ELECTRONIC TRANSMISSION DISCLAIMER

STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached document and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached prospectus (the "Prospectus") relating to Bakkavor Group plc (the "Company") dated 10 November 2017 accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Prospectus is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached Prospectus to any other person. The Prospectus has been prepared solely in connection with the proposed offer to certain institutional and professional investors (the "Offer") of ordinary shares (the "Shares") of the Company. The Prospectus has been published in connection with the admission of the Shares to the premium segment of the Official List of the UK Financial Conduct Authority (the "Financial Conduct Authority") and to trading on the London Stock Exchange plc's main market for listed securities (together, "Admission"). The Prospectus has been approved by the Financial Conduct Authority as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA. The Prospectus has been published and is available from the Company's registered office and on the Company's website at www.bakkavor.com/investors/ipo-information/2017. Pricing information and other related disclosures are expected to be published on this website. Prospective investors are advised to access such information prior to making an investment decision.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE OF THE UNITED STATES OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") ("RULE 144A"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB AS DEFINED IN, OR IN RELIANCE ON, RULE 144A, OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

CANADIAN INVESTORS ARE ADVISED THAT THIS EMAIL AND THE DOCUMENT ATTACHED HERETO MAY ONLY BE TRANSMITTED IN THOSE JURISDICTIONS IN CANADA AND TO THOSE PERSONS WHERE AND TO WHOM THEY MAY BE LAWFULLY OFFERED FOR SALE, AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. THE DOCUMENT ATTACHED HERETO IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING IN CANADA. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THE DOCUMENT ATTACHED HERETO OR THE MERITS OF THE SECURITIES DESCRIBED THEREIN AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE DISTRIBUTION OF THE SECURITIES CONTAINED IN THE DOCUMENT ATTACHED HERETO IS BEING MADE ON A PRIVATE PLACEMENT BASIS ONLY AND IS EXEMPT FROM THE REQUIREMENT THAT THE COMPANY PREPARE AND FILE A PROSPECTUS WITH THE RELEVANT CANADIAN SECURITIES REGULATORY AUTHORITIES.

ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This electronic transmission and the attached Prospectus and the Offer when made are only addressed to and directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ("Qualified Investors"). In addition, in the United Kingdom, this electronic transmission and the attached Prospectus is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to

as "relevant persons"). This electronic transmission and the attached Prospectus must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this Prospectus relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

Confirmation of Your Representation: This electronic transmission and the attached Prospectus is delivered to you on the basis that you are deemed to have represented to the Company, those selling shares in the Company in the Offer and HSBC Bank plc, Morgan Stanley & Co. International plc, Barclays Bank PLC, Citigroup Global Markets Limited, Coöperatieve Rabobank U.A. and Peel Hunt LLP (collectively, the "Banks") that (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB or (b) acquiring such securities in "offshore transactions", as defined in, and in reliance on, Regulation S under the Securities Act; (ii) if you are in the UK, you are a relevant person, and/or a relevant person who is acting on behalf of, relevant persons in the United Kingdom and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the United Kingdom or the EEA; (iii) if you are in any member state of the European Economic Area other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of, Qualified Investors or relevant persons, to the extent you are acting on behalf of persons or entities in the EEA or the UK; and (iv) you are an institutional investor that is eligible to receive this Prospectus and you consent to delivery by electronic transmission.

For investors in British Columbia, Alberta, Ontario and Quebec (the "Relevant Provinces"): You acknowledge and agree that: (a) the securities described in the attached document are only being distributed to investors located or resident in the Relevant Provinces; (b) you are (i) an "accredited investor" as such term is defined in National Instrument 45-106 *Prospectus Exemptions* or, in Ontario, as such term is defined in section 73.3(1) of the *Securities Act* (Ontario), as applicable; (ii) you are a "permitted client" as such term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*; and (iii) you are not an individual; and (c) where required by law, you are either participating in the offering as principal for your own account or are deemed to be participating in the offering as principal in accordance with applicable law and not as agent for the benefit of another person.

You are reminded that you have received this electronic transmission and the attached Prospectus on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this Prospectus, electronically or otherwise, to any other person. This Prospectus has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Banks, the Financial Adviser nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version. By accessing the attached Prospectus, you consent to receiving it in electronic form. None of the Banks, the Financial Adviser nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Shares. The Banks, the Financial Adviser and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Banks, the Financial Adviser or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in the attached Prospectus.

Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

The Banks and the Financial Adviser are acting exclusively for the Company and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the attached document.

You are responsible for protecting against viruses and other destructive items. Your receipt of this document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PROSPECTUS

Bakkavor Group plc

November 2017

BAKKAVOR

BAKKAVOR

PROSPECTUS NOVEMBER 2017

This document comprises a prospectus (the "Prospectus") for the purposes of Article 3 of European Union Directive 2003/71/EC, as amended (the "Prospectus Directive") relating to Bakkavor Group plc (the "Company") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "FCA") made under section 73A of the Financial Services and Markets Act 2000, as amended (the "FSMA"). The Prospectus will be made available to the public in accordance with the Prospectus Rules.

Application will be made to the FCA for all of the ordinary shares of the Company (the "Shares") issued and to be issued in connection with the Offer to be admitted to the premium listing segment of the Official List of the FCA and to London Stock Exchange plc (the "London Stock Exchange") for all of the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (the "Main Market") (together, "Admission"). It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on 16 November 2017. **No application is currently intended to be made for the Shares to be admitted to listing or dealt with on any other exchange. The new Shares issued by the Company will rank pari passu in all respects with the existing Shares.**

The directors of the Company, whose names appear on page 34 of this Prospectus (the "Directors"), and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Prospective investors should read this Prospectus in its entirety and, in particular, are advised to examine all the risks that are relevant in connection with an investment in the Shares. See in Part 1—"Risk Factors" for a discussion of certain risks and other factors that should be considered prior to any investment in the Shares.

Bakkavor Group plc

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 10986940)

Offer of 144,856,397 Shares
at an Offer Price of 180 pence per Share
and admission to the premium listing segment of the Official List
and to trading on the Main Market of the London Stock Exchange

Joint Global Co-ordinator, Joint Bookrunner and Sponsor

HSBC

Joint Global Co-ordinator, Joint Bookrunner

Morgan Stanley

Joint Bookrunners

Barclays **Citigroup** **Peel Hunt**

Lead Manager

Rabobank

Financial Adviser

Rothschild

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Issued and fully paid

Number	Nominal Value
579,425,585	**£0.02**

Each of HSBC Bank plc ("HSBC"), Morgan Stanley & Co. International plc ("Morgan Stanley"), Barclays Bank PLC ("Barclays"), Citigroup Global Markets Limited ("Citigroup"), authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, Coöperatieve Rabobank U.A. ("Rabobank"), authorised by De Nederlandsche Bank, Netherlands and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority, and Peel Hunt LLP ("Peel Hunt"), authorised and regulated in the United Kingdom by the Financial Conduct Authority (the "Banks" or the "Underwriters") and N M Rothschild & Sons Limited ("Rothschild" or the "Financial Adviser"), authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Company and no one else in connection

with the Offer. None of the Banks or the Financial Adviser will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or any transaction, matter, or arrangement referred to in this Prospectus. None of the Banks nor the Financial Adviser nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Offer. Each of the Banks, the Financial Adviser and each of their respective affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Banks, the Financial Adviser or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Notice to overseas shareholders

The distribution of this Prospectus and the offer and sale of the Shares in certain jurisdictions may be restricted by law.

The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "US Securities Act"). The Shares offered by this Prospectus may not be offered or sold in the United States, except to qualified institutional buyers ("QIBs"), as defined in, and in reliance on, the exemption from the registration requirements of the US Securities Act provided in Rule 144A under the US Securities Act ("Rule 144A") or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Prospective investors are hereby notified that the sellers of the Shares may be relying on the exemption from the provisions of section 5 of the US Securities Act provided by Rule 144A. The Shares have not been recommended by any US federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

No action has been or will be taken by the Company, the Selling Shareholders, the Banks or the Financial Adviser to permit a public offering of the Shares under the applicable securities laws of any jurisdiction. The Shares have not been and will not be registered under the applicable securities laws of any jurisdiction, including Australia, Canada or Japan. Subject to certain exceptions, the Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada or Japan. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Available information

For so long as any of the Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the "US Exchange Act"), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of an Ordinary Share, or to any prospective purchaser of an Ordinary Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act.

Contents

Summary

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A-E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

SECTION A – INTRODUCTION AND WARNINGS	
A.1	***Warning*** This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and applied its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	***Subsequent resale of securities or final placement of securities through financial intermediaries*** Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

SECTION B – ISSUER	
B.1	***Legal and commercial name*** Bakkavor Group plc (the "Company").
B.2	***Domicile and legal form*** The Company is a public limited company, incorporated and registered in England and Wales on 28 September 2017 as a public company limited by shares under the Act with the name Diamond Newco plc and with the registered number 10986940. On 9 October 2017, the Company changed its name to Bakkavor Group plc.
B.3	***Current operations and principal activities*** Bakkavor is the leading provider of fresh prepared food ("FPF") in the United Kingdom and has a growing international presence in the United States and China. The Group develops and produces innovative fresh prepared food products for a variety of occasions and budgets and is the number one producer by market share in the UK in each of the four fresh prepared food product categories: Meals, Salads, Desserts and Pizza & Bread. In partnership with some of its long-standing retailer customers, the Group has helped to develop and grow the fresh prepared food market in the United Kingdom, and today, the United Kingdom is one of the largest and most dynamic fresh prepared food markets in the world. The Group's customers include some of the United Kingdom's most reputable and well-known grocery retailers, which sell the Group's products to consumers under their respective brands. According to OC&C analysis,

	the Group held a 30% share of the UK FPF market by revenue in 2016. As of FY 2016, Bakkavor had a manufacturing network of 25 factories and three distribution centres in the UK dedicated to FPF, three factories and one under construction in the United States and 8 factories and one under construction in China. The Group's UK operations generated £1,589.9 million, or £1,563.7 million on a 52 week basis, in revenue from continuing operations and the Group's international operations generated £173.7 million, or £171.7 million on a 52 week basis, in revenue from continuing operations in FY 2016. In FY 2016, the Group's revenue from continuing operations was £1,763.6 million, with an Adjusted EBITDA of £146.4 million.
B.4a	***Significant recent trends affecting the Group and the industry in which it operates*** Bakkavor operates in the FPF market. In the UK and the US, the Group serves grocery retailers and focuses primarily on private label to support retailers in differentiating their brands. In China, the Group focuses on serving Western foodservice operators. The UK FPF market, as defined by OC&C, is a sub-set of the fresh & chilled market. The FPF market grew at a CAGR of 4.4% between 2014 through 2016. Growth was largely driven by volumes, which increased by 4.7% in 2015 and 5.0% in 2016, whereas prices fell by 0.7% in 2015 and 0.3% in 2016. The FPF market is forecast to continue to outperform the fresh & chilled and grocery markets. The out-performance of the FPF market compared to total grocery market has been driven by a number of well-established, long-term consumer trends and retailer support. • *Convenience*: Macro-demographic trends, such as the rise of single person households, have driven a shift towards convenience. This is reflected in an increase in individuals being too busy to spend time cooking and thus choosing meals at the last minute, which has also led to an increase in the frequency of shopping trips per annum. The major retailers have responded to consumer demand by increased investment into the convenience format stores, growing the total number of convenience stores by 32% (from 3,173 to 4,177 convenience stores) between 2012 and 2016. • *Retailer commitment to FPF*: Major retailers have made public statements indicating their commitment to FPF, using the category as a way to communicate quality and differentiate themselves against competitors. Across total packaged foods, frozen grocery and FPF, private label products accounted for 36%, 44% and 94% of sales, respectively, in 2016. Private label, as opposed to branded products, is popular in the FPF market because it allows grocers to differentiate themselves with their products, which means it is difficult to price-compare product lines and ranges across retailers, providing greater pricing flexibility and generating higher margins for the retailers. Bakkavor US operates in the Meals category, which consists of Ready Meals, Dips, and Soups & Sauces. The Directors estimate that the Meals category generated approximately $7 billion in retail sales in the US in 2016. The Directors estimate that the Meals category grew at a CAGR of approximately 8% from 2011 through 2016 and believes that the category will continue to grow at a CAGR of 9% from 2016 through 2019. This growth is facilitated by significant under-penetration of the Meals category in the US on a value per capita basis compared to the UK (US penetration is about 1/3rd of the UK's) and driven by macro consumer trends, such as preference for high-quality, fresh, healthy and convenient food. Bakkavor operates in China as a supplier to Western foodservice operators. The Western Chained Foodservice market in China nearly doubled from 2011 through 2016, according to Euromonitor, which estimated the Retail Sales Value ("RSV") of this market to have totalled £19 billion in 2016. Going forward, Euromonitor has forecast the Western Chained Foodservice market to grow at a CAGR[1] of 10% between 2016 and 2019. This growth will be driven by the continuing

1 Western Chained Foodservice includes chained 100% delivery, all chained cafés/bars, chained non-Asian fast food and chained non-Asian full service restaurants; market size and growth rate at current GBP and current prices as at the date of the Euromonitor report.

expansion of Western Chained Foodservice restaurants and shops throughout China, with low penetration compared to Western markets.

B.5 ***Group structure***

In connection with and prior to Admission, Bakkavor will undertake a reorganisation of its corporate structure which will result in the Company becoming the ultimate holding company of the Group and BGL becoming the direct subsidiary of the Company (the "Reorganisation").

The effect of the Reorganisation is that the existing shareholders will hold Shares in the same proportions as the ordinary shares of £0.01 each in the capital of BGL, which are currently indirectly held by such shareholders.

B.6 ***Major shareholders***

As at the date of this Prospectus, Bakk AL Holdings Ltd., an entity in which Agust Gudmundsson and Lydur Gudmundsson each own a 50% interest, owns 59.5% and BP-PE5 L.L.C. ("BP-PE5"), an entity managed indirectly by Baupost, owns 40.5% of the issued share capital of the Company.

Immediately following the Offer and Admission, it is expected that Bakk AL Holdings Ltd. will own 50.2% and BP-PE5 will own 24.8% of the issued share capital of the Company.

The Shares owned by Bakk AL Holdings Ltd. and BP-PE5 will rank pari passu with all other Shares in all respects.

B.7 ***Historical financial information***

The selected financial information set out below has been extracted without material adjustment from the historical financial information relating to the Group.

Consolidated Income Statement Data

	Fiscal Year			*H1*	
	2014 (52 weeks)	*2015 (52 weeks)*	*2016 (53 weeks)*	*2016 (26 weeks)*	*2017 (26 weeks)*
			(£ million)		
Continuing Operations					
Revenue	1,633.5	1,674.5	1,763.6	854.5	903.3
Cost of sales	(1,195.2)	(1,214.5)	(1,275.9)	(614.0)	(659.4)
Gross profit	438.3	460.0	487.7	240.5	243.9
Distribution costs	(77.8)	(74.8)	(78.0)	(38.0)	(38.4)
Other administrative costs	(289.2)	(297.0)	(302.8)	(150.8)	(147.1)
Exceptional items	(6.6)	(3.5)	(8.0)	(6.4)	(4.1)
Impairment of assets	(4.1)	–	(8.2)	–	–
Total administrative costs	(299.9)	(300.5)	(319.0)	(157.2)	(151.2)
Profit on disposal of subsidiaries and associates	1.8	5.2	0.1	–	–
Share of results of associates after tax	1.0	0.8	0.7	0.4	0.3
Operating profit	63.4	90.7	91.5	45.7	54.6
Investment revenue	0.3	0.3	0.1	–	–
Finance costs	(53.1)	(55.5)	(38.8)	(21.8)	(27.0)
Other gains and (losses)	1.9	11.7	10.3	0.9	(19.4)
Profit before tax	12.5	47.2	63.1	24.8	8.2
Tax	(2.4)	(8.8)	(12.3)	(3.4)	(0.9)
Profit for the period from continuing operations	10.1	38.4	50.8	21.4	7.3
Discontinued operations					
Profit for the period from discontinued operations	2.7	13.5	0.5	–	–
Profit for the period	**12.8**	**51.9**	**51.3**	**21.4**	**7.3**

Statement of Financial Position Data

	As of				
	27 December 2014	*26 December 2015*	*31 December 2016*	*25 June 2016*	*1 July 2017*
			(£ million)		
Cash and cash equivalents	24.6	97.0	22.5	17.2	37.1
Property, plant and equipment	277.8	281.2	304.5	290.1	308.5
Total assets	**1,240.4**	**1,280.8**	**1,248.5**	**1,223.7**	**1,240.1**
Borrowings due for settlement after 12 months	(485.4)	(465.8)	(371.8)	(391.7)	(400.3)
Total liabilities	**(915.8)**	**(927.3)**	**(869.7)**	**(880.1)**	**(853.5)**
Total equity	**324.6**	**353.5**	**378.8**	**343.6**	**386.6**

Consolidated Statement of Cash Flows Data

	Fiscal Year			H1	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Net cash generated from operating activities	86.4	105.0	112.1	48.3	34.5
Net cash used in investing activities	(37.7)	(30.4)	(64.4)	(24.9)	(22.1)
Net cash used in financing activities	(71.5)	(2.1)	(124.3)	(104.1)	2.7
Net (decrease)/increase in cash and cash equivalents	**(22.8)**	**72.5**	**(76.6)**	**(80.7)**	**15.1**
Net cash and cash equivalents at beginning of the period	47.5	24.6	97.0	97.0	22.5
Effect of foreign exchange rates	(0.1)	(0.1)	2.1	0.9	(0.5)
Net cash and cash equivalents at end of the period	24.6	97.0	22.5	17.2	37.1

Certain significant changes to the Group's financial condition and results of operations occurred during H1 2016 and 2017 and FY 2014, 2015 and 2016. These changes are set out below.

Revenue from continuing operations increased by £48.8 million, or 5.7%, from £854.5 million in H1 2016 to £903.3 million in H1 2017. Revenue from continuing operations increased from £1,633.5 million in FY 2014 to £1,674.5 million in FY 2015 to £1,763.6 million in FY 2016. The increase in revenue is primarily due to increased sales volumes, offset in part by decreases in product prices.

In H1 2017, profit for the period decreased by £14.1 million, or 65.9%, from £21.4 million in H1 2016 to £7.3 million in H1 2017. The Group's finance costs and other gains and (losses) for H1 2017 include the following one off items totalling £30.4 million relating to the Group's refinancing in March 2017:

- Finance costs of £27.0 million for this period include a call premium of £9.9 million and £3.3 million of accelerated amortisation of refinancing fees which related to the redemption of the 2018 and 2020 Senior Secured Notes.
- Other gains and (losses) of £19.4 million for the period include a loss of £17.2 million for the reversal of the mark to market asset held at 31 December 2016 in respect of the call option for the 2020 Senior Secured Notes following the redemption of those Notes in March 2017.

After excluding these significant one off costs for H1 2017, finance costs were £13.8 million and other gains and (losses) were losses of £2.2 million.

Profit for the period increased from £12.8 million in FY 2014 to £51.9 million in FY 2015. Profit for the period was £51.3 million in FY 2016.

Save as set out above, there has been no significant change in the financial condition and results of operations of the Group after the period covered by the historical key financial information of the Group set out in this Prospectus.

B.8 ***Pro forma financial information***

The unaudited pro forma financial information set out below has been prepared to illustrate the impact of the proceeds raised through the Offer on the consolidated net assets of the Group. The Pro forma net assets statement is based on the consolidated net assets of the Group at 1 July 2017 and has been prepared on the basis that the Offer took place on 1 July 2017. The unaudited pro forma financial information is compiled on the basis set out below and in accordance with the accounting policies to be applied in preparing the audited accounts of the Group for the financial year ending 30 December 2017.

Because of its nature, the unaudited pro forma information addresses hypothetical situations and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The unaudited pro forma information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation.

Unaudited condensed pro forma statement of net assets as at 1 July 2017

	Consolidated net assets of the Group as at 1 July 2017[1]	*Adjustments for net proceeds of the Offer*[2]	*Pro forma*[3]
		(£ million)	
Non-current assets			
Goodwill	649.1	–	649.1
Other intangible assets	3.1	–	3.1
Property, plant and equipment	308.5	–	308.5
Interests in associates	12.5	–	12.5
Other investments	0.1	–	0.1
Derivative financial instruments	0.7	–	0.7
Retirement benefit asset	–	–	–
	974.0	–	974.0
Current assets			
Inventories	55.4	–	55.4
Trade and other receivables	171.4	–	171.4
Cash and cash equivalents	37.1	86.0	123.1
Derivative financial instruments	2.2	–	2.2
	266.1	86.0	352.1
Total assets	1,240.1	86.0	1,326.1
Current liabilities			
Trade and other payables	(410.4)	–	(410.4)
Current tax liabilities	(4.3)	–	(4.3)
Borrowings	(0.7)	–	(0.7)
Obligations under finance leases	(0.7)	–	(0.7)
Provisions	(2.2)	–	(2.2)
Derivative financial instruments	(0.7)	–	(0.7)
Deferred income	(0.7)	–	(0.7)
	(419.7)	–	(419.7)

	Consolidated net assets of the Group as at 1 July 2017[1]	Adjustments for net proceeds of the Offer[2]	Pro forma[3]
		(£ million)	
Non-current liabilities			
Trade and other payables	(0.4)	–	(0.4)
Borrowings	(400.3)	–	(400.3)
Obligations under finance leases	(3.6)	–	(3.6)
Provisions	(12.2)	–	(12.2)
Derivative financial instruments	–	–	–
Deferred tax liabilities	(11.5)	–	(11.5)
Retirement benefit obligation	(3.3)	–	(3.3)
Deferred income	(2.5)	–	(2.5)
	(433.8)	–	(433.8)
Total liabilities	(853.5)	–	(853.5)
Net assets	386.6	86.0	472.6

Notes:

(1) The financial information of the Company has been extracted from the historical financial information as at 1 July 2017 as set out under Part 11: "Historical Financial Information" of this Prospectus.

(2) The adjustment reflects the receipt by the Company of net proceeds from the Offer of approximately £86 million of the total gross proceeds from the Offer of approximately £100 million (in each case through the issue of New Ordinary Shares). The fees and expenses relating to the Offer to be paid by the Company are expected to be approximately £14 million.

(3) Other than the adjustments detailed above, no other adjustments have been made for events occurring after 1 July 2017.

B.9 ***Profit forecast***

Not applicable. There is no profit forecast or estimate included in this Prospectus.

B.10 ***Qualifications in the accountants' report on the historical financial information***

Not applicable. There are no qualifications to the accountants' report on the historical financial information.

B.11 ***Insufficient working capital***

Not applicable. In the opinion of the Company, taking into account the net proceeds receivable by the Company from the subscription for New Shares in the Offer, and the bank facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

SECTION C – SECURITIES

C.1 ***Type and class of securities***

Pursuant to the Offer, the Company intends to issue 55,555,555 New Shares, raising proceeds of approximately £86 million, net of underwriting commissions and other estimated fees and expenses to be paid by the Company of approximately £14 million. The New Shares will represent approximately 9.6% of the expected issued ordinary share capital of the Company immediately following Admission.

Approximately 89,300,842 existing ordinary shares (the "Existing Shares") are expected to be sold by the Selling Shareholders.

When admitted to trading, the ordinary shares of the Company (the "Shares") will be registered with ISIN number GB00BF8J3Z99 and SEDOL number BF8J3Z9 and trade under the symbol "BAKK".

C.2	***Currency*** United Kingdom pounds sterling.
C.3	***Issued Share Capital*** As at the date of this Prospectus, the issued share capital of the Company is £50,000.00, comprising 500,000 Shares of 10 pence each, (all of which were fully paid or credited as fully paid). Immediately following Admission, the issued share capital of the Company is expected to be £11,588,512 comprising 579,425,585 Shares of 2 pence each (all of which will be fully paid or credited as fully paid).
C.4	***Rights attaching to the Shares*** The rights attaching to the Shares will be uniform in all respects, and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company. On a show of hands, every holder of Shares in the capital of the Company (each, a "Shareholder") who is present in person shall have one vote and on a poll every Shareholder present in person, or by proxy, shall have one vote per Ordinary Share. Except as provided by the rights and restrictions attached to any class of shares, Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.
C.5	***Restrictions on transfer*** There are no restrictions on the free transferability of the Shares.
C.6	***Admission*** Application will be made to the FCA for all of the Shares, issued and to be issued, to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.
C.7	***Dividend policy*** The Group intends to adopt a progressive dividend policy. For 2018, the Group is targeting a 40% payout ratio of FY 2018 adjusted profit after tax. The Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the annual total dividend. The current intention of the Directors is that the first dividend to be paid by the Company following Admission will be an interim dividend in respect of H1 2018, based on a target payout ratio of 40% of H1 2018 adjusted profit after tax annualised for a full year. The Company may revise its dividend policy from time to time.
SECTION D – RISKS	
D.1	***Key information on the key risks specific to the Company and its industry*** Food safety and the perception by the Group's customers and the general public that the Group's products are safe are essential to the Group's image and business. Adverse developments with respect to the safety or the contents of the Group's products and/or the food industry in general may damage the Group's reputation, increase its costs of operation or decrease demand for its products, and could adversely impact the Group's results and operations. Increasing stringency in health, safety and environmental regulations could result in increased costs and fines for the Group. The Group depends on a small number of customers for the majority of its revenue. During FY 2016, the Group's four largest customers, Tesco, Marks & Spencer, Sainsbury's and Waitrose (the "strategic customers"), represented 78% of its total revenue from continuing operations. The complete or partial loss of business, or a significant worsening of commercial terms, from one or

	several of the Group's strategic customers would adversely affect the Group's business, results of operations, financial condition and prospects. The United Kingdom's anticipated withdrawal from the European Union ("EU") could adversely affect the Group. In FY 2016, 90% of the Group's revenue was generated in the United Kingdom and at FY 2016 end, the Group had approximately 17,000 employees located in the United Kingdom. Worsening economic and market conditions in the UK could result in reduced demand for the Group's products from its customers. In addition, regulatory regimes applicable to the Group may be affected by Brexit, including certain employment regulations, the right of EU citizens to work in the UK, tariffs, procurement and taxation. Higher labour costs could adversely affect the Group's business and future profitability. Furthermore, the weakness of the pound following the Brexit vote has resulted in an increase in the Group's cost of raw materials sourced in currencies other than the pound. The Group is vulnerable to fluctuations in the price and availability of raw materials, packaging materials and freight. If the Group is unable to pass these price increases on to its customers, such fluctuations may have a material adverse effect on the Group's cost of sales and gross profit. The Group buys from a variety of producers and manufacturers and alternative sources of supply are generally available. However, the Group's suppliers must be accredited, a process which takes up to six weeks or more, by both the Group and some of the Group's key customers, which limits the Group's ability to quickly switch to new suppliers. The Group may be adversely impacted by changes in retail and industry structure. Changes in the grocery industry structure may adversely affect the Group's strategic customers and, in turn, adversely affect the Group. Further, the success of the Group's business depends on the continued popularity of the range of products the Group offers through its ability to predict, identify and interpret demand—anticipating the changing tastes and dietary habits of consumers and introducing successful new products to meet their needs. Failure to develop successful and innovative products or to keep up with consumer preferences could adversely affect the Group's business. Damage to the image and reputation of the Group or its customers could also adversely impact the Group. Any significant damage to one of the Group's factories or a breakdown or failure of the Group's information technology systems could cause a production disruption and could have a material adverse effect on the Group's results of operations. Any prolonged and/or significant disruption to the Group's production facilities could adversely affect the Group's operations. A significant production disruption could damage the Group's reputation or force the Group's customers to find alternative suppliers, which could lead to a temporary or permanent loss of business.
D.3	***Key information on the key risks specific to the Shares*** There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained which may adversely affect the liquidity or trading price of the Shares. Moreover, even if a market develops, the Shares could be subject to market price volatility and the market price of the Shares may decline in response to developments that are unrelated to the Company's operating performance, or as a result of sales of substantial amounts of Shares, for example, following expiry of the lock-up period, or the issuance of additional Shares in the future, Shareholders could earn a negative or no return on their investment in the Company. Shareholders in the United States or other jurisdictions may not be able to participate in future equity offerings which could result in dilution of such Shareholders' interests in the Company.
SECTION E – OFFER	
E.1	***Net proceeds and costs of the Offer*** Pursuant to the Offer, the Company intends to issue 55,555,555 New Shares, raising proceeds of approximately £86 million, net of underwriting commissions and other estimated fees and expenses to be paid by the Company of approximately £14 million.

Through the sale of Existing Shares, the Selling Shareholders will raise proceeds of approximately £158 million, net of underwriting commissions of approximately £3 million.

No expenses will be charged by the Company to any investor who subscribes for or purchases Shares pursuant to the Offer.

E.2a

Reasons for the Offer and use of proceeds

The Directors believe that the Offer will:

- provide a partial realisation of the investment in the Group by certain existing shareholders;
- enable further investment in the business; and
- enable the Group to reduce its current leverage.

Proceeds will also be used for general corporate purposes and to pay fees and expenses related to the Offer, which are estimated to total approximately £14 million.

E.3

Terms and conditions of the Offer

The Offer consists of an institutional offer only. In the Offer, Shares will be offered (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States and (ii) in the United States only to QIBs in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

The Shares allocated under the Offer have been underwritten, subject to certain conditions, by the Underwriters. Allocations under the Offer will be determined by Company and the Selling Shareholders following consultation with the Joint Global Co-ordinators. All Shares issued or sold pursuant to the Offer will be issued or sold, payable in full, at the Offer Price.

It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on the London Stock Exchange, at 8.00 a.m. (London time) on 16 November 2017. Settlement of dealings from that date will be on a two-day rolling basis.

The Offer will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement.

E.4

Material interests

There are no interests, including conflicting interests, that are material to the Offer, other than those disclosed in B.6 above.

E.5

Selling Shareholder and Lock-up

(A) Expected interests of the Selling Shareholders immediately prior to and following Admission

The Selling Shareholders comprise (i) Bakk AL Holdings Ltd. and (ii) BP-PE5.

The indicative interests in Shares of the Selling Shareholders immediately prior to Admission, together with their interests in Shares immediately following Admission, are set out in the table below:

	Immediately prior to Admission		*Existing Shares to be sold in the Offer*		*Interests immediately following Admission*[1]	
Shareholders	*Number of Shares*	*Percentage of issued share capital*	*Number of Shares*	*Percentage of issued share capital*	*Number of Shares*	*Percentage of issued share capital*
Bakk AL Holdings Ltd.	311,666,260	59.5	21,000,000	4.0	290,666,260	50.2
BP-PE5	212,203,770	40.5	68,300,842	13.0	143,902,928	24.8

(B) Lock-up arrangements

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators and Peel Hunt, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any

	interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Pursuant to the Underwriting Agreement and related arrangements, the Selling Shareholders and the Directors have agreed that, subject to certain exceptions, during the period of 180 days in respect of the Selling Shareholders, and 365 days in respect of the Directors, in each case from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators and Peel Hunt, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.
E.6	***Dilution*** Pursuant to the Offer, existing Shareholders will experience a 9.6% dilution from the issue of 55,555,555 New Shares (that is, its, his, or her proportionate interest in the Company will drop by 9.6%).
E.7	***Expenses charged to the investor*** Not applicable. No expenses will be charged by the Company or the Selling Shareholders to any investor who subscribes for or purchases Shares pursuant to the Offer.

Part 1

Risk Factors

Any investment in the Shares is subject to a number of risks. Prior to investing in the Shares, prospective investors should carefully consider the risk factors associated with any investment in the Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

Prospective investors should note that the risks relating to the Group, its industry and the Shares summarised in the section of this Prospectus headed "Summary" are the risks that the Directors and the Company believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.

The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations and/or financial condition and, if any such risk should occur, the price of the Shares may decline and investors could lose all or part of their investment. An investment in the Shares involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

Risks relating to the Group's business

Adverse developments with respect to the safety or the contents of the Group's products and/or the food industry in general may damage the Group's reputation, increase its costs of operation or decrease demand for its products

Food safety and the perception by the Group's customers and the general public that the Group's products are safe are essential to the Group's image and business. The Group is subject to food safety risks, and in particular product contamination and the potential cost and disruption of a product recall or withdrawal. The Group maintains systems designed to control food safety and sourcing risks and, because the Group could be implicated by the failure of any of its suppliers to comply with such food safety systems, requires each of its suppliers to also maintain such systems. While the Group endeavours to control the risks related to product quality, security and sourcing through the implementation of, and strict adherence to, the Group's quality standards, the Group cannot guarantee that such risks will not materialise, that it will not be subject to claims or lawsuits relating to an actual or alleged illness or injury stemming from product contamination, or that it will not suffer a loss in customer confidence in the safety and quality of its products and reputational damage.

The Group's products must also comply with strict national and international hygiene regulations. The Group's central technical team routinely inspects the Group's production facilities and warehouses where it operates. A number of these inspections are unannounced to ensure that compliance is consistent at all times. The inspections assess the risk of all of its raw materials for both microbiological and non-microbiological (such as foreign bodies) food safety risks. All of the Group's raw materials are approved either by questionnaire or inspection for compliance. In addition, the Group is subject to inspection by food safety and other authorities, as well as independent bodies, for compliance with applicable food laws and standards. Despite the precautions the Group undertakes, should any non-compliance with food safety regulations be discovered during an inspection, authorities may temporarily shut down the affected warehouse or factory and/or levy a fine in respect of such non-compliance.

