RNS
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PRODUCE INVESTMENTS PLC
("Produce," "Company" or the "Group")

INTERIM RESULTS

Improvement in operating profit and focus on efficiency improvements

Produce Investments plc, (AIM:PIL) ("Produce," "Company" or the "Group"), a leading operator in the fresh potato and daffodil sectors, is pleased to announce its interim results for the 26 weeks to 26 December 2015.

Key Highlights

- Increase in operating profit (pre–exceptionals) to £3.43m (2014: £2.51m)
- Continued focus on improving operational efficiencies:
    - Improvement in man hours per tonne of over 13% year to date
- Interim dividend per share increased to 2.44p (2014: 2.39p)
- Reduction in net debt to £22.79m (2014: £26.63m)
- Improved visibility and long term arrangements with key customer

Angus Armstrong, Chief Executive, commented:

"The Group has delivered a very satisfactory improvement in operating profit for the first six months of the year. The 2015 crop has yielded 5.4m tonnes compared to 5.74m tonnes in 2014 and 5.58m tonnes in 2013. This is a direct result from the required reduction in area planted, which was down 6.6% compared to last year. As a consequence of this reduction in production, supply and demand are more balanced. Whist the retail markets will always remain challenging they have been relatively stable in terms of both volume and value, compared to recent years. Both of these factors, along with closer alignment to the prevailing market conditions with one of our core customers has resulted in an improvement in performance for the first six months of the year.

As highlighted in the annual report and accounts the company is always trying to align production capacity to forecast sales. Following this review and also taking into account the proximity of the grower base and procurement requirements a decision was taken to close the company's Kent based packing facility. Following a period of consultation this was concluded on the 10 November 2015. Packing in Kent ceased in early December, and all remaining volumes were transferred to our two sites at Floods Ferry and Duns. The team running the process have done an excellent job in difficult circumstances and I am pleased to report that the vast majority of people who were made redundant through the process have managed to secure alternative employment in the area, and we wish them every success in the future.

Following the closure of the site we have transferred both growing and packing equipment to our other growing and packing operations. However it is still necessary to impair the property and equipment to a value of £2.0m which requires a one off non cash impairment charge of £1.87m. In addition to this, redundancy costs and other exceptional charges have been incurred totalling £0.92m, which have been included in exceptional charges in the six months to December 2015. The Company has now engaged local marketing agents to conduct a comprehensive review of sale options for the site.

Following the closure of our Tern Hill facility in August 2014 and a number of investments made at our remaining packing sites we have significantly improved our operational efficiencies, with an improvement in man hours per tonne of over 13% compared with the same period last year. Following the closure of Kent and transfer of remaining volumes we would expect this improvement to continue.

On 13 May 2015 we announced that Swancote Foods, our processing business, experienced a contamination issue relating to traces of metal being found in some product. This resulted in a recall of a number of potato salad and ready meal products. The metal contamination resulted from the failure of an augur in one of our blanchers, which was not subsequently picked up by detection systems and processes further down the supply chain. We continue to work with our insurers to finalise the impact of any uninsured elements and we remain confident that the financial impact will be within the previously communicated range of £0.3m to £1.5m. The cost of the claim will be recorded once all claims are finalised, which we expect to be in our full year results to 25 June 2016. At the time of writing we have installed a new blancher and the site is now back at full operational capacity. We continue to work with our customers to restore order levels to pre-contamination levels.

The Group remains cash generative and is committed to its long term strategy of widening both its product and customer base, creating a more diverse and robust business model for the future.

The Board expects both the market and the retail market to remain challenging. However the market is relatively stable and the recent acquisitions and site rationalisation puts Produce in a more robust position to cope with these pressures. With this stronger business model, the Board remains confident that Produce is well positioned to grow organically and also take advantage of any acquisition opportunities."

A presentation for analysts will be held at 08.45am this morning at Powerscourt's offices, 1 Tudor Street, EC4Y 0AH.

-End-

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Notes to Editors

The Group is a vertically integrated company supplying blue chip customers such as Tesco, Sainsbury, Asda, Waitrose and Marks & Spencer with potatoes and daffodils.
Website: www.produceinvestments.co.uk

Financial review

The Group has delivered a satisfactory improvement in operating profit for the six months to 26 December 2015.

