms, escalation clauses and renewal rights. The Group also leases plant and machinery under non-cancellable operating lease agreements.

36 RETIREMENT BENEFIT SCHEMES

The Group operates a number of pension schemes in the UK and overseas. These schemes are either trust or contract based and have been set up in accordance with appropriate legislation. The assets of each of the pension schemes are held separately from the assets of the Company.

In the UK, the two main schemes are a defined contribution scheme which is open to all UK employees joining the Group (full or part time) and the other is the Bakkavor Pension Scheme, a funded defined benefit scheme which provides benefits on a final salary basis and was closed to future accrual in March 2011.

Pension costs charged in arriving at profit on ordinary activities before taxation were:

£ million	2014	Restated 2013
UK defined benefit scheme net charge	**0.8**	0.5
UK defined contribution scheme net charge	**6.1**	5.4
Overseas net charge	**0.2**	0.3
Total charge	**7.1**	6.2

DEFINED CONTRIBUTION SCHEMES

The total cost charged to income of £6.3 million (2013: £5.7 million) represents contributions payable to these schemes by the Group at rates advised by the Group to all employees, subject to the minimum requirements set out in legislation. No amounts were owing at the period end for the defined contribution schemes (2013: £nil).

Notes to the consolidated financial statements

CONTINUED

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RETIREMENT BENEFIT SCHEMES CONTINUED

DEFINED BENEFIT SCHEMES

A full actuarial valuation of plan assets and the present value of the defined benefit obligation for funding purposes was carried out at 31 March 2013. The results were updated for IAS 19 (revised 2011) 'Employee Benefits' purposes to 27 December 2014 by a qualified independent actuary with Towers Watson Limited. The projected unit cost method was used to value the liabilities.

The major assumptions used in this IAS 19 valuation were:

	27 December 2014	28 December 2013
Future pension increases	3.00%	3.25%
Discount rate applied to scheme liabilities	3.85%	4.60%
Inflation assumption (CPI)	2.15%	2.45%

The mortality table is based on scheme specific postcode fitted SAPS tables with a 102% multiplier for male members and 108% multiplier for female members. Long cohort improvements are applied from 2002 to 2010. Future improvements are in line with CMIB 2013 improvements model with a 1.0% pa long term trend, giving life expectancies as follows:

	Males expected future lifetime 2014	Males expected future lifetime 2013	Females expected future lifetime 2014	Females expected future lifetime 2013
Member aged 45	41.9	41.8	44.1	44.1
Member aged 65	22.3	22.2	24.3	24.2

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Approximate impact on scheme liabilities
Discount rate	Increase/decrease by 1.0%	Decrease £39.0 million/increase £49.2 million
Rate of inflation	Increase/decrease by 0.5%	Increase £15.2 million/decrease £14.3 million
Life expectancy	Members assumed to be one year younger than their actual age	Increase £7.5 million

Amounts recognised in income in respect of these defined benefit schemes are as follows:

£ million	2014	Restated 2013
Past service cost	0.1	–
Net interest on net defined benefit asset	(0.3)	(0.6)
Administration costs incurred during the period	1.0	1.1
Total charge	0.8	0.5

All of the charges for each period presented have been included in total administrative expenses and actuarial gains and losses have been reported in other comprehensive income.

The actual return on scheme assets was an increase of £31.7 million (2013: £8.3 million increase).

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

£ million	27 December 2014	28 December 2013
Fair value of scheme assets	220.2	191.2
Present value of defined benefit obligations	(213.5)	(188.6)
Surplus in scheme	6.7	2.6
Related deferred taxation liability	(1.3)	(0.5)
	5.4	2.1

Notes to the consolidated financial statements

CONTINUED

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RETIREMENT BENEFIT SCHEMES CONTINUED

The assumptions used by the Actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Movements in the present value of defined benefit obligations (DBO) were as follows:

£ million	27 December 2014	28 December 2013
Opening balance	(188.6)	(175.8)
Interest cost on the DBO	(8.5)	(7.9)
Benefits paid from scheme assets	6.3	6.0
Actuarial gain – experience	–	0.4
Actuarial loss – demographic assumptions	(0.2)	–
Actuarial loss – financial assumptions	(22.4)	(11.3)
Past service cost	(0.1)	–
Closing balance	(213.5)	(188.6)