Further, the Group's customers also inspect the Group's factories, generally on an annual basis, and score the relevant factory based on its compliance with their criteria for suppliers. These criteria are generally more stringent than those set by food safety regulators and include compliance with protocols for traceability, hygiene, critical control point management and quality control. Although the Group structures its procedures to comply with the criteria imposed by its customers, should any of the Group's facilities score poorly, the Group's customers may cease ordering from the Group and seek other suppliers for their FPF products and factory efficiency could be adversely impacted during a period of recovery and remedy.

The Group is also subject to risks in relation to potential claims for mislabelling, potential product recalls and concerns over food quality and safety affecting the Group or the food industry generally, including risks posed by widespread contamination, evolving nutritional and health-related concerns (for example, concerns about avian flu in relation to chicken) and public apprehension over the robustness of ingredient sourcing and food preparation processes. For example, the media has recently commented on alleged food safety issues at Two Sisters Food Group site D in West Bromwich. Bakkavor sources its raw poultry from a number of suppliers in a number of locations in the UK and overseas, including Two Sisters Food Group ("2SFG"), which is the largest poultry producer in the UK and has many poultry sites. Although as of the date of this Prospectus, the Group does not obtain any supply directly or indirectly from 2SFG site D in West Bromwich (the only site that was reported to have food safety issues in recent media comment), two of the Group's products contained poultry cooked and prepared by other third party suppliers to the Group that those suppliers had sourced from 2SFG site D prior to the media comment. Following the media comment, the relevant third party suppliers have stopped sourcing from 2SFG site D and are now sourcing poultry for these two products from alternative sites.

Additionally, the Group's customers may also voluntarily decide to remove the Group's products from their retail store shelves due to product quality or taste and/or due to consumer complaints, which could result in the Group having to refund the customer's purchase and/or compensate the customer for loss of sales. Although past product recalls and product removals have not had a material effect on the Group's results, there can be no assurance that any future recalls would not have a material adverse effect on the Group's reputation or results. In addition, whilst the Group sells a wide variety of products, any risks, whether actual or perceived, or negative publicity associated with the Group's industry could have a material adverse effect on the Group.

Whilst the Group maintains strict controls regarding authenticity and quality control of the products it manufactures and supplies, routinely inspects its production facilities and audits its suppliers and is subject to regular inspection by food safety and other authorities for compliance with applicable food laws such as traceability and food hygiene, any reputational damage to the Group or the Group's industry as a result of any of the risks described above could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group depends on a small number of customers for the majority of its revenue, in most cases without long-term contracts

Although the Group has longstanding relationships with its largest customers, there can be no guarantee that such relationships will continue to generate the significant volumes of sales in the same manner as they have in the past. During FY 2016, the Group's four largest customers, Tesco, Marks & Spencer, Sainsbury's and Waitrose (the "strategic customers"), represented 78% of its total revenue from continuing operations. Therefore, the complete or partial loss of business from any of these strategic customers could result in a material loss of revenue.

While some elements of the Group's business are governed by long-term contractual agreements with customers, in general, these contracts do not define the absolute or minimum volume of business that a particular customer will require. Although the Group has long-term and symbiotic relationships with its strategic customers, the Group operates in areas where business is undertaken without long-term contracts, and the Group's customers, including certain of these strategic customers, could switch to alternative suppliers. In addition, the Group has made customised infrastructure investments related to its strategic customer relationships. If the Group were to lose one or more of these strategic customers, it may have to re-tool these facilities before they become available to meet other customer demands.

Further, the Group could be negatively impacted by certain actions taken by its strategic customers outside of the Group's control including, but not limited to, a strategic customer:

- losing market share to a competitor that is not a customer of the Group;
- further diversifying its fresh prepared food suppliers;
- developing an exclusive relationship with one of the Group's competitors to produce retailer-branded fresh prepared food products;
- acquiring one of the Group's competitors through vertical integration;
- making demands upon the Group that it is unable or unwilling to meet;
- going to tender with the Group's competitors in an attempt to drive prices down;
- going out of business; or
- deciding to in-source its fresh prepared food supply.

Additionally, the Group's strategic customers may from time to time re-evaluate or refine their business practices and impose new or revised requirements upon their suppliers, including the Group. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. Compliance with the requirements imposed by significant customers may be costly and may have an adverse effect on the Group's results of operations.

The complete or partial loss of business, or a significant worsening of commercial terms, from one or several of the Group's strategic customers due to any of the foregoing factors or for any other reason would adversely affect the Group's business, results of operations, financial condition and prospects.

The United Kingdom's anticipated withdrawal from the European Union could adversely affect the Group

In FY 2016, 90% of the Group's revenue from continuing operations was generated in the United Kingdom. At FY 2016 end, the Group had approximately 17,000 employees located in the United Kingdom, 49% of whom were non-UK EU citizens. On 23 June 2016, a majority of UK voters voted in favour of the United Kingdom's exit from the EU (commonly referred to as "Brexit") in a national referendum, and on 29 March 2017, the UK government triggered Article 50 of the Treaty on European Union, which initiated the withdrawal procedure and set the United Kingdom on track to exit the EU by no later than April 2019.

Brexit has created significant political, social and macroeconomic uncertainty for the United Kingdom and Europe and could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which EU laws to replace or replicate. In addition, following the UK general election in June 2017, no political party in the UK holds a majority in Parliament, which may impact the UK government's ability to successfully negotiate the terms of the future relationship of the United Kingdom with the EU and enact Brexit-related changes to laws and regulations, which has led to even greater uncertainty around Brexit.

The general uncertainty caused by the foregoing events has had, and may continue to have, an adverse effect on the UK and its economy. The Organisation for Economic Cooperation and Development and the Confederation of British Industry have both projected that gross domestic product ("GDP") growth in the UK will slow in 2017 and 2018, despite showing some resilience in the first part of 2017. Brexit has also adversely affected the UK's credit rating, with Standard & Poor Global and Fitch downgrading the UK to an AA rating, and Moody's also warning that political instability following the June 2017 general election could be negative for the UK's credit profile.

Worsening economic and market conditions in the UK could result in reduced demand for the Group's products from its customers. In addition, regulatory regimes applicable to the Group may be affected by Brexit, including certain employment regulations, the right of EU citizens to work in the UK, tariffs, procurement and taxation. Any changes to the foregoing or other regulatory regimes could require the Group to develop new policies and procedures or reorganise its operations, any of which could increase the Group's

compliance and labour costs. In particular, as 50% of the Group's UK employees are citizens of EU countries other than the UK, the Group could experience employee shortages, increased labour costs and significant loss of talent if citizens of EU countries are not permitted to work in the UK after Brexit. Although the Group is committed to helping its employees remain in the UK, should the UK decide not to extend the right of EU citizens to work in the UK, the Group's operations could be materially affected.

Additionally, the introduction of any tariffs on goods coming from the EU into the UK could increase the Group's procurement costs. While the Group could attempt to source more of its supplies from inside the UK, certain of the Group's raw materials are only readily available from EU countries, particularly during certain times of the year.

As negotiations with the EU are ongoing, it is not clear what the impact on the Group will be when the United Kingdom eventually exits from the EU. However, any of the aforementioned possible effects of Brexit, and others that the Group cannot anticipate, could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group is vulnerable to fluctuations in the price and availability of raw materials, packaging materials and freight. If the Group is unable to pass these price increases on to its customers, such fluctuations may have a material adverse effect on the Group's cost of sales and gross profit

The prices of the utilities, raw materials, packaging materials and freight that the Group and its suppliers use are subject to fluctuations in price. Such fluctuations are attributable to, among other things, inflation, changes in the supply and demand of crops or other commodities, the weather and growing conditions, fuel prices and government-sponsored agricultural and livestock programmes. In particular, the availability and the price of fresh produce and other agricultural commodities, including dairy, oils, meat and seafood, can be volatile. Additionally, epidemics in animal populations and local, national or international quarantines can also adversely affect commodity prices in the long- and short-term. Government export enhancement programmes can also have a material effect on commodity prices. These fluctuations may adversely affect the Group's suppliers, who could be forced to raise their prices for the Group's products when renegotiating supply contracts or earlier if not contracted.

The Group and its suppliers use significant quantities of agricultural products and packaging materials provided by non-exclusive third-party suppliers. The Group buys from a variety of producers and manufacturers and alternative sources of supply are generally available. However, the Group's suppliers must be accredited, a process which takes up to six weeks or longer, by both the Group and some of the Group's key customers, which limits the Group's ability to quickly switch to new suppliers. The Group has limited ability to hedge against or avoid the adverse effects of pronounced, sustained price increases across the spectrum of its raw material suppliers. The Group attempts to reduce its exposure to price fluctuations in the supply chain to some extent over the short-term by agreeing forward pricing when possible at opportune moments during the year. Although the Group enters fixed-price contracts with most producers and suppliers for varying periods (usually between 3 and 12 months), such contracts are not available for some materials, especially within the dairy category (such as milk and cream).

Most recently, sustained increases in the inflation rate in the United Kingdom since the Brexit referendum in July 2016 have caused the price of raw materials purchased in pounds to increase. The Group's ability to pass on higher costs related to inflation is dependent upon the Group's ability to successfully negotiate price increases with its customers. Customers may prefer to go to tender rather than accept a price increase, with the inherent risk of business loss. Alternatively, the Group may have to absorb changes to its costs, which in turn impacts its gross margins. Negotiations are often impacted by the Group's customers' perception of market conditions, so the Group may be more successful in negotiating price increases during periods of long-term, highly publicised raw material price increases and inflation and may be more likely to have to absorb smaller or shorter-term increases in raw material prices.

Any of the forgoing events or any other event leading to price increases or scarcity of ingredients, packaging materials or freight required for the Group's products could increase the Group's costs and disrupt its operations, and subsequently have a material adverse effect on the Group's business, results of operations, financial condition and prospects, both temporarily and permanently.

The Group may be adversely affected by fluctuations in currency exchange rates

Although the Group generates the majority of its revenue in pounds, the Group procures approximately 55% of its UK supplies from countries that use other currencies, and, as a result, is exposed to foreign currency risk on such purchases. The euro and, to a lesser extent, the US dollar, are the primary currencies giving rise to this risk. Although the Group typically sets prices with its suppliers in advance, any further strengthening of the euro relative to the pound will impact the Group's costs associated with procurement, which could ultimately impact the Group's profitability. The result of the Brexit referendum has led to a decrease in the value of the pound against the euro, as well as general volatility in currency exchange markets. If the euro remains strong relative to the pound and/or pound volatility persists, the Group's profitability may be adversely affected. In addition, the Group's business may be negatively affected if foreign currency movements provide non-UK suppliers with competitive pricing advantages or the opportunity for UK suppliers to raise prices.

Additionally, because the Group's consolidated financial statements are presented in pounds, the Group must translate the Group's foreign operations assets and liabilities into pounds at exchange rates prevailing on the statement of financial position date and income and expenses into pounds at the applicable annual average exchange rates. Consequently, increases or decreases in the value of the pound may affect the value of these items in the Group's consolidated financial statements, even if their value has not changed in their functional currency. For example, a stronger pound will reduce the reported results of operations of the non-pound functional currency businesses and, conversely, a weaker pound will increase the reported results of operations of the non-pound functional currency businesses. The outcome of the UK referendum on Brexit has resulted in and may continue to result in changes or fluctuations in the value of the pound sterling versus the US dollar and the yuan. Because the Group's reporting currency is pounds, and its foreign operations are denominated in US dollars and yuan, continued volatility in the US dollar/pound and yuan/pound exchange rates will impact the reported results of operations for the Group. Therefore, these translation effects could significantly affect the comparability of the Group's financial results between financial periods and/or result in significant changes to the carrying value of the Group's assets and liabilities.

With respect to its businesses in the United States and China, to the extent the Group is unable to match revenues received in US dollars or yuan, as the case may be, with costs paid in the same currency, exchange rate fluctuations in these currencies and the pound could have an adverse effect on the Group's business, results of operations, financial conditions and prospects. As the Group continues to make large investments and facility expansions in the United States and China in line with its international expansion strategy, the Group will be subject to greater exchange rate risk.

The Group seeks to mitigate the effect of exchange rate fluctuations through the use of pound denominated contracts at a locked-in rate or derivative financial instruments. The degree to which the Group hedges its exchange rate exposures and the structure of its hedging program is driven by the nature, size and certainty of the Group's exposure. Wherever a firm decision has been made for capital expenditure in a foreign currency that is to be funded from the UK, the Group deems its exposure as highly certain and hedges accordingly, usually at 100%. Although generally the Group's policy is to hedge anticipated exposures on a sliding scale on a rolling 18 month basis, a portion of the Group's non-pound costs remain unhedged. There can be no assurance that the Group will continue to hedge any portion of its currency exposure in the future or, if it does, that the Group will be successful in these efforts.

Damage to the image and reputation of the Group or its customers could adversely impact the Group's financial results and operations

The Group's success in the retail market depends partially on the Group's ability to maintain its image and corporate reputation. Adverse publicity, whether justified or not, or allegations of quality issues, even if false or unfounded, could tarnish the Group's reputation and cause its customers to switch to competitors' products. In addition, the proliferation of modern methods of mass communication facilitated by the Internet makes it easier for false or unfounded allegations to adversely affect the Group's brand image and reputation. If customers no longer maintain a preference for the Group's products, the Group's operating results may be adversely affected.

Additionally, prolonged negative publicity regarding the Group's customers and/or suppliers could cause consumers to reduce purchases of the Group's products, which could negatively impact the Group's operating results. Because the Group's retailer-branded products bear the names of the Group's retailer customers, negative publicity against the Group's customers could tarnish the Group's reputation by association, which could negatively impact the Group's operating results.

Failure to develop successful and innovative products or keep up with consumer preferences could adversely affect the Group's business

The success of the Group's business depends on the continued popularity of the range of products the Group offers through its ability to predict, identify and interpret demand—anticipating the changing tastes and dietary habits of consumers and introducing successful new products to meet their needs. Successfully introducing innovative products that reflect consumers' preferences on a regular basis is important to the Group's ability to maintain its level of sales. As a result, the future degree of market acceptance of any of the Group's new products, which may be accompanied by significant levels of promotional expenditures, is likely to have a material impact on the Group's business, results of operations, financial condition and prospects.

The Group's sales will decline if it is unable to accurately predict shifts in tastes and preferences or to introduce new and improved products to satisfy changing needs. In addition, given the variety of backgrounds and identities of consumers, the Group must offer a sufficient array of products to satisfy the broad spectrum of consumer preferences. For example, in FY 2016, the Group launched approximately 700 new products in the UK. However, the popularity of the Group's prepared foods is impacted by a variety of factors, and could decline as a result of lifestyle, nutrition and health considerations. If the Group is unable to continue developing a sufficient range of new products or if consumer preferences shift away from the Group's product offerings, it could become less competitive, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to increasingly stringent health, safety and environmental regulations, which could result in increased costs and fines, as well as the potential for damage to the Group's reputation

As a manufacturer of food products for human consumption, the Group is subject to health, safety and environmental regulations, including regulations promulgated and enforced by the UK, European and other local and national authorities. These directives and regulations relate to the remediation of water supply and use, water discharges, air emissions, waste management, noise pollution, and workplace and product health and safety. The Group is also subject to stringent production, packaging, health, quality, labelling and distribution standards. In addition, the Group is subject to regulations relating to asbestos in the workplace. Health, safety and environmental legislation in the UK, Europe and elsewhere has tended to become broader and stricter over time, and enforcement has tended to increase over time.

Any failure to comply with health and safety or environmental regulations may lead to increased costs and fines, as well as damage to the Group's reputation. If health, safety and environmental laws and regulations are gradually changed in the future, the extent and timing of investments required to maintain compliance may differ from the Group's internal planning and may limit the availability of funding for other investments or reduce the Group's profitability if it is not possible for the Group to integrate the additional costs into the price of its products.

Further, the new UK sentencing guidelines for health and safety and environmental offences, which came into effect 1 February 2016 but are likely to be used retrospectively by the courts, established a tougher sentencing regime for companies that commit serious breaches of environmental, health and safety laws (including the Health and Safety at Work Act of 1974 and the various health and safety regulations which sit under it, such as the Provision and Use of Work Equipment Regulations 1998 and the Construction (Design and Management) Regulations 2015). Should a company be found guilty of an offense under any relevant legislation, the penalties imposed will be significantly higher than in the past, potentially running into millions of pounds. Although it is believed that less serious offences and offences involving individuals and smaller organisations will be sentenced in broadly the same manner, offences committed by "very large" companies, such as the Group, involving a high degree of harm and culpability are expected to be sentenced more stringently with higher fines or penalties.

Many of the Group's operations where employees work are in fast moving manufacturing environments that use industrial machinery. Accidents as a result of the manufacturing process and future health claims actually or allegedly resulting from exposure to accidents or industrial machinery and processes may occur in the Group's business. The Group has in the past and could be in the future subject to claims by government authorities, individuals and other third parties seeking fines or damages relating to alleged personal injury or property damage resulting from manufacturing accidents or other such incidents. For example, following a fatal accident at the Group's Hitchen Foods facility that occurred in February 2015, the Group was, in April 2017, fined £2 million and any future similar health and safety violations could result in even greater fines. Any of these events could adversely impact the Group's business and financial condition, as well as customers' perception of the Group and its reputation.

While the Group maintains insurance against civil liabilities, not all liabilities, including criminal and regulatory fines, can be covered. Under some of these laws and regulations, the Group could also be held liable for investigation or remediation costs resulting from contamination at properties that it owns or occupies, even if the contamination was caused by a party unrelated to the Group and was not the Group's fault, and even if the activity causing the contamination was legal. The discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at the Group's properties, could result in substantial unanticipated costs. In some circumstances, the Group could be required to pay fines or damages under these laws and regulations. Regulatory authorities may also require the Group to curtail operations or close facilities temporarily or permanently, including for the purpose of preventing imminent risks.

The Group maintains liability insurance covering certain potential health, safety and environmental risks. Although the Directors believe that the Group conducts its operations in a way that reduces health, safety and environmental risks and has in place appropriate systems for identifying and managing potential liabilities, there can be no assurance that the Group has identified and is addressing all sources of health, safety and environmental risks, or that such risks, if they result in losses, will be insured in part or at all.

There can be no assurance that the Group will not incur health, safety and environmental losses or that any losses incurred will not have a material adverse effect on the Group's results of operations or financial condition. In addition, future changes in health, safety and environmental laws or regulations may have a material adverse effect on the Group's results of operations and financial condition.

The Group may be adversely impacted by changes in retail and industry structure

The Group's strategic customers account for the majority of its revenue. Changes in the grocery industry structure may adversely affect the Group's strategic customers and, in turn, adversely affect the Group.

The Group's strategic customers are major grocery retailers in the UK. In recent years, several factors including the increased popularity of the discount channel, intensifying price competition, a shift to online delivery and a rebalancing of demand by channel in favour of small stores have negatively affected both the revenue and profitability earned by the major retailers. In turn, this has placed greater pressure on suppliers to support the needs of their customers. Although the Group is also currently a supplier to grocery retailers operating in the discount channel, if a major shift in grocery retailer industry structure occurs, particularly to the detriment of the Group's strategic customers, the Group may be forced to respond with either lower pricing or higher investment to improve or modify its product offering to its strategic customers. Further, the Group's ability to cater to new customers may be limited by the requirements of the Group's current strategic customers.

Additionally, consolidation among the Group's existing customers and/or among other supermarket retailers in the UK could result in larger, more sophisticated customers with increased buying power that are more capable of applying pricing pressure on the Group, resisting price increases, demanding onerous promotion programmes or discounts or seeking to reduce their dependence on the Group. Further, because the Group has no long-term sales contracts, consolidation may lead to the Group having to renegotiate terms, and the demands of these new, larger customers may have an adverse effect on the Group's results of operations. If an existing customer of the Group is acquired by another entity, whether by a competitor of that customer or a new market entrant who is not an existing customer of the Group, the combined entity may take business away from the Group in favour of other suppliers and/or seek to impose new terms on the Group.

Any of the foregoing risks related to changes in the retail and industry structure could have a material impact on the Group's business, results of operations, financial condition and prospects.

Any breakdown or failure in the Group's information technology systems could result in a disruption in the Group's business and could have a material adverse effect on its results of operations

The Group's performance depends upon accurate, timely information and numerical data from key software applications to aid day-to-day business and decision-making processes. The Group relies on its information technology systems for communication among manufacturing facilities, warehouses and headquarters. While the Group maintains certain controls designed to back-up systems, the Group may be adversely affected if its controls fail to detect or contain information technology risks. In addition, the Group's information technology systems may be subject to damage and/or interruption from power outages; computer, network and telecommunications failure; computer viruses; security breaches and usage errors by its employees. If the Group's systems are damaged, cease to function properly or are no longer supported, the Group may have to make a significant investment to fix or replace them, and the Group may suffer loss of critical data and interruptions or delays in its operations.

Any disruption caused by failings in the Group's information technology infrastructure, the Group's underlying equipment or the Group's communication networks, including due to malicious cyber-attacks by third parties, could delay or otherwise impact the Group's day-to-day business and decision-making processes and have materially adverse effects on the Group's business, results of operations, financial condition and prospects. Further, the Group currently uses the Protean enterprise resource planning system across most of its UK operations. For the remainder of its UK operations, consideration is being given to moving onto the Protean system or another system. The underlying Protean system infrastructure is secure until at least January 2022, at which time the Group will have to review and possibly upgrade its systems if it has not done so already. The Protean system is fully supported by the licensor, Infor, until January 2020, after which the Company will need to source on-going support, probably through a combination of internal and external resources. Such an upgrade or need to source on-going support could cause temporary stoppages or delays in the Group's factories and warehouses, which could impact the Group's results of operations.

Higher labour costs could adversely affect the Group's business and future profitability

The Group competes with other manufacturers for good and dependable employees. The supply of such employees is limited and competition to hire and retain them may result in higher labour costs. Specifically, for the Group's UK operations, Brexit presents a risk over retention and recruitment of labour, as the Group employs a significant number of non-UK EU citizens. Further, increases in the UK national minimum wage could affect the Group's business. In April 2016, the UK Government introduced the national living wage of £7.20 per hour for people aged 25 and over, with planned increases, including a rise to £7.50 per hour, which came into effect in April 2017. Because a proportion of the Group's employees are paid either the national minimum wage or the national living wage, any further increase in the national minimum wage, the cost of living, the national living wage, or its scope, would increase the Group's operating and employment costs. Although the Group could look to further automate its manufacturing processes, these higher labour costs and strains on retention could adversely affect the Group's profitability if the Group is not able to pass them on to its customers. Increases in labour costs as a result of any of the foregoing factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, as the national living wage legislation was recently introduced in the UK and its application has not been interpreted in all circumstances, there is a lack of clarity as to how it applies. Any finding that the Group had failed to pay the national living wage, as and for the hours required or otherwise failed to comply with minimum wage requirements could result in penalties and adverse publicity, as well as payment of any arrears and the required amounts going forward.

Organised strikes or work stoppages by unionised employees may have a material adverse effect on the Group's business, financial condition and results of operations

The Group has 11 union recognition agreements in place in the United Kingdom, seven with Unite the Union and four with Britain's General Union ("GMB"). Relationships with unions are managed at site level and most agreements have been in place for several years and, although they do not have expiry dates, the Group periodically reviews the terms for potential updates. The Group's inability to renegotiate acceptable terms with its unions could result in strikes by the affected workers and/or increased operating costs as a result of higher wages or benefits paid to union members as the result of a successful strike. The Directors believe the Group's relations with its employees and the unions are good and the Group has not experienced any significant labour disputes or work stoppages in the past. However, there can be no assurance that the Group's operations will not be affected by problems in the future. If its unionised workers were to engage in a strike or other work stoppage, the Group could experience a significant disruption of operations and/or higher ongoing labour costs, which may adversely affect its profitability.

Any significant damage to one of the Group's factories could cause a production disruption and could have a material adverse effect on the Group's results of operations

The production at the Group's factories could be adversely affected by extraordinary events, including fire, an explosion, the release of high-temperature steam or water, structural collapse, machinery failure, mechanical failure, extended or extraordinary maintenance, road construction or closures of primary access routes, flooding, windstorms or other severe weather conditions. Any prolonged and/or significant disruption to the Group's production facilities could adversely affect the Group's operations. Although the Group carries insurance covering losses at these facilities and insurance to cover interruptions in its business, such insurance will be subject to limitations such as deductibles and maximum liability amounts and therefore may not cover all of the Group's losses. The Group may also incur losses that are outside of the coverage of its insurance policies. In the future, the Group may not be able to obtain insurance coverage at current levels if at all, and the Group's premiums may increase significantly on the coverage that it maintains. In addition, a significant production disruption could damage the Group's reputation or force the Group's customers to finding alternative suppliers, which could lead to a temporary or permanent loss of business. As a result, the Group could experience significant losses if any of its manufacturing facilities were damaged or ceased operation for any other reason.

The Group is subject to risks associated with intellectual property licenses from third parties

From time to time, the Group enters into licenses with third parties that permit it to use the intellectual property of third parties, such as the use of brands for the Group's fresh prepared food products. The original license agreement, whereby Pizza Express licenses the use of its trademarks to the Group for chilled food in retail, had been effective for more than ten years. The Group entered into a new agreement with Pizza Express Merchandising Limited on 1 September 2017 for a minimum term of 2 years. However, if the Group were to lose its license to use the Pizza Express brand for its Pizza Express chilled pizza and related product lines due to its failure to comply with the terms of the agreement, it would no longer be able to produce and sell Pizza Express branded products, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's supply chain could be subject to disruption

The Group currently operates from manufacturing facilities, warehouses and headquarters in the United Kingdom, the United States and China and sources from suppliers in approximately 50 countries. The Group and its suppliers are exposed to operational risks, such as the breakdown or failure of equipment; the interruption of power supply or processes; fire, flood or other natural disasters; acts of sabotage or vandalism; and industrial accidents, including as a result of a food safety issue at a supplier. Additionally, challenging economic conditions could impair the solvency of the Group's suppliers. Although the diversified nature of the Group's supplier base allows it to source from various regions in the event of any of the foregoing operational risks, some of the Group's supplies, particularly those with a provenance that may appear on labelling, such as Italian cheeses and British chicken, have limited geographic availability. Any disruption of activity in the manufacturing facilities or warehouses due to these or other events could result in disruption to the operation of the Group's activities, clients' cancellation of orders or a reduction in

sales. Any significant disruptions to the Group's supply chain could result in the Group's customers finding other suppliers, thus leading to a loss of business.

The Group may have difficulties implementing its growth strategy, which could have a material adverse effect on the Group's business and results of operations

Part of the Group's strategy has been to grow organically, through customer partnerships and through acquisition. However, the Group may be unsuccessful in its attempts to grow organically within the markets in which it operates or may be unable to create new, successful partnerships with customers. Additionally, the Group may be unable to identify and consummate additional acquisitions or may be unable to successfully integrate and manage the product lines or businesses that it may acquire or develop in the future. In addition, the Group may be unable to achieve a substantial portion of any anticipated cost savings from investments or other anticipated benefits in the time frame it anticipates, if at all. Any acquired product lines or businesses may require a greater amount of trade, promotional and capital spending than the Group anticipates. Any inability by the Group to grow and manage any new customer partnerships or integrate acquired product lines or businesses in the future in a timely and efficient manner, any inability to achieve a substantial portion of any anticipated cost savings or other anticipated benefits from these partnerships and/or acquisitions in the time frame the Group anticipates or any unanticipated required increases in trade, promotional or capital spending could adversely affect the Group's business, consolidated financial condition, results of operations or liquidity.

The Group is subject to risks associated with its strategy to expand internationally

The Group's growth prospects depend, in part, on its ability to implement its strategy of expanding in the United States and China fresh prepared food markets. The Group may face challenges expanding internationally, including, among others:

- consumer preferences and local market conditions;
- competition from established companies;
- the impact of local tax, zoning, land use and environmental rules and regulations on the Group's ability to build or acquire new facilities;
- recruiting and retaining suitable personnel;
- securing acceptable suppliers;
- reputational damage;
- developing food and safety standards;
- changes in laws and policies affecting trade and investment;
- scarcity of skilled employees and rising peripheral costs of employment;
- increases in the cost of foreign labour and international transportation and freight; and
- the instability of foreign economies and governments.

The Group's expansion into the United States may be impacted by the geographic size and diversity of the US fresh prepared food market. The Group will have to carefully manage any significant growth with its customers while building out its US business, as any significant increase in demand for the Group's products will require an increase in capacity. Because of the geographic spread of the US market, the Group may need to develop a much larger supply chain for chilled distribution than it currently has for its UK operations. Additionally, because the US market is not as accustomed to fresh prepared food products as the UK market, the Group will have to convince any new retail customers to make the investments necessary to sell large quantities of fresh prepared food products, including increasing in-store chiller space and accepting that products with shorter shelf life will generate more waste. In addition, branded products have a strong presence in the US fresh prepared food market, which may impede the Group's ability to sell private label

products. Although the Group is developing its own brand under which to sell its products in the US, there can be no guarantee that the Group's brand will be accepted by US consumers. The Group does not currently compete in the branded products space. The growth of any such brands may be further affected by the presence of larger competitors than the Group encounters in the UK. Any of the foregoing issues could have a material adverse effect on the Group's strategy to expand into the US, which could negatively impact the Group's operating results and growth prospects.

The Group's expansion into China may be influenced by political, economic and social conditions in China generally and by continued economic growth in China as a whole. While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The uneven growth, geographic size and diversity of the China market may impact the Group's expansion in China. Because the Group currently focuses on Western style food products, the market in China may be unaccustomed to the types of products the Group is offering, which may limit the growth of the Group's sales and its further expansion. Additionally, the Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative impact on the Group. For example, the Group's financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, the Chinese government has, in the past, implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect the Group's operating results and growth prospects.

Further to the Group's overall expansion strategy, the Group's capital and other expenditures may also be higher than expected due to cost overruns, unexpected delays or other unforeseen factors. Any of the aforementioned risks associated with expanding internationally could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group operates in a competitive industry

The fresh prepared food industry is highly competitive, primarily on the basis of quality, innovation, delivery timeliness and price. Some of the Group's competitors could use their significant resources to increase their marketing, develop new products or reduce their prices, which could negatively impact the Group's ability to compete. It may be possible for the Group's current or future competitors to develop new product manufacturing technology or processes that allows them to offer fresh prepared food products at a cost or quality that has a significant advantage over the products that the Group manufactures and sells. Further, certain of the Group's competitors or retailer customers could produce new products that compete directly with the Group's products, or new competitors could choose to enter the markets in which the Group operates. If the Group's competitors increase their promotional spending in the future or lower their prices for marketing purposes, the Group may be required to do so as well.

Additionally, although the Group has a diverse set of competitors that currently tend to focus on one or a few product categories rather than the breadth of product categories offered by the Group, consolidation among the Group's competitors could result in larger, more sophisticated competitors with a more diverse product offering than the Group and/or a more appealing product offering focused on one or a few of the Group's key product areas. Any of the foregoing risks related to the Group's competitors could impact the Group's ability to sell its products at prices that generate the same margins the Group has earned in the past, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group relies on a limited number of key personnel to operate its business, and the loss of any of these personnel or the Group's inability to attract new personnel could have a material adverse impact on the Group's business

The Group's success is significantly dependent on the services of its key employees, including members of senior management. In addition, the Group's future growth and success depend on its ability to attract, train, retain and motivate skilled managerial, sales, administrative, operating and professional and technical personnel. While the Group has a loyalty and performance based bonus structure and long-term management

and retention initiatives, the Group's key personnel may leave for reasons beyond the Group's control, such as family, health and other personal commitments. The loss of one or more of the Group's key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

The Group is subject to extensive regulations and requires various licenses and permits to operate its business. If the Group does not meet these regulations and licence permit requirements, the Group may be subject to fines, injunctions, recalls or assets seizures, which could have a material adverse effect on the Group's results of operations and business

The Group's manufacturing facilities, vehicles and products, including the processing, packaging, storage, distribution, advertising and labelling of the Group's products, are subject to extensive regional, national and EU laws and regulations in the food safety area, including frequent government inspections and governmental food processing controls. The Group is also required to maintain various licences and permits to operate its business in accordance with the laws and regulations of the countries in which it operates. The loss of or failure to obtain necessary permits and registrations could delay or prevent the Group from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results. The Group is also required to comply with applicable hygiene and food safety standards in relation to its production processes. Any non-compliance with applicable laws and regulations, particularly if it relates to or compromises food safety, could subject the Group to liabilities, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have an adverse effect on the Group's financial results. In addition, future material changes in food safety regulations could result in increased operating costs or could be required to be implemented on schedules that cannot be met without interruptions in the Group's operations.