Revenue in the first six months decreased by 2.8% to £78.5m, compared to £80.8m for the comparative period last year. This was driven by lower volumes and sales through Swancote Foods as a consequence of the contamination issue and subsequent product recall. A reduction in the cost of sales to £51.7m from £53.4m was due to lower prices being paid for raw material relating to fixed price contracts agreed with our grower base. The improvement in operational efficiencies resulted in a reduction of administrative and other costs, down to £23.4m, from £24.8m.

As a result of the above operating profit before interest, tax and exceptional items increased by 37% to £3.43m from £2.51m, resulting in an operating profit margin of 4.4% compared to 3.1% for the comparative period last year.

As a result of the closure of our packing facility in Kent a non-cash impairment charge of £1.87m has been included, along with redundancy costs of £0.67m, and other exceptional closure costs of £0.25m. Also included within the exceptional costs are £0.46m to cover restructuring costs relating to Swancote and other exceptional costs. As a result of these exceptional charges the loss before tax for the half year was £0.20m (2014: profit £1.95m) and basic earnings per share were (0.79) pence per share (2014: 5.28 pence per share).
Adjusted basic and diluted earnings per share (before exceptional costs) equate to 8.91 and 8.51 pence per share respectively (2014: 5.81 and 5.54 pence per share respectively)

Net debt decreased to £22.79m (2014: £26.63m) as the Group continues to generate cash and pay down long term debt. This leaves comfortable headroom in facilities available. We would expect net debt to be lower for the full year as stocks of daffodils and potatoes are consumed prior to the year end.

Dividends

The Board remains confident that the Company will meet market expectations for the full year and has approved an interim dividend of 2.44 pence per share (2014: 2.39 pence per share). This will be paid on 22 April 2016 to shareholders on the register at close of business on 8 April 2016. The shares will trade ex-dividend on 7 April 2016.

Operational Review

Produce continues to align capacities and costs against forecast sales. Whilst the market has returned to relative stability compared to the last couple of years, since the adverse weather conditions experienced in 2012, Produce has taken steps to remove excess capacity and ensure the Group is best placed for the future. We have not been afraid to take difficult decisions and the closure of two of our four packing facilities, Tern Hill and Kent, demonstrates this. We are currently exploring options for the sale and disposal of our site in Kent and are confident of reaching a conclusion which will bring maximum value to the Group.

As a result of this site rationalisation and as a consequence of the investments made during 2014 and 2015 our operational efficiencies continue to improve. In the half year to December man hours per tonne packed are better than last year by 13% and with the closure of Kent in December this figure is expected to improve further.

Integration of the Jersey Royal Company Ltd, acquired in May 2014 is complete. Planting for the coming season is progressing well and is nearing completion. Commercial programmes have been finalised with all customers and we are confident of achieving an improved result in 2016 compared to that of 2015, which was disappointing due to the lower average summer temperatures which impacted sales at the end of the season.

The relatively mild winter weather has resulted in an early harvest for daffodils in Cornwall. Sales in January and February are well ahead of last year and the business has done extremely well to pick the crop in some fairly challenging conditions. Easter is early and the acquisition of bulb stock from a local farming operation last December will result in increased volumes versus last year.

As a result of the metal contamination at Swancote Foods, our processing business, it was necessary to order and install a new blancher. The lead time for this specialist piece of equipment was longer than envisaged and commissioning issues added to this delay. However, the new blancher is now installed, commissioned and brings the site back up to full operating capacity. We are now working hard with our customer base to restore volumes to prior levels and given the USP of the product and the site we are confident of achieving this in the near future.

Looking ahead, early indications point to the planted area for the 2016 growing season being at a similar level to that of 2015. I am pleased to report that at the time of writing the volume performance of fresh potato sales is relatively stable, which is a big improvement over the last couple of years, though the retail environment will no doubt remain as challenging as ever.

The Group remains cash generative and remains committed to its long term strategy of widening both its product and customer base.

Principal risks and uncertainties

The Group set out in its 2015 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 Board expects the market, and the retail environment to remain challenging. However the recent acquisitions, site rationalisation and new supply contract model with one of its core customers mean the Group is better placed to deal with these pressures. Produce has a stronger business model as a result of these management actions and, as such, the Board remains confident that the Company is well positioned to grow both organically and through appropriate and timely acquisitions.