Movements in the fair value of scheme assets were as follows:

£ million	27 December 2014	28 December 2013
Opening balance	191.2	185.8
Interest income on scheme assets	8.8	8.5
Return on scheme assets greater/(less) than discount rate	22.9	(0.2)
Contributions from the sponsoring Companies	4.6	4.2
Benefits paid from scheme assets	(6.3)	(6.0)
Administrative costs paid	(1.0)	(1.1)
Closing balance	220.2	191.2

The analysis of the scheme assets at the statement of financial position date was as follows:

	Fair value of assets	
£ million	27 December 2014	28 December 2013
Structured UK equity	6.6	6.6
Overseas equity	32.9	21.6
High yield bonds	20.6	45.0
Property	9.1	8.5
Corporate bonds	48.7	39.8
Fixed interest government bonds	8.2	5.7
Index linked government bonds	65.0	45.1
Cash	17.6	12.1
Other	11.5	6.8
	220.2	191.2

Structured UK equity provides exposure to UK equities but is a derivative based solution and not a direct investment in equities.

The scheme assets also include swaps to hedge liability inflation and interest rate risks. The swap value has been included in the value of the gilt securities used as collateral for the swaps. Corporate bonds and cash are also used as collateral for the swaps in place.

The Scheme invests in diversified growth funds which invest in a wide range of assets including alternative asset classes. In the summary above, the diversified growth funds have been split into the relevant constituent asset classes.

The Bakkavor Pension Scheme operates under trust law and is managed and administered by the Trustee on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Scheme is subject to the scheme specific funding requirements as outlined in UK legislation. The most recent scheme specific funding valuation was at 31 March 2013.

Notes to the consolidated financial statements

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36 RETIREMENT BENEFIT SCHEMES CONTINUED

The Group and the Trustees work closely together in matters concerning the Bakkavor Pension Scheme. Regular meetings and correspondence on matters concerning the Scheme are shared in an open manner between both parties.

The Bakkavor Pension Scheme's current investment strategy adopts a policy of broadly 55% in growth seeking assets and 45% in bonds, although the proportions can vary significantly in order to allow for advanced liability hedging techniques. A large proportion of both interest and inflation risk is hedged. The strategy is intended to reduce the risk of significant changes to the funding level by hedging key risks, while retaining a proportion of return seeking assets to minimise long term costs by maximising return within an acceptable level of risk. The Scheme's assets are held separately from those of the Group.

The weighted average duration of the Bakkavor Pension Scheme is approximately 20 years.

The actual amount of employer contributions expected to be paid to the pension scheme during 2015 is £4.5 million. Employer contributions, except for deficit reduction contributions, ceased in March 2011 when the scheme closed to future accrual. Employee contributions also ceased at this date.

Following the closure of the Scheme to future accrual in March 2011, the Group and the Trustee agreed that members who were active members of the Scheme at the date of closure would remain entitled to access early retirement on preferential terms as long as they remained in employment within the Group. The value of members accessing these preferential terms is not included in the defined benefit obligation as this benefit is not funded for in advance. If members choose to access this benefit an employer contribution is made to the Scheme to reflect the increase in expected future pension costs. In 2014 the total contributions made in respect of this benefit were £0.1 million (2013: £nil).

The current deficit reduction contributions were agreed between the Group and the Trustees as part of the 2013 triennial valuation. The deficit contributions will be paid over a six year recovery period ending on 31 March 2020. The recovery contributions are paid monthly and the agreed rates were £4.5 million in the years ending March 2015 and 2016, £2.0 million in the year ending March 2017 and £1.0 million per annum in subsequent years until 31 March 2020. £4.5 million was also paid over the year to 31 March 2014 in line with the previous recovery contribution schedule in force.

37 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements.

TRADING TRANSACTIONS

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Royalty charge		Amounts owed from related parties		Amounts owed to related parties	
£ million	**2014**	2013	**2014**	2013	**2014**	2013
Bakkavor Group Limited	**1.2**	1.2	–	–	**2.4**	1.2
Bakkavor Group ehf.	–	–	**0.1**	0.1	**0.1**	0.1

The amount owed from Bakkavor Group ehf of £0.1 million (2013: £0.1 million) is included within the current assets section under Trade and other receivables. Amounts owed to Bakkavor Group ehf of £0.1 million (2013: £0.1 million) and the royalty charge to Bakkavor Group Limited, of £2.4 million (2013: £1.2 million), are included in the current liabilities section within Trade and other payables.