A failure to comply with data protection legislation or a security breach or system failure in the Group's technical or information technology infrastructure could have a material adverse effect on the Group's business, financial condition and prospects

Despite the security measures the Group has in place to comply with applicable laws, regulations and standards, its facilities and systems, and those of its third party providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, misplaced or lost data, programming and human errors or other similar events. A breach of data protection legislation involving the misappropriation, loss or other unauthorised disclosure of sensitive or confidential employee or staff information could result in regulatory action, compensation claims and adverse publicity. In addition, compliance with evolving privacy and security laws, requirements and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on the Group's business models and the development of new administrative processes. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and prospects.

The Group's operations are subject to the general risks of litigation, which could adversely affect the Group's financial results and cash flow

The Group is involved, on an ongoing basis, in litigation arising in the ordinary course of business. Litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims related to commercial, labour, employment, antitrust, securities or environmental matters. Moreover, the process of litigating cases, even if the Group is successful, may be costly, and may approximate the cost of damages sought. These actions could also expose the Group to adverse publicity, which might adversely affect the Group's reputation and/or customer preference for the Group's products. Litigation trends and expenses and the outcome of litigation cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could adversely affect the Group's financial results and cash flow.

The Group has a significant amount of debt subject to floating interest charges

The Group is exposed to interest rate risk on borrowings drawn down on an existing credit facility which bears interest at floating rates. In 2017, the Group entered into a £485 million term loan and revolving credit facility agreement, which is subject to interest charges based on LIBOR, which may fluctuate. Whilst the Group has

an interest cap of £75 million in place at 0.75% through 1 October 2019, a significant rise in base lending rates could have an adverse impact on the Group's business, results of operations, financial condition and prospects.

The Group may incur liabilities in connection with one of its pension plans, which could result in an increase in costs and could have a material adverse effect on the Group's results of operations, financial conditions and cash flow

The Group operates a number of pension schemes in the UK and overseas that are either trust or contract based. In the UK, the Group operates two main pension schemes: a defined benefit scheme (the "Bakkavor Pension Scheme"), which was closed to future accrual in March 2011, and a defined contribution scheme, which is open to all UK employees. The results of the triennial valuation of the Bakkavor Pension Scheme assets and the present value of the defined benefit obligations for funding purposes found that the Bakkavor Pension Scheme had a funding shortfall of £35.6 million as at 31 March 2016. Although the Group has agreed a deficit reduction contribution and has set up an allowance recovery plan that aims to eliminate the deficit by 31 March 2020, the Group's net liabilities under the Bakkavor Pension Scheme may be significantly affected by changes in the applicable discount rate, the expected return on the plan's assets and changes in demographic variables. There can be no assurance that the Group's net liabilities will not increase or that the Group will not incur additional liabilities relating to its pension plans. Such additional liabilities could have a material adverse effect on the Group's business, results of operations, financial condition and cash flow.

Risks relating to the Offer and the Shares

The Selling Shareholders will retain a significant interest in and will continue to exert substantial influence over the Group following the Offer and their interests may differ from or conflict with those of other shareholders

Immediately following Admission, the Selling Shareholders will continue to own beneficially approximately 75.0% of the issued ordinary share capital of the Company. As a result, the Selling Shareholders will possess sufficient voting power to have a significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. The interests of the Selling Shareholders may not always be aligned with those of other holders of Shares.

There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained

Prior to Admission, there has been no public trading market for the Shares. Although the Company has applied to the UK Listing Authority for admission to the premium listing segment of the Official List and has applied to the London Stock Exchange for admission to trading on its main market for listed securities, the Company can give no assurance that an active trading market for the Shares will develop or, if developed, could be sustained following the closing of the Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

Shares in the Company may be subject to market price volatility and the market price of the Shares in the Company may decline disproportionately in response to developments that are unrelated to the Company's operating performance

The Offer Price is not indicative of the market price of the Shares following Admission. The market price of the Shares may be volatile and subject to wide fluctuations. The market price of the Shares may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these Risk Factors, as well as period to period variations in operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, unfavourable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions and regulatory changes. Any or all of these factors could result in material fluctuations in the price of Shares, which could lead to investors getting back less than they invested or a total loss of their investment.

Shareholders in the United States and other jurisdictions may not be able to participate in future equity offerings

The Articles provide for pre-emption rights to be granted to shareholders in the Company, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict the Group's ability to allow participation by shareholders in future offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the Shares and any other securities that are offered and sold are registered under the Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable US or other shareholders to exercise their pre-emption rights or, if available, that the Company will utilise any such exemption.

Not all rights available to shareholders under US law will be available to holders of the Shares

Rights afforded to shareholders under English law differ in certain respects from the rights of shareholders in typical US companies. The rights of holders of the Shares are governed by English law and the Articles. In particular, English law currently limits significantly the circumstances under which the shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company may be the proper plaintiff for the purposes of maintaining proceedings in respect of wrongful acts committed against it and, generally, neither an individual shareholder, nor any group of shareholders, has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US company.

The market price of the Shares could be negatively affected by sales of substantial amounts of such shares in the public markets, including following the expiry of the lock-up period, or the perception that these sales could occur

Following completion of the Offer, the Selling Shareholders will own beneficially, in aggregate, 75.0% of the Company's issued ordinary share capital. The Company, the Selling Shareholders, the Directors and the Senior Managers are subject to restrictions on the issue, sale and/or transfer, as applicable, of their respective holdings in the Company's issued share capital as described in Part 13—"Details of the Offer—Lock-up arrangements". The issue or sale of a substantial number of Shares by the Company, Directors, Senior Managers or the Selling Shareholders in the public market after the lock-up restrictions in the Underwriting Agreement expire (or are waived by the Global Co-ordinator and Peel Hunt), or the perception that these sales may occur, may depress the market price of the Shares and could impair the Company's ability to raise capital through the sale of additional equity securities.

The Company's ability to pay dividends in the future depends, among other things, on the Group's financial performance and capital requirements

There can be no guarantee that the Group's historic performance will be repeated in the future, particularly given the competitive nature of the industry in which it operates, and its sales, profit and cash flow may significantly underperform market expectations. If the Group's cash flow underperforms market expectations, then its capacity to pay a dividend will suffer. Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions, the Group's financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

The issuance of additional Shares in the Company in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings

The Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing holders of Shares may suffer dilution in their percentage ownership or the market price of the Shares may be adversely affected.

Overseas shareholders may be subject to exchange rate risk

The Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms.

Part 2

Presentation of Financial and Other Information

General

Investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholders or any of the Underwriters. No representation or warranty, express or implied, is made by any of the Underwriters, any of their respective affiliates or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Underwriters, any of their respective affiliates or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to FSMA, neither the delivery of this Prospectus nor any subscription or sale of Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to its date.

The Company will update the information provided in this Prospectus by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs after the publication of the Prospectus or if this Prospectus contains any mistake or substantial inaccuracy. The Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to the Prospectus is published prior to Admission, investors shall have the right to withdraw their applications for Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholders, or any of the Underwriters or any of their affiliates or representatives that any recipient of this Prospectus should subscribe for or purchase the Shares. Prior to making any decision as to whether to subscribe for or purchase the Shares, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved.

Investors who subscribe for or purchase Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Group or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholders or any of the Underwriters.

None of the Company, the Directors, the Selling Shareholders or any of the Underwriters or any of their affiliates or representatives is making any representation to any offeree, subscriber or purchaser of the Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

In connection with the Offer, the Underwriters and any of their respective affiliates, acting as investors for their own accounts, may subscribe for and/or acquire Shares and in that capacity may retain, purchase, sell,

offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any or issue, offer, subscription, acquisition, dealing or placing by, the Underwriters and any of their affiliates acting as investors for their own accounts. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so. In addition, in connection with the Offer, certain of the Underwriters may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements where Shares are used as collateral, that could result in such Underwriters acquiring shareholdings in the Company.

Presentation of financial information

The financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRS). The significant accounting policies have been applied consistently to all fiscal periods and the half year presented, unless otherwise stated in the historical financial information set out in Part 11—"Historical Financial Information" in this Prospectus.

Financial information

The Company's financial year typically comprises a 52 week period ending in December. However, every six years an additional week is included in the Group's reporting period to ensure that its end-of-year date is near the end of December. As a result, an additional week has been included in the Group's 2016 FY. References to:

- "FY 2016" are to the 53 weeks ended 31 December 2016;
- "FY 2015" are to the 52 weeks ended 26 December 2015; and
- "FY 2014" are to the 52 weeks ended 27 December 2014.

As the Group's results for FY 2016 include an additional week of trading as compared to FY 2015, to assist with comparability, certain line items for FY 2016 are presented in this Prospectus where indicated on a 52 week basis, being the 52 weeks ended 24 December 2016. For more information see Part 9—"Operating and Financial Review—Comparability of results".

The Group's interim results period comprises a 26 week period ending either in July or in June. References to:

- "H1 2017" are to the 26 weeks ended 1 July 2017; and
- "H1 2016" are to the 26 weeks ended 25 June 2016.

The financial information included in Part 11—"Historical Financial Information" is covered by the respective accountants' reports included in Sections A, B and C.

Pro forma financial information

In this Prospectus, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part 12—"Unaudited Pro Forma Financial Information". The unaudited pro forma financial information has been prepared to illustrate the effect of the Offer as if it had taken place on 1 July 2017.

Because of its nature, the unaudited pro forma information addresses hypothetical situations and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The unaudited pro forma information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation.

Non-IFRS financial information

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, including Adjusted EBITDA, Adjusted EBITDA from discontinued operations, Adjusted EBITDA margin, net debt at period end, free cash flow, adjusted free cash flow, cash flow conversion and return on invested capital ("ROIC"). These measures are sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

A further discussion of the Group's use of non-IFRS financial measures, including reconciliations of the measures, as applicable, to the Group's historical financial information appears in Part 8—"Selected Financial Information".

Currency presentation

Unless otherwise indicated, all references in this Prospectus to "sterling", "pounds", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the United Kingdom. The Company prepares its financial statements in pounds sterling. All references to the "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "US dollars" or "US$" are to the lawful currency of the United States. All references to "Renminbi", "RMB" or "yuan" are to the lawful currency of the People's Republic of China. All references to "Hong Kong dollar" or "HK$" are to the lawful currency of Hong Kong Special Administrative Region.

The average exchange rates of the Group's main trading currencies, other than pounds sterling, are shown relative to pounds sterling below. The rates below may differ from the actual rates used in the preparation of the financial statements and other financial information that appears elsewhere in this Prospectus. The inclusion of these exchange rates is for illustrative purposes only and does not mean that the sterling amounts actually represent such US dollar or euro amounts or that such sterling amounts could have been converted into US dollars or euro at any particular rate, if at all.

Average rate against pounds sterling

	US dollar			
Year	*Period End*	*Average*	*High*	*Low*
2013	1.6557	1.5649	1.6557	1.4867
2014	1.5577	1.6476	1.7166	1.5517
2015	1.4736	1.5285	1.5883	1.4632
2016	1.2340	1.3554	1.4877	1.2123
2017 (through 8 November 2017)	1.3116	1.2813	1.3594	1.2047

	Euro			
Year	*Period End*	*Average*	*High*	*Low*
2013	1.2041	1.1779	1.2343	1.1433
2014	1.2802	1.2408	1.2836	1.1908
2015	1.3571	1.3778	1.4416	1.2743
2016	1.1731	1.2242	1.3654	1.0967
2017 (through 8 November 2017)	1.1312	1.1437	1.1967	1.0790

Source: Bloomberg

Roundings

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%

Market, economic and industry data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Directors' estimates, using underlying data from independent third parties. The Company obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including publications and data compiled by LEK Executive Insights. References to OC&C refer to "The Fresh Prepared Food Market and Competitive Landscape" report dated 4 September 2017 and prepared by OC&C for the Directors of the Company. In preparing their report, OC&C relied on a number of data sources consisting of IGD, Kantar, BVD Database and Greencore annual reports and publically-available investor presentations, HM Treasury, Euromonitor, ONS, YouGov, Mintel, IPSOS, and IRI.

Whilst the Directors believe the third-party information included herein to be reliable, the Company has not independently verified such third-party information, and neither the Company nor the Underwriters make any representation or warranty as to the accuracy or completeness of such information as set forth in this Prospectus. The Company confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Prospectus, the source of such information has been identified. Research by Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or advisability of investing in the Company.

Service of process and enforcement of civil liabilities

The Company has been incorporated under English law. Service of process upon Directors and officers of the Company, all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since most directly owned assets of the Company are outside the United States, any judgment obtained in the United States against it may not be collectible within the United States. There is doubt as to the enforceability of certain civil liabilities under US federal securities laws in original actions in English courts, and, subject to certain exceptions and time limitations, English courts will treat a final and conclusive judgment of a US court for a liquidated amount as a debt enforceable by fresh proceedings in the English courts.

No incorporation of website information

The contents of the Company's websites do not form part of this Prospectus.

Definitions and glossary

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part 15—"Definitions and Glossary".

Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs

of the Company since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

Information regarding forward-looking statements

This Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings "Summary", "Risk Factors", "Business Description" and "Operating and Financial Review" regarding the Company's strategy, targets and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Company, the Directors, the Selling Shareholders, the Underwriters and the Financial Adviser expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Rules, the Listing Rules, or the Disclosure Guidance and Transparency Rules of the FCA. The contents of this section "Information regarding forward-looking statements" relating to forward-looking statements in no way seek to qualify or negate the statement relating to the Group's working capital set out in paragraph 16 of Part 14—"Additional Information—Litigation".

Part 3

Directors, Secretary, Registered and Head Office and Advisers

Directors	Simon Burke, *Independent Non-executive Chairman* Agust Gudmundsson, *Chief Executive Officer* Peter Gates, *Chief Financial Officer* Lydur Gudmundsson, *Non-executive Director* Robert Q. Berlin, *Non-executive Director* Denis Hennequin, *Independent Non-executive Director* Todd Krasnow, *Independent Non-executive Director* Sue Clark, *Independent Non-executive Director*
Company Secretary	Simon Witham
Registered and head office of the Company	Fitzroy Place 5th Floor 8 Mortimer Street London W1T 3JJ
Joint Global Co-ordinator, Joint Bookrunner and Sponsor	HSBC Bank plc 8 Canada Square London E14 5HQ
Joint Global Co-ordinator and Joint Bookrunner	Morgan Stanley & Co. International plc 25 Cabot Square London E14 4QA
Joint Bookrunners	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB
	Citigroup Global Markets Limited Citigroup Centre 33 Canada Square London E14 5LB
	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Lead Manager	Coöperatieve Rabobank U.A. Croeselaan 18, 3521 CB Utrecht The Netherlands
Financial Advisor to the Company	N M Rothschild & Sons Limited New Court St Swithin's Lane London EC4N 8AL
English and US legal advisers to the Company	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS

English and US legal advisers to the Joint Global Co-ordinators, Joint Bookrunners, Sponsor and Lead Manager	Linklaters LLP 1 Silk Street London EC2Y 8HQ
Reporting Accountants and Statutory Auditors to the Company	Deloitte LLP 2 New Street Square London EC4A 3BZ
Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars	Equiniti Limited Aspect House, Spencer Road Lancing West Sussex BN99 6DA

Part 4

Expected Timetable of Principal Events and Offer Statistics

Expected timetable of principal events

Event	*Time and Date*
Announcement of Offer Price and allocation	10 November 2017
Admission and commencement of unconditional dealings in the Shares on the London Stock Exchange	8.00 am on 16 November 2017
Crediting of Shares to CREST accounts	16 November 2017
Despatch of definitive share certificates (where applicable)	From 16 November 2017

All times are London times. Each of the times and dates in the above timetable is subject to change without further notice.

Offer statistics[1]

Offer Price (per Share)	180 pence
Number of Shares in the Offer	144,856,397
— New Shares	55,555,555
— Existing Shares	89,300,842
Percentage of the issued Ordinary Share capital being offered in the Offer	25.0%
Number of Shares in issue following the Offer	579,425,585
Market capitalisation of the Company at the Offer Price	£1,043 million
Estimated net proceeds of the Offer receivable by the Company[2]	£86 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders[3]	£158 million

Notes:

(1) Assumes all the Reorganisation steps set out in paragraph 2 of Part 14—"Additional Information" are completed in full. To the extent that these steps are not completed in full, the Offer will not proceed and Admission will not be sought.

(2) The estimated net proceeds receivable by the Company are stated after deduction of the estimated underwriting commissions and other fees and expenses of the Offer (including VAT) to be paid by the Company, which are currently expected to be approximately £14 million. The Company will not receive any of the net proceeds from the sale of the Existing Shares in the Offer by the Selling Shareholders.

(3) The estimated net proceeds receivable by the Selling Shareholders are stated after deduction of the estimated underwriting commissions payable by the Selling Shareholders, which are currently expected to be approximately £3 million.

Part 5

Industry Overview

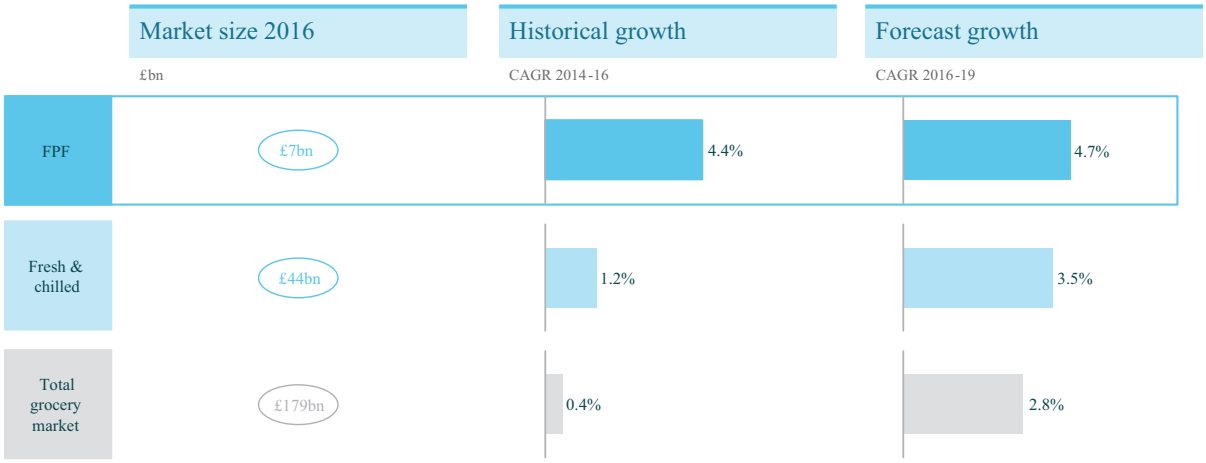
The following information relating to the Group's industry has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors should read this Part 5 in conjunction with the more detailed information contained in this Prospectus including Part 1—"Risk Factors" and Part 9—"Operating and Financial Review".

The Group operates in the fresh prepared food ("FPF") market. In the UK and the US, the Group serves grocery retailers and focuses primarily on private label to support retailers in differentiating their brands. In China, the Group focuses on serving Western Chained Foodservice operators.

UK Market

Overview

The FPF market in the UK generated £7 billion worth of sales in 2016. The FPF market is a sub-set of the fresh and chilled market (which accounted for £44 billion in sales in 2016), which in turn is part of the wider UK grocery market (which accounted for £179 billion in sales in 2016). The FPF market has grown more quickly than, and is forecast to continue to grow ahead of both the fresh and chilled market and the total UK grocery market, as demonstrated by the graph below:



Source: OC&C analysis of multiple sources

UK grocery market

The UK grocery market includes all UK food and non-food sales (excluding petrol). OC&C, using data from the IGD, estimate the total market at £179 billion in 2016. The UK grocery market is made up of the fresh & chilled food, ambient food, frozen food, alcohol, soft drinks, tobacco, non-durable household goods and other non-food items categories.

The UK grocery market consists of the following retail channels: large out-of-town supermarkets, supermarkets, convenience stores, online grocers and food specialists. Large out-of-town supermarkets are usually stores over 60,000 square feet in size; supermarkets are comprised of stores between 3,000 and 60,000 square feet in size; and convenience stores typically have a size of less than 3,000 square feet. The store size of discounter supermarkets is usually between 5,000 and 20,000 square feet. Food specialists comprise smaller stores normally dedicated to a particular kind of food (typically less than 1,000 square feet). Specialists include butchers, bakers and fishmongers. Traditional grocery retailers operate across

channels (supermarkets, convenience stores and on-line), whereas discounters predominantly focus on operating supermarkets.

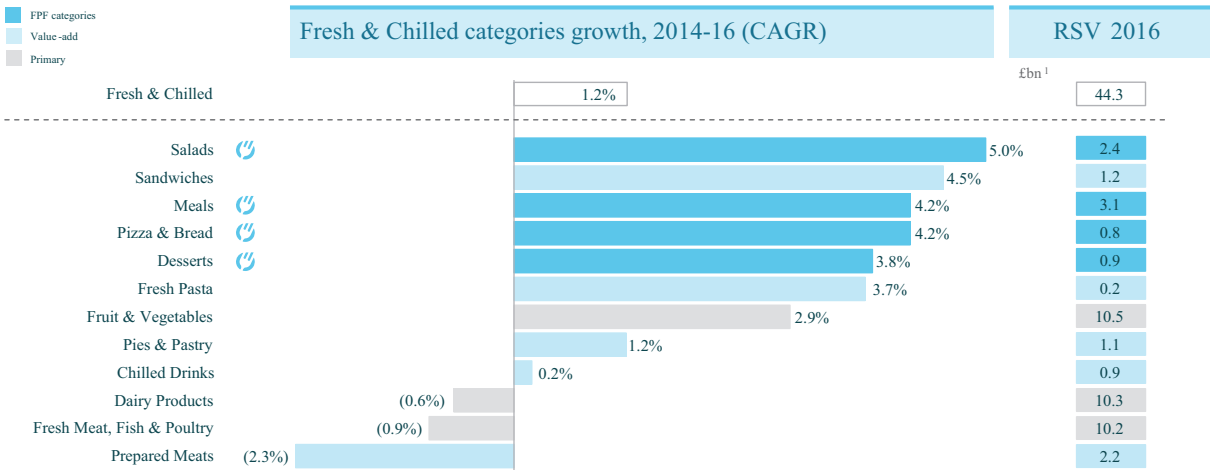
According to OC&C, the size of the grocery market is expected to remain broadly stable over the longer-term, with market growth largely driven by underlying food inflation.

However, grocery market growth from 2014 through 2016 was muted and amounted to 0.4%. Whilst volumes grew by 2.9%, prices reduced by 2.5% due to (i) reduction in global food commodity prices which the retailers passed on to consumers and (ii) increased competitive pressure from discounters.

Going forward, OC&C have projected the UK grocery market to grow at a CAGR of 2.8% from 2016 through 2019. Growth is expected to be primarily driven by pricing (2.5% CAGR 2016 through 2019), with volumes growing 0.3% annually on average over the same period. This anticipated price growth is mainly the result of the weaker pound driving higher raw materials and increased labour costs throughout the supply chain, which are expected to be passed on to consumers.

UK fresh & chilled market

The UK fresh & chilled food segment of the grocery market generated £44 billion of retail sales in 2016. Primary products, including produce, meat and dairy, accounted for £31 billion in 2016. The remainder of the market is considered "value-add" as it involves processing and cooking. The graph below sets out the respective sizes and growth rates of individual fresh & chilled categories:



(1) Excludes other chilled convenience categories worth approximately £0.5m

Source: OC&C analysis of multiple sources

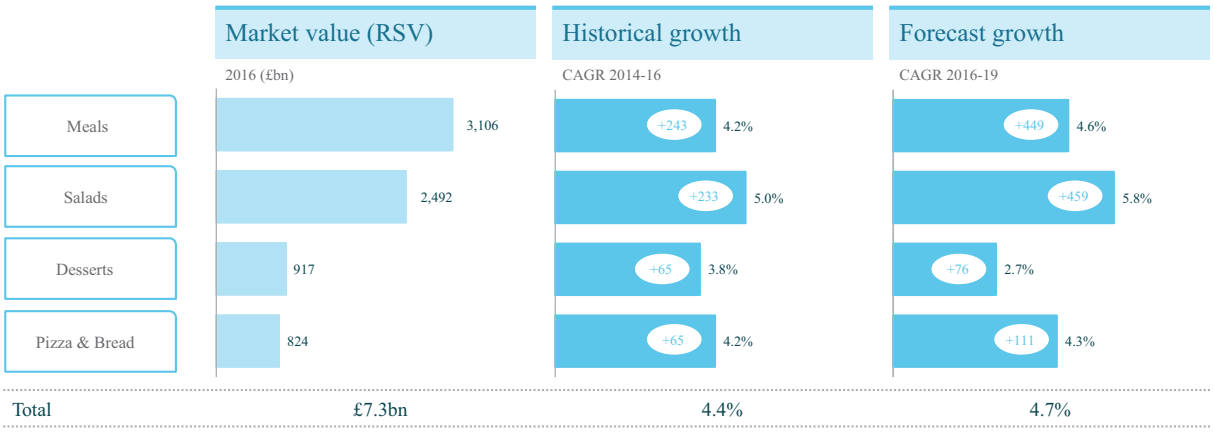
UK FPF market

The UK FPF market as defined by OC&C is a sub-set of the fresh & chilled market and is made up of the following categories: Meals, Salads, Desserts and Pizza & Bread. According to OC&C analysis, the UK FPF market size was £7.3 billion in 2016, having grown from £6.7 billion in 2014. The market as defined by OC&C is based on the FPF sales of the top 9 grocery retailers, which accounted for 97% of total fresh prepared food sales in 2016.

The UK FPF market grew by 4.1% in 2015 and 4.8% in 2016, resulting in a CAGR of 4.4% from 2014 through 2016 (ahead of total grocery and fresh & chilled), according to OC&C analysis. Growth was largely driven by volumes, which increased by 4.7% in 2015 and 5.0% in 2016, whereas the prices fell by 0.7% in 2015 and 0.3% in 2016.

The four categories comprising the UK FPF market are among the top five growing categories in fresh & chilled food (see table above, *Fresh & chilled food market*). Each category has shown, and is forecast to continue to experience, solid growth, resulting in a £8.4 billion market by 2019. The following diagram shows the market value in 2016, historical growth from 2014 through 2016 and the forecast growth from 2016 through 2019 for each of the four FPF categories:

FPF Categories



Source: OC&C analysis of multiple sources

The four FPF categories are made up of the following products:

Meals

Meals consists of both cold-eating products, which are manufactured and packaged to be eaten as is with no or minimal preparation required, and hot-eating products, which must be either heated or cooked before being consumed. Products in the meals category include:

- soups, such as mainstays tomato and basil, carrot and coriander or broccoli and stilton; seasonal soups, such as spicy parsnip, pea and ham, Scotch broth and pumpkin and ginger in the winter and minted pea, asparagus, watercress and gazpacho in the summer;
- sauces, most of which are developed especially to eat with pasta and include traditional Italian recipes, or sauces for stir-fries;
- ready meals, which are precooked complete meals or accompaniments. The majority of these products are for one or two persons, although there are also larger packs for families;
- modern deli, such as Chinese spring rolls and dim sum or Indian bhajis, samosas and pakoras; and
- dips, which generally come in two key formats: single pots of the most popular flavours and "multipacks"—typically four smaller portions. Dips can be vegetable-based, such as hummus, guacamole and salsa, or made with mayonnaise or sour cream and flavoured with fresh ingredients.

Salads

Salads consist primarily of cold-eating products and include:

- fresh cut salads, which are predominantly mixes of different salad leaves and are cut, washed, dried and packed so that the salad is ready to eat;
- dressed salads, which are salads that are "dressed" with vinaigrette, mayonnaise or other sauces. Traditional dressed salads are potato salad and coleslaw. Some of the Group's newer dressed salads include pasta, rice, couscous, or "super foods" like cracked bulgur wheat, beans and lentils;
- meal salads, which are primarily bought to be eaten at lunchtime or on-the-go, packaged with a plastic fork for convenience, and contain proteins such as fish or chicken or carbohydrates such as potatoes or pasta;
- dressings developed to complement the Group's leafy salads, including traditional French vinaigrette, honey and mustard, balsamic vinegar and garlic, and yoghurt and mint;
- fresh cut vegetables and potatoes, most of which are ready to cook;

- stir fries, composed of fresh vegetables;
- fresh cut fruit; and
- wraps.

Desserts

Desserts consists of both hot-eating and cold-eating products and include profiteroles, cheesecakes, fruit tarts, cream cakes, crumbles and trifles that are sold as individual portions or as whole desserts.

Pizza & Bread

Pizza & Bread consists of hot-eating products and include:

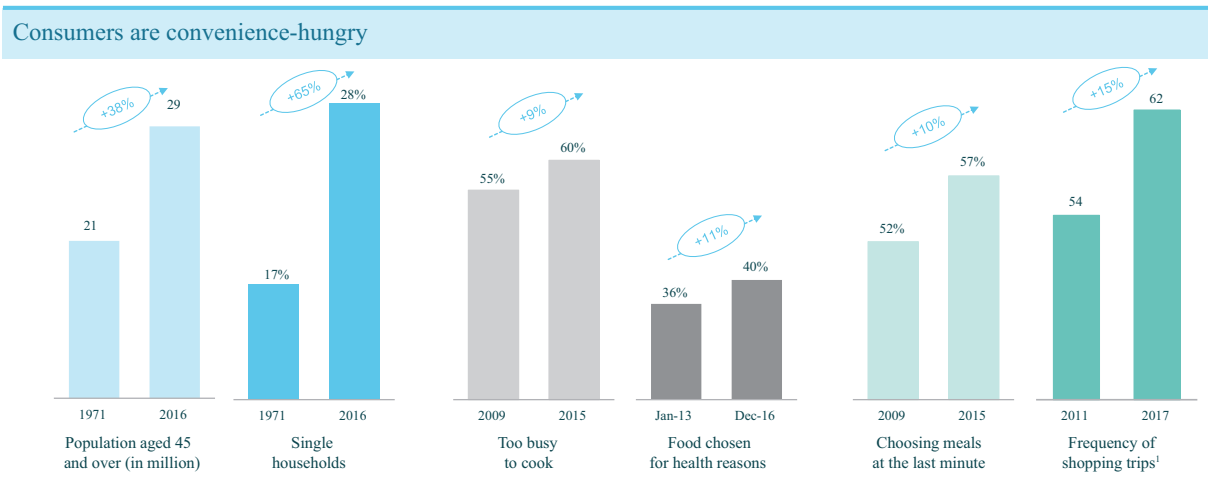
- fresh pizzas, including thin crust, thick crust, Napoli, Italian or American styles, topped by a wide variety of ingredients; and
- specialty breads, packaged chilled and precooked, filled or topped with fresh butter, mixed mainly with garlic or cheese.

FPF market growth drivers

The over-performance of FPF compared to the total grocery market has been driven by a number of well-established, long-term consumer trends and retailer support.

Convenience

Macro-demographic trends such as the rise of single person households have driven a shift towards convenience. In addition, FPF penetration across age groups continues to grow as the first generation of shoppers that adopted FPF reaches retirement age. Moreover, the frequency of shopping trips has also increased as consumers move away from a weekly shop to more frequent shopping, as illustrated in the following graph:



Source: OC&C analysis of multiple sources

Notes: (1) Per buyer per 52 weeks

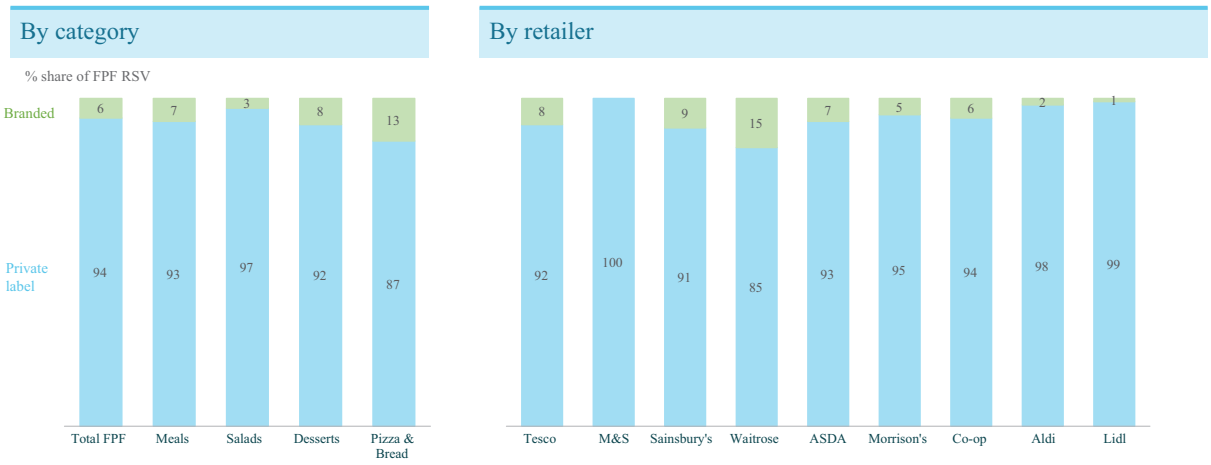
The major retailers have responded to consumer demand by increased investment into the convenience format stores, growing the total number of convenience stores by 32% (from 3,173 to 4,177) between 2012 and the end of 2016. The following graphs show the increase in convenience stores by retailer from 2012 through 2016:

Source: OC&C analysis of multiple sources

Retailer commitment to FPF

Major retailers have made public statements indicating their commitment to FPF, using the category as a way to communicate quality and differentiate themselves against competitors by using their own brands (e.g. Tesco's Finest, M&S Spirit of Summer, Sainsbury's Taste the Difference and Waitrose 1). Across total packaged foods, frozen grocery and FPF, private label products accounted for approximately 36%, 44% and 94% of sales versus branded goods in 2016, respectively.