Barrie Clapham
Non-Executive Chairman

Angus Armstrong
Chief Executive

15.03.2016

CONSOLIDATED CONDENSED INCOME STATEMENT (UNAUDITED)

For the 26 weeks ended 26 December 2015

	Notes	2015 £'000	2014 £'000
CONTINUING OPERATIONS			
Revenue	4	78,531	80,757
Cost of sales		(51,656)	(53,431)
Gross profit		26,875	27,326
Administrative and other operating expenses		(23,441)	(24,819)
Operating profit, before interest and exceptional items		3,434	2,507
Exceptional Items	4	(3,248)	(180)
Finance costs		(384)	(379)
(Loss) / Profit before tax		(198)	1,948
Income tax credit / (charge)	6	40	(404)
(Loss) / Profit after tax		(158)	1,544
Attributable to:			
Equity holders of the parent		(211)	1,404
Non- controlling interests		53	140
		(158)	1,544
Basic earnings per share	5	(0.79) pence	5.28 pence
Diluted earnings per share	5	(0.79) pence	5.03 pence

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the 26 weeks ended 26 December 2015

	2015 £'000	**2014 £'000**
(Loss) / Profit for the period	(158)	1,544
Total comprehensive income for the period, net of tax	(158)	1,544
Attributable to:		
Equity holders of the parent	(211)	1,404
Non- controlling interests	53	140
	(158)	1,544

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 26 December 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	36,578	39,057
Intangible assets		16,356	16,886
Investment in an associate		250	250
Deferred tax assets		1,533	1,770
		54,717	57,963
Current assets			
Inventories		16,849	16,352
Biological assets		17,061	17,994
Trade and other receivables		21,871	25,504
Prepayments		2,630	2,458
Cash and short-term deposits	*11*	927	583
		59,338	62,891
Total assets		114,055	120,854
EQUITY AND LIABILITIES			
Equity			
Equity share capital	*9*	21,928	21,815
Other capital reserves		10,228	10,228
Retained earnings		17,364	16,525
Equity attributable to equity holders of the parent		49,520	48,568
Non-controlling interests		505	483
Total equity		50,025	49,051
Non-current liabilities			
Interest-bearing loans and borrowings	*11*	5,500	13,750
Other non-current financial liabilities		1,517	489
Deferred revenue		65	171
Pensions and other post employment benefit obligations	*12*	5,805	5,003
Deferred tax liability		5,542	4,900
		18,429	24,313
Current liabilities			
Trade and other payables		27,008	32,303
Interest-bearing loans and borrowings	*11*	18,221	13,460
Deferred revenue		70	173
Income tax payable		302	1,554
		45,601	47,490
Total liabilities		64,030	71,803
Total equity and liabilities		114,055	120,854

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the 26 weeks ended 26 December 2015

	Equity Share capital	**Other capital reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
	£'000	£'000	£'000	£'000	£'000	£'000
As at 28 June 2014	21,731	10,228	16,321	48,280	343	48,623
Profit and total comprehensive income for the period	-	-	1,404	1,404	140	1,544
Equity dividends paid	-	-	(1,210)	(1,210)	-	(1,210)
Share issue	84	-	-	84	-	84
Share-based payment transactions	-	-	10	10	-	10
As at 27 December 2014	21,815	10,228	16,525	48,568	483	49,051

	Equity Share capital	**Other capital reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
	£'000	£'000	£'000	£'000	£'000	£'000
As at 27 June 2015	21,865	10,228	18,855	50,948	452	51,400
Profit and total comprehensive income for the period	-	-	(211)	(211)	53	(158)
Equity dividends paid	-	-	(1,280)	(1,280)	-	(1,280)
Share issue	63	-	-	63	-	63
Share-based payment transactions	-	-	-	-	-	-
As at 26 December 2015	21,928	10,228	17,364	49,520	505	50,025

CONSOLIDATED CONDENSED CASH FLOW STATEMENT (UNAUDITED)