Loans between the Group and related parties are all based on varying terms of interest. Related party loans are repayable between one and five years and incur interest based on the three month libor rate plus 3%.

The amounts outstanding are unsecured. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors and senior management, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

£ million	**2014**	2013
Short-term employee benefits	**5.5**	4.6
Post-employment benefits	**0.3**	0.3
	5.8	4.9

Notes to the consolidated financial statements

CONTINUED

38 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.

39 CONTROLLING PARTY

The Company's ultimate parent company and ultimate controlling party is Bakkavor Group Limited, a Company registered in the United Kingdom. The largest Group in which the results of the Group are consolidated is that headed by Bakkavor Group Limited. It has included this Group in its group financial statements, copies of which are available from 5th Floor, 3 Sheldon Square, Paddington Central, London, W2 6HY, United Kingdom.

The Company's immediate parent company is Bakkavor Finance (1) Limited.

Company income statement

52 WEEKS ENDED 27 DECEMBER 2014

£ million	Notes	52 weeks ended 27 December 2014	52 weeks ended 28 December 2013
Continuing operations			
Other administrative costs		(0.6)	–
Royalty charge		(1.2)	(1.2)
Operating loss		(1.8)	(1.2)
Investment revenue	4	0.1	–
Finance costs	5	(47.9)	(57.8)
Loss before tax		(49.6)	(59.0)
Tax	6	49.6	59.0
Result and total comprehensive income for the period		–	–

The accompanying notes are an integral part of this income statement.

The Company has no recognised gains and losses other than the result above, and therefore no separate statement of comprehensive income is presented.

Company statement of changes in equity

52 WEEKS ENDED 27 DECEMBER 2014

£ million	Share capital	Share premium	Retained earnings	Total equity
Balance at 29 December 2012, 28 December 2013 and 27 December 2014	0.1	315.2	(34.0)	281.3

Company statement of financial position

27 DECEMBER 2014

£ million	Notes	27 December 2014	28 December 2013
Non-current assets			
Investment in subsidiaries	8	929.4	929.4
Current assets			
Amounts due from other group companies	12	53.0	59.0
Current liabilities			
Other payables		(0.6)	–
Borrowings	7	(42.7)	(23.1)
Amounts due to other group companies	12	(175.2)	(166.0)
		(218.5)	(189.1)
Non-current liabilities			
Borrowings	7	(482.6)	(518.0)
Net assets		281.3	281.3
Equity			
Share capital	11	0.1	0.1
Share premium		315.2	315.2
Retained earnings		(34.0)	(34.0)
Total equity		281.3	281.3

The financial statements of Bakkavor Finance (2) plc, company number 7501697, and the accompanying notes, which form an integral part of the Company financial statements, were approved by the Board of Directors on 11 February 2015. They were signed on behalf of the Board of Directors by:

A Gudmundsson
Director

Company statement of cash flows

52 WEEKS ENDED 27 DECEMBER 2014

£ million	52 weeks ended 27 December 2014	52 weeks ended 28 December 2013
Operating loss	(1.8)	(1.2)
Decrease in receivables	55.6	–
Increase in payables	9.2	133.2
Cash generated by operations	63.0	132.0
Interest paid	(44.3)	(58.2)
Net cash generated from operating activities	18.7	73.8
Investing activities:		
Interest received	0.1	–
Financing activities:		
Increase in borrowings	25.4	208.1
Repayment of borrowings	(44.2)	(281.9)
Net cash used in financing activities	(18.8)	(73.8)
Net cash and cash equivalents	–	–
Cash and cash equivalents at beginning of period	–	–
Cash and cash equivalents at end of period	–	–

Notes to the company financial statements

52 WEEKS ENDED 27 DECEMBER 2014

1 GENERAL INFORMATION

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.

2 SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as set out below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Going concern for the Company has been considered along with the Group by the Directors. This consideration is set out in note 3 to the consolidated financial statements.

3 EMPLOYEES, DIRECTORS AND AUDIT REMUNERATION

Audit fees of £73,000 (2013: £73,000) for the period ended 27 December 2014 have been borne by fellow group company, Bakkavor Foods Limited. The Company has no employees and payments to Directors for the period ended 27 December 2014 (2013: £nil) have been borne by fellow group company, Bakkavor Foods Limited.