The following graphs illustrate the share of the FPF retail sales value between private label products and branded products by category and by retailer:



Source: OC&C analysis of multiple sources

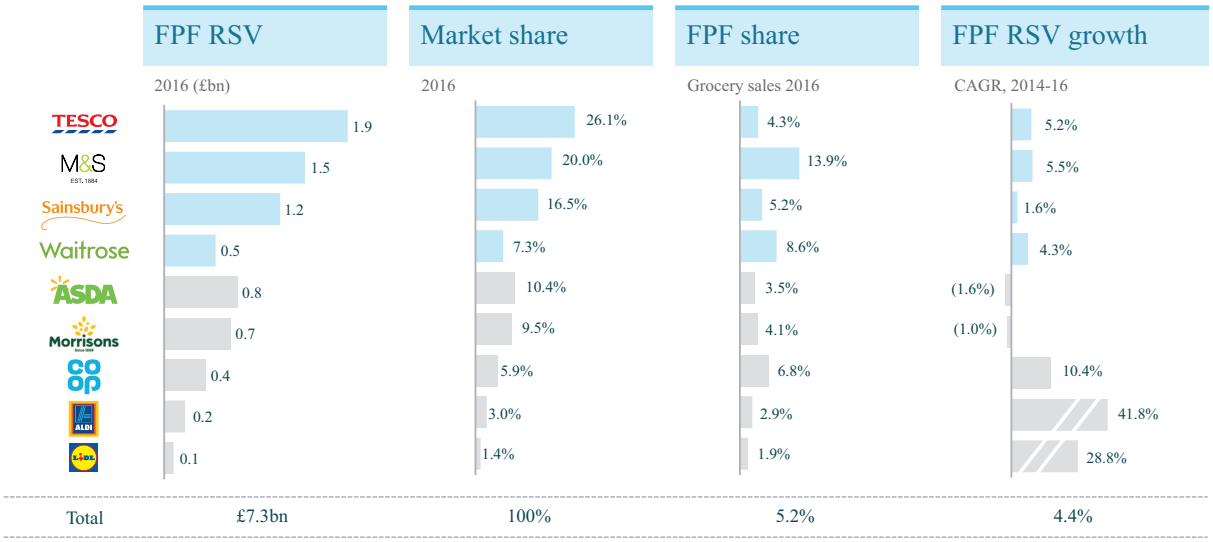
Private label is popular in the FPF market because it allows grocers to differentiate themselves with their products, which means it is difficult to price-compare product lines and ranges across retailers, providing greater pricing flexibility. Branded FPF includes Pizza Express branded pizza, which accounted for approximately 11% of the total Pizza & Bread category in 2016. The Group produces Pizza Express branded pizza under licence (see Part 6—"Business Description").

Retailers

According to OC&C analysis, Tesco is the clear market leader in FPF with a 26.1% share in 2016 by RSV, followed by Marks & Spencer and Sainsbury's. In 2016, Tesco, Marks & Spencer, Sainsbury's and Waitrose

in aggregate accounted for £5.2 billion in FPF sales, which was 6.1% of their total grocery sales, having grown at a CAGR of 4.3% from 2014 through 2016 according to OC&C. The Co-op, Aldi and Lidl in aggregate accounted for £0.8 billion in FPF sales, which was 3.9% of their total grocery sales, having grown at a CAGR of 19.8% from 2014 through 2016. Asda and Morrisons in aggregate accounted for £1.4 billion in FPF sales, which was 3.8% of their total grocery sales, having declined at a CAGR of 1.3% from 2014 through 2016. Individually, outside the top three FPF retailers, Waitrose had the highest FPF share of total grocery sales in 2016 and has grown in line with the overall market. Of the remaining retailers, Asda and Morrisons have seen their FPF sales decline, whereas The Co-op, Aldi and Lidl have shown strong growth (albeit from a low base) in the period 2014 through 2016:

FPF by retailer

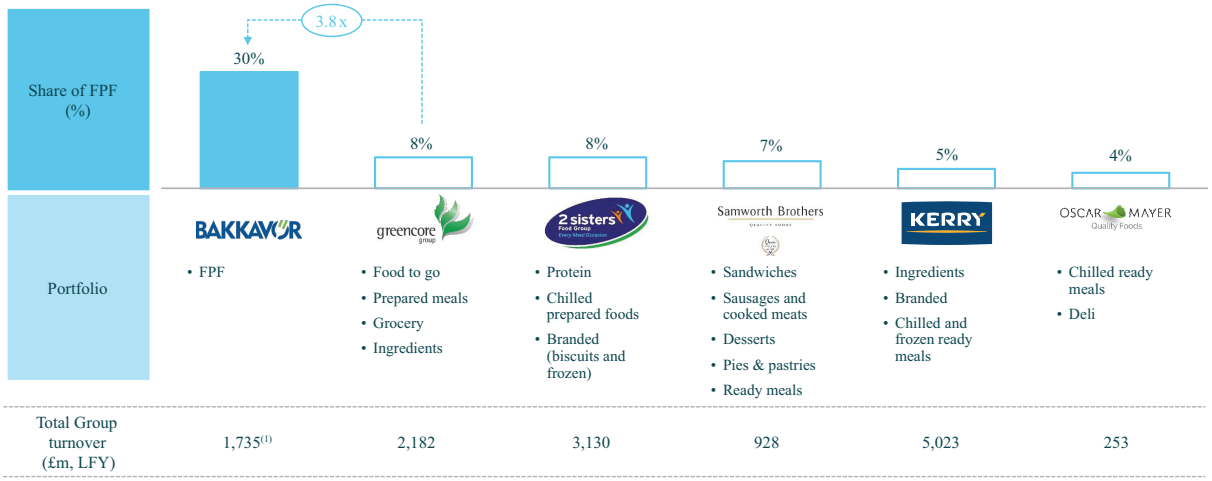


Source: OC&C analysis of multiple sources

Competitive positioning

According to OC&C analysis, Bakkavor is the clear market leader in the UK FPF market, with a 30% share in 2016. The following diagram illustrates the market share of each of the top competitors in the FPF market, their product portfolio and their total group turnover for 2016:

FPF market share by producer



Source: OC&C analysis of multiple sources

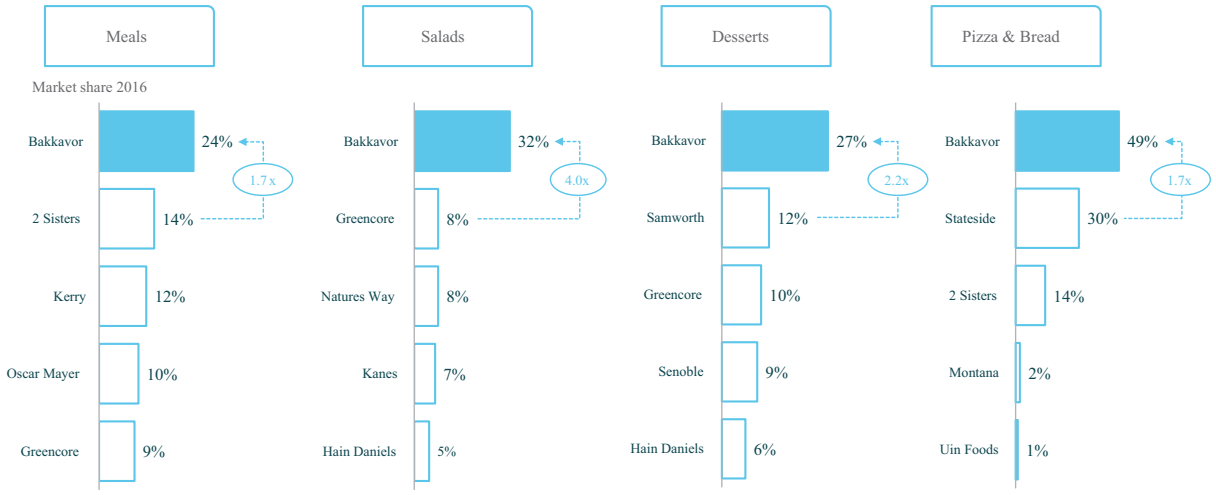
Notes: (1) On a 52 week basis rounded to the nearest million; source: Company

Bakkavor is focused on the FPF market, whereas most of its competitors derive a majority or significant part of revenues from other sectors, such as food-to-go (Greencore) or protein (2 Sisters).

The Group's market share declined by 2.0% between 2014 and 2016. Market share gains were mostly distributed amongst a number of other, smaller market participants, with only one of the Group's major competitors increasing its share of the FPF market. The Directors believe that the loss of market share was due to Bakkavor moving its strategic focus away from lower margin business, which has enabled the Group to increase its Adjusted EBITDA margins (see Part 9—"Operating and Financial Review—Strategic focus on margin improvement"). The Group has maintained market share and continued to expand its Adjusted EBITDA margin in H1 2017.

Bakkavor's overall leadership in FPF is underpinned by its position as the clear leader across all categories and as the only market participant in the UK that operates at scale across in each of the categories:

FPF producer market share by category



Source: OC&C analysis of multiple sources

United States Fresh Prepared Food Market

Bakkavor US focuses on the Meals category, which consists of Ready Meals, Dips and Soups & Sauces. The Directors believe that the Meals category generated approximately $7 billion in the US in retail sales in 2016.

Overview

The Meals category is part of the wider fresh prepared foods market. LEK have estimated the total fresh prepared foods market in the US grocery channel at $34 billion[2] as of 2016.

According to LEK, the fresh prepared foods market grew at a CAGR of approximately 6% from 2011 through 2016, with growth accelerating since 2014 (2014 through 2016 CAGR of approximately 10%). It is forecast to continue to grow at a CAGR of approximately 9% from 2016 through 2019. LEK's definition of the US fresh prepared foods market includes a number of sizeable categories that are not within the UK definition of FPF (such as ready-to-cook value-added protein and rotisserie chicken within meals, and in-store bakery), and as a consequence these US and UK markets are not directly comparable.

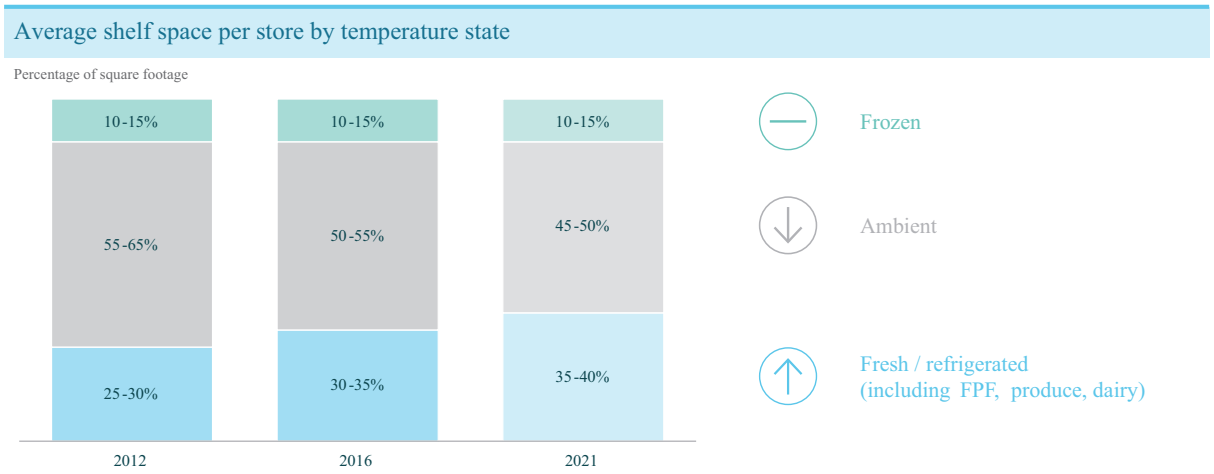
Bakkavor focuses on the Meals segment of the fresh prepared foods market, which for comparability purposes is made up of the same sub-categories as the UK Meals category. The Directors believe that the Meals category grew at a CAGR of approximately 8% from 2011 through 2016, and believes that the category will continue to grow at close to 9% CAGR from 2016 to 2019. This growth is facilitated by significant under-penetration of the Meals category on a sales value per capita basis compared to the UK (US penetration is about one-third of the UK's).

The key macro consumer trends in the US that drive growth in the fresh prepared foods market include consumer preference for fresh and better-for-you foods (clean label, organic/non-GMO), convenience needs

2 LEK Executive Insights, "Capitalizing on Opportunities in Fresh Prepared Foods"

and preference to shop in a store's perimeter, where retailers usually display fresh food. Key macro trends in grocery that favour FPF include farm-to-table local sourcing, private label as a differentiator allowing for innovation, and the blurred line between retail and foodservice, according to LEK.

According to LEK, category growth is reflected in continued gains of shelf space at retailers in the US. The graph below illustrates the average shelf space per store by temperature state:



Source: LEK

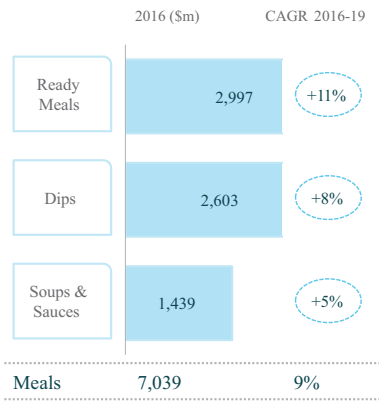
Retailers have struggled historically with consistency of supply of short shelf-life products. Currently the ready meals market is undersupplied, and retailers responded to consumer demand by creating their own in-house kitchens. The Directors believe that this business model is not sustainable, given inconsistencies in taste and quality and inefficient use of capital assets outside retailers' core expertise. Moreover, in-house production is not scalable, and thus unable to keep up with growing demand. Regional suppliers have emerged to serve retail chains, but again are often a patchwork of locally based commissaries which lack expertise, scale and consistency of quality. Conversely, national suppliers are better suited to products with extended shelf lives in the fresh category, such as Dips and Soups & Sauces, but are unable to provide fresh, short shelf-life ready meals.

Categories

Bakkavor's key categories in the US are Dips, Ready Meals and Soups & Sauces.

The following graph illustrates the market value in 2016 of each key category, as well as forecast growth rates to 2019:

Category Value & Forecast Growth



Source: Directors' belief based on market analysis

Ready Meals

The US ready meals market has traditionally been dominated by frozen ready meals produced by national, branded suppliers such as Nestlé and its Stouffer's brand, and the Directors believe that chilled ready meals only make up approximately 15% of the total ready meals market by value. However, the Directors believe that the US frozen food market has declined at a CAGR of 3% over the last five years, with chilled ready meals growing at a CAGR of approximately 10% over the same period. The Directors believe that the Ready Meals category generated approximately $3.0 billion in retail sales in 2016. Going forward, the Directors believe that Ready Meals will grow strongly at a CAGR of approximately 11% from 2016 through 2019.

Dips

The Directors believe that the Dips category generated approximately $2.6 billion in retail sales in 2016, with a historical CAGR of approximately 9% from 2011 through 2016. Within the grocery segment, the market is led by branded producers such as Sabra and Wholly Guacamole. In total, the Directors believe that branded dips account for approximately 2/3rd of the total dips market. Going forward, the Directors believe that the Dips category will continue to see strong growth at a CAGR of approximately 8% from 2016 through 2019.

Soups & Sauces

The Directors believe that Soups & Sauces combined generated approximately $1.4 billion in retail sales in 2016. The market is highly competitive, as large, bulk hot bar soups producers such as Heinz and Campbell's, and established niche chilled soup players (for example, Blount, Campbell's, Kettle Cuisine and Harry's) have a significant share of the market. However, private label is more established than in the Dips category, and the Directors believe that private label's share is approximately 65% of the total category. Going forward, the Directors believe that the Soups & Sauces category will grow at a CAGR of 5% from 2016 through 2019.

Retailers

LEK estimates that fresh prepared foods has an overall grocery market penetration of approximately 4%. According to LEK, leading fresh prepared foods retailers, such as Trader Joe's and HEB, have penetration rates of about 8%, and Whole Foods have a penetration rate of about 20%.

Recent developments

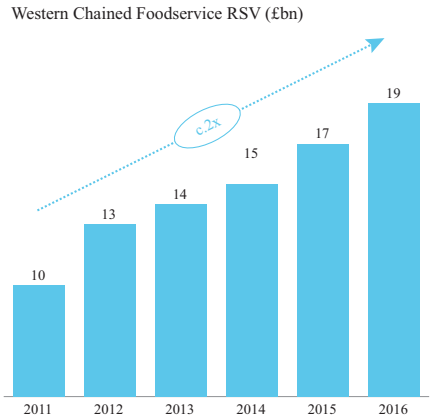
The Directors believe that the recent acquisition of Wholefoods Inc. by Amazon Inc. is positive for the fresh prepared foods category, as it will benefit from increased investment and wider availability. The further development of private label should benefit the Group, as it will drive acceptance across categories and should lead to further investments by other retailers in their own branded proposition.

China Foodservice Market

Overview

Bakkavor operates in China as a supplier to Western foodservice operators. Foodservice covers those businesses, institutions and companies responsible for any meal prepared outside of the home. This industry includes restaurants, school and hospital cafeterias, catering operations and many other formats. According to the US Department of Agriculture, China is the largest foodservice market globally with a £453 billion RSV in 2016. The market grew at a CAGR of 12% from 2011 through 2016 and is estimated to grow at a CAGR of 10.2% from 2016 through 2019.

The Group focuses on customers that participate in the Western Chained Foodservice market. Western Chained Foodservice includes 100% delivery, chained cafés/bars, chained non-Asian fast food and chained non-Asian full service restaurants. In 2016, Euromonitor estimated the Western Chained Foodservice market at £19 billion RSV. According to Euromonitor, the Western Chained Foodservice market has nearly doubled from 2011 through 2016 (13% CAGR), ahead of the total foodservice market. The Graph below illustrates the growth of the Western Chained Foodservice market since 2012:



Source: Euromonitor

Operators in the chained foodservice market include KFC, McDonald's and Starbucks. Chained units are benefiting from their strong brand image and standardised food products and services. Yum!, Starbucks, Prêt-à-Manger and McDonald's together contributed 71% of revenue to the Group's China operations. This includes sales into owned as well as franchised stores; for example, Starbucks stores operated by Shanghai President Starbucks Coffee Co in the Shanghai region. As at H1 2017, the Group supplied 100% of Starbucks stores operated by Shanghai President Starbucks Coffee Co and approximately 55% of the Greater China Starbucks stores.

The table below sets out the RSV and market share for 2016 of Bakkavor's key customers:

Company	*RSV (GBPm)*	*Foodservice market share*	*Western Chained Foodservice market share*
Yum!	6,305	1.4%	33%
McDonald's	2,439	0.5%	13%
Starbucks	1,542	0.3%	8%

Source: Euromonitor

When it comes to the penetration of the Western Chained Foodservice market, China has vast growth potential as compared to the US. For instance, in the US, there are 56 Yum! restaurants and 41 Starbucks per million people, compared to 5 Yum! restaurants and 2 Starbucks per million people in China. Given relative under-penetration and publicly-stated growth ambitions of its customers, the Directors believe that its key customers will grow significantly ahead of the forecast Western Chained Foodservice growth rate. Starbucks has stated that they are aiming to open 500 new stores each year for the next five years to add to their current 2,382 stores, and Yum!, which currently has 7,500 operating units in China, has stated that they are targeting 20,000 operating units in China.

Categories, competitors and customers

Bakkavor supplies prepared produce, sandwiches & wraps, salads, soups, dressings and cakes. The Group's customers in China include Yum!, Starbucks, McDonalds, Prêt-à-Manger, Costa Coffee, KFC and Pizza Hut.

Competition in China is highly segmented by region and by category and is largely Chinese owned and operated. Competitors include bakery companies that have developed a value-added offering, such as Cofco, or airline caterers, such as XM Air Catering and QD Air Catering.

Part 6

Business Description

Investors should read this Part 6—"Business Description" in conjunction with the more detailed information contained in this Prospectus including the financial and other information appearing in Part 9—"Operating and Financial Review". Where stated, financial information in this section has been extracted from Part 11—"Historical Financial Information".

Introduction

Bakkavor is the leading provider of FPF in the United Kingdom and has a growing international presence in the United States and China. The Group develops and produces innovative fresh prepared food products for a variety of occasions and budgets and is the number one producer by market share in the UK in each of the four fresh prepared food product categories: Meals, Salads, Desserts and Pizza & Bread. In partnership with some of its long-standing retailer customers, the Group has helped to develop and grow the fresh prepared food market in the United Kingdom, and today, the United Kingdom is one of the largest and most dynamic fresh prepared food markets in the world. The Group's customers include some of the United Kingdom's most reputable and well-known grocery retailers, which sell the Group's products to consumers under their respective brands. According to OC&C analysis, the Group held a 30% share of the UK fresh prepared food market by revenue in 2016.

Bakkavor has developed a proven business model for a complex operational environment, which the Directors believe is a unique competitive advantage in the UK. It supplies 8 major retailers with 1,900 different products from 25 sites dedicated to FPF. Sites are operational 24 hours 7 days a week, 364 days a year. Given the short shelf-life of its products, sites receive orders early in the morning for despatch later that day ("on-the-day, for-the-day"). In order to fulfil orders on-time and in-full, the Group commits to materials and labour in advance of the orders received. The Group's unique operating know-how is evidenced by 99% of its orders fulfilled on time, in full ("OTIF"), ahead of industry standards.

The Directors believe that the Group's extensive knowledge of consumer food trends and experience creating product offerings that align with these trends is one of the Group's unique selling propositions. UK Retailers benefit from the Group's over 230 employees who develop and produce innovative, high-quality products that meet retailer customers' needs. The Group's commitment to product development and innovation allows it to frequently renew its product offerings, ensuring the Group remains at the forefront of current trends, stimulates consumer interest and delivers growth through incremental sales. For example, in FY 2016, Bakkavor created and launched approximately 700 new products in the UK in conjunction with its customers. The Group has won a number of awards, including innovation winner of the Prepared Salads Category and the overall Innovative Product of the Year at the Grocer Food & Drink Own Label Awards 2017, as judged by The Grocer magazine and industry representatives.

Bakkavor's International segment consists of the fresh prepared foods market in the United States and the Western Chained Foodservice market in China. As these markets are not as well developed as the UK FPF market, Bakkavor seeks to have a transformative influence on the continued development and availability of fresh prepared foods. The Directors believe that the Group is well positioned to lead the development of these growing markets due to its industry expertise and know-how of managing and building relationships with leading retailers and foodservice providers. The Group increased its revenue from continuing operations across its International segment by 11.7% between FY 2015 and FY 2016.

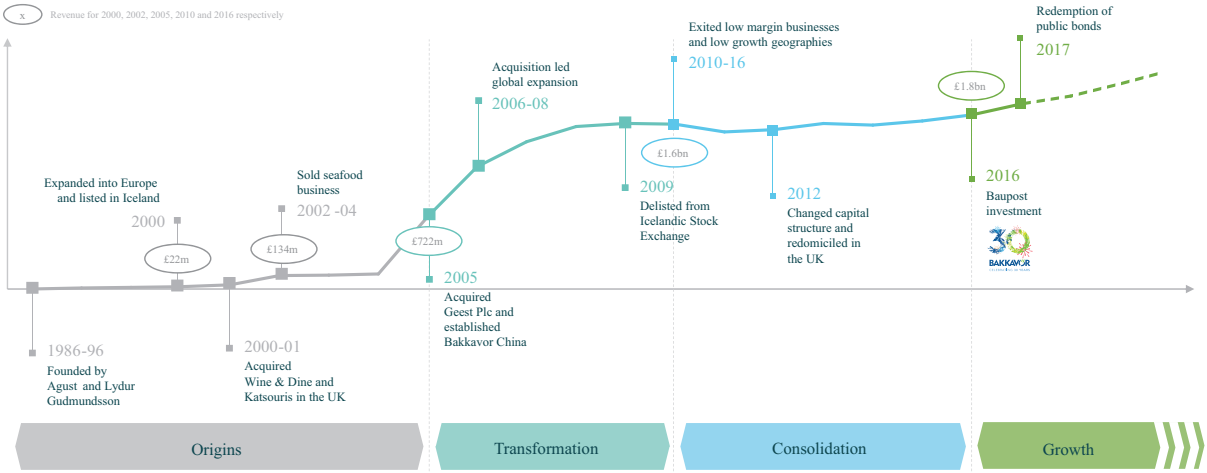
As at H1 2017, Bakkavor had a total of approximately 19,000 employees, with approximately 17,000 employees in the UK, 550 in the United States and 1,400 employees in China. The Group operates a total of 26 factories in the UK (with 25 dedicated to FPF), three in the United States (plus one under construction) and eight in China (plus one under construction). The Group's UK operations generated £1,589.9 million, or £1,563.7 million on a 52 week basis, in revenue from continuing operations and the Group's international operations generated £173.7 million, or £171.7 million on a 52 week basis, in revenue from continuing operations in FY 2016. In FY 2016, the Group's total revenue and profit from continuing

operations was £1,763.6 million and £50.8 million, respectively. In the same period, The Group's Adjusted EBITDA was £146.4 million, with £137.7 million from the Group's UK operations and £8.7 million from the Group's International segment.

History

The following graph illustrates a brief overview of the history of Bakkavor.

Bakkavor History



Bakkavor was founded in 1986 by Agust and Lydur Gudmundsson in Iceland, manufacturing and exporting fish products to Scandinavia, and was named after the street that they grew up on. The company quickly expanded, and by 1996, Bakkavor had become a medium-sized Icelandic company dedicated to manufacturing and selling processed seafood directly to Europe and the US. Over the next ten years, the business continued to expand its Scandinavian operations and growing its customer base in Europe. In 2000, Bakkavor first entered the UK market through the acquisition of Wine & Dine, a dips and dressings company, followed the next year by the acquisition of Katsouris Fresh Foods, a UK supplier of Greek dips and ready meals. Over the next five years, Bakkavor continued acquiring businesses in Europe, the UK and Asia.

In 2002, the Group sold off all of its seafood operations in order to focus on the promising fresh prepared foods market. The Group made a transformational acquisition in 2005 when it purchased Geest Plc, a leading UK producer of fresh prepared foods with over 30 years of experience. Between 2006 and 2008, the Group made a number of further acquisitions across the UK, Europe, Asia and the US that allowed it to develop a platform to supply to key retailers across all major categories.

Due to the "financial crisis" in 2008, the Group had to enter into a Composition with Creditors, which ultimately resulted in a debt-for-equity swap in 2012. In 2010, Bakkavor began repositioning itself by exiting low margin businesses and low growth geographies, ultimately exiting Continental Europe and focusing its international operations solely on China and the US. The Group expanded its established operations in China and in April 2013 opened the Xiamen factory to meet customer demand in China's growing fresh prepared foods market. In January 2015, the Group acquired the American prepared foods manufacturer, B. Roberts, based in Charlotte, North Carolina, and subsequently rebranded the company as Bakkavor Charlotte. Since then, the Group has focused its efforts on growing its United Kingdom operations, and expanding within the developing fresh prepared foods market of the US and the food-to-go supplier market in China.

Strengths

Clear leadership in the attractive UK FPF market and across product categories

The UK FPF market has historically outgrown the total grocery channel, primarily driven by the consumer move towards convenience and the retailers' response thereto. According to OC&C, between 2014 and 2016, the UK fresh prepared foods market grew at a 4.4% CAGR compared to the wider grocery market growth of 0.4% CAGR. OC&C forecast continued strong growth of the fresh prepared foods market, with a CAGR of approximately 4.7% for 2016 through 2019, primarily driven by the consumer move towards fresh and

innovative food and the retailers' response thereto. According to OC&C analysis, the Group holds a leading position in the UK fresh prepared foods market, with a 30% market share in 2016, approximately 3.8 times the share of its closest competitor. The Group is the only supplier operating at scale across all four FPF categories, and according to OC&C holds a clear number one position in each category. For more information on the UK FPF market and the Group's competitive position, please see Part 5—"Industry Overview—UK Market".

Proven business model in a complex operational environment

The Directors believe that the Group's competitive advantage lies in (i) its efficient management of the complexity of manufacturing short shelf-life products at scale, (ii) its track record of, and investment in, food safety, (iii) its ability to generate cash for reinvestment into the business for efficiencies, maintenance and growth and (iv) its ability to generate customer- and consumer-specific insights to drive innovation.

Bakkavor has developed a proven business model for a complex operational environment, which the Directors believe is a unique competitive advantage in the UK, due to the high barriers to entry driven by scale requirements and the complexity of manufacturing short shelf-life products at scale. The Group supplies 8 major retailers with approximately 1,900 different products from 25 sites dedicated to FPF. Sites are operational 24 hours 7 days a week, 364 days a year.

In FY 2016, in the UK the Group produced approximately 227 million ready meals, 157 million bags of fresh cut salad, 188 million packs of desserts, and 109 million pizzas. It can receive orders from its customers "on-the-day, for-the-day", meaning that customer orders are confirmed early in the morning and are normally collected within 24 hours. To fulfil orders, raw materials are sourced in advance of receiving the final order. Because the Group produces fresh food products with relatively short shelf lives, it is crucial that the Group source raw materials quickly and moves those materials swiftly through production facilities. For example, the Group has the capability to take raw materials, such as baby leaf lettuce, from the field and prepare, pack and despatch the finished product so that it can be bought in the supermarket by the consumer within 24 hours of picking the leaf from the field. The Group's ability to operate efficiently in this complex environment is proven by average service levels of 99% (OTIF) across its four categories.

The Directors believe that the Group is industry-leading in ensuring food safety across its operations. The Group employs over 500 food safety experts, and conducts over 2,000 microbiological and chemical tests every day (see "Quality Assurance" and "Regulation", below). The Group's reputation for food safety with its customers is also based on its application of internal standards and procedures that are more stringent than regulatory requirements.

The large scale of the Group's operations, combined with the just-in-time nature of its products, requires the Group to create and maintain an efficient manufacturing, distribution and operating structure. The Group has made significant investments over many years, with a total £133 million in capital expenditure in the UK during FY 2014 through FY 2016. As a result, the Directors believe the Group's manufacturing facilities are some of the most advanced facilities in the global fresh prepared foods industry, and are well prepared to accommodate growth.

Moreover, the Group's Insights team draws on a wide variety of general and bespoke consumer data (such as IRI, store card data and consumer focus groups) to drive tailored innovation for each of its customers. In FY 2016, the Group launched approximately 700 new products in the UK, representing an annual product portfolio churn of approximately 40%. This ability to innovate and produce fresh food that meets fast-changing consumer tastes sets the Group apart from other food manufacturers. Because its customers look to the Group for consumer trend analysis, product development and promotional ideas, the Group has developed relationships at all levels of the decision-making process. Bakkavor operates dedicated teams for each of its strategic customers for a collaborative and partnership approach to drive overall growth in the fresh prepared foods category.

As a result of the above, the Directors believe that the Group's customers consider the Group to be an integral partner in their respective efforts to deliver mutual and profitable growth, and enhance their own brands.

Clear leadership with leading UK fresh prepared foods retailers

The Group derives 86% of its UK revenue from four strategic customers (Tesco, Marks & Spencer, Sainsbury's and Waitrose). In turn, Bakkavor's strategic customers are clear leaders in FPF retail and accounted for 70% of the UK fresh prepared food market by retail sales value in 2016, according to OC&C analysis (see Part 5—"Industry Overview—UK Market").

Bakkavor's operating model has established the Group as the leading FPF supplier to its strategic customers, with no single competitor holding the number two position with more than one strategic partner. The following table sets out the market share by customer for 2016:

	Tesco	*Marks & Spencer*	*Sainsbury's*	*Waitrose*
Bakkavor				
Share of FPF retail sales 2016.....	40%	40%	26%	49%
Number 2 competitor				
Share of FPF retail sales 2016.....	20%	32%	15%	10%
Number 3 competitor				
Share of FPF retail sales 2016.....	6%	7%	10%	7%

According to OC&C analysis, the closest competitor is different for each strategic customer, and the combined market share by customer of the next two competitors is lower than Bakkavor's market share. See —"Strategy—Leverage number one position in the UK" below.

International growth potential

The Group has established itself as a pioneer in driving the fresh prepared foods proposition in the United States, and in supplying Western foodservice chains in China, with Western standards of food safety and quality. The Directors believe that the United States and China represent highly attractive opportunities for growth.

The Directors believe that the total US meals market was valued at approximately US$7 billion in 2016. The Directors believe that the Meals category grew at a CAGR of approximately 8% from 2011 through 2016 and believes the category will continue to grow at a CAGR of approximately 9% from 2016 through 2019. This growth is facilitated by significant under-penetration of the Meals category in the US on a value per capita basis compared to the UK (US penetration is about one-third of the UK's) and is driven by the same macro consumer trends seen in the UK, such as preference for high-quality, fresh, healthy and convenient food.

