PRODUCE INVESTMENTS plc

26 March 2014

Produce Investments plc

UNAUDITED INTERIM REPORT

For the 26 weeks ended 28 December 2013

Produce Investments plc (the "Group", AIM: PIL), a leading operator in the fresh potato sector with vertically integrated activities covering seed production, own growing, processing and packing and supply to the major retailers, is pleased to announce its interim results for the 26 weeks to 28 December 2013.

Key highlights are:

- Revenue down 0.1 % to £89.60m (2012:£89.67m)
- Operating profit of £5.78m (2012: loss of £0.68m)
- Interim dividend per share up 25% to 2.275p (2012:1.82p)
- Continued focus on driving operational efficiencies
- Re-alignment of capacities with announcement of consultation period to close Tern Hill site
- New brand – "GreenVale" continues to perform ahead of expectations, with launch of TV campaign
- On track to meet market expectations for full year

Commenting on the results, Chief Executive Angus Armstrong said:

"I am pleased to report that the weather and growing conditions during 2013 were significantly better than that of 2012, with an improvement seen in both quality and yield of the potato crop. In 2012 the lowest yielding and poorest quality crop since 1976 resulted in exceptionally high free buy prices for potatoes with additional imported tonnage having to be procured to fulfil UK market requirements. The inevitable time lag in achieving the necessary price increases to mitigate the increased raw material costs impacted last year's results, particularly in the first half year. The growing season for 2013 has seen a return to more favourable and stable growing conditions which has resulted in a necessary improvement in operating profit.

The results for the first half year include Rowe Farming with only 3 months comparable results for last year, as the business was acquired at the beginning of October 2012. I am pleased to report that the business continues to perform ahead of expectations, with integration plans completed ahead of schedule.

I can confirm that the business has announced a consultation period where it is considering the closure of one of its three main packing facilities – Tern Hill in Shropshire. The business continually reviews its core capacities and recent efficiency improvements mean that with slight modifications at its two remaining packing sites at Duns in the Scottish Borders and Floods Ferry in Cambridgeshire an opportunity exists to rationalise the number of sites. The consultation period is expected to be completed in early May. No change to how the company procures potatoes in the West of England is envisaged as a result of this potential capacity re-alignment and therefore growers will not see any adverse change. A significant proportion of potatoes that are currently packed at the Tern Hill site are sourced from Scotland and the East of England, so this fits with the business and customer strategy to reduce "food miles."

In January we announced that we were in discussions over the potential acquisition of the Jersey Royal Company. These discussions are ongoing and we will provide shareholders with a further update in due course.

Given the necessary improved performance relative to last year and the potential re-alignment of operating capacities, the Board is very confident that the Group is well placed to execute both its short and longer term strategic objectives."

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Produce Investments plc

Operating and financial review

The Group presents its interim results for the 26 weeks to 28 December 2013, together with comparative information for the 26 weeks ending 29 December 2012.

Revenue in the first 26 weeks decreased slightly by 0.1% to £89.60m, compared to £89.67m for the comparative period last year. Better weather and a return to more normal growing conditions resulted in lower priced raw material compared to that of last year, with less requirement for imports and the need to procure additional more expensive free buy potatoes, resulted in a reduction in raw material prices compared to last year. This resulted in a necessary and significant improvement in performance and profit. Profitability by segment is disclosed in note 4 to the interim results.

Profit/(Loss) before tax for the half was £5.38m (2012: (£1.24m)) and basic earnings/(loss) per share were 17.50 pence (2012: (4.86) pence). Diluted earnings per share were 16.57 pence (2012: (4.86) pence)

Net debt reduced to £21.35m (2012: £26.0m) as the business continued to generate cash and pay down term debt.

The Board remains confident that the Company will meet market expectations for the full year and has approved an interim dividend of 2.275 pence per share (2012: 1.82 pence per share). This will be paid on 24 April 2014 to shareholders on the register at close of business on 4 April 2014. The shares will trade ex-dividend on 2 April 2014.

Principal risks and uncertainties

The Group set out in its 2013 Annual Report and Financial Statements the principal risks and uncertainties that could have an impact on its performance. These remain largely unchanged since the Annual report was published with the main areas of potential risk and uncertainty being the threat from competition and any disruption to the supply and quality of potatoes.