4 INVESTMENT REVENUE

£ million	2014	2013
Interest on bank deposits	0.1	–

5 FINANCE COSTS

£ million	2014	2013
Interest on borrowings	43.7	43.9
Amortisation of refinancing costs	3.6	9.1
Interest on loans from other group companies	0.6	4.8
	47.9	57.8

Notes to the company financial statements

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6 TAX

The credit for the period can be reconciled to the loss per the income statement as follows:

	2014		2013	
	£ million	%	£ million	%
Loss before tax	(49.6)	(100.0)	(59.0)	(100.0)
Group relief surrendered at tax rate of 100% (2013: 100%)	49.6	100.0	59.0	100.0
Tax credit and effective tax rate for the period	49.6	100.0	59.0	100.0

7 BORROWINGS

£ million	27 December 2014	28 December 2013
Bank overdraft	35.5	10.1
Bank loans	7.9	51.8
8.25% Senior Secured Notes	337.0	335.3
8.75% Senior Secured Notes	144.9	143.9
	525.3	541.1
Borrowings repayable as follows:		
On demand or within one year	42.7	23.1
In the second year	6.6	11.4
In the third to fifth years inclusive	327.9	359.5
Over five years	148.1	147.1
	525.3	541.1
Analysed as:		
Amount due for settlement within 12 months (shown within current liabilities)	42.7	23.1
Amount due for settlement after 12 months	482.6	518.0
	525.3	541.1

All borrowings are denominated in Sterling.

8 INVESTMENTS IN SUBSIDIARIES

£ million	Investment in Group companies
Balance at 28 December 2013 and 27 December 2014	929.4

Notes to the company financial statements

CONTINUED

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SUBSIDIARIES

As at 27 December 2014, Bakkavor Finance (2) plc held investments in the share capital of the following companies (ownership in dormant companies have not been listed):

Name	Place of registration and operation	Principal activity	Interest
Directly held investments:			
Bakkavor Finance (3) Limited	United Kingdom	Holding company	100%
Indirectly held investments:			
Bakkavor Foods Limited	United Kingdom	Preparation and marketing of fresh prepared foods	100%
Anglia Crown Limited	United Kingdom	Preparation and marketing of fresh prepared foods	100%
Bakkavor Fresh Cook Limited	United Kingdom	Preparation and marketing of fresh prepared foods	100%
Vaco BV	Belgium	Preparation and marketing of fresh prepared foods	100%
Creative Food Group Limited (includes 13 further subsidiaries and 1 branch within Hong Kong and China)	Hong Kong	Produce and manufactures salad products	100%
Italpizza Srl	Italy	Manufacture of branded and private label pizza products	60%
Two Chefs on a Roll Inc	USA	Manufacture of custom and private label savoury and bakery products	100%
Gastro Primo Limited	Hong Kong	Preparation and marketing of fresh prepared foods	100%
Bakkavor Estates Limited	United Kingdom	Property management	100%
Bakkavor Finance Limited	United Kingdom	Customer invoicing and financing of receivables	100%
Bakkavor Iberica S.A.	Spain	Distribution	100%
Bakkavor Central Finance Limited	United Kingdom	Customer invoicing and financing of receivables	100%
Bv Foodservice Limited	United Kingdom	Distribution of fresh prepared foods	100%
Bakkavor London Limited	United Kingdom	Holding company	100%
Bakkavor Acquisitions (2008) Limited	United Kingdom	Holding company	100%
Bakkavor USA Inc	USA	Holding company	100%
Bakkavor USA Limited	United Kingdom	Holding company	100%
Bakkavor (Acquisitions) Limited	United Kingdom	Holding company	100%
Bakkavor Limited	United Kingdom	Holding company	100%
Bakkavor European Marketing BV	Netherlands	Holding company	100%
Bakkavor China Limited	United Kingdom	Holding company	100%
Bakkavor Asia Limited	United Kingdom	Holding company	100%
Bakkavor Invest Limited	United Kingdom	Holding company	100%
Bakkavor Foods Canada Inc	Canada	Non-trading	100%
English Village Salads Limited	United Kingdom	Non-trading	100%
Notsallow 256 Limited	United Kingdom	Non-trading	100%
Bakkavor Overseas Holdings Limited	United Kingdom	Non-trading	100%
Exotic Farm Produce Limited	United Kingdom	Non-trading	100%
Bakkavor Maroc	Morocco	Non-trading	100%

Notes to the company financial statements

CONTINUED

10 FINANCIAL INSTRUMENTS

FOREIGN CURRENCY RISK

The Company is not exposed to any foreign currency risk as its borrowings are all in Pounds Sterling.