China has the largest foodservice market in the world, constituting £453 billion in 2016. Bakkavor's current customers are part of the Western Chained Foodservice market, which accounted for £19 billion in sales in 2016 after having nearly doubled from 2011 through 2016. At approximately 10% CAGR[3] from 2016 through 2019, the Western Chained Foodservice is forecast to grow ahead of the total foodservice market, which is forecast to grow at approximately 8% CAGR over the same period, according to Euromonitor. This growth is expected to be driven by the continuing expansion of Western Chained Foodservice restaurants and shops throughout China, with low penetration compared to Western markets.

The Directors believe that the Group can use its industry expertise and experience in building strategic relationships with leading retailers and foodservice providers in those jurisdictions to lead the further growth and development of these markets. The Group's footprint in these two high growth geographies:

- provides the Group with opportunities to leverage the significant industry expertise and the consumer knowledge the group has gained in the UK in the far less mature markets of the United States and China and to lead in the development of the new fresh prepared foods and foodservice markets in those jurisdictions;
- diversifies the Group's risk profile; and

3 Western Chained Foodservice includes 100% delivery, chained cafés/bars, chained non-Asian fast food and chained non-Asian full service restaurants; market size and growth rate at current GBP and current prices as at the date of the Euromonitor report.

- allows the Group to widen its distribution channels and gain purchasing power through increased volumes and proximity to raw materials.

In FY 2016, 10% of the Group's revenue was generated in the United States and China. The Group increased its revenue from continuing operations across these markets by 11.7% between FY 2015 and FY 2016, with Adjusted EBITDA growth of 55.4% over the same period.

Founder-led experienced management team

As at the date of this Prospectus, the founders owned approximately 59% of the ordinary shares of the Group, and they will remain significant shareholders. Agust Gudmundsson, a founder and CEO, leads an experienced senior management team with over 130 combined years of service. The management team has demonstrated the flexibility and commitment to innovative thinking that the Directors believe is necessary to successfully lead the development of the fresh prepared foods market. The Group continues to invest in the future of its management team through "emerging talent" programmes that foster and build leadership skills and experience, and the Directors believe that it has a strong senior management succession plan in place.

Strong financial profile

The Group's focus on profitable growth, combined with investments into capacity, capability and efficiencies, has allowed the Group to maintain a strong financial profile. Beginning in FY 2014, Bakkavor's strategy shifted from a focus on growth to a focus on margin, which resulted in Adjusted EBITDA margin growth of 140 basis points from FY 2014 through FY 2016. In FY 2016, the Group's Adjusted EBITDA margin was 8.3%, compared to 7.7% and 6.9% in FY 2015 and FY 2014, respectively. The Group's Adjusted EBITDA margin for H1 2017 was 8.6%. The Group's Adjusted EBITDA increased throughout the period under review, having grown from £113.2 million in FY 2014 to £146.4 million in FY 2016 (13.7% CAGR).

The Group's profit for the period was £12.8 million, £51.9 million and £51.3 million in FY 2014, FY 2015 and FY 2016, respectively. Bakkavor has a strong track record of organic growth and converting profitability into cash flow, generating £94 million, £144 million, £105 million, £53 million and £50 million in adjusted free cash flow during FY 2014, 2015 and 2016 and H1 2016 and 2017, respectively, resulting in Cash Flow Conversion of 78%, 106%, 72%, 74% and 64%, respectively. The Group's momentum continued into 2017, with revenue growing 5.7% in H1 2017 compared to H1 2016. Adjusted EBITDA margin expanded by 20 basis points to 8.6%, and was £78 million. The Group has continued to trade in line with management's expectations since the end of H1 2017. The Group expects to maintain its Adjusted EBITDA Margin at FY 2016 levels in FY 2017.

Its strong financial profile has enabled the Group to invest in its business to deliver further efficiencies, as well as develop new products to further strengthen its market positions. Please refer to Part 9—"Operating and Financial Review" for more detail.

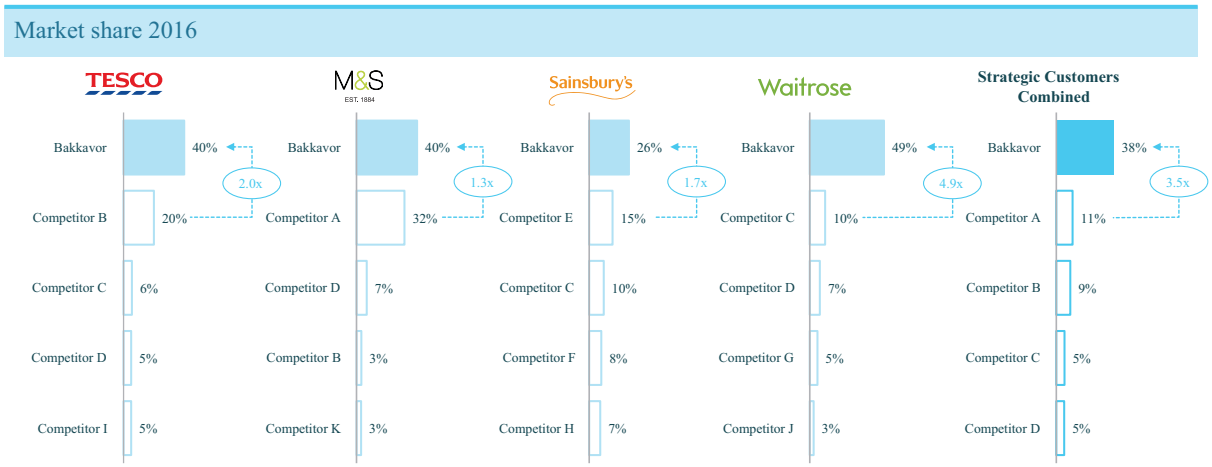
Strategy

Bakkavor has a clear strategy to deliver sustainable long-term growth, which is to leverage its number one position in the growing UK FPF market and accelerate growth in high-potential international markets. The Group plans to support these strategies through a continued focus on efficiency. For more details of historic financial performance and efficiency initiatives, please see Part 9—"Operating and Financial Review".

Leverage number one position in the UK

Bakkavor is the undisputed leader in the large and fast-growing UK FPF market, which was valued at £7.3 billion in 2016. It has nearly four times the market share of its nearest competitor, leaving it ideally positioned to benefit from the forecast market CAGR of 4.7% from 2016 through 2019 (according to OC&C), resulting in a market value of £8.4 billion. The Directors believe that the FPF market will continue to see growth in the longer term, driven by favourable macro trends.

Bakkavor is the only supplier of FPF that operates at scale across all categories. The second and third largest players are different in every category, and the situation is similar across Bakkavor's strategic customers too, as demonstrated in the graph below:



Source: OC&C analysis of multiple sources

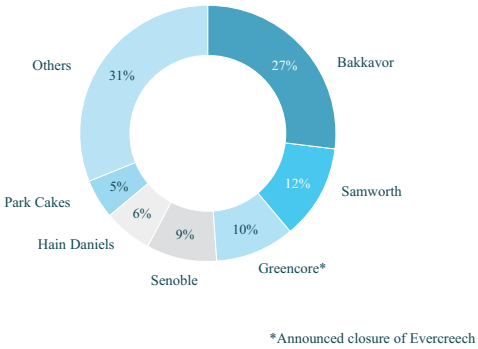
In the UK, the Group has long-standing relationships extending back for over 30 years with its strategic customers. The Directors believe that the Group's strategic customers represent the biggest source of future growth for Bakkavor, given their current market position (combined, they have 70% total market share, representing £5.2 billion of retail sales). Sales to these customers accounted for 86% of the Group's UK segment revenue in FY 2016, and Bakkavor accounted for 38% of its strategic customers' FPF sales in 2016. This has allowed Bakkavor to establish itself as a trusted partner to these retailers, working closely with them on product development, and playing an instrumental role in bringing new products to the market. Tesco, Marks & Spencer, Sainsbury's and Waitrose accounted for 34%, 28%, 13% and 11% of the Group's UK segment revenue in FY 2016, respectively.

Bakkavor derives the remaining 14% of its UK segment revenues predominantly from four other key customers: Co-op; Aldi; ASDA; and Morrisons. The Group's sales to Co-op and Aldi are growing, and it does not yet deal with Lidl. The Directors believe that Co-op, and discounters in general, represent an attractive new source of future growth. According to OC&C analysis, these retailers currently account for approximately 10% of the FPF market and are growing strongly (albeit from a low base). The Directors are confident that Bakkavor's established scale and expertise in the market leave the Group ideally placed to drive growth in the FPF category with these retailers as they expand their offerings and look for partners to provide products across categories at scale. The Group also supplies ASDA and Morrison's, which together accounted for £1.4 billion in 2016, or 20%, of the FPF market. However, their FPF revenue has been declining at a CAGR of 1.3% from 2014 through 2016. The Group is currently the #2 supplier across FPF to Co-op, Aldi and Lidl supplying 14% of their total FPF products combined, and the #3 supplier across FPF to ASDA & Morrisons, supplying 10% of their total FPF products combined, with the #1 suppliers accounting for 20% and 12%, respectively.

The Directors believe that the ongoing general UK capital investment programme of approximately £50 million per annum will enable the business to keep pace with the forecast market growth rate, with the possible exception of the Desserts category. To address this, the Group is currently planning a £35 million investment into one of its Desserts sites, which is expected to generate approximately £45 million of additional annual revenue. The Directors are confident that the Group will be able to fill much of the new capacity, either with orders that it currently cannot accept due to capacity constraints, or with orders arising from consolidation opportunities.

According to OC&C, the supplier base in the Desserts category is heavily fragmented:

Desserts market share (2016)



Source: OC&C analysis of multiple sources

As a result, the Directors believe that the supplier base will consolidate over time, which will create further opportunities for the Group to gain additional business as competitors leave the market. By way of example, in May 2017 Greencore announced the closure of its dedicated desserts factory in Evercreech, Somerset. The proposed investment will add capacity across Desserts, and provide market-leading innovation capabilities. It is planned to be operational in 2019.

For more detail on the Group's categories and market position, please refer to Part 5—"Industry Overview".

Accelerate growth in high-potential international markets

The Directors are also focused on driving growth in the US and China, where Bakkavor has operated for over ten years. These markets are particularly attractive for Bakkavor given their size and their long term growth rates, which are built on consumers' growing preference for fresh, high-quality, healthy and convenient food options. The Directors believe that Bakkavor is well placed to establish a strong position in these regions by leveraging its many years of experience in the UK market, without the need for transformational acquisitions. The Directors remain open to the possibility of making bolt-on acquisitions as relevant opportunities arise, but believes that these are in no way a pre-requisite for success in these markets.

The Group has recent and successful experience of integrating bolt-on acquisitions. For example, the Group's acquisition of B. Robert's Foods in January 2015 provided access to new customers and categories, increased national coverage and took advantage of growing customer interest in chilled convenience. Bakkavor successfully maintained B. Robert's Foods' sales momentum (CAGR of 13.9% from 2013 through 2016), while increasing EBITDA margin from 9% to 15%.

United States

The Directors believe that the Group's growing operations in the US present an opportunity to expand into the large Meals market, which was worth $7 billion in sales in 2016 and is expected to grow at a CAGR of approximately 9% from 2016 through 2019. The Group's goal in the US is to be recognised as the leading fresh prepared foods provider by establishing leading positions in "super categories", with an aim for nationwide supply, and by developing strong partnerships with customers offering a broad FPF range.

<u>Establish leading positions in super categories aiming for nationwide supply</u>

The Group's super categories fulfil the following criteria:

- they are capable of national distribution due to their extended shelf life (without using artificial preservatives);
- the Group can leverage its expertise in the UK and/or China to enhance the category in the US;
- they possess high growth potential;
- they are compatible with Bakkavor's innovation capabilities; and

- they are scalable for efficient delivery.

Dips, Soups and Sauces, and Bread all meet the Super Category criteria, and the market opportunity for each is summarised in the table below:

	Dips	*Soups & Sauces*	*Bread*
Market size ($ million).....	2,603	1,439	–
Growth (CAGR 2016-2019)[1].....	8%	5%	–
Bakkavor's available capacity.....	High	High	Bakkavor to expand capacity with an investment of approximately $10 million
Macro trends.....	Fresh ingredients/ superfoods driving growth	Switch from frozen/ambient products to chilled	First to market with test bakery to evaluate concept

Note:

(1) Directors' belief based on market analysis

Bakkavor US currently generates approximately 61% of its revenue from Dips and Soups & Sauces. In an example of the measured approach used to evaluate new opportunities, the Group recently opened a test bakery to gauge demand for its chilled bread range. Bakkavor is number one in this category in the UK, giving the Group a clear competitive advantage, provided there is appropriate demand in the US. The initial response has been encouraging, with clearly articulated interest for large scale roll-out of the chilled bread range from leading US grocery retailers with which Bakkavor has existing relationships. To meet this demand, the Group has committed a $10 million investment in a larger bakery facility in Charlotte, North Carolina.

As branded products account for a large part of the Meals market in the US, Bakkavor is also in the process of testing its own brand, Yaas!. This brand will provide Bakkavor with access to those retailers that are not willing to invest behind their own private label FPF product ranges. The Directors hope that the brand will gain retailer and consumer acceptance by emphasising its health credentials as the key selling point in-store.

Develop strong customer partnerships with a broad FPF range

The Group's US strategy involves replicating the success of the Group's UK model of partnering with strategic customers. In the US, the Group has chosen to partner with Harris Teeter, Trader Joe's and HEB. To qualify for partnership, retailers must: be dedicated to offering products in the chilled category; operate in affluent regions; have a quality/premium offer; focus on growth rather than price; and have an active new product development programme. HEB is the latest customer that the Group has partnered with, and in a sign of the strength of the relationship, Bakkavor is currently investing $31 million in a new facility in San Antonio, Texas, to support HEB's large-scale roll-out of fresh prepared foods. The new factory will be located adjacent to HEB's own distribution facility, and is scheduled to start production during the summer of 2018. HEB is the 5th largest grocery retailer in the US, with a concentration of stores in Texas, which facilitates the distribution of short shelf-life products. Highlighting its commitment to the FPF category, HEB established its "Meal Simple" offering, a range of fresh prepared ready meals. Initial sales of the Meal Simple range have been strong, even with a limited product offering. HEB now needs a strategic partner with the operational scale to enable them to capitalise on this demand, and has selected Bakkavor as that partner.

China

In China, the Group has focused on producing Western style food-to-go products for the high-growth Western Chained Foodservice market, which was valued at £19 billion in 2016 and is forecast to grow at a CAGR of approximately 10% from 2016 through 2019, according to Euromonitor. Bakkavor entered the Chinese market in 2005, as Western Chained Foodservice operators began demanding the supply of high-quality, Western style products, manufactured to high technical standards. The Group's strategy for continued expansion in China is as follows:

- Leverage current customer growth: the Group's key customers in China have experienced strong historical growth rates and have stated their ambitions to grow significantly in the future. This growth is supported by low store penetration rates compared to more developed markets. For instance, in the US, there are 56 Yum! restaurants and 41 Starbucks coffee shops per million people, compared to five Yum! restaurants and two Starbucks coffee shops per million people in China. Given this relative under-penetration and the publicly-stated growth ambitions of the Group's customers, the Directors believe that key customers will grow significantly ahead of the forecast Western Chained Foodservice growth rate. Starbucks has stated that it is aiming to open 500 new stores each year for the next five years to add to its current 2,382 stores, and Yum!, which currently has 7,500 operating units in China, has stated that it is targeting 20,000 operating units in China. For more information, see Part 5— "Industry Overview—China Market Overview".

- Enter new customer channels within existing product categories: Bakkavor China is currently testing an entry into convenience and "on-line to off-line" channels with its Fresh Kitchen range. Trials began in November 2016 and have been successful so far, with sales doubling every month. The Group will consider a national roll-out once it is confident that the consumer offer will resonate across China.

- Enter new categories to support existing customers: The Group has sought to build on its strong relationships with major Western food service operators by leveraging its expertise from the UK and US to support them in new categories. By way of example, it is currently rolling out Soups to all of its major customers. Building on this, the Group also recently completed the acquisition of a former pizza factory in China, which it will convert into a bakery to produce high-quality bread for its sandwich offering. The total investment cost is approximately £3 million, and the factory is scheduled to start production during the first quarter of 2018.

Improve operational efficiency

The Group continues to invest in operational efficiencies across its entire estate. These investments are supported by Bakkavor's operational finance team, created by bringing some of the Group's best manufacturing and finance leaders together to work across the Group as a whole. The emphasis is on using benchmarking, cross-business activity and sharing improvement projects to identify instances of operational excellence that can be replicated elsewhere within the business. This team is also instrumental in evaluating and prioritising the Group's productivity improvement plans. For example, the Group recently made a £0.4 million packaging automation investment to help reduce headcount; a £2.9 million leaf processing investment to upgrade its processes and improve yields; a £4.5 million single-serve trifle production investment to increase capacity; and a £4.7 million investment in a new assembly line to increase Pizza & Bread capacity and improve performance. The Directors believe that performance initiatives can be accelerated across Bakkavor's sites over the short to medium term.

United Kingdom Operations

The Group is the leading provider of fresh prepared food products and is the number one producer by market share in the United Kingdom in its four product categories: Meals, Salads, Desserts and Pizza & Bread. These product categories account for four of the five fastest growing product categories in the fresh & chilled food market in the UK, according to OC&C analysis. For more details on products within each category, please refer to Part 5—"Industry Overview—UK Market". In FY 2016, the Group derived £1,589.9 million (£1,563.7 million on a 52 week basis) in revenue from continuing operations from its UK operations, representing 90% of the Group's total revenue from continuing operations, an increase of £70.9 million from FY 2015. In FY 2015, the Group derived £1,519.0 million in UK revenue from continuing operations and

representing 91% of the Group's total revenue from continuing operations, a decrease of £1.1 million from FY 2014. The Group has 25 factories and three distribution centres dedicated to its UK FPF business.

The Group benefits from the high market penetration of retailer-branded products in the United Kingdom, and it assists retail customers in developing and promoting their own store brands. The Group is the top FPF supplier to its strategic customers, which are among of the largest grocery retailers in the UK. The Directors believe that strong relationships with its strategic customers, along with the size, scale and diversity of the Group's product offering and reputation for innovation and development, will enable the Group to continue to grow its product offerings and operations. For more information on the Group's UK customers, see — "Strategy—Leverage number one position in the UK" above.

In line with the wider food industry, the Group generally does not enter into long-term contracts with retailer customers. Instead, the Group takes an innovation-led, partnership approach to its customer relationships. The Group has a dedicated team for each of its strategic customers that focus on the commercial, insight, innovation and technical aspects of each partnership. The Group's customers have grown to rely on the Group's product development and innovation capacity to help them launch new FPF products and strengthen their own brands. The Group has developed relationships at all levels of its customers' decision-making processes. For example the Group has a bespoke strategy for Tesco, driven by Tesco's specific growth drivers and vision. The Group's Tesco strategy includes annual CEO/CCO briefings, bi-annual commercial director review and quarterly category director reviews. The Group is one of 28 Tesco Product Partners, one of 10 Marks & Spencer Strategic Food Partners, a Sainsbury's Strategic Partner and one of 10 members of the Waitrose Strategic Partnership Board.

International Operations

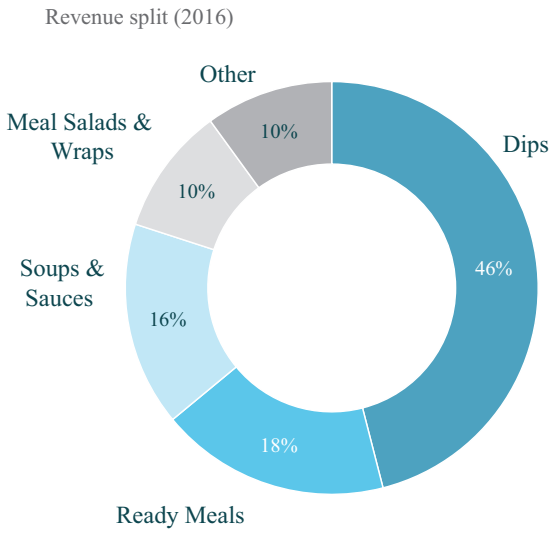
The Group has growing operations in the United States and China, which accounted for 10% of the Group's revenue from continuing operations in FY 2016. Like-for-like revenue growth for the International business was 11.7% from FY 2015 to 2016.

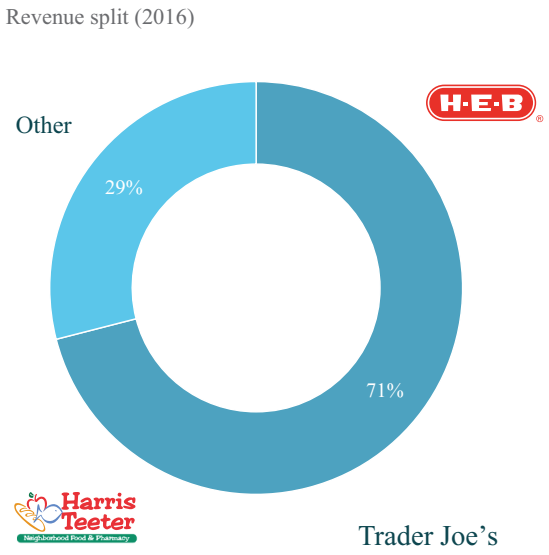
United States

The Directors believe that the Group's growing operations in the United States present an opportunity to expand into the large Meals market in the United States, which was valued at $7 billion in 2016 and is expected to grow at approximately 9% CAGR from 2016 through 2019. The Group's three factories in the United States are located in Carson, California (Ready Meals and Dips); Jessup, Pennsylvania (Ready Meals and Dips); and Charlotte, North Carolina (Ready Meals and Soups). The Group is also constructing a fourth factory in San Antonio, Texas (Ready Meals). The Group has identified a potential site in Charlotte, North Carolina near its existing facility for an additional factory that would manufacture bread.

All three operating facilities are United States Department of Agriculture approved, and the Group has formed partnerships with some of its biggest customers in the US, including Harris Teeter, HEB and Trader Joe's. The Group's other key customers include Loblaws and Aldi. In the United States, the Group competes with, among others, retailers' own in-house production, Tyson, Sabra, Bob Evans, Taylor Farms, Cedar's, Tribe, Grecian Delight, Blount, Harry's, StockPot and Kettle Cuisine.

The graphs below illustrate the Group's revenue splits by product category and by customer:

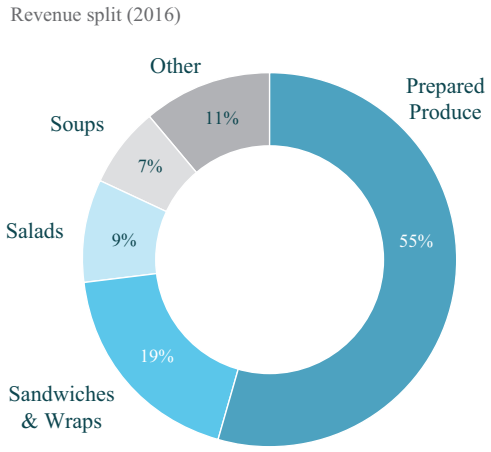


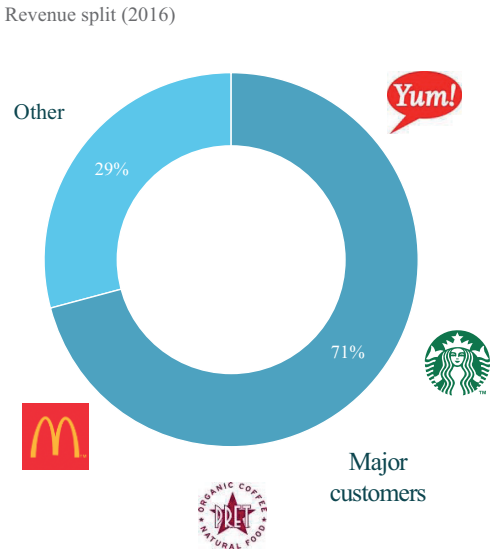


China

The Group is a leading national Western Chained Foodservice supplier in China, having entered the market in 2005 through the acquisition of Creative Food Group. From 2006 through 2012, the Group was profitable but saw lower growth. In 2013, the Group transitioned when it rebranded Creative Food Group as Bakkavor China. From 2012 through 2016, the Group's revenue nearly doubled. Currently, the Group primarily operates through Bakkavor China (fresh cut salads, sandwiches, wraps, soups and salads) and Bakkavor Hong Kong (soups, wraps, sandwiches, pasta and dressings) and has eight strategically located factories manufacturing prepared produce, sandwiches & wraps, salads, soups, bread, dressings and cakes. The Group's Chinese operations primarily involve supplying prepared food to foodservice chains, such as Yum! (KFC and Pizza Hut) and Starbucks. The Group has invested £19 million in an additional factory in China, which is due to start production in March 2018. The Directors believe that the Group's new factory will differentiate the Group from its competitors through the latest technology and processing and will provide easier access to the increasingly affluent East China region. The Group also recently completed the acquisition of a former pizza factory in China, which it will convert into a bakery to produce high-quality bread for its sandwich offering for a total investment cost of approximately £3 million. The factory is scheduled to be in production during the first quarter of 2018. The Group also holds a 45% stake in La Rose Noire (cakes and sandwiches), a premium patisserie business located in Hong Kong.

The graphs below set out the contribution by category and key customers in 2016:





Product Development and Pricing

The Group works alongside its customers to create a diverse product offering that suits each individual customers' needs across a spectrum of price points.

Product development

The Group develops products both independently, whereby it pitches new product ideas to customers for consideration, and alongside its customers, whereby it takes requests from retailer customers for new products and updates existing recipes. In both cases, the product development process begins with the gathering of new product ideas from a variety of sources around the world, including retailer customers' experiences, restaurant menus, top chefs, consumer shopping habits, online focus group communities and market research. Once a potential new product or a potential update to an existing recipe is identified that the Group is able to produce on a commercial basis, the Group's dedicated teams develop the product by selecting appropriate ingredients and packaging and evaluating food safety and quality. The Group then presents the product concept to either the retailer customer that requested the product or to the retailer customer which would be most suitable for that product or range. If they find the product attractive, the Group collaborates with them to refine the product and agree on plans for its commercial launch. Before the product is launched, the Group commences production trials of the new product in which products made in the Group's manufacturing factories are benchmarked against kitchen samples. At this stage of the product's development, the Group also prepares and verifies cooking instructions and nutritional information, checks the shelf life of the product and finalises its packaging. After the product is launched, the Group works with its retailer customer to closely monitor the product's performance to determine whether the product is selling successfully, who buys it and whether it needs further improvement.

During FY 2016 in the UK, the Group had approximately 220 chefs working in development teams dedicated to innovation and approximately 30 employees dedicated to customer and consumer insights. The Group's customer and consumer insights team utilizes data compiled by Kantar Worldpanel, IRi and retailers' club cards, as well as research compiled by the Group's own online food community, FreshTalk, and focus groups to gain consumer insights used for product development. The Directors believe that the Group's high-quality product development capabilities allow it to proactively meet both retailer customers' needs as well as those of the end consumer. It has enabled Bakkavor to develop entire promotional "meal deal" ranges, such as the Marks & Spencer's Dine-In range (excluding wine and chocolates), leveraging the Group's capabilities across its categories. Tastes and budgets vary widely among consumers and are constantly changing, which means that there is demand for a significant number of new or revised products to be introduced annually. In 2016, the Group's product development teams developed and worked with retailer customers to successfully launch approximately 700 new products in the United Kingdom, bringing the Group's total products to approximately 1,900 and an annual product portfolio churn of approximately 40%. As at H1 2017, no individual product contributed revenue of more than £50 million.

Most of the Group's revenue is derived from retailer-branded products and the Group generally does not engage in the marketing of its products to the consumer. Instead, the Group relies on its knowledge and understanding of key food trends and its ability to translate these into successful products that the Group can present to its retailer customers.

Pricing

The Group sells a range of products at multiple price points for each of its customers, basing its prices primarily on the complexity of the product, the quality of the ingredients and the needs of the customer and consumers. Once the Group finalises a new product or a refreshed product for a customer, the Group agrees the price at which that product will be sold going forward. The Group has no formal contracts but conducts regular and collaborative price reviews with each of its customers on a category basis. As the Group discusses its own margins and the expectations of the customer during the process of pricing a product, the Group is more easily able to pass on increases in the costs of raw materials during, for example, times of high cost inflation. Bakkavor also benefits from the introduction of new products, as well as churn of existing products, to minimise the impact of cost inflation through price and value engineering.

Promotions are either put forward by Bakkavor or are requested by a customer. If requested by a customer, the commercial teams review the proposal, particularly with respect to promotional funding split. Bakkavor will not participate if the promotion does not generate the required returns.

Supply Chain

The Group operates a complex supply chain that allows for the ability to turn around large orders in less than 24 hours, 364 days a year through its multistep process of planning, procurement, manufacturing and distribution. In 2016, the Group's customer service levels generally exceeded the industry benchmark standard of 98.5% orders fulfilled OTIF, with 98.9%, 99.0%, 98.1% and 99.1% of orders fulfilled OTIF for Meals, Salads, Desserts and Pizza & Bread, respectively. The Directors consider the Group's proven operating model, as demonstrated by its customer service levels, to be one of the Group's unique selling propositions.

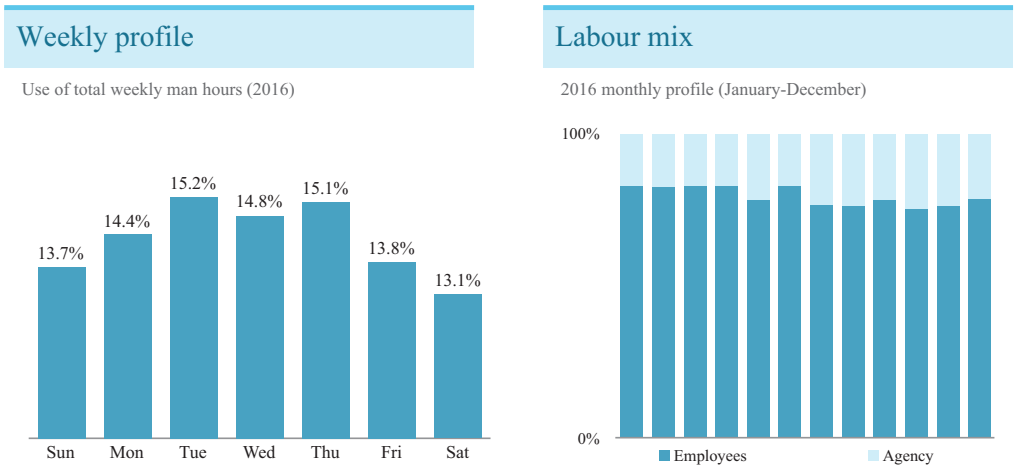
Planning

Planning is one of the most important stages in the Group's supply chain as it enables the Group's products to reach retailers on tight deadlines. The Group has internally developed forecasting tools that analyse product demand cyclicality that it uses to plan production, and holds daily sales and operations planning meetings attended by the Group's sales & marketing, procurement and finance functions to discuss demand, capacity, promotions and impact of weather on demand, as well as make key decisions and review any planning and manufacturing issues. The Group's factory-based planning teams are responsible for optimising efficiencies to maximise profitability while maintaining the Group's key performance indicators in cost, quality, service and innovation. For example, the Group is able to forecast spikes in demand for soup during the winter months, for desserts around Christmas and for meals during retailer promotions. This requires dealing with daily order requests from customers, producing daily plans and schedules for the facility from raw materials supply to finished goods despatch, highlighting facility capacity issues and constraints and liaising with senior management regarding operational issues, customer issues and launches or delisting of products.

The Group's planning team utilises continuous customer interface and labour and supplier flexibility in order to meet its deadlines. For example, planners will receive a customer order which is automatically transferred to the planning board. The order received will be balanced against the stock to be dispatched, which will confirm the production requirement. This requirement is then uploaded into the Group's logistics system which will produce a manufacturing plan. The planner will then check this plan to ensure any time-critical products are covered in time for vehicle despatch.

The Group utilises local human resource planning based on the Group's customer demand projections, using a mixture of employees and temporary agency workers. The charts below illustrate the use of total weekly man hours in 2016 across the days of the week and the 2016 monthly profile for temporary agency workers and employees:

Use of total weekly man hours and monthly profile of employees and agency workers



The number of employees as at the period end increased by 3.4% from FY 2015 to FY 2016 and by 2.1% from FY 2014 to FY 2015. For additional information on the Group's employees, see "–Employees" below.

Procurement

The primary raw materials used in the production of the Group's products are: salads and vegetables; meat and poultry; dairy products; wheat products; fresh fruits; and cardboard and plastic packaging materials. The Group sources many of its raw materials directly from producers and growers. Over the years, the Group has developed strong, long-standing relationships with key suppliers and manufacturers.