Outlook

The remainder of this financial year will, as ever, no doubt continue to have its challenges, but the Board believes the Group, its management team and all employees are well placed to capitalise on any opportunities that may arise. The Group continues to make significant advances, and the Board remains very confident of making further progress as it seeks to execute its long term strategy.

Barrie Clapham
Non-Executive Chairman

Angus Armstrong
Chief Executive

25.03.2014

Produce Investments plc

CONSOLIDATED CONDENSED INCOME STATEMENT (UNAUDITED)

For the 26 weeks ended 28 December 2013

	2013 £'000	2012 £'000
CONTINUING OPERATIONS		
Revenue	89,601	89,675
Cost of sales	(60,765)	(69,350)
Gross profit	28,836	20,325
Administrative and other operating expenses	(23,052)	(21,006)
Operating profit/ (loss), being profit/(loss) before interest and tax	5,784	(681)
Finance costs	(405)	(556)
Profit/(loss) before tax from continuing operations	5,379	(1,237)
Income tax (charge)/credit	(1,445)	305
Profit/(loss) after tax	3,934	(932)
Attributable to:		
Equity holders of the parent	3,868	(1,004)
Non- controlling interests	66	72
	3,934	(932)
Basic earnings/(loss) per share	17.50 pence	(4.86) pence
Diluted earnings/(loss) per share	16.57 pence	(4.86) pence

Produce Investments plc

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the 26 weeks ended 28 December 2013

	2013 £'000	2012 £'000
Profit/(loss) for the 26 weeks	3,934	(932)
Total comprehensive income for the 26 weeks, net of tax	3,934	(932)
Attributable to:		
Equity holders of the parent	3,868	(1,004)
Non- controlling interests	66	72
	3,934	(932)

Produce Investments plc

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 28 December 2013

	Notes	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	28,085	27,015
Intangible assets		16,549	15,622
Investment in an associate		238	233
Deferred tax assets		1,476	1,949
		46,348	44,819
Current assets			
Inventories		15,851	14,747
Biological assets		15,609	10,250
Trade and other receivables		20,746	25,564
Prepayments		2,017	1,751
Cash and short-term deposits	*11*	650	973
		54,873	53,285
Total assets		101,221	98,104
EQUITY AND LIABILITIES			
Equity			
Equity share capital	*9*	15,908	18,573
Other capital reserves		6,227	3,500
Retained earnings		13,839	4,481
Equity attributable to equity holders of the parent		35,974	26,554
Non-controlling interests		235	150
Total equity		36,209	26,704
Non-current liabilities			
Interest-bearing loans and borrowings	*11*	19,500	25,000
Other non-current financial liabilities		66	-
Deferred revenue		175	150
Pensions and other post employment benefit obligations	*12*	4,390	4,144
Deferred tax liability		5,329	4,540
		29,460	33,834
Current liabilities			
Trade and other payables		31,611	34,389
Interest-bearing loans and borrowings	*12*	2,500	2,000
Deferred revenue		155	247
Income tax payable		1,286	930
		35,552	37,566
Total liabilities		65,012	71,400
Total equity and liabilities		101,221	98,104

Produce Investments plc

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the 26 weeks ended 28 December 2013

	Equity Share capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 June 2012	15,791	3,500	5,871	25,162	78	25,240
(Loss) / Profit and total comprehensive income for period	-	-	(1,004)	(1,004)	72	(932)
Equity dividends paid	-	-	(396)	(396)	-	(396)
Share Issue	2,782	-	-	2,782	-	2,782
Share-based payment transactions	-	-	10	10	-	10
As at 29 December 2012	18,573	3,500	4,481	26,554	150	26,704

	Equity Share capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
As at 29 June 2013	15,844	6,227	10,766	32,837	169	33,006
Profit / (Loss) and total comprehensive income for period	-	-	3,868	3,868	66	3,934
Equity dividends paid	-	-	(805)	(805)	-	(805)
Share Issue	64	-		64	-	64
Share-based payment transactions	-	-	10	10	-	10
As at 28 December 2013	15,908	6,227	13,839	35,974	235	36,209