For the 26 weeks ended 26 December 2015

	Note	2015 £'000	2014 £'000
Operating activities			
(Loss) / Profit before tax from continuing operations		(198)	1,948
Adjustments to reconcile profit before tax for the period to net cash inflow from operating activities			
Depreciation and amortisation		2,269	2,244
Impairment		1,865	-
Share-based payment transaction expense		-	10
Loss on disposal of property, plant and equipment	*8*	30	92
Finance costs		384	379
Difference between pension contributions paid and amounts recognised in the income statement		(258)	(276)
Working capital adjustments:			
Decrease in trade and other receivables and prepayments		6,016	2,408
Increase in inventories		(6,848)	(8,061)
(Decrease)/increase in trade and other payables		(1,735)	3,208
(Decrease) in deferred revenue		(90)	(33)
Income tax (paid)/received		(548)	180
Net cash inflows arising from operating activities		887	2,099
Investing activities			
Proceeds from sale of property, plant and equipment		-	23
Purchase of property, plant and equipment	*8*	(1,667)	(2,704)
Purchase of Intangible assets		(11)	(22)
Net cash outflows arising from investing activities		(1,678)	(2,703)
Financing activities			
Dividends paid to equity shareholders of parent		(1,280)	(1,210)
Proceeds from share issues		63	84
Drawdown of bank borrowings		557	451
Interest paid		(384)	(379)
Net cash outflows arising from financing activities		(1,044)	(1,054)
Net (decrease) in cash and cash equivalents		(1,835)	(1,658)
Cash and cash equivalents at beginning of period		2,762	2,241
Cash and cash equivalents at end of period		927	583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks ended 26 December 2015

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 15 March 2016. 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 27 June 2015 were approved by the Board of Directors on 7 October 2015 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 26 December 2015 have been prepared on the same basis and using the same accounting policies of the Group from the year ended 27 June 2015. 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 2015 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 27 June 2015, 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 27 June 2015.

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. Jersey Royal potato activity is also included in the fresh segment.

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 26 December 2015

	Fresh £’000	**Processing £’000**	**Other £’000**	**Total £’000**
Revenue	63,045	2,256	13,230	78,531
Depreciation and amortisation	(1,638)	(385)	(246)	(2,269)
Loss on disposal of fixed assets	(30)	-	-	(30)
Other operating costs	(57,531)	(2,378)	(12,889)	(72,798)
Operating profit / (loss)	**3,846**	**(507)**	**95**	**3,434**
Costs not allocated:				
Exceptional Items				(3,248)
Finance costs				(384)
Loss before tax				**(198)**
Capital expenditure	(687)	(338)	(642)	(1,667)
Development costs	-	-	(11)	(11)

26 weeks ended 27 December 2014

	Fresh £’000	**Processing £’000**	**Other £’000**	**Total £’000**
Revenue	65,805	3,543	11,409	80,757
Depreciation and amortisation	(1,673)	(353)	(218)	(2,244)
Loss on disposal of assets	(92)	-	-	(92)
Other operating costs	(61,252)	(3,382)	(11,280)	(75,914)
Operating profit / (loss)	**2,788**	**(192)**	**(89)**	**2,507**
Costs not allocated:				
Exceptional Items				(180)
Finance costs				(379)
Profit before tax				**1,948**
Capital expenditure	(2,213)	(174)	(317)	(2,704)
Development costs	-	-	(22)	(22)

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.

The Exceptional Items relate to the impairment and redundancy costs for the closure of the Kent packing facility, along with the losses and restructuring costs incurred as a result of the product recall following the metal contamination incident at our processing business, Swancote Foods.

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

	2015 £'000	2014 £'000
Fresh	7,286	7,270
Processing	8,982	9,507
Other	88	109
Total	**16,356**	**16,886**

Property, plant and equipment analysis

	2015 £'000	2014 £'000
Fresh	25,299	28,489
Processing	2,525	2,628
Other	3,174	2,000
Unallocated	5,580	5,940
Total	**36,578**	**39,057**

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

	2015 £'000	2014 £'000
UK	74,636	76,866
Other EU countries	1,451	1,321
Rest of the world	2,444	2,570
Total revenue per consolidated income statement	78,531	80,757