The Group's procurement teams work alongside colleagues in different functions and with the Group's selected growers and suppliers to ensure the Group has the right materials at the right time, in the correct quantities at competitive prices. During FY 2016, the Group's procurement function benefited from a diversified supplier base of approximately 750 suppliers, with no single supplier representing more than 3% of material purchased. The Group's total direct spend in the UK was £711 million, 45% and 37% of which was spent in the UK and Europe, respectively. 81% of the Group's procurement spend was used to purchase raw materials (30% grocery, 22% produce, 15% proteins and 14% dairy), with the remaining 19% used to purchase packaging. The Directors believe that approximately 40% of packaging costs are directly attributable to the price of oil.

The Group buys from over 50 countries, which reduces the Group's exposure to geographic risk and ensures a year round supply of produce. The same technical and quality standards are applied to all of the Group's raw materials, regardless of their origin. No single supplier accounts for more than 3% of orders, and the Group's top ten suppliers only account for 15% of all orders.

The Group has specialised procurement teams based in key countries (UK, US, Spain and China) that directly manage the inbound supply chain in order to benefit from knowledge of local markets, wider access to local producers, no agency margin and logistical efficiencies. The Group seeks to reduce the short-term (usually up to 12 months but longer in some instances) impact of movement in raw price materials through forward pricing. The Group has a rolling 18 month currency hedging programme with a target of at least 90% of its non-pound denominated raw material prices hedged in the first quarter of that period, reducing to 5-25% in the final quarter. Therefore, as at H1 2017, the Group was 93% hedged through the third quarter of 2017 and 90% hedged through the fourth quarter of 2017.

Manufacturing

The following table sets out the Group's factories:

Location	*Product categories*
United Kingdom	
Abbeydale Road, Park Royal, London	Meals
Boston	Meals
Cumberland Avenue, Park Royal, London	Meals
Elveden Place, Park Royal, London	Meals
Holbeach	Meals
Spalding (dips)	Meals
Spalding (soups & sauces)	Meals
Sutton Bridge	Meals
Wigan	Meals
Alresford	Salads
Borrowstounness (Bridgeness)	Salads
Borrowstounness (Carriden)	Salads
Bourne	Salads
Southport	Salads
Spalding (salads & wraps)	Salads
Spalding (salads)	Salads
Sutton Bridge	Salads
Tilmanstone	Salads

Location	*Product categories*
Highbridge	Desserts
Newark	Desserts
Barton on Humber	Pizza & Bread
Crewe	Pizza & Bread
Harrow	Pizza & Bread
Holbeach	Pizza & Bread
Nantwich	Pizza & Bread
Colchester	Anglia Crown
United States	
Carson, CA	Dips/Meals
Charlotte, NC	Meals/Soups
Jessup, PA	Dips/Meals/Soups
San Antonio, TX (*under construction*)	Meals
China	
Beijing	Food-to-go
Shanghai	Bread
Guangzhou	Food-to-go
Haimen	Food-to-go
Haimen (*under construction*)	Food-to-go
Hong Kong	Food-to-go
Wuhan	Food-to-go
Xiamen	Food-to-go
Xian	Food-to-go

The Group has two single-customer dedicated Meals factories and three single-customer dedicated Salads factories. Meal factories tend to have medium to low levels of automation, Salad and Desserts factories tend to have low levels of automation and Pizza & Bread factories tend to have medium levels of automation. The Directors believe that the Group has sufficient capacity to accommodate future growth, assuming approximately £50 million in capital expenditures per annum going forward. In addition, the Group has planned a £35 million investment into one of its desserts sites. For more information, see —"Strategy—Leverage number one position in the UK" above.

Due to the nature of the products the Group makes, the Group operates a "just-in-time" manufacturing model, meaning that the Group produces only what is required by customers' specific demands. Because the vast majority of the products the Group manufactures require fresh raw materials, the Group must ensure that stocks are kept to a level that allows the Group to be flexible and meet its clients' demands, whilst minimising waste. This process requires complex planning and scheduling to make and deliver the Group's products on time and in the condition customers expect. Accordingly, the Group works in close co-operation with its customers and suppliers to ensure accurate forecasting and optimal manufacturing, scheduling and planning throughout the supply chain.

Distribution

The Group operates a just-in-time distribution model that carefully manages the inbound supply chain and assists customers with delivery from its factories and distribution centres into customers' depots. The Group has created central warehousing hubs for frozen, chilled and ambient inbound materials, which allows for load consolidation, minimises distance duplication and increases efficiency.

The majority of the Group's products are sold at the factory gate, meaning that customers collect products directly from the Group's factories or dedicated distribution centres. Currently, the Group's key customers all collect their products directly from the Group. Given the customer's responsibility for outbound logistics, the Group is able to invoice the customer at the point of despatch rather than receipt of the goods by the customer. All of the Group's fresh products are shipped via refrigerated vehicles, predominantly by retailer

fleets or by third-party haulage companies or, to a lesser extent, the Group's own vehicles. This arrangement allows the Group to minimise the capital required to maintain its own distribution fleet.

The Group has three regional distribution centres in the UK, which allows it to manage distribution complexities at peak times. During FY 2016, the Group distributed approximately 200 million cases and 3 million pallets and spent £71 million on distribution costs in the UK. The Directors believe that fuel costs amount to approximately 1/3rd of the Group's total distribution costs in the UK.

Quality Assurance

The Group maintains strict controls regarding authenticity and quality control of the products it manufactures and supplies. The Group is subject to regular inspection by food safety and other authorities for compliance with applicable food laws such as traceability and food hygiene. The Group uses the Hazard Analysis Critical Control Point ("HACCP") approach to food safety and has a technical team of over 450 people who define standards and monitor compliance with the Group's systems for ensuring food safety. HACCP is a systematic preventive approach to food safety that addresses physical, chemical, and biological hazards as a means of prevention. HACCP is used in the food industry to identify potential food safety hazards, so that key processes, known as Critical Control Points ("CCPs") can be controlled to reduce or eliminate the risk of the hazards being realised. HACCP considers all key aspects of a product's manufacture, from the safety of the raw materials to the validation of processes (e.g. cooking and washing), to shelf life, and finally end-consumer usage. In addition, HACCP focuses on certain prerequisites, such as good manufacturing practices, good hygienic practices and proper training. Routine verification of the CCPs also takes place, which includes testing the finished products for the hazards which the CCPs are designed to control; for example, the Group conducts periodic salmonella and listeria monocytogenes testing. The Group's other verification processes include laboratory testing, announced and unannounced internal and external audits and regular management reviews. The Group conducts over 2,000 in-house microbiology and chemistry tests every day. 21 of the Group's UK sites have British Retail Consortium ("BRC") "A" ratings, with only four of the Group's sites currently not BRC Food certificated.

The Group begins its quality assurance processes before the raw materials used to produce fresh prepared food offerings enter the Group's manufacturing factories. The Group uses information derived from its agreed production specifications to assess whether the raw materials the Group receives are safe under its raw materials risk management system. This process comprises separate food safety risk assessments for microbiological and non-microbiological risks (such as foreign bodies, chemical contaminants and allergens), and requires all materials to be assessed as safe prior to being taken into a manufacturing site. The Group's well-trained quality assurance staff checks incoming materials to ensure compliance with the Group's inspection procedures before each shipment of raw materials enters the Group's facilities.

In addition, the Group ensures that it sources safe, legal and quality ingredients through a traceability programme that ensures that the Group knows the origins and destinations of the ingredients and raw materials that pass through its facilities. The Group also conducts regular site visits to supplier factories, where the Group assesses and audits supplier quality systems and controls.

The results of these inspections are monitored and appropriate action is taken if the Group or any of its suppliers fail to meet the food safety key indicators the Group has established internally. A report is submitted to the Board monthly on the Group's progress toward meeting these key indicators, as well as any failing to do so.

Regulation

Many of the Group's facilities and products are subject to various local, national, European and international laws and regulations relating to food and to the safety of products, hygiene, safety and environmental control, including laws relating to air emissions, the remediation of contaminated soil and groundwater, wastewater, discharge, noise, odour and handling and the storage and disposal of waste. Failure to comply with these requirements may result in fines and penalties and liability for compliance costs and damages.

From time to time, the Group receives notices and inquiries from regulatory authorities and others asserting that the Group is not in compliance with such laws and regulations. In some instances, investigations and litigation ensues. In addition, individuals may initiate litigation against the Group. For information please see —"Legal and Administrative Proceedings" below. Many of the Group's facilities are subject to environmental permits and other regulatory requirements, violations of which may be subject to civil and criminal sanction. In some cases, third parties may also have the right to sue to enforce compliance. The Directors believe that the Group is currently in substantial compliance with all governmental laws and regulations affecting the Group's business, including environmental and health and safety laws and regulations, and maintains all material permits and licences relating to the Group's operations.

The Group collaborates with the United Kingdom's Health and Safety Executive ("HSE"), the United Kingdom's independent watchdog for work-related health, safety and illness, to develop best practices in the Group's industry. From time to time, the Group co-ordinates with one of its suppliers to develop and deliver a safety awareness training course.

The Group also collaborates with the United Kingdom's Environment Agency (the "EA") when the opportunities arise. Most recently the Group worked in collaboration with the EA to ensure waste disposal could continue through the difficult weather conditions. This enabled the Group's businesses to continue operations without interruption.

Additionally, the Group has a Primary Authority agreement concerning food safety with South Holland District Council ("SHDC"). The Group has a strong relationship with the SHDC and has biannual meetings to discuss Group issues, shared learning and best practice. The Group also holds a similar Primary Authority agreement with Lincolnshire County Council concerning trading standards matters and affairs and has biannual meetings to discuss Group issues, shared learning and best practice.

Food Safety Regulations

The Group is subject to extensive food safety regulations and is subject to governmental food processing controls in each of the countries in which the Group operates. European Commission Regulation EC/178/2002 provides the framework for a unified approach to food safety in the European Union and all Member States have implemented the requirements into national law. Among the other major requirements of Regulation EC/178/2002 are Article 17, which imposes on food business operators a general obligation to ensure that the operations under their control satisfy the relevant food law requirements and an obligation to verify that such requirements are met, and Article 18, which imposes a mandatory traceability requirement along the food chain. The traceability requirement applies to all food, animal feed, food-producing animals and all types of food chain operators including in the farming, processing, transportation, storage, distribution and retail sectors. Information including the name, address of the producer, nature of the products and date of transaction must be systematically registered by each operators' traceability system. This information must be kept for five years and upon request, must be made immediately available to the competent authorities. The Group has implemented internal recording systems to ensure that it complies with this requirement. In addition to the general requirements of Regulation EC/178/2002, the Group is subject to specific food hygiene legislation (The Food Safety and Hygiene (England) Regulations 2013). The Group is also regularly inspected by various national and local regulatory authorities.

The Group is also subject to various food safety regulations in the United States and China.

Food Safety Procedures

The Group strives to deliver food products with the highest standards of safety and integrity to its customers. The Group applies food safety procedures when designing and managing all of its sites, including rigorous hygiene regimes, in-house microbiology and chemistry testing, hazard analysis and Critical Control Point management systems. As at the date of this Prospectus, the Group employs more than 500 food safety experts to ensure that its procedures are effectively implemented. The Group is also regularly subject to both customer and external audits.

Environmental Regulations

The Group is subject to a number of local, national and regional laws and other requirements relating to the protection of the environment and the safety and health of personnel and the public. These requirements relate to a broad range of our activities, including:

- the discharge of pollutants into the air and water;
- the identification, generation, storage, handling, transportation, disposal, record-keeping, labelling, reporting of, and emergency response in connection with, hazardous materials (including asbestos) associated with the Group's operations;
- noise emissions from the Group's facilities; and
- safety and health standards, practices and procedures that apply to the workplace and the operation of the Group's facilities.

In order to comply with these requirements, the Group may need to spend substantial amounts of money and other resources from time to time to: (i) construct or acquire new equipment; (ii) acquire or amend permits to authorise facility operations; (iii) modify, upgrade or replace existing and proposed equipment; and (iv) clean up or decommission waste management facilities. The Group's capital and operating budgets include costs and expenses associated with complying with these laws. If the Group does not comply with environmental requirements that apply to its operations, regulatory agencies could seek to impose civil, administrative and/or criminal liabilities, as well as seek to curtail the Group's operations. Under some circumstances, private parties could also seek to impose civil fines or penalties for violations of environmental laws or recover monetary damages, including those relating to property damage or personal injury.

The presence of hazardous materials at the Group's facilities may expose the Group to potential liabilities associated with the clean-up of contaminated soil and groundwater, and the Group could be liable for (i) the costs of responding to and remediating that release and (ii) the restoration of natural resources damaged by any such release, among other things. The Group has not incurred, nor does it anticipate incurring, material expenditures made in order to comply with environmental laws or regulations. The Group is not aware of any environmental liabilities that it would expect to have a material adverse effect on its business.

Employee Health and Safety

The Group aims to promote a proactive safety awareness and accident prevention culture by empowering its employees to do the right thing, raising risk awareness and supporting solutions to improve the Group's health and safety performance. The Group has health and safety teams that define standards and monitor compliance with the Group's systems for ensuring workplace health and safety. These systems are risk-based and are implemented through the Group's documented health and safety management systems to ensure that the Group complies with the relevant legal responsibilities. The Group's health and safety management systems include comprehensive compliance audits carried out by qualified experts, performance monitoring and reporting, and a well-established process for capturing and sharing good practice and learnings.

Compared to FY 2015, the Group's total number of accidents declined by 13% and accidents resulting in more than seven days of lost time declined by 23% in FY 2016. However, the Group reported the death of an employee from an accident at work on 4 February 2015. Following the accident, the Group renewed focus on reducing the risk associated with workplace transport, machinery safety and supporting the development of the Group's accident prevention culture across the business. The Group achieved lower accident rates than the HSE industry average for FY 2015 with both lost-time and major accidents decreasing by 40% and 47%, respectively. For FY 2016 lost-time and major accidents were lower than the HSE industry average by 52% and 79%, respectively. The Group received four awards from the Royal Society for the Prevention of Accidents in 2017.

Information Technology

The Group's complex factory operations require IT systems to support supply chain processes from planning to distribution. The Group currently utilizes the Protean enterprise resource planning ("ERP") system across most of its UK operations. For the remainder of its UK operations consideration is being given to moving them onto the Protean system or onto an alternative system. The underlying Protean system infrastructure is secure at least until January 2022, at which time the Group will have to review and possibly upgrade its systems if it has not done so already. The Protean system is fully supported by the licensor, Infor, until January 2020, after which the Company will need to find an alternative source of on-going support at least until January 2022. The Company is confident that it will be able to achieve this through a combination of internal and external resources.

Insurance

The Group maintains valid insurance cover at a level that the Directors consider to be reasonable for its business and the risks it faces. The Group maintains all statutorily or contractually required cover with at least the required limit. The Group does not carry insurance to cover loss of revenue. The Directors believe the Group's coverage is consistent with industry standards.

Corporate Social Responsibility

Environment

The Group manages the impacts of its business on the environment and focuses on those areas that it believes are most material to its operations. The Group has an expert, centralized environmental team and a clear sustainability plan. The Group encourages environmental efficiency through a Group-wide focus on resource management with its environmental policy, in which it has identified key areas where it can further reduce its environmental impacts: waste, water, energy efficiency and packaging. The Group's documents environmental management system is based on ISO14001. Additionally, the Group works with its key customers, industry bodies, suppliers, employees and local communities to develop and implement sustainable supply chain practices. For example, the Group manages its surplus food through staff shops or local and national food charities. As of H1 2017, the Group sent zero waste to landfill.

Community

The Group works with the local communities near its business sites to understand their needs and concerns. The Group believes its local business teams are best placed to understand the needs of their communities and support local causes and initiatives as identified by the local business teams. The Group has established site employee forums which are attended by elected employee representatives and management. Each forum is responsible for driving engagement within the Group's businesses to lead and support local initiatives, charities, groups and schools.

As a food manufacturer, the Group also believes it is important to play a role in educating local communities on nutrition and health and holds regular workshops in schools close to its sites to raise awareness of healthy eating and the importance of maintaining a balanced diet. The Group is a leader in food industry ethical standards compliance and has fostered close relationships with organisations dedicated to assisting migrant workers.

The Group also supports relevant national campaigns, such as The Prince's Trust and The Prince's Countryside Fund. Overall, the Group contributed approximately £250,000 in charitable donations in FY 2016.

Employees

The Group employs approximately 19,000 employees in total. As at 30 June 2017, approximately 98% of its employees were considered permanent, while the remaining 2% were temporary. However, the Group employs varying amounts of temporary employees throughout the year, with more temporary workers utilised during busier periods

The following table details the numbers of the Company's employees by function as at H1 2017, FY 2016, FY 2015 and FY 2014:

Employees by function

	As at			
	Fiscal Year end			*H1*
	2014	*2015*	*2016*	*2017*
Production	15,636	15,791	16,280	16,450
Management and Administration	1,520	1,632	1,740	1,679
Sales and Distribution	773	891	925	792
Total	17,929	18,314	18,945	18,921

In the UK, 15,032 employees worked in production, 1,234 in management and administration, and 667 in sales and distribution in H1 2017. The following table details the numbers of the Company's employees by location as at FY 2016, FY 2015 and FY 2014:

Employees by location

	As at			
	Fiscal Year end			*H1*
	2014	*2015*	*2016*	*2017*
United Kingdom	16,153	16,232	17,007	16,933
United States	280	464	450	558
China	1,239	1,364	1,468	1,407
Continental Europe	257	254	20	23
Total	17,929	18,314	18,945	18,921

At FY 2016, 89%, 7% and 4% of the Group's UK employees were employed in production, management and administration and sales and distribution, respectively.

The Group's remuneration and benefits policy is divided into two groups: managers and site grade employees. The Group's policy is designed to attract and retain quality people and to be in line with, or above, good market practice. The terms and conditions for the Group's manager-level employees are determined at Bakkavor Group plc's head office and are consistent across all facilities. The Group has designed this policy to facilitate the easy and rapid movement of management employees across the Group in order to maintain maximum operational flexibility. Management roles are segmented into several bands and then benchmarked against similar businesses to ensure the Group offers competitive salaries and benefits across the Group. The Group provides an annual bonus, as well as long-term and loyalty bonuses, a contributory pension scheme and other benefits at or above market-leading practices. The terms and conditions for Site Grade Employees are determined at site level, because most site-level employees do not want or need the flexibility to move around the Group. Terms and conditions vary site by site and reflect the needs of the business, the skill levels required for certain jobs and the local market pay and benefit rates.

The Group also provides company-sponsored pension schemes for all employees. The main pension arrangement is the Bakkavor Stakeholder Pension Scheme. Historically certain employees were members of the Bakkavor Pension Scheme (a defined benefit scheme). The Bakkavor Pension Scheme was closed to new employees with effect from 1 April 2009 and closed to future accrual with effect from 1 April 2011.

Many of the Group's employees are members of UK trade unions Unite the Union or GMB. The Group manages its relationships with these unions at the site level. The Group currently has seven union recognition agreements with Unite the Union and four with the GMB. These agreements are ongoing, with no set term, and are reviewed by the Group's human resources staff periodically. Each union recognition agreement has a "procedure for the resolution of collective disputes" in place to engage management and employees in the resolution of workplace disputes. When potential collective action arises, the Group initiates the resolution procedures with an agreement that there will be no partial or general stoppage of work, lockout, strike,

restriction, ban or withdrawal of co-operation or any breach of the agreement until all the stages of the procedure have been completed and the result is known. If the Group is unable to reach a resolution at the end of this procedure, union members may initiate a ballot for strike action, which could lead to a potential strike by the union members at a particular site.

The Directors believe that the Group's employee relations are good and has not experienced any labour-related work stoppages during FY 2014, FY 2015 or FY 2016. It is the Directors' belief that the Group's engagement with all of its employees, both union and non-union, builds a level of trust within the business, so that if the Group unionised workers were to engage in a strike or other work stoppage, there would be as little support for this as possible, and in the event of any disruption of operations and/or higher ongoing labour cost the Group experiences, the Group would be able to minimise the impact on its profitability.

Human Resources

The Directors believe that the Group's culture and values are a unique part of employee proposition and that retaining high performers is key to the Group's growth. The Group seeks to establish an employment brand and secure talented employees through its "emerging talent" programmes, superior employee experience and programmes designed to foster leadership and functional skills. The Group invests in long-term union relationships, employee health and safety and a formal process to address employee concerns. As at H1 2017, 58% of the Group's employees were male and 42% were female.

The Group has centralised volume-focused recruitment processes which are supported by recruitment technologies and multichannel advertising in key communities. The Group aims to consistently reach out through multiple channels to key communities to seek emerging talent, whilst building strategic partnerships with recruitment agencies. The Group has also invested in several graduate programmes and an apprentice programme with an endeavour to build and develop industry specific skills, including an international graduate programme that recruits UK-educated Chinese graduates. The Group also has close partnerships with food industry vocation skills institutions.

In the UK as at H1 2017, 50% of the Group's employees were citizens of an EU country other than the UK, 42% were citizens of the UK, and 8% were non-EU citizens. The Group has in place a Brexit retention plan to support employees. The plan focuses on promoting workplace cohesion, maintaining welcoming and decent facilities and creating an attractive and welcoming experience for all of the Group's employees. The Group also runs workshops to assist employees with the "Right to Remain" process, which supports EU citizens remaining in the United Kingdom following Brexit. The average length of service for the Group's employees who are citizens of an EU country other than the UK is 4 years.

The Group's UK employee turnover ratio aligns with manufacturing averages. At H1 2017, the average length of service of employees in production is 6 years, while that of employees in management and administration is 8 years. The Group aims to maintain a competitive market-based reward plan, featuring an underlying "Hay based" approach to management reward and competitive pay for key employees. The Group has established short- and long-term incentives.

The following table details the numbers of the Group's UK employee turnover ratio by as at FY 2017 (April), FY 2016 and FY 2015:

UK Employee Turnover Ratio

	As at		
	Fiscal Year end		*H1*
	2015	*2016*	*2017*
Production	27%	25%	26%
Management and Administration	12%	17%	19%

Legal and Administrative Proceedings

At any given time, the Group may be a party to litigation or be subject to non-litigated claims arising out of the normal operations of its businesses. The Group does not expect any liability arising from any of these legal proceedings to have a material impact on the Group's results of operations, liquidity, capital resources or financial position. There are no material legal proceedings currently outstanding. For more information, see Part 14—"Additional Information—Litigation".

Intellectual Property

The Group uses the Pizza Express trademarks in the UK under licence from Pizza Express and has registered trademarks for the Bakkavor name and fork device in all relevant countries.

Aside from these, the Group utilises only a small number of trademarks and trade names in its sales and marketing effort and takes steps to ensure these are adequately protected, including registration where appropriate for the needs of the Group's relevant business.

Licensing Agreements

In 2003, the Group entered into an exclusive licensing arrangement whereby Pizza Express licensed the use of its trademarks to the Group for chilled food in retail. The Group entered into a new agreement with Pizza Express Merchandising Limited on 1 September 2017 for a minimum term of 2 years. Under this licensing agreement, the Group sells Pizza Express chilled pizza and related product lines.

Other businesses

The Group operates two other businesses, Anglia Crown and PizzaStorm, which accounted for 1% of the Group's revenue from continuing operations in H1 2017.

Anglia Crown

Anglia Crown is a leading manufacturer and distributor of chilled and frozen meals to the healthcare sector. Based in Colchester, it offers a nationwide service throughout the UK. Its customers include hospital facilities management providers such as ISS and OCS, as well as NHS Trusts.

Restaurants

The Group entered the fast casual dining restaurant sector upon launching its first restaurant in Nottingham in December 2015 and now operates three restaurants called PizzaStorm. PizzaStorm offers fresh, custom-made pizzas, which can be cooked in approximately three minutes using 900 degree ovens. The opportunity is still being evaluated, and, as such, there are no immediate plans to open any further restaurants in 2017.

Part 7

Directors, Senior Managers and Corporate Governance

Directors

The following table lists the names, positions and ages of the Directors. In anticipation of the Offer and Admission, Agust Gudmundsson and Robert Q. Berlin became Directors of the Company on 28 September 2017, and the other Directors became Directors of the Company on 20 October 2017.

Name	*Age*	*Position*
Simon Burke	59	Independent Non-executive Chairman
Agust Gudmundsson	52	Chief Executive Officer and Director
Peter Gates	60	Chief Financial Officer and Director
Lydur Gudmundsson	50	Non-executive Director
Todd Krasnow	59	Independent Non-executive Director
Robert Q. Berlin	51	Non-executive Director
Denis Hennequin	59	Independent Non-executive Director
Sue Clark	53	Independent Non-executive Director

Simon Burke *(Independent Non-executive Chairman)*

Simon Burke has served as Non-executive Director of the Bakkavor Group since February 2017. He is a chartered accountant with over 30 years' experience in the retail and food sectors. Following a decade in financial and advisory roles, Mr Burke was appointed CEO of Virgin Retail UK in 1988, and following a turnaround of that business, held increasingly senior roles until appointed CEO of the global Virgin Entertainment Group in 1996. In 1999, Mr Burke was appointed Chairman and Chief Executive of Hamleys plc where he completed a successful restructuring and subsequent sale of the company in 2003. Mr Burke then specialised in value creation roles in both quoted companies and private equity backed businesses. He has chaired many well-known consumer businesses, including Majestic Wine, Mitchells & Butlers, Bathstore.com, and Superquinn. Mr Burke is currently senior independent director of the British Broadcasting Corporation and a Non-executive Director of the Co-operative Group Limited He is also Chairman of The Light Cinemas (Holdings) Limited and Blue Diamond Limited.

Agust Gudmundsson *(Chief Executive Officer and Director)*

Agust Gudmundsson is one of the founders of the Bakkavor Group and has been serving as the Chief Executive Officer of the Group since May 2006. He served as Executive Chairman of the Group from 1986, the year the Group was founded, through May 2006. Mr Gudmundsson received his education from the College of Ármúli in Reykjavik, Iceland.

Peter Gates *(Chief Financial Officer and Director)*

Peter Gates joined the Group as Chief Financial Officer in November 2010. He is a Chartered Accountant and a member of the Association of Corporate Treasurers. Prior to joining the Group, Mr Gates worked for a number of international companies, including Saatchi & Saatchi Co. plc and Avis Europe plc. He holds a Bachelor of Science in Economics from the University of Southampton.

Lydur Gudmundsson *(Non-executive Director)*

Lydur Gudmundsson is one of the founders of the Bakkavor Group. He served as Chief Executive Officer of the Group from 1986 to 2006; Executive Chairman from 2006 to 2010; and Chairman of the Board of Directors of the Group from 2010 to 2017. Mr Gudmundsson received his education from the Commercial College of Iceland.

Todd Krasnow *(Independent Non-executive Director)*

Todd Krasnow has served as Non-executive Director of the Bakkavor Group since January 2016. He is a senior executive at a number of multi-national companies with extensive experience in the retail and consumer services sectors. In addition, Mr Krasnow currently serves on the boards of Carbonite, Tileshop, Kids II and C&S Wholesale Grocers. Mr Krasnow has also served on the boards of a number of companies in the past, including Zoots, Inc. and Piedmont Ltd, a Baupost controlled company. He holds a bachelor's degree from Cornell University and an MBA from Harvard Business School.

Robert Q. Berlin *(Non-executive Director)*

Robert Berlin is currently a Non-executive Director of the Bakkavor Group and has been serving since certain funds managed indirectly by Baupost made an investment into the Bakkavor Group in January 2016. He is a senior investment professional with wide-ranging experience, including foodservice and consumer companies, having held a number of strategic roles within the tech and financial sectors. Mr Berlin is currently a Managing Director of Baupost and received his education from the Washington & Lee University in Virginia, United States.

Denis Hennequin *(Independent Non-executive Director)*

Denis Hennequin has served as Non-executive Director of the Bakkavor Group since February 2017. He has extensive leadership experience within the retail sector, spending the majority of his career with the McDonald's Corporation in a variety of senior financial and operational roles before becoming President and Chief Executive Officer of McDonald's Europe, where he was responsible for changing the image and concept and securing its market leading position. Mr Hennequin was appointed Chairman and CEO of Accor in 2011 where he was responsible for an estate spread across over 90 countries. He left Accor in 2013 to pursue an advisory and portfolio career. Mr Hennequin is currently a Non-executive Director of Eurostar International Limited, John Lewis Partnership plc and SSP Group plc.

Sue Clark *(Independent Non-executive Director)*

Sue Clark has served as a Non-executive Director of the Bakkavor Group since October 2017. She was formerly managing director of SABMiller Europe BV from 2012 to 2016 and is currently a Non-executive director on the boards of Akzo Nobel, Tulchan Communications LLP and Britvic plc, where she also Chairs the Remuneration Committee. Ms Clark holds a Master of Business Administration from Heriot Watt University and a Bachelor of Science from Manchester University.

Senior Managers

The Company's Senior Managers, in addition to the Executive Directors listed above, are as follows:

Name	*Age*	*Position*
Mike Edwards	50	Chief Operating Officer, Bakkavor UK
Pippa Greenslade	52	Group HR Director
Ivan Clingan	53	President, Bakkavor USA
Einar Gustafsson	46	Managing Director, Bakkavor Asia

Mike Edwards *(Chief Operating Officer, UK)*

Mike Edwards joined the Group in 2001 and has held various general and senior management roles before being appointed as Chief Operating Officer for the Group's UK business in January 2014. He became a member of the management board of the Group in March 2011. Prior to joining the Group, Mr Edwards worked at United Biscuits and Heinz. He holds a Bachelors in Business Studies from Portsmouth Polytechnic.

Pippa Greenslade *(Group HR Director)*

Pippa Greenslade joined the Group in 2013. She is an HR professional with over 25 years of global experience, including senior management/director roles for Cadbury Schweppes in the UK and overseas and the British Council. Ms Greenslade holds a Bachelors in Psychology from the University of Durham.

Ivan Clingan *(President, USA)*

Mr Ivan Clingan joined the Group in 1990 and worked in various financial, general and senior management roles within the Group before taking his current position as President, Bakkavor USA. Prior to joining the Group, he worked at Nestlé. Mr Clingan has a Bachelors in Finance and Economics from University of Stirling. He is also a Qualified Accountant (CIMA).

Einar Gustafsson *(Managing Director, Bakkavor Asia)*

Einar Gustafsson joined the Group in 2005 to head the Group's China business. Prior to joining the Group, he worked at Deloitte Consulting and in the seafood industry. Mr Gustafsson holds a Bachelors in Business Administration and an MBA.

Corporate governance

UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. Save as set out below, as of the date of this Prospectus and on and following Admission, the Board will comply fully with the UK Corporate Governance Code (the "Governance Code") published in April 2016 by the Financial Reporting Council. As envisaged by the Governance Code, the Board has established an audit committee, a nomination committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

The Governance Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement.

The Board intends to achieve full compliance with the Governance Code, and intends to appoint one additional independent non-executive director within nine months of Admission.

Audit committee

The audit committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Group. The audit committee will normally meet not less than four times a year.

The Governance Code recommends that all members of the audit committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment and that one such member has recent and relevant financial experience. The audit committee is chaired by Simon Burke, acting as interim chairman, and its other members are Sue Clark and Denis Hennequin. The Board intends that the new independent non-executive director appointed to the Board following Admission will join the audit committee and at the same time Simon Burke will step down from the audit committee.

Nomination committee

The nomination committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive and other senior executives. The nomination committee will normally meet not less than twice a year.

The nomination committee is chaired by Todd Krasnow and its other members are Denis Hennequin, Sue Clark, Robert Berlin and Lydur Gudmundsson. The Governance Code recommends that a majority of the nomination committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Remuneration committee

The remuneration committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for Executive Directors and the Chairman and other senior executives and prepares an annual remuneration report for approval by the Shareholders at the annual general meeting. The remuneration committee will normally meet not less than three times a year.

The remuneration committee is chaired by Denis Hennequin and its other members are Sue Clark and Todd Krasnow. The Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Group complies with the requirements of the Governance Code in this respect.

Share dealing code

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Shares. The code adopted will apply to the Directors and other relevant employees of the Group.

Relationship Agreement with the Founder Shareholders

Immediately following the Offer and Admission, and following completion of the Founders Shareholding Reorganisation as described in Part 14—"Additional Information—Directors' and Senior Managers' interests", the Company expects that Carrion Enterprises Ltd and Umbriel Ventures Ltd (together, the "Founder Shareholders"), as well as the trustee(s) of The A.G. Trust (which owns 100% of Carrion Enterprises Ltd.) and the trustee(s) of The L.G. Trust (which owns 100% of Umbriel Ventures Ltd) (together, the "Trustees"), will be "controlling shareholders" for the purposes of the Listing Rules given the relationship of Agust Gudmundsson and Lydur Gudmundsson and the powers of the trustees. On 10 November 2017, the Company, the Founder Shareholders and the Trustees entered into a relationship agreement (the "Founders Relationship Agreement") which will, conditional upon Admission, regulate the ongoing relationship between the Company, the Founder Shareholders and the Trustees. The Company considers, in light of its understanding of the relationship between the Founder Shareholders and the Trustees, that the Founder Shareholders can procure the compliance of the other controlling shareholders and their respective associates (as defined in the Listing Rules) with the Independence Provisions (as defined below) included in the Founders Relationship Agreement pursuant to the requirements of the Listing Rules.