Produce Investments plc

CONSOLIDATED CONDENSED CASH FLOW STATEMENT (UNAUDITED)

For the 26 weeks ended 28 December 2013

	Note	2013 £'000	2012 £'000
Operating activities			
Profit/(loss) before tax from continuing operations		5,379	(1,237)
Adjustments to reconcile profit before tax for the period to net cash inflow from operating activities			
Depreciation and amortisation		2,134	2,026
Share-based payment transaction expense		10	10
(Gain) on disposal of property, plant and equipment	*8*	-	(8)
Finance costs		405	556
Difference between pension contributions paid and amounts recognised in the income statement		(276)	(276)
Working capital adjustments:			
Decrease/(increase) in trade and other receivables and prepayments		4,350	(7,368)
Increase in inventories		(10,782)	(8,369)
(Decrease)/increase in trade and other payables		(233)	9,062
Increase in deferred revenue		35	205
Income tax paid		(750)	(242)
Net cash inflows arising from operating activities		272	(5,641)
Investing activities			
Acquisition of subsidiary net of cash acquired		-	(12,586)
		-	50
Purchase of property, plant and equipment	*8*	(3,093)	(1,049)
Purchase of Intangible assets		(38)	(17)
Net cash outflows arising from investing activities		(3,131)	(13,602)
Financing activities			
Dividend		(805)	(396)
Proceeds from share issues		64	37
Increase / (Repayment) of bank borrowings		(1,000)	14,180
Interest paid		(405)	(556)
Net cash inflow/(out) arising from financing activities		(2,146)	13,265
Net increase / (decrease) in cash and cash equivalents		(5,005)	(5,978)
Cash and cash equivalents at beginning of period		5,655	6,951
Cash and cash equivalents at end of period		650	973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks ended 28 December 2013

1. General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Produce Investments plc, Greenvale AP, Floods Ferry Road, Doddington, March, Cambridgeshire, PE15 0UW. The Company is listed on the London Stock Exchange AIM market.

The condensed consolidated interim financial statements of the Group were approved for issue on 21 March 2014. These interim financial results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 29 June 2013 were approved by the Board of Directors on 25 September 2013 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

The condensed consolidated interim financial statements for the 26 weeks ended 28 December 2013 have been prepared on the same basis and using the same accounting policies of the Group from the year ended 29 June 2013. These consolidated interim financial statements have not been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial information and should be read in conjunction with the annual financial statements for the year ended June 2012 which have been prepared in accordance with IFRS as adopted by the EU.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are discussed in the Operating and Financial Review. The Group net debt position is highlighted in note 11 of the condensed consolidated interim financial statements. The interim information contained in these condensed interim financial statements is unaudited. The Directors report that having reviewed current performance and forecast they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the period ended 29 June 2013, as described in those annual financial statements.

There has been no impact on the Group's financial position or performance from new and amended IFRS and IFRIC interpretations mandatory as of 29 June 2013.

4. Operating segment information

Management have determined the operating segments based on the reports utilised by the directors that are used to make strategic decisions. These are split as follows:

- Fresh
- Processing
- Other

Fresh comprises the sites, staff and assets that grow, source, pack and deliver fresh potatoes to customers, ranging from large retailers, wholesalers to small private businesses. As an element of raw material is not suitable for this purpose it also includes any supplementary sales achieved. Also included under the fresh segment are the operational activities of Rowe Farming. These cover the growing, packing and selling of both early season fresh potatoes and daffodil flowers and bulbs.

Processing comprises the staff and assets that supply pre-prepared potato products which are ultimately sold as ingredients for food manufacturers.

Other comprises seed sales for both the UK and export, traded volume where Greenvale acts as an intermediary between the farmer and the end customer taking a small margin to cover costs, and all sales activities of Restrain Company Limited, a 70% owned subsidiary that provides ethylene based storage solutions for potatoes and onions. No element within 'other' is large enough to require additional segmentation.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.
Inventory procurement, receivables and payables are managed centrally and as a result assets and liabilities are managed at Group level. Consequently, no segmental analysis of these items is presented.