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

5. Earnings per share

	2015	2014
(Loss) / Profit attributable to equity shareholders (£'000)	(211)	1,404
Number of ordinary shares for basic eps calculation	26,788,181	26,599,975
Number of options with dilutive effect	1,279,863	1,358,201
Total number of shares for fully diluted eps calculation	28,068,044	27,958,176
Basic earnings per share – pence	(0.79)	5.28
Diluted earnings per share – pence	(0.79)	5.03
Adjusted basic earnings per share – pence	8.91	5.81
Adjusted diluted earnings per share – pence	8.51	5.54

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

6. Taxation

Tax in these interim statements has been computed at 20.00%, which is the anticipated effective tax rate for the year ended 25 June 2016.

7. Dividends

	2015 **£000**	**2014** **£000**
Dividends paid in period	1,280	1,210

In the 26 week period ended 26 December 2015, the directors paid a final dividend of 4.775 pence per share on 3 November 2015. The total cash outflow was £1,280,000.

On 15 March 2016, the Board approved an interim dividend for the period ended 26 December 2015 of 2.44p per share. This dividend has not been included as a liability as at 26 December 2015, in accordance with IAS 10 ‘Events after the balance sheet date’.

8. Property Plant and equipment

During the 26 weeks ended 26 December 2015, the Group acquired assets with a cost of £1,667,000 (2014: £2,704,000).

The premises in Kent, acquired as part of the Jersey Royal Potato Company acquisition, and where the operation ceased in December 2015, have been impaired to a book value of £2.0million, resulting in an exceptional charge of £2.115m.

9. Issued capital and reserves

	Number of ordinary shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
As at 28 June 2014 (audited)	26,546	265	21,466	21,731
Issued in period	115	1	83	84
As at 27 December 2014	**26,661**	**266**	**21,549**	**21,815**
As at 28 June 2015 (audited)	26,753	267	21,598	21,865
Issued in period	85	1	62	63
As at 26 December 2015	**26,838**	**268**	**21,660**	**21,928**

Between 28 June 2015 and 26 December 2015, 84,937 ordinary shares were issued to various individuals as a result of the exercise of share options. The gross proceeds of additional share issues were £63,000 and these proceeds are included within share capital.

At 26 December 2015 there were 26,837,918 ordinary shares in issue.

Between 28 June 2014 and 27 December 2014, 114,059 ordinary shares were issued to various individuals as a result of the exercise of share options. The gross proceeds of additional share issues were £84,000 and these proceeds are included within share capital

At 27 December 2014 there were 26,660,672 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 28 June 2015 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 26 December 2015 of £nil (2014: £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 28 June 2014 and 27 December 2014

	28 June 2014	Cash flow	Non cash	27 December 2014
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,241	(1,658)	-	583
Loans	(26,759)	(451)	-	(27,210)
	(24,518)	**(2,109)**	**-**	**(26,627)**

Reconciliation of net debt between 28 June 2015 and 26 December 2015

	28 June 2015	Cash flow	Non cash	26 December 2015
	£'000	£'000	£'000	£'000
Cash and cash equivalents	2,762	(1,835)	-	927
Loans	(23,480)	(241)	-	(23,721)
	(20,718)	**(2,076)**	**-**	**(22,794)**

Reconciliation to statement of financial position

	26 December 2015	27 December 2014	27 June 2015	28 June 2014
	£'000	£'000	£'000	£'000
Cash and short term deposits	927	583	2,762	2,241
Non current interest bearing loans and borrowings	(5,500)	(13,750)	(7,000)	(15,250)
Current interest bearing loans and borrowings	(18,221)	(13,460)	(16,480)	(11,509)
	(22,794)	**(26,627)**	**(20,718)**	**(24,518)**

The current interest bearing loans and borrowings includes £8,409,000 (2014: £8,216,000) relating to an Invoice Finance facility secured on the sales ledgers of Greenvale AP Ltd and Rowe Farming Ltd, both of which are subject to a six month notice period. Also included is an overdraft facility of £1,753,000 (2014: £2,244,000), repayable on demand.

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 28 June 2015 and 26 December 2015. 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 27 December 2014 or 26 December 2015 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 £784,000 in the 52 week period from 28 June 2014 to 27 June 2015 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.