The principal purpose of the Founders Relationship Agreement is to ensure that the Company can carry on an independent business as its main activity. The Founders Relationship Agreement contains, among others, undertakings from each of the Founder Shareholders and the Trustees that: (i) transactions and arrangements with it (and/or any of its associates) will be conducted at arm's length and on normal commercial terms; (ii) neither it nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules, and (iii) neither it nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules (the "Independence Provisions").

Pursuant to the Founders Relationship Agreement, as "controlling shareholders" for the purposes of the Listing Rules of the FCA on Admission, each of the Founder Shareholders is able to appoint one Non-executive Director to the Board for so long as it, and its associates, is entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. If each of the Founder Shareholders holds less than 10% of the votes able to be cast on all or substantially all matters at general meetings of the Company but they, together with their affiliates, together hold in aggregate 10% or more of such rights then they shall be entitled jointly to appoint one Non-executive Director to the Board for so long as they hold in aggregate more than 10% of the votes able to be cast on all or substantially all matters at general meetings. Whilst Agust Gudmundsson and Lydur Gudmundsson are directors of the Company, the director appointment rights of Carrion Enterprises Ltd and Umbriel Ventures Ltd, respectively, will be deemed to have been exercised, and neither of the Founder Shareholders will have the right to appoint a further director.

The Founders Relationship Agreement will continue for so long as (a) the Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's main market for listed securities, and (b) the Founder Shareholders together with their associates are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The Directors believe that the terms of the Founders Relationship Agreement will enable the Group to carry on its business independently of the Founder Shareholders.

Relationship Agreement with BP-PE5

On 10 November 2017, the Company and BP-PE5 entered into a relationship agreement (the "BP-PE5 Relationship Agreement") which will, conditional upon Admission, regulate the ongoing relationship between the Company and BP-PE5. The principal purpose of the BP-PE5 Relationship Agreement is to ensure that the Company can carry on as an independent business as its main activity for so long as BP-PE5 and its associates are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The Company considers, in light of its understanding of the relationship between BP-PE5 and Baupost, that BP-PE5 can procure the compliance of Baupost and its respective associates (as defined in the Listing Rules) with the Independence Provisions (as defined below) included in the BP-PE5 Relationship Agreement pursuant to the requirements of the Listing Rules.

The BP-PE5 Relationship Agreement contains, among others, undertakings from the BP-PE5 that: (i) transactions and arrangements with it (and/or any of its associates) will be conducted at arm's length and on normal commercial terms; (ii) neither it nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules, and (iii) neither it nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules (the "Independence Provisions"). Furthermore, BP-PE5 has agreed to procure the compliance of Baupost, whose name is set out in the BP-PE5 Relationship Agreement, and its respective associates with the Independence Provisions.

Pursuant to the BP-PE5 Relationship Agreement, as a "controlling shareholder" for the purposes of the Listing Rules of the FCA on Admission, the BP-PE5 is able to appoint one Non-executive Director to the Board for so long as it, and its associates, is entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The first such appointee is Robert Q. Berlin.

The BP-PE5 Relationship Agreement will continue for so long as (a) the Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's main market for listed securities, and (b) BP-PE5 and its associates are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The Directors believe that the terms of the BP-PE5 Relationship Agreement will enable the Group to carry on its business independently of BP-PE5.

Following Admission, for so long as there is a controlling shareholder (as defined in the Listing Rules), the Articles allow for the election or re-election of any Independent Director to be approved by separate resolutions of (i) the Company's shareholders, and (ii) the Company's shareholders excluding any controlling shareholder. If either of the resolutions is defeated, the Company may propose a further resolution to elect or re-elect the proposed Independent Director, which (a) may be voted on within a period commencing 90 days and ending 120 days from the original vote, and (b) may be passed by a vote of the shareholders of the Company voting as a single class. Furthermore, in the event that the Company wishes the FCA to cancel the listing of the Shares on the premium listing segment of the Official List or transfer the Shares to the standard listing segment of the Official List, the Company must obtain at a general meeting the prior approval of (y) a majority of not less than 75% of the votes attaching to the shares voted on the resolution, and (z) a majority of the votes attaching to the shares voted on the resolution excluding any shares voted by a controlling shareholder. In all other circumstances, controlling shareholders have and will have the same voting rights attached to the Shares as all other shareholders.

Conflicts of interest

Save as set out in the paragraph above, there are no potential conflicts of interest between any duties owed by the Directors or Senior Managers to the Company and their private interests or other duties.

Part 8

Selected Financial Information

SELECTED FINANCIAL INFORMATION

The tables below set out the Group's selected financial information for the periods indicated, as reported in accordance with IFRS. The consolidated financial information for the Group as of the end of and for each of FY 2014, 2015 and 2016 has been extracted without material adjustment from Section B of Part 11—"Historical Financial Information". The interim consolidated financial information for the Group as of the end of and for each of H1 2016 and H1 2017 has also been extracted without material adjustment from Section B of Part 11—"Historical Financial Information". The financial information for the 26 weeks ended 25 June 2016 has been included in the historical financial information for comparative purposes only, and has not been reported upon or audited or reviewed by the reporting accountants'.

Consolidated Income Statement Data

	Fiscal Year			*H1*	
	2014 (52 weeks)	*2015 (52 weeks)*	*2016 (53 weeks)*	*2016 (26 weeks)*	*2017 (26 weeks)*
Continuing Operations			*(£ million)*		
Revenue	1,633.5	1,674.5	1,763.6	854.5	903.3
Cost of sales	(1,195.2)	(1,214.5)	(1,275.9)	(614.0)	(659.4)
Gross profit	438.3	460.0	487.7	240.5	243.9
Distribution costs	(77.8)	(74.8)	(78.0)	(38.0)	(38.4)
Other administrative costs	(289.2)	(297.0)	(302.8)	(150.8)	(147.1)
Exceptional items	(6.6)	(3.5)	(8.0)	(6.4)	(4.1)
Impairment of assets	(4.1)	–	(8.2)	–	–
Total administrative costs	(299.9)	(300.5)	(319.0)	(157.2)	(151.2)
Profit on disposal of subsidiaries and associates	1.8	5.2	0.1	–	–
Share of results of associates after tax	1.0	0.8	0.7	0.4	0.3
Operating profit	63.4	90.7	91.5	45.7	54.6
Investment revenue	0.3	0.3	0.1	–	–
Finance costs	(53.1)	(55.5)	(38.8)	(21.8)	(27.0)
Other gains and (losses)	1.9	11.7	10.3	0.9	(19.4)
Profit before tax	12.5	47.2	63.1	24.8	8.2
Tax	(2.4)	(8.8)	(12.3)	(3.4)	(0.9)
Profit for the period from continuing operations	10.1	38.4	50.8	21.4	7.3
Discontinued operations					
Profit for the period from discontinued operations	2.7	13.5	0.5	–	–
Profit for the period	12.8	51.9	51.3	21.4	7.3

Statement of Financial Position Data

	As of				
	27 December 2014	*26 December 2015*	*31 December 2016*	*25 June 2016*	*1 July 2017*
			(£ million)		
Cash and cash equivalents	24.6	97.0	22.5	17.2	37.1
Property, plant and equipment	277.8	281.2	304.5	290.1	308.5
Total assets	1,240.4	1,280.8	1,248.5	1,223.7	1,240.1
Borrowings due for settlement after 12 months	(485.4)	(465.8)	(371.8)	(391.7)	(400.3)
Total liabilities	(915.8)	(927.3)	(869.7)	(880.1)	(853.5)
Total equity	324.6	353.5	378.8	343.6	386.6

Consolidated Statement of Cash Flows Data

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Net cash generated from operating activities	86.4	105.0	112.1	48.3	34.5
Net cash used in investing activities	(37.7)	(30.4)	(64.4)	(24.9)	(22.1)
Net cash (used in)/generated from financing activities	(71.5)	(2.1)	(124.3)	(104.1)	2.7
Net (decrease)/increase in cash and cash equivalents	(22.8)	72.5	(76.6)	(80.7)	15.1
Net cash and cash equivalents at beginning of fiscal period	47.5	24.6	97.0	97.0	22.5
Effect of foreign exchange rates	(0.1)	(0.1)	2.1	0.9	(0.5)
Net cash and cash equivalents at end of fiscal period	24.6	97.0	22.5	17.2	37.1

NON-IFRS MEASURES AND OPERATING METRICS

The Directors consider the following performance indicators to be the non-IFRS financial measures used by the Group to help evaluate growth trends, assess operational performance and monitor cash performance. The Directors believe the following measures (the "Non-IFRS measures") and other data are used widely by certain investors, securities analysts and other interested parties as supplemental measures in evaluating the Group's operating performance and liquidity:

- Adjusted EBITDA;
- Adjusted EBITDA from discontinued operations;
- Adjusted EBITDA from continuing and discontinued operations;
- Adjusted EBITDA margin;
- Segment Adjusted EBITDA from continuing operations;
- Free cash flow;
- Adjusted free cash flow;
- Cash flow conversion;
- Return on invested capital ("ROIC");

- LFL revenue;
- Overheads;
- Change in working capital; and
- Net capital expenditure.

Adjusted EBITDA, Adjusted EBITDA from discontinued operations, Adjusted EBITDA from continuing and discontinued operations, net debt/Adjusted EBITDA from continuing and discontinued operations, net debt and ROIC are also key performance indicators. For more information, see Part 9—"Operating and Financial Review–Key Performance Indicators".

An explanation of the relevance of each of the Non-IFRS measures, a reconciliation of the Non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out below. The Group does not regard these Non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

The Non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

See also Part 2—"Presentation of Financial and Other Information–Non-IFRS financial information". These non-IFRS financial measures do not form part of the Group's historical financial information.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Adjusted EBITDA	113.2	129.6	146.4	71.9	77.7
Adjusted EBITDA from continuing and discontinued operations	119.8	135.3	146.4	71.9	77.7
Adjusted EBITDA margin (%)	6.9	7.7	8.3	8.4	8.6
Net debt at period end/Adjusted EBITDA from continuing and discontinued operations	3.9x	2.9x	2.5x		
Net debt at period end/LTM Adjusted EBITDA from continuing and discontinued operations					2.4x[1]
Free cash flow	43.7	92.6	58.5	30.4	30.2
Adjusted free cash flow	93.7	143.7	105.0	53.3	50.0
Cash flow conversion	78.2%	106.2%	71.7%	74.1%	64.4%
ROIC	7.2%	9.4%	11.6%		
Overheads	325.1	330.4	341.3	168.6	166.2
Change in working capital	27.2	48.2	27.1		(4.0)
Net capital expenditure	(49.2)	(38.0)	(67.2)	(25.1)	(22.5)

Note:

(1) Calculated as net debt at the period end/LTM Adjusted EBITDA from continuing and discontinued operations for the twelve months ended 1 July 2017. LTM Adjusted EBITDA from continuing and discontinued operations for the twelve months ended 1 July has been calculated by subtracting the Adjusted EBITDA from continuing and discontinued operations for H1 2016 from the Adjusted EBITDA from continuing and discontinued operations for FY 2016 and then adding the Adjusted EBITDA from continuing and discontinued operations for H1 2017.

Adjusted EBITDA and Adjusted EBITDA from continuing and discontinued operations

The Group defines Adjusted EBITDA as profit or loss for the period before interest, income taxes, depreciation and amortization for continuing operations, adjusted to exclude the impact of impairment of assets, exceptional items (transaction costs, restructuring costs and legal costs), profit or loss on disposal of

property, plant and equipment, profit on disposal of subsidiaries and associates share of results of associates after tax, other gains and (losses) and investment revenue. In order to get to Adjusted EBITDA from continuing and discontinued operations, this is further adjusted to add back the Adjusted EBITDA from discontinued operations.

The Directors view Adjusted EBITDA as a key measure of the Group's financial performance. It excludes the impact of items that the Directors consider hinder comparison of the performance of the Group's business either year-on-year or with other businesses. The Directors believe that Adjusted EBITDA should, therefore, be made available to assist securities analysts, investors and other stakeholders in their assessment of the performance of the business of the Group.

During the periods under review, the items excluded from EBITDA in arriving at Adjusted EBITDA and Adjusted EBITDA from continuing and discontinued operations were:

- impairment of assets;
- exceptional items (transaction costs, restructuring costs and legal costs);
- profit or loss on disposal of property, plant and equipment;
- profit on disposal of subsidiaries and associates; and
- share of results of associates after tax.

The above items are excluded from Adjusted EBITDA because they are individually or collectively material items that are not considered to be representative of the underlying performance of the Group's business during the periods under review. Exceptional costs, profit on disposals of subsidiaries and associates and profit or loss on disposal of property plant and equipment reflect specific actions taken by management to improve the Group's future profitability and impairments of long-lived assets represent the excess of their carrying amount over the amount that is expected to be recovered from them in the future. The Group excludes shares of results of associates after tax because management do not believe that they relate to the Group's core operations.

Adjusted EBITDA and Adjusted EBITDA from continuing and discontinued operations have limitations as analytical tools. Some of these limitations are:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs;
- it does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, Adjusted EBITDA and Adjusted EBITDA from continuing and discontinued operations does not reflect any cash requirements for such replacements;
- it is not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows; and
- the further adjustments made in calculating Adjusted EBITDA and Adjusted EBITDA from continuing and discontinued operations are those that management consider are not representative of the underlying operations of the Group and therefore are subjective in nature.

The following table provides a reconciliation from profit for the period from continuing operations to Adjusted EBITDA and Adjusted EBITDA from continuing and discontinued operations for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Profit for the period from continuing operations	10.1	38.4	50.8	21.4	7.3
Tax	2.4	8.8	12.3	3.4	0.9
Other gains and (losses)	(1.9)	(11.7)	(10.3)	(0.9)	19.4
Finance costs	53.1	55.5	38.8	21.8	27.0
Investment revenue	(0.3)	(0.3)	(0.1)	–	–
Operating profit	63.4	90.7	91.5	45.7	54.6
Depreciation	34.8	35.3	37.2	18.7	18.6
Amortisation	8.1	5.9	2.2	1.5	0.4
Impairment of assets	4.1	–	8.2	–	–
Exceptional items	6.6	3.5	8.0	6.4	4.1
(Profit)/loss on disposal of property, plant and equipment	(1.0)	0.2	0.1	–	0.3
Profit on disposal of subsidiaries and associates	(1.8)	(5.2)	(0.1)	–	–
Share of results of associates after tax	(1.0)	(0.8)	(0.7)	(0.4)	(0.3)
Adjusted EBITDA	113.2	129.6	146.4	71.9	77.7
Adjusted EBITDA from discontinued operations	6.6	5.7	–	–	–
Adjusted EBITDA from continuing and discontinued operations	119.8	135.3	146.4	71.9	77.7

Adjusted EBITDA from discontinued operations

The Group defines Adjusted EBITDA from discontinued operations as profit for the period from discontinued operations before depreciation and amortisation, finance costs, income tax charge, other (gains) and losses and profit on disposal of subsidiary. The Directors believe Adjusted EBITDA from discontinued operations is a useful measure in that it captures the contribution of discontinued businesses.

The following table provides a reconciliation from profit for the period from discontinued operations to Adjusted EBITDA from discontinued operations for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Profit for the period from discontinued operations	2.7	13.5	0.5	–	–
Tax	1.7	1.7	–	–	–
Other (gains) and losses	0.2	–	–	–	–
Finance costs	0.2	0.1	–	–	–
Depreciation	1.2	0.6	–	–	–
Amortisation	0.6	0.2	–	–	–
Profit on disposal of subsidiary	–	(10.4)	(0.5)	–	–
Adjusted EBITDA from discontinued operations	6.6	5.7	–	–	–

Adjusted EBITDA margin

The Group defines Adjusted EBITDA margin as Adjusted EBITDA divided by revenue from continuing operations. The Directors believe Adjusted EBITDA margin is a useful measure in that it shows whether revenue growth in continuing operations is increasingly profitable on an underlying basis. The following table provides the information used to calculate Adjusted EBITDA margin.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Adjusted EBITDA	113.2	129.6	146.4	71.9	77.7
Revenue from continuing operations	1,633.5	1,674.5	1,763.6	854.5	903.3
Adjusted EBITDA margin (%)	6.9	7.7	8.3	8.4	8.6

Segment Adjusted EBITDA from continuing operations

The Group defines Segment Adjusted EBITDA from continuing operations as Segment Adjusted EBITDA less Adjusted EBITDA from discontinued operations that can be attributed to the relevant segment in the period under review. For FY 2014 through FY 2016, the discontinued operations relate to the Group's International segment. The Directors believe Segment Adjusted EBITDA from continuing operations is a useful measure in that it identifies the financial performance of the Group's two segments.

	Fiscal Year		
	2014	*2015*	*2016*
		(£ million)	
UK Segment adjusted EBITDA	112.8	124.0	137.7
Discontinued operations	–	–	–
UK Segment Adjusted EBITDA from continuing operations	112.8	124.0	137.7

In FY 2011, the Group closed its Produce business, and in FY 2015, the Group closed Yorkshire Fresh Fruit ("YFF"). The following table provides the information used to calculate the Underlying UK Segment Adjusted EBITDA, which the Group defines as UK Adjusted EBITDA less contribution from closed businesses (Produce and YFF) included in the measure of UK Segment Adjusted EBITDA. The Directors believe Underlying UK Segment Adjusted EBITDA is a useful measure in that it provides a better comparison across financial years by removing contributions from closed businesses.

	Fiscal Year		
	2011	*2012*	*2013*
		(£ million)	
UK Segment adjusted EBITDA	100.6	104.2	105.9
Produce and YFF	0.3	(0.7)	(1.2)
Underlying UK Segment Adjusted EBITDA	100.9	103.5	104.7

The following table provides the information used to calculate International Segment Adjusted EBITDA from continuing operations.

	Fiscal Year		
	2014	*2015*	*2016*
		(£ million)	
International Segment adjusted EBITDA	7.0	11.3	8.7
Discontinued operations	(6.6)	(5.7)	–
International Segment Adjusted EBITDA from continuing operations	0.4	5.6	8.7

Free cash flow

The Group defines free cash flow as the amount of cash generated by the Group from continuing and discontinued operations after meeting all of its obligations for interest, tax and pensions and after investments in tangible fixed assets, but before payments relating to historic UK liabilities and refinancing fees. The Directors view free cash flow as a key liquidity measure, and the purpose of presenting free cash flow is to indicate the cash available to pay dividends, repay debt or make further investments in the Group.

The following table provides a reconciliation from net cash generated from operating activities to free cash flow for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016 (53 weeks)*	*2016*	*2017*
			(£ million)		
Net cash generated from operating activities	86.4	105.0	112.1	48.3	34.5
Interest received	0.1	0.1	0.1	0.1	–
Dividends received from associates	0.6	0.6	0.3	0.1	0.4
Purchases of property, plant and equipment	(50.8)	(38.2)	(67.3)	(25.2)	(24.2)
Proceeds on disposal of property, plant and equipment	1.6	0.2	0.1	0.1	1.7
Cash impact of exceptional items	5.8	5.2	7.6	5.5	1.5
One-off tax payments[1]	–	12.5	4.1	–	–
Refinancing costs[2]	–	7.2	1.5	1.5	16.3
Free cash flow	43.7	92.6	58.5	30.4	30.2

Notes:

(1) One-off tax payments include payments to settle historic tax liabilities relating to FY 2007 and FY 2008.

(2) Refinancing costs include call premiums paid on the early redemption of the Company's Senior Secured Notes in FY 2015, FY 2016, H1 2016 and H1 2017 and arrangement and advisory fees paid in connection with refinancings during these respective periods.

Free cash flow does not reflect any restrictions on the transfer of cash and cash equivalents within the Group or any requirement to repay the Group's borrowings and does not take into account cash flows that are available from disposals or the issue of shares. The Directors therefore take such factors into account in addition to free cash flow when determining the resources available for acquisitions and for distribution to shareholders.

Adjusted free cash flow

The Group defines adjusted free cash flow as free cash flow excluding interest paid, tax paid, interest received and dividends received from associates. The Directors view adjusted free cash flow as a key underlying liquidity measure as it excludes the impact on cash flows of changes to the Group's debt structure, tax rates payable and dividends received from associates as these payments may vary over time due to events not related to the Group's operating businesses. The purpose of presenting adjusted cash flow from operations is to indicate the free cash generated from operational performance.

The following table provides a reconciliation from free cash flow to adjusted free cash flow for the periods indicated. The amounts of interest paid and income taxes paid need to be adjusted for refinancing costs and one-off tax payments, since these are already excluded from free cash flow. For a reconciliation from net cash generated from operating activities to free cash flow see above.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Free cash flow	43.7	92.6	58.5	30.4	30.2
Add back Interest paid	49.7	53.3	39.2	20.5	30.9
Less Interest received	(0.1)	(0.1)	(0.1)	(0.1)	–
Less Dividends received	(0.6)	(0.6)	(0.3)	(0.1)	(0.4)
Add back Income taxes paid	1.0	18.2	13.3	4.1	5.6
Less One-off tax payments[1]	–	(12.5)	(4.1)	–	–
Less Refinancing costs[2]	–	(7.2)	(1.5)	(1.5)	(16.3)
Adjusted free cash flow	93.7	143.7	105.0	53.3	50.0

Notes:

(1) One-off tax payments include payments to settle historic tax liabilities relating to FY 2007 and FY 2008.

(2) Refinancing costs include call premiums paid on the early redemption of the Company's Senior Secured Notes in FY 2015, FY 2016, H1 2016 and H1 2017 and arrangement and advisory fees paid in connection with refinancings during these respective periods.

Cash flow conversion

The Group defines cash flow conversion as adjusted free cash flow as a percentage of the sum of Adjusted EBITDA and Adjusted EBITDA from discontinued operations. The Directors view cash flow conversion as a key measure of cash generation efficiency, as this measure reflects the ability of the operating business to convert profits into cash retention.

The following table provides the information used to calculate cash flow conversion for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Adjusted free cash flow	93.7	143.7	105.0	53.3	50.0
Adjusted EBITDA from continuing and discontinued operations	119.8	135.3	146.4	71.9	77.7
Cash flow conversion	78.2%	106.2%	71.7%	74.1%	64.4%

ROIC

The Group defines ROIC as adjusted operating profit after tax divided by the average invested capital for the year. Adjusted operating profit after tax is defined as operating profit from continuing operations excluding the impact of exceptional items, impairment of assets, profit on disposals of subsidiaries and profit on disposal of associates less tax at the Group's effective tax rate. Invested capital is defined as total assets less total liabilities assets excluding net debt at period end, pension deficits (net of deferred tax) and fair values for derivatives not designated in a hedging relationship. The Group utilises ROIC to measure how effectively it uses invested capital. Average invested capital is calculated by adding the invested capital at the beginning of a period to invested capital at period's end and dividing the result by two.

The Directors believe that ROIC is a useful indicator of the amount returned as a percentage of shareholders' invested capital. The Directors believe that ROIC can assist securities analysts, investors and stakeholders to evaluate the Group's profitability and the efficiency with which its invested capital is employed.

ROIC and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing ROIC as reported by the Group to ROIC of other companies.

The following table sets forth the calculation of adjusted operating profit after tax and invested capital used in the calculation of ROIC for the periods indicated.

	Fiscal Year		
	2014	*2015*	*2016*
		(£ million)	
Operating profit	63.4	90.7	91.5
Exceptional items	6.6	3.5	8.0
Impairment of assets	4.1	–	8.2
Profit on disposal of subsidiary	(1.8)	–	(0.1)
Profit on disposal of associate	–	(5.2)	–
Adjusted operating profit	72.3	89.0	107.6
Taxation at the effective rate	(13.9)	(16.6)	(21.0)
Adjusted operating profit after tax	58.4	72.4	86.6
Invested capital			
Total assets	1,240.4	1,280.8	1,248.5
Total liabilities	(915.8)	(927.3)	(869.7)
Net debt at period end	471.7	388.6	366.9
Derivatives not designated as hedges	6.4	2.0	(3.0)
Retirement benefit obligation (net of deferred tax)	(5.4)	3.2	8.3
Invested capital	797.3	747.3	751.0
Average invested capital for ROIC calculation	812.3	772.3	749.2
ROIC (%)	7.2%	9.4%	11.6%

Like for like ("LFL") revenue

The Group defines LFL revenue as revenue from continuing operations adjusted for share of revenue generated by associates, revenue generated from businesses closed in the current and prior year, revenue generated from businesses acquired in the current year and the year preceding the year of acquisition and the effect of currency on a constant currency basis. The Directors believe LFL revenue is a key metric of the Group's revenue growth trend as it adjusts for the effects of any acquisitions, disposals, closures and currency fluctuations, thereby allowing for a more meaningful comparison of trends period on period.

The following table provides the information used to calculate LFL revenue for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Revenue from continuing operations	1,633.5	1,674.5	1,763.6	854.5	903.3
Week 53 revenue[(1)]	–	–	(28.2)	–	–
Revenue from closed & sold businesses	(64.4)	(48.6)[(2)]	(17.0)[(3)]	(14.3)	–
Revenue from acquired businesses[(4)]	18.6	0.8	–	–	–
Revenue generated by associates[(5)]	21.3	19.9	8.0	3.6	4.3
Effect of currency[(6)]	7.4	–	(16.7)	–	(9.6)
LFL revenue	1,616.4	1,646.6	1,709.7	843.8	898.0

Notes:

(1) The Group typically presents its annual results covering a 52 week period. However, every six years an additional week is included in the Group's reporting period to ensure that its end-of-year date is near the end of December. As a result, an additional week has been included for FY 2016 so that FY 2016 comprises the 53 weeks ended 31 December 2016. For more information, see Part 9—"Operating and Financial Review—Comparability of Results".

(2) Revenue from closed & sold businesses in FY 2015 comprised revenue generated by Yorkshire Fresh Fruit ("YFF"), BV Foodservice and Vaco. For more information, see Part 9—"Operating and Financial Review—Key Factors Affecting the Group's Results of Operations—Closed & sold businesses".

(3) Revenue from closed & sold businesses in FY 2016 comprised revenue generated by Vaco. For more information, see Part 9—"Operating and Financial Review—Key Factors Affecting the Group's Results of Operations—Closed & sold businesses".

(4) Revenue from acquired businesses in FY 2014 and FY 2015 comprised revenue generated by B. Robert's pre-acquisition. For more information on the B. Robert's acquisition, see Part 6—"Business Description—History".

(5) Revenue generated by associates includes revenue generated by Manor Fresh for FY 2014 and FY 2015, and for La Rose Noire for the entire period under review. For more information on La Rose Noire, see Part 14—"Additional Information—Principal investments".

(6) Effects of currency represents the adjustment to revenue from continuing operations to neutralise foreign exchange impact and to better illustrate the underlying change in LFL revenue. FY 2014 and FY 2016 has been presented by translating the revenue from our entities that have functional currencies other than pounds sterling into pound sterling using FY 2015 exchange rates of £1=$1.5284, £1=HK$11.8484, £1=€1.3771 and £1=RMB9.5966. H1 2017 has been presented by translating the revenue from our entities that have functional currencies other than pounds sterling into pound sterling using H1 2016 exchange rates of £1=$1.4329, £1=HK$11.1309 and £1=RMB9.3640.

The following table provides the information used to calculate LFL revenue for the Group's UK segment for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Revenue from continuing operations	1,520.1	1,519.0	1,589.9	768.6	816.9
Week 53 revenue[1].....	–	–	(26.2)	–	–
Revenue from closed & sold businesses[2]	(33.6)	(21.7)	–	–	–
Revenue from acquired businesses.....	–	–	–	–	–
Revenue generated by associates[3].....	15.8	13.7	–	–	–
Effect of currency[4]	(0.4)	–	(0.4)	–	–
LFL revenue	1,501.9	1,511.0	1,563.3	768.6	816.9

Notes:

(1) The Group typically presents its annual results covering a 52 week period. However, every six years an additional week is included in the Group's reporting period to ensure that its end-of-year date is near the end of December. As a result, an additional week has been included for FY 2016 so that FY 2016 comprises the 53 weeks ended 31 December 2016. For more information, see Part 9—"Operating and Financial Review—Comparability of Results".

(2) Sales from closed & sold businesses in FY 2015 comprised revenue generated by YFF and BV Foodservice. For more information, see Part 9—"Operating and Financial Review—Key Factors Affecting the Results of Operations—Closed & sold businesses".

(3) Revenue generated by associates includes revenue generated by Manor Fresh for FY 2014 and FY 2015.

(4) Effects of currency represents the adjustment to revenue from continuing operations to neutralise foreign exchange impact and to better illustrate the underlying change in LFL revenue. FY 2014 and FY 2016 has been presented by translating the revenue from our entities that have functional currencies other than pounds sterling into pound sterling using FY 2015 exchange rates of £1=$1.5284, £1=HK$11.8484, £1=€1.3771 and £1=RMB9.5966. H1 2017 has been presented by translating the revenue from our entities that have functional currencies other than pounds sterling into pound sterling using H1 2016 exchange rates of £1=$1.4329, £1=HK$11.1309 and £1=RMB9.3640.

The following table provides the information used to calculate LFL revenue for the Group's International segment for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Revenue from continuing operations	113.4	155.5	173.7	85.9	86.4
Week 53 revenue[1].....	–	–	(2.0)	–	–
Revenue from closed & sold businesses	(30.8)	(26.9)[2]	(17.0)[3]	(14.3)	–
Revenue from acquired businesses[4].....	18.6	0.8	–	–	–
Revenue generated by associates[5].....	5.5	6.2	8.0	3.6	4.3
Effect of currency[6]	7.8	–	(16.3)	–	(9.6)
LFL revenue	114.5	135.6	146.4	75.2	81.1

Notes:

(1) The Group typically presents its annual results covering a 52 week period. However, every six years an additional week is included in the Group's reporting period to ensure that its end-of-year date is near the end of December. As a result, an additional week has been included for FY 2016 so that FY 2016 comprises the 53 weeks ended 31 December 2016. For more information, see Part 9—"Operating and Financial Review—Comparability of Results".

(2) Revenue from closed & sold businesses in FY 2015 comprised revenue generated by Vaco. For more information, see Part 9—"Operating and Financial Review—Key Factors Affecting the Group's Results of Operations—Closed & sold businesses".

(3) Revenue from closed & sold businesses in FY 2016 comprised revenue generated by Vaco. For more information, see Part 9—"Operating and Financial Review—Key Factors Affecting the Group's Results of Operations—Closed & sold businesses".

(4) Revenue from acquired businesses in FY 2014 and FY 2015 comprised revenue generated by B. Robert's pre-acquisition. For more information on the B. Robert's acquisition, see Part 6—"Business Description—History".

(5) Revenue generated by associates includes revenue generated by La Rose Noire for the entire period under review. For more information on La Rose Noire, see Part 14—"Additional Information—Principal investments".

(6) Effects of currency represents the adjustment to revenue from continuing operations to neutralise foreign exchange impact and to better illustrate the underlying change in LFL revenue. FY 2014 and FY 2016 has been presented by translating the revenue from our entities that have functional currencies other than pounds sterling into pound sterling using FY 2015 exchange rates of £1=$1.5284, £1=HK$11.8484, £1=€1.3771 and £1=RMB9.5966. H1 2017 has been presented by translating the revenue from our entities that have functional currencies other than pounds sterling into pound sterling using H1 2016 exchange rates of £1=$1.4329, £1=HK$11.1309 and £1=RMB9.3640.

Overheads

The Group defines Overheads as distribution costs, other administrative costs and total overheads before exceptionals and impairment, excluding depreciation from continuing operations, amortisation from continuing operations and profit/(loss) on disposal of property, plant & equipment from continuing operations ("Overheads").

The Directors believe that Overheads is a useful indicator of costs related to operations. The Directors believe that Overheads can assist securities analysts, investors and stakeholders to evaluate the Group's profitability.

The following table provides a reconciliation from distribution costs to Overheads for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016 (53 weeks)*	*2016*	*2017*
			(£ million)		
Distribution costs	77.8	74.8	78.0	38.0	38.4
Other administrative costs	289.2	297.0	302.8	150.8	147.1
Total overheads before exceptionals and impairment	367.0	371.8	380.8	188.8	185.5
Depreciation	(34.8)	(35.3)	(37.2)	(18.7)	(18.6)
Amortisation	(8.1)	(5.9)	(2.2)	(1.5)	(0.4)
Profit/(loss) on disposal of property plant & equipment from continuing operations	1.0	(0.2)	(0.1)	–	(0.3)
Overheads	325.1	330.4	341.3	168.6	166.2

Change in working capital

The Group defines change in working capital as the sum of (increase)/decrease in inventories, (increase)/decrease in receivables and increase/(decrease) in payables. The Directors believe that change in working capital is a useful indicator of the cash requirements to support the growth of the business.

The following table provides an analysis of change in working capital for the periods indicated.

	Fiscal Year			*H1*
	2014	*2015*	*2016*	*2017*
		(£ million)		
(Increase)/decrease in inventories	(5.6)	1.7	(3.4)	3.8
(Increase)/decrease in receivables	(12.8)	3.3	(12.6)	19.2
Increase/(decrease) in payables	45.6	43.2	43.1	(27.0)
Change in working capital	27.2	48.2	27.1	(4.0)

Net capital expenditure

The Group defines net capital expenditure as payment for the purchases of property, plant and equipment less sale proceeds received on disposal of property, plant and equipment. The Directors believe that net capital expenditure is a useful indicator of the net cash spend to deliver future growth.