4. Operating segment information (continued)

26 weeks ended 28 December 2013

	Fresh	Processing	Other	Total
	£'000	£'000	£'000	£'000
Revenue	71,126	4,784	13,691	89,601
Depreciation and amortisation	(1,567)	(331)	(236)	(2,134)
Other operating costs	(63,274)	(4,454)	(13,955)	(81,683)
Operating profit/(loss)	**6,285**	**(1)**	**(500)**	**5,784**
Costs not allocated:				
Finance costs				(405)
Profit before tax				**5,379**
Capital expenditure	(2,113)	(574)	(406)	(3,093)
Development costs			(38)	(38)

26 weeks ended 29 December 2012

	Fresh	Processing	Other	Total
	£’000	£’000	£’000	£’000
Revenue	69,928	3,814	15,933	89,675
Depreciation and amortisation	(1,426)	(301)	(299)	(2,026)
Gain on disposal of fixed assets	8	-	-	8
Other operating costs	(68,799)	(3,447)	(16,092)	(88,338)
Operating profit / (loss)	**(289)**	**66**	**(458)**	**(681)**
Costs not allocated:				
Finance costs				(556)
(Loss) before tax				**(1,237)**
Capital expenditure	(701)	(172)	(176)	(1,049)
Development costs	-	-	(17)	(17)

The accounting policies for the segments are the same as those described in the summary of significant accounting policies. The revenues and operating profit / (loss) per reportable segment agree in aggregate to the consolidated totals per the interim financial statements.

4. Operating segment information (continued)

Segmentation of Assets and liabilities

Investments in associates are not segmented. Such items are managed at board level and are not integral to the operations of any of the Group segments.

Other non current financial assets and liabilities are not segmented. Such items are managed at board level with the support of the Group central services team. These items are not integral to the operations of any of the Group segments.

No segmentation is presented in respect of receivables, payables and cash. The Group central services team manages Group treasury, cashflow, payables and receivables independently from the operating segments.

Taxation matters are managed by the Group central services team and are not segmented.

Inventories and biological assets are managed centrally by the Group procurement team. Inventories are usually stored at a Group location most appropriate for the supplier to deliver the goods to, usually the closest geographical location to the supplier. The inventories are then used in the delivery of goods and services to all segments within the Group.

The Group central services team coordinates prepayments, accruals and provisions and these are not segmented.

The deferred revenue is managed by the central services team. All deferred revenue relates to the ‘other’ segment.

Intangible assets

	2013 £'000	**2012 £'000**
Fresh	6,468	5,015
Processing	9,991	10,516
Other	90	91
Total	**16,549**	**15,622**

Property, plant and equipment analysis

	2013 £'000	**2012 £'000**
Fresh	17,358	16,489
Processing	2,510	2,133
Other	1,917	1,733
Unallocated	6,300	6,660
Total	**28,085**	**27,015**

The amounts for items which are not segmented are disclosed in the balance sheet.

4. Operating segment information (continued)

Geographical information

Revenues from external customers

	2013 £'000	2012 £'000
UK	85,370	86,275
Other EU countries	1,704	902
Rest of the world	2,527	2,498
Total revenue per consolidated income statement	89,601	89,675

The revenue information above is based on the location of the customer.

5. Earnings per share

	2013	2012
Profit/(loss) attributable to equity shareholders (£'000)	3,868	(1,004)
Number of ordinary shares for basic eps calculation	22,101,498	20,637,529
Number of options with dilutive effect	1,248,457	1,359,127
Total number of shares for fully diluted eps calculation	23,349,955	21,996,656
Basic (loss)/earnings per share – pence	17.50	(4.86)
Diluted (loss)/earnings per share – pence	16.57	(4.86)

For details relating to the changes in share options and issued equity, please refer to the notes below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks ended 28 December 2013

6. Taxation

Tax in these interim statements has been computed at 25%, which is the anticipated effective tax rate for the year ended 28 June 2014.

7. Dividends

	2013 £000	2012 £000
Dividends paid in period	805	396

In the 26 week period ended 28 December 2013, the directors paid a final dividend of 3.64 pence per share on 30 October 2013. The total cash outflow was £805,000.

On 25 March 2014, the Board approved an interim dividend for the period ended 28 December 2013 of 2.275p per share. This dividend has not been included as a liability as at 28 December 2013, in accordance with IAS 10 ‘Events after the balance sheet date’.