INTEREST RATE RISK MANAGEMENT

The Company is exposed to interest rate risk on borrowings. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings. The Group uses derivative financial instruments such as interest rate swaps to minimise the risk associated with variable interest rates.

INTEREST RATE SENSITIVITY ANALYSIS

Interest rate sensitivity analysis has been performed on interest bearing Company borrowings of £21.3 million (2013: £69.7 million) to illustrate the impact on profits and equity if interest rates increased/decreased. This analysis assumes the liabilities outstanding at the period end were outstanding for the whole period. A 100 basis points increase or decrease has been used, comprising management's assessment of reasonably possible changes in interest rates.

£'000	27 December 2014 Profit/(loss)	28 December 2013 Profit/(loss)
Effects of 100 basis points increase in interest rate	(2.2)	(2.3)
Effects of 100 basis points decrease in interest rate	2.2	2.3

£ million	27 December 2014	28 December 2013
Financial assets		
Loans and receivables at amortised cost:		
Amounts due from other group companies	53.0	59.0
Financial liabilities		
Other Financial liabilities at amortised cost:		
Other payables	0.6	–
Amounts due to other group companies	175.2	166.0
Borrowings	525.3	541.1
	701.1	707.1

All Company borrowings are denominated in Sterling.

11 SHARE CAPITAL

	27 December 2014		28 December 2013	
	Number	£ million	Number	£ million
Issued and fully paid:				
Ordinary shares of £1 each	55,258	0.1	55,258	0.1

Notes to the company financial statements

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12 RELATED PARTY TRANSACTIONS

TRANSACTIONS

During the period, the Company entered into the following transactions with related parties.

£ million	Amounts owed by related parties 2014	2013	Amounts owed to related parties 2014	2013
Group companies	**53.0**	59.0	**175.2**	166.0

Amounts owed to related parties consist of various corporate loans being £11.2 million (2013: £15.5 million) owed to Bakkavor London Limited, £161.6 million (2013: £126.3 million) owed to Bakkavor Foods Limited, £2.4 million (2013: £1.2 million) owed to Bakkavor Group Limited and £nil (2013: £23.0 million) owed to Bakkavor Central Finance Limited.

Amounts owed by related parties consist of £49.6 million (2013: £59.0 million) Group tax relief from various other group companies and £3.4 million (2013: £nil) owed by Bakkavor Central Finance Limited.

These amounts are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Amounts are denominated in Sterling. All related party payables and receivables are held at amortised cost.

13 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

14 CONTROLLING PARTY

The Company's ultimate parent company and ultimate controlling party is Bakkavor Group Limited, a company registered in the United Kingdom. The largest group in which the results of the Company are consolidated is that headed by Bakkavor Group Limited and it has included the Company in its group financial statements. The smallest group into which the accounts are consolidated is Bakkavor Finance (2) plc.

Copies of both the Bakkavor Group Limited and Bakkavor Finance (2) plc financial statements are available from 5th Floor, 3 Sheldon Square, Paddington Central, London, W2 6HY, United Kingdom.

The immediate parent of the Company is Bakkavor Finance (1) Limited.

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This Annual Report may include “forward looking statements” within the meaning of the U.S. securities laws and certain other jurisdictions, based on our current expectations and projections about future events. All statements other than statements of historical facts included in this Annual Report including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, may be deemed to be forward looking statements. These forward looking statements are subject to a number of risks and uncertainties. By their nature, forward looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend upon circumstances that may or may not occur in the future. Although we believe that the expectations reflected in such forward looking statements are reasonable, we can give no assurance that such expectations will prove to be correct and that such statements are not guarantees of future performance because they are based on numerous assumptions. Any forward looking statement speaks only as at the date on which it is made and we undertake no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise. The information contained in this Annual Report is provided as at the date of this Annual Report and is subject to change without notice.

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