8. Property Plant and equipment

During the 26 weeks ended 28 December 2013, the Group acquired assets with a cost of £3,093,000 (2012: £1,049,000). In addition assets of £3,564,000 were acquired as part of Rowe Farming Ltd acquisition during the 26 weeks to 29 December 2012.

Assets with a net book value of £nil were disposed of by the Group during the 26 weeks ended 28 December 2013 (2012: £43,000), resulting in a net gain on disposal of £nil (2012: £8,000).

9. Issued capital and reserves

	Number of ordinary shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
As at 30 June 2012 (audited)	19,918	199	15,592	15,791
Issued in period	1,868	19	2,763	2,782
As at 29 December 2012	**21,786**	**218**	**18,355**	**18,573**
As at 29 June 2013 (audited)	22,054	220	15,624	15,844
Issued in period	87	1	63	64
As at 28 December 2013	**22,141**	**221**	**15,687**	**15,908**

Between 30 June 2012 and 29 December 2012, 49,980 ordinary shares were issued to various individuals as a result of the exercise of share options. The gross proceeds of additional share issues was £37,000 and these proceeds are included within share capital.

In addition 1,818,182 were issued to the vendors of Rowe Farming Ltd, as part of the consideration.

At 31 December 2012 there were 21,785,895 ordinary shares in issue

Between 30 June 2012 and 28 December 2013, 86,923 ordinary shares were issued to various individuals as a result of the exercise of share options. The gross proceeds of additional share issues was £64,000 and these proceeds are included within share capital.

At 28 December 2013 there were 22,140,851 ordinary shares in issue

All shares carry equal voting rights.

10. Employee share options

No changes have occurred in respect of CSOP schemes that were in existence at 29 June 2013 and disclosed within the financial statements for the period then ended. In respect of options within these existing schemes (and disclosed in the year end financial statements) a charge for the 26 weeks ended 28 December 2013 of £10,000 (2012: £10,000) has been recorded within the income statement.

These interim statements should therefore be read in conjunction with the full year audited financial statements of the Group, which include full IFRS 2 disclosures.

11. Net debt and cash equivalents

Reconciliation of net debt between 30 June 2012 and 29 December 2012

	30 June 2012	Cash flow	Non cash	29 December 2012
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	6,951	(5,978)	-	973
Loans	(11,236)	(15,764)	-	(27,000)
	(4,285)	**(21,472)**	**-**	**(26,027)**

Reconciliation of net debt between 29 June 2013 and 28 December 2013

	29 June 2013	Cash flow	Non cash	28 December 2013
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	5,655	(5,005)	-	650
Loans	(23,000)	1,000	-	(22,000)
	(17,345)	**(4,005)**	**-**	**(21,350)**

Reconciliation to statement of financial position

	28 December 2013	29 December 2012	29 June 2013	30 June 2012
	£'000	**£'000**	**£'000**	**£'000**
Cash and short term deposits	650	973	5,655	6,951
Non current interest bearing loans and borrowings	(19,500)	(25,000)	(20,750)	(9,844)
Current interest bearing loans and borrowings	(2,500)	(2,000)	(2,250)	(1,392)
	(21,350)	**(26,027)**	**(17,345)**	**(4,285)**

12. Pensions

The Group operates a defined benefit pension scheme which is closed to new members and no longer accrues benefits to existing member employees.

There were no changes to the members, their accrued future benefits or the scheme funding arrangements at any time between 29 June 2013 and 28 December 2013. Group management therefore regard the key assumptions, in the medium to long term, as unchanged. Given the highly volatile nature of inflation rates and asset markets in the short term, management conclude that computing an interim valuation on an IAS 19 basis at either 29 December 2012 or 28 December 2013 would not provide significant additional benefit to the reader. Consequently, no actuarial valuation at either interim date has been performed.

The movement in the pension liability of £30,000 in the 52 week period from 30 June 2012 to 29 June 2013 is consistent with the movement presented in these interim statements – i.e. the same movement is assumed between corresponding December periods as June periods. These interim statements should therefore be read in conjunction with the full year audited financial statements of the Group, which include full IAS 19 disclosures.