The following table provides an analysis of net capital expenditure for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Purchases of property, plant and equipment	(50.8)	(38.2)	(67.3)	(25.2)	(24.2)
Sale proceeds on disposal of property, plant and equipment	1.6	0.2	0.1	0.1	1.7
Net capital expenditure	(49.2)	(38.0)	(67.2)	(25.1)	(22.5)

Part 9

Operating and Financial Review

This Part 9 should be read in conjunction with Part 2—"Presentation of Financial and Other Information", Part 5—"Industry Overview", Part 6—"Business Description" and Part 11—"Historical Financial Information". Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 9 is extracted from the financial information set out in Part 11—"Historical Financial Information".

The following discussion of the Company's results of operations and financial condition contains forward-looking statements. The Company's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under Part 1—"Risk Factors" and Part 2—"Presentation of Financial and Other Information". In addition, certain industry issues also affect the Company's results of operations and are described in Part 5—"Industry Overview".

OVERVIEW

Bakkavor is the leading provider of FPF in the United Kingdom and has a growing international presence in the United States and China. The Group develops and produces innovative fresh prepared food products for a variety of occasions and budgets and is the number one producer by market share in the UK in each of the four fresh prepared food product categories: Meals, Salads, Desserts and Pizza & Bread. In partnership with some of its long-standing retailer customers, the Group has helped to develop and grow the fresh prepared food market in the United Kingdom, and today, the United Kingdom is one of the largest and most dynamic fresh prepared food markets in the world. The Group's customers include some of the United Kingdom's most reputable and well-known grocery retailers, which sell the Group's products to consumers under their respective brands. According to OC&C analysis, the Group held a 30% share of the UK fresh prepared food market by revenue in 2016.

Bakkavor has developed a proven business model for a complex operational environment, which the Directors believe is a unique competitive advantage in the UK. It supplies 8 major retailers with 1,900 different products from 25 sites dedicated to FPF. Sites are operational 24 hours 7 days a week, 364 days a year. Given the short shelf-life of its products, sites receive orders early in the morning for despatch later that day ("on-the-day, for-the-day"). In order to fulfil orders on-time and in-full, the Group commits to materials and labour in advance of the orders received. The Group's unique operating know-how is evidenced by 99% of its orders fulfilled on time, in full ("OTIF"), ahead of industry standards.

The Directors believe that the Group's extensive knowledge of consumer food trends and experience creating product offerings that align with these trends is one of the Group's unique selling propositions. UK Retailers benefit from the Group's over 230 employees who develop and produce innovative, high-quality products that meet retailer customers' needs. The Group's commitment to product development and innovation allows it to frequently renew its product offerings, ensuring the Group remains at the forefront of current trends, stimulates consumer interest and delivers growth through incremental sales. For example, in FY 2016, Bakkavor created and launched approximately 700 new products in the UK in conjunction with its customers. The Group has won a number of awards, including innovation winner of the Prepared Salads Category and the overall Innovative Product of the Year at the Grocer Food & Drink Own Label Awards 2017, as judged by The Grocer magazine and industry representatives.

Bakkavor's International segment consists of the fresh prepared foods market in the United States and the Western Chained Foodservice market in China. As these markets are not as well developed as the UK FPF market, Bakkavor seeks to have a transformative influence on the continued development and availability of fresh prepared foods. The Directors believe that the Group is well positioned to lead the development of these growing markets due to its industry expertise and know-how of managing and building relationships with leading retailers and foodservice providers. The Group increased its revenue from continuing operations across its International segment by 11.7% between FY 2015 and FY 2016.

As at H1 2017, Bakkavor had a total of approximately 19,000 employees, with approximately 17,000 employees in the UK, 550 in the United States and 1,400 employees in China. The Group operates a total of 26 factories in the UK (with 25 dedicated to FPF), three in the United States (plus one under construction) and eight in China (plus one under construction). The Group's UK operations generated £1,589.9 million, or £1,563.7 million on a 52 week basis, in revenue from continuing operations and the Group's international operations generated £173.7 million, or £171.7 million on a 52 week basis, in revenue from continuing operations in FY 2016. In FY 2016, the Group's total revenue and profit from continuing operations was £1,763.6 million and £50.8 million, respectively. In the same period, The Group's Adjusted EBITDA was £146.4 million, with £137.7 million from the Group's UK operations and £8.7 million from the Group's International segment.

KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The results of the Group's operations have been, and will continue to be, affected by many factors, some of which are beyond the Group's control. This section sets out certain key factors the Directors believe have affected the Group's results of operations in the period under review and could affect its results of operations in the future.

Changes in prices of raw materials

Ingredients and packaging accounted for 64% of the Group's total cost of sales from continuing operations in FY 2016. The Group sources a wide range of raw materials, including salads and vegetables; meat and poultry; dairy products; wheat products; fresh fruits; and cardboard and plastic packaging materials to create its food products. Many of the raw materials the Group uses in its manufacturing processes are commodity based and are subject to significant price volatility. Accordingly, the Group's cost base and margins can be affected by fluctuations in the cost of raw materials and packaging, along with movements in exchange rates. See "—Currency Fluctuations" below.

The Group takes various actions to reduce overall material costs and exposure to price fluctuations. This is done in a number of ways. For example, the Group buys raw materials from suppliers all over the world, thereby decreasing geographic concentration risk, and the Group frequently tenders to benchmark market prices. The Group also reduces its exposure to price fluctuations in the supply chain to some extent over the short-term by agreeing forward pricing when possible at opportune moments during the year. The Group has a rolling 18 month currency hedging programme with a target of at least 90% of its non-pound denominated raw material prices hedged in the first quarter of that period. Where possible, the Group also enters into contracts denominated in pounds sterling with suppliers in Europe, thereby transferring the currency exchange risk onto its supplier. The Group also controls costs by engaging in ongoing price negotiations with its suppliers, consolidating its supplier base and utilising in-house processes instead of outsourcing.

As raw material prices rise, the Group seeks to pass on changes in raw material costs to its customers by negotiating sales price increases with its customers. Since January 2011, the Group has been able to broadly follow increases in inflation in labour and raw materials in the UK through increases in its prices, efficiency initiatives and strict control of overhead costs. Since the Brexit referendum in July 2016, inflation has increased rapidly due in part to increases in the costs of raw materials purchased in pounds. Because of this sharp increase in the cost of raw materials, the Group has been more successful in negotiating certain price increases. However, where retailers do not agree to price increases, the Group looks to work collaboratively with its customers to reduce the adverse effect of raw material inflation through other means, such as changes to promotion strategies, product specification and supply chain initiatives. The Group has also sought to offset the increase in raw material prices by even stricter control of overhead costs, improving its productivity and decreasing labour costs through better demand forecasting and increased automation in manufacturing.

Labour costs

Labour costs represent a significant portion of the Group's operating expenses. As a result, labour cost inflation (including as a result of legislative changes) has affected the Group's results of operations for the periods under review, and is expected to affect the Group's results of operations in future periods. Staff costs

increased by £22.8 million, or 5.4%, from FY 2015 to FY 2016, and by £22.9 million, or 5.8%, from FY 2014 to FY 2015. In recent years, governments in both the UK and the US have implemented policies to increase minimum wages above the underlying rate of inflation. From 1 April 2016, the UK government introduced a new mandatory National Living Wage for workers aged 25 and above, initially set at £7.20 per hour (which increased to £7.50 per hour from 1 April 2017). The existing National Minimum Wage will continue to apply for those aged 21 to 24 which from 1 April 2017 increased to £7.50. The UK government has set a target of the National Living Wage reaching more than £9.00 an hour by 2020. As the Group employs a significant number of people who are paid an hourly rate set by reference to national minimum wage rates, the Group has experienced an increase in labour rates above local inflation rates. Further increases in the minimum wage and/or living wage may result in higher labour costs. In addition, the cost of labour may increase as the result of any impact on the Group's workforce if citizens of EU countries are not permitted to work in the UK after Brexit, as 50% of the Group's UK employees as at H1 2017 are citizens of EU countries other than the UK. For more information see Part 1—"Risk Factors—The United Kingdom's anticipated withdrawal from the European Union could adversely affect the Group".

Currency fluctuations

The Group generates the majority of its revenue in pounds. However, the Group procures a proportion of its supplies in countries outside of the UK and, as a result, incurs a significant portion of its expenses in currencies other than the pound sterling, including predominantly the euro. The Group is therefore impacted by fluctuations in the rate of exchange between the pound and the euro. The result of the Brexit referendum has led to a decrease in the value of the pound against the euro, as well as general volatility in currency markets. If the euro remains strong relative to the pound and/or the volatility persists, the Group's profitability may be adversely affected. For more detail, see Part 1—"Risk Factors—The Group may be adversely affected by fluctuations in currency exchange rates". Although the Group typically sets prices, or a range of prices, with its suppliers for a set future period in advance, any strengthening of the euro related to the pound will adversely affect the Group's costs associated with procurement. In addition, the Group's business may be negatively affected if foreign currency movements provide non-local suppliers with competitive pricing advantages.

The Group seeks to mitigate the effect of exchange rate fluctuations through the use of pound denominated contracts at a locked-in rate or derivative financial instruments. The degree to which the Group hedges its exchange rate exposures and the structure of its hedging program is driven by the nature, size and certainty of the Group's exposure. The Group has a rolling 18 month currency hedging programme with a target of at least 90% of its non-pound denominated raw material prices hedged in the first quarter of that period. As at mid-August, the Group was 93% hedged through September 2017, 90% hedged through December 2017, 90% hedged through March 2018, 70% hedged through June 2018, 50% hedged through September 2018, 35% hedged through December 2018 and 6% hedged through March 2019. The Group then tops up the total actual spend requirement during each quarter on the spot market, resulting around or sometimes slightly above estimated spend requirements. In H1 2017, the actual total requirements were 109% and 116% for the first quarter and second quarter of 2017, respectively. The Group's annual spend on supplies from the Eurozone area is approximately €130 million. No speculative transactions are permitted, and on a current market to market, a fall in the pound by €0.01 equates to an additional cost of £0.4 million in 2018.

The Group generates a smaller portion of its revenue in foreign currencies, including the US dollar, Chinese yuan and Hong Kong dollars. To the extent the Group is unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations in that currency could have a material adverse effect on the Group's business. For example, where the Group has significantly more costs than revenue generated in a foreign currency, the Group is subject to risk if that foreign currency appreciates against the pound because the appreciation effectively increases its costs in that location. As the Group continues to make large investments and facility expansions in the United States and China in line with its international expansion strategy, the Group will likely continue to have more costs than revenue in the United States and China and will therefore be subject to greater exchange rate risk. Wherever a firm decision has been made for capital expenditure in a foreign currency that is to be funded from the UK, the Group deems its exposure as highly certain and hedges accordingly, usually 100%. As at H1 2017, 85% of the Group's US dollar, Chinese yuan and Hong Kong dollar capital expenditure requirements have been hedged.

The Group presents its consolidated financial statements in pounds. As a result, the Group must translate the assets, liabilities, income and expenses of all of its operations with a functional currency other than the pound into pounds at the applicable exchange rates, being the spot rate for assets and liabilities, and the average period rate for income and expenses. The outcome of the UK referendum on Brexit has resulted in and may continue to result in changes or fluctuations in the value of the pound versus the US dollar and the yuan. Because the Group's reporting currency is pounds, and its foreign operations are dominated in US dollars and yuan, continued volatility in the US dollar/pound and yuan/pound exchange rates will impact the reported results of operations of the Group. Therefore, these translation effects could significantly affect the comparability of the Group's financial results between financial periods and/or result in significant changes to the carrying value of the Group's assets and liabilities. The Group records the effects of these translations in the Group's consolidated statement of comprehensive income and expense as exchange differences on translation of foreign operations and accumulates these exchange differences within translation reserve in the Group's consolidated statement of financial position.

Consumer spending patterns and macro trends

The Group derives a substantial portion of its revenue and profits from the production of fresh prepared food products sold to grocery retailer customers, who resell these products to consumers in the United Kingdom. For FY 2016, 90% of the Group's revenue from continuing operations was derived from the United Kingdom. The Group's results of operations and financial condition are therefore impacted by consumer demand for retailer-branded fresh prepared food. The Group is also affected, to a lesser degree, by such trends in the US and China, where the Group generated 10% of its revenue from continuing operations in FY 2016. For more information, please see Part 5—"Industry Overview".

Consumer spending on fresh prepared food products is influenced by long-term macro trends, such as societal changes and prioritising convenience, which in turn are shaping retail development and, ultimately, the demand for fresh prepared food. See Part 5—"Industry Overview" for more information. The Group has benefited from these trends in previous years, with the FPF market growing by 4.1% in 2015 and 4.8% in 2016, resulting in a CAGR of 4.4% between 2014 through 2016 according to OC&C analysis. However, the Group's performance in future years is influenced by the Group's ability to continue to develop and produce fresh prepared food products that are in line with these macro trends and any future trends that may develop.

Seasonality

The Group's revenues, margins and cash-flows are affected by seasonal variations. Revenues from fresh prepared food have historically been somewhat higher during the summer months, in the weeks leading up to Christmas and during the Easter holiday season. The Group's gross profit margin has also benefitted from the Group's ability to source ingredients from the UK in the summer months which reduces the cost of these raw materials, as transportation costs are significantly lower than in the rest of the year when the Group must source certain ingredients outside the UK. Cash flow is also affected by seasonal variations as revenues tend to be lower outside of the summer months and festive periods.

Retail trends

The Group focuses on providing major grocery retailers with fresh prepared food products, nearly all of which are sold under the retailers' own brands. Accordingly, the Group's results of operations and financial condition depend on the Group's ability to help its customers anticipate and respond to trends in the retail food industry so that their customers will purchase the products the Group makes. Retailers are increasingly developing their retailer-branded ranges as a way to achieve greater margins and enhance customer loyalty. The Group actively works with its strategic customers to develop new products that fulfil retail trends.

Performance improvements

Performance improvement initiatives are a key contributor to the overall economic performance of Bakkavor. The Group drives performance through intervention (identifying business dynamics that could result in underperformance and which are then resourced accordingly), improvement (primarily projects focused on business processes) and investment (identifying, scoping and delivering quick payback initiatives

primarily focused on labour). Performance improvement initiatives have historically delivered approximately 0.5% of margin improvement per annum in the UK business.

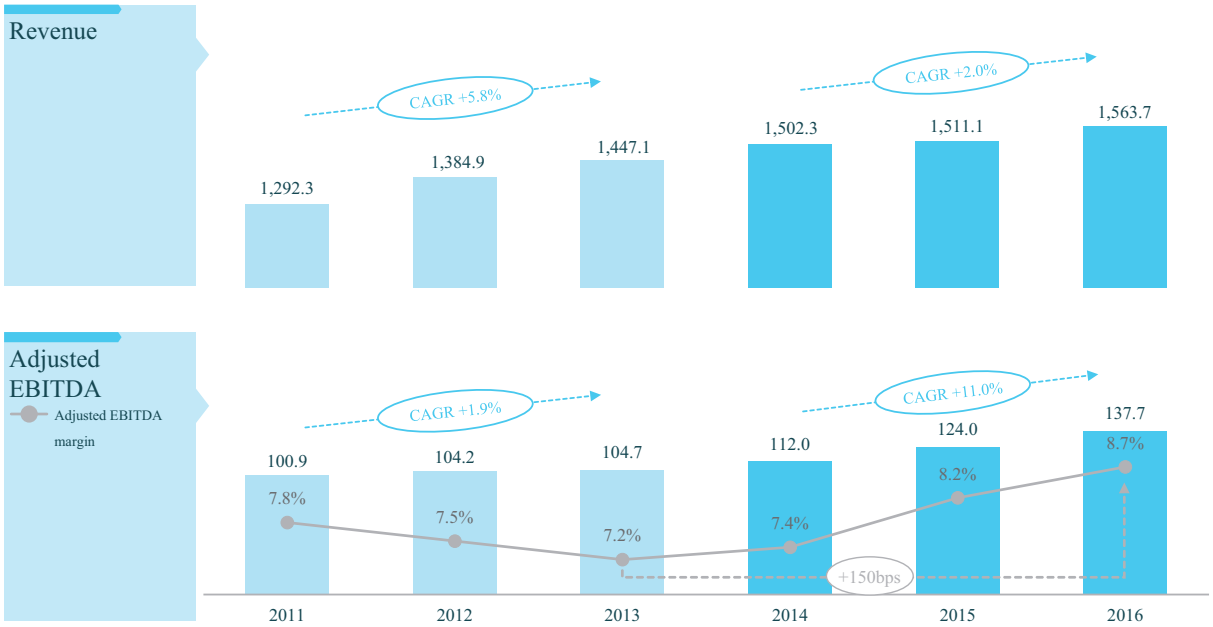
Strategic investment

The Group maintains a focused strategic capital investment programme across each of its geographic regions and product categories. Recent key strategic investments in the UK included (i) the establishment of a gluten-free area at its Boston site, (ii) the commissioning of a leaf processing facility at Sutton Bridge, (iii) the creation of single-serve trifles capability at its Newark site, and (iv) creating additional capacity through investment into a new assembly line at Holbeach. The Group's current international strategic investments include (i) an investment commitment of $31 million towards its new factory in San Antonio, Texas, and (ii) a commitment to spend £20 million towards the construction of a new factory at its Haimen site in East China, which will substantially increase its capacity in the region.

Strategic focus on margin improvement

As part of the Group's aim to remain efficient and focus on the Group's margin optimisation, the Group continually assesses whether its products and operations are core to its overall business strategy. In recent years the Group has reshaped its business by focussing away from lower margin products and businesses, including those deemed to be nonessential or underperforming. The Group's UK revenue for FY 2011, 2012 and 2013 was £1,292.3 million, £1,384.9 million and £1,447.1 million, respectively (excluding the closed Yorkshire Fresh Food business and rationalised Produce business), representing a CAGR of 5.8% over the period as compared to an estimated 4.5% market CAGR over the same period, according to the Directors' analysis of the market. The Group's Underlying UK Segment Adjusted EBITDA for FY 2011, 2012 and 2013 was £100.9 million, £104.2 million and £104.7 million, respectively (excluding the closed Yorkshire Fresh Food business and rationalised Produce business), representing a CAGR of 2.4% over the three year period. This resulted in an Underlying UK Segment Adjusted EBITDA margin of 7.6%, 7.4% and 7.2% for FY 2011, 2012 and 2013, respectively. In 2014, the focus of the Group's UK business shifted from growth to margin, and a more aggressive approach to margin resulted in the loss of low-margin business and impacted revenue growth. UK revenue excluding YFF grew at 0.6% between FY 2014 and FY 2015 (from £1,502.3 million to £1,511.1 million). By contrast, UK Adjusted EBITDA (excluding YFF) grew 11.0% over the same period. In FY 2016, the Group's UK revenue grew 3.5%, with Adjusted EBITDA growth continuing at 11.0% (excluding YFF).

The graph below sets out revenue and Adjusted EBITDA development of the Group's UK business from 2011 to 2016 (adjusted for YFF (closed in FY 2015) and the Produce business (rationalised in FY 2011)):



Revenue momentum built in H2 2016, and has continued in H1 2017 with UK revenue growing 6.3%, and UK Adjusted EBITDA growing 10.4% see –"Results of operations for H1 2017 compared to H1 2016" below.

In addition, the Group has reshaped its business by exiting low growth geographies, including Continental Europe. In August 2016 the Group completed its exit from the Continental Europe market by selling its operating business in Belgium, NV Vaco BV, to Culinor Food Group for a cash consideration of €3.2 million (£2.7 million). By the end of FY 2016, the Group had closed all of its revenue-generating operations outside of the UK, the US and China, in order to focus on these large and developing markets. Such strategic shift in focus away from lower margin products and businesses has impacted the Group's revenue growth; however, the Group's margins have increased as a result. In FY 2016, the Group's Adjusted EBITDA margin was 8.3%, compared to 7.7% and 6.9% in FY 2015 and FY 2014, respectively.

Acquired businesses

During the period under review, the Group made one acquisition (B Robert's Foods (US) in January 2015), and it may continue to acquire businesses in the future. The Group's acquisitions may affect its results of operations and the period-to-period comparability of its financial statements. The Group accounts for acquisitions using the acquisition method, and the results of the acquired businesses are included in the Group's results from the date of the acquisition. The Group's acquisitions have generally been paid for with cash, and in many cases with a portion of the consideration to be deferred to a later date, or contingent on certain operating results of the acquired business and based on the estimated fair value at the date of the acquisition.

Closed & sold businesses

The Group also closes and sells businesses as part of its ongoing strategic focus on margin improvement. Following a strategic move away from the production of fresh fruit, the Group completed the sale of Spring Valley Foods, its South African prepared fruit business, in January 2014, and the Group closed YFF, a fresh fruit producing factory in the UK, in FY 2015. In addition, in the UK segment the Group closed BV Foodservice and sold its 27.5% share in its associate Manor Fresh Limited, a supplier of fresh produce, in FY 2015.

In the International segment, the Group has reshaped its business by exiting low growth geographies, including Continental Europe. In August 2016 the Group completed this reshaping by selling its operating business in Belgium, NV Vaco BV, to Culinor Food Group for a cash consideration of €3.2 million

(£2.7 million). By the end of FY 2016, the Group had closed all of its operations outside of the UK, the US and China, in order to focus on these large and developing markets.

Discontinued operations

In July 2015, the Group completed the sale of its 60% stake in Italpizza S.r.l., its frozen pizza manufacturing business based in Italy, to Dreamfood S.r.l., for a cash consideration of £22.0 million. The sale marked the Group's exit from the frozen pizza segment, and as a result Italpizza S.r.l. has been classed as a discontinued operation in accordance with IFRS and has been presented as such in the consolidated income statement for the period under review.

Taxation

The results of the Group's operations have been and will be affected by the availability and utilisation of tax losses. In FY 2016 the Group utilised its remaining UK tax losses for UK corporation tax purposes, giving it an effective tax rate and a cash tax rate of 19.5%. As at 31 December 2016, the Group had remaining tax losses of £36.0 million. As at H1 2017, the Group had an effective tax rate of 11.0% and a cash tax rate of 17.5%. The Group will continue to use its remaining international tax losses and anticipates that its effective tax rate for FY 2017 will be approximately 12.0% due to a more tax efficient structure in use for the Group's US development projects, resulting in recognition of a deferred tax asset. The Group paid £13.3 million in taxes in FY 2016 and £5.6 million in H1 2017.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 of Section B of Part 11—"Historical Financial Information".

IFRS 9

IFRS 9 "Financial Instruments" is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially for its first accounting period beginning after 1 January 2018. IFRS 9 deals with the classification, measurement and recognition of financial assets and liabilities, the impairment of financial assets, and hedge accounting. This new standard replaces IAS 39 and includes changes from previous years, with a new model for expected losses, and some small changes to requirements in classification and measurement of financial assets. The implementation of IFRS 9 will impact both the recognition and disclosure of the Group's financial instruments but at this time it is not practical to quantify the future impact as further work is required to be conducted to complete the review and complete the assessment.

IFRS 15

IFRS 15 "Revenue from Contracts with Customers" specifies how and when a company will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures, by providing a single, principles based five-step model to be applied to all contracts with customers. The standard is expected to become effective for the Group's accounting period beginning after 1 January 2018, subject to endorsement by the EU. The Directors anticipate that the adoption of IFRS 15 will have no material impact on the current revenue recognition under IAS 18 Revenue. The Group's current trading arrangements do not include multiple performance obligations and revenue is typically recognised when the product is delivered to the customer. For such arrangements no change upon the adoption of IFRS 15 is expected. Further work is still required to complete the assessment of the impact of IFRS 15 on the Group and to put in place processes that may be needed to capture the additional disclosures required under IFRS 15.

IFRS 16

IFRS 16 "Leases" changes the accounting treatment of leases by lessees. Distinctions of finance leases (on-balance sheet) and operating leases (off-balance sheet) are removed for lessee accounting and is replaced by a model where a right to use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets. The standard will become effective for the

Group's first accounting period beginning after 1 January 2019, subject to endorsement by the EU. The implementation of IFRS 16 will require the recognition of the Group's operating leases (with the exception of short-term and immaterial leases) on the statement of financial position. Furthermore, it is expected that operating profit will increase alongside an increase in finance costs resulting from the unwind of the lease liability. Initial assessments of the impact of IFRS 16 are ongoing and therefore it is not practicable to provide a quantification of the impact on the financial statements. For more information, see —"Operating lease arrangements" below.

KEY PERFORMANCE INDICATORS

The Directors historically consider Revenue, LFL Revenue, Adjusted EBITDA, net cash from operating Activities, net debt at period end/Adjusted EBITDA from continuing and discontinued operations to be the primary key performance indicators ("KPIs") used by the Group to help evaluate growth trends, establish budgets and assess financial and operational performance and efficiencies. The Directors also consider ROIC to be a historically useful supplemental measure to assist in evaluating the business and are commonly reported by comparable businesses and used by investors and analysts. For more information on these and other non-IFRS measures, please see Part 8—"Selected Financial Information—Non-IFRS measure and operating metrics".

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Revenue from continuing operations	1,633.5	1,674.5	1,763.6	854.5	903.3
Adjusted EBITDA	113.2	129.6	146.4	71.9	77.7
Adjusted EBITDA from continuing and discontinued operations	119.8	135.3	146.4	71.9	77.7
Net cash from operating activities.....	86.4	105.0	112.1	48.3	34.5
Net debt at the end of the period/Adjusted EBITDA from continuing and discontinued operations	3.9x	2.9x	2.5x		
Net debt at period end/LTM Adjusted EBITDA from continuing and discontinued operations					2.4x
ROIC.....	7.2%	9.4%	11.6%		
Net debt at period end	(471.7)	(388.6)	(366.9)		(368.2)

Going forward, the Directors will also consider and report on additional KPIs, such as adjusted profit after tax and adjusted earnings per share.

SEGMENTAL REPORTING

The Group's business comprises two reporting segments: (i) UK, being the preparation and marketing of fresh prepared food and fresh produce for distribution in the UK, and (ii) International, being the preparation and marketing of fresh prepared food and fresh produce outside the UK.

DESCRIPTION OF KEY LINE ITEMS

Revenue from continuing operations

Revenue from continuing operations represents the revenue received from the sale of the Group's products to its customers in the ordinary course of business, less allowances, trade discounts and volume rebates including discounts and rebates given to the Group's customers in connection with promotional activities. Revenue from sales of products is recognised when the significant risks of ownership have been transferred to the buyer (which, for nearly all of the products the Group produce, is when the retailer customer or its agent takes possession of the goods at the facility where it was produced) in line with the Group's stated accounting policy. The Group's relationships with retailer customers do not include a right of return for unsold merchandise.

Cost of sales from continuing operations

Cost of sales from continuing operations comprises the costs of products that the Group sell. Cost of sales from continuing operations includes directly attributable costs such as raw materials, packaging, labour, energy, product specific research and development, maintenance and consumables costs. The Group's cost of sales are primarily variable in nature, based on the amount of products they are producing at a given time.

Distribution costs

Distribution costs represent the costs of shipping of the Group's fresh products from its factory to its customers.

Other administrative costs

Administrative costs include the costs of support-related costs, such as salaries and benefits, systems costs, insurance and professional services.

Profit on disposal of subsidiaries and associates

Profit on disposal of subsidiaries and associates represents the profit or loss recognised in the income statement on disposal of an interest in a subsidiary or an associate.

Share of results of associates after tax

Share of results of associates after tax represents the Group's share of the results of entities over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. The results and net assets/liabilities of associates are incorporated using the equity method of accounting.

Investment revenue

Investment revenue represents interest earned on bank deposits.

Finance costs

Finance costs represent interest and similar charges payable on the Group's outstanding indebtedness in addition to amortisation of fees and expenses incurred in connection with the refinancing of the Group's borrowings.

Tax

The Group's income tax provision includes taxes paid on income derived in the United Kingdom and foreign countries. Most of the Group's revenue is earned in the United Kingdom and was taxed at an effective rate of 19.5% for FY 2016, 18.6% for FY 2015 and 19.2% for FY 2014. Revenue not derived from the United Kingdom is subject to taxation at local rates, which varied from 17% to 38% in FY 2014, FY 2015 and FY 2016. The actual tax charges or credits the Group report may differ from these nominal rates, however, because taxable income or losses are in many cases calculated differently from accounting income.

Profit from discontinued operations

Profit for the period from discontinued operations represents the contribution from Italpizza S.r.l. that was sold in two stages in FY 2014 and FY 2015. In FY 2016 it includes further consideration received during the period from the Group's French and Spanish businesses that were sold in April 2013.

CURRENT TRADING AND PROSPECTS

The Group has continued to trade in line with the Directors' expectations since the end of H1 2017. Overall, the Directors continue to remain confident in the Group's prospects for the balance of FY 2017. It is anticipated that the Group's next trading update will be for FY 2017, which is expected to be published in January 2018.

The Group has established certain financial guidance as measure of its performance which is based on the Group's business plan and a number of assumptions which the Directors believe are appropriate but which may turn out to be incorrect or different than expected. The Group's actual results may vary and those variations may be material. The Group has not defined by reference to specific periods in the term "medium term", and the guidance is not intended to be in respect of any particular financial year.

In the UK segment, volumes are likely to be impacted in the second half of 2017 by increased retail pricing in the current inflationary environment. However, for FY 2017, the Directors are targeting mid-single digit revenue growth. In the Group's International segment, the Directors expect growth to accelerate in the second half of the year as the business benefits from strong underlying growth from existing customers and newly acquired customers. For FY 2017, the Directors are targeting mid-teens revenue growth (excluding sold businesses) as compared to FY 2016 (on a 52 week basis).

The Directors expect the Group to maintain its Adjusted EBITDA margin at FY 2016 levels for FY 2017 through the combination of volume benefits and effective cost controls.

The Group expects Melrow Salads, a UK non-core business, to close by the end of FY 2017. In FY 2016, Melrow Salads contributed £17.9 million to the Group's UK segment revenue, with minimal EBITDA contributions.

In the medium term, the Group's business plan targets mid-single digit growth for the UK in line with the UK FPF market, and growth ahead of market in the US and China. The Group targets growth of 100 basis points in Adjusted EBITDA margin in the medium term, as a result of its close customer relationships allowing for early mitigation through inflationary cycles, helping the group to maintain its Adjusted EBITDA margin through inflationary periods. In the UK, the Group aims to leverage off established infrastructure with approximately 38% of overheads fixed. Higher volumes will also allow for better capacity utilisation across the Group's international operations. The Group has ongoing capital expenditure requirements of approximately 3.5% of its revenue, of which approximately 1.5% is for maintenance capital expenditure. In addition, the Group is expecting to incur £100 million of capital expenditure for strategic development projects through to the end of 2019, of which £90 million is currently committed (UK desserts (£35 million), US HEB investment (£24 million/$31 million), China factory expansion (£19 million) and bakery expansions in the US and China (£12 million)). The Directors expect the Group's change in working capital to be broadly neutral going forward. The Directors expect an effective tax rate of approximately 12% for FY 2017, gradually rising to approximately 16% by 2020.

The Group expects to raise gross proceeds of approximately £100 million and net proceeds of £86 million in the Offer. This is expected to result in a post-IPO net debt to Adjusted EBITDA ratio of approximately 1.8x based on the last twelve months (to 1 July 2017) Adjusted EBITDA. The Group is targeting a net debt to Adjusted EBITDA ratio of 1.5x-2.0x on an on-going basis.

COMPARABILITY OF RESULTS

The Group typically presents its annual results covering a 52 week period. However, every six years an additional week is included in the Group's reporting period to ensure that its end-of-year date is near the end of December. As a result, an additional week has been included in the Group's 2016 FY so that FY 2016 comprises the 53 weeks ended 31 December 2016. Consequently, the Group's results for FY 2016 include an additional week of trading as compared to FY 2015. To assist with comparability, certain line items, including revenue, cost of sales and gross profit, for FY 2016 are discussed below on a 52 week basis, being the 52 weeks ended 24 December 2016. This was derived by excluding the 53rd week from the Group's results.

RESULTS OF OPERATIONS

The table below presents the Group's results of operations for the periods indicated which has been extracted without material adjustment from the historical financial information set out in Part 11—"Historical Financial Information".

	Fiscal Year			*H1*	
	2014 (52 weeks)	*2015 (52 weeks)*	*2016 (53 weeks)*	*2016 (26 weeks)*	*2017 (26 weeks)*
			(£ million)		
Continuing Operations					
Revenue	1,633.5	1,674.5	1,763.6	854.5	903.3
Cost of sales	(1,195.2)	(1,214.5)	(1,275.9)	(614.0)	(659.4)
Gross profit	438.3	460.0	487.7	240.5	243.9
Distribution costs	(77.8)	(74.8)	(78.0)	(38.0)	(38.4)
Other administrative costs	(289.2)	(297.0)	(302.8)	(150.8)	(147.1)
Exceptional items	(6.6)	(3.5)	(8.0)	(6.4)	(4.1)
Impairment of assets	(4.1)	–	(8.2)	–	–
Total administrative costs	(299.9)	(300.5)	(319.0)	(157.2)	(151.2)
Profit on disposal of subsidiaries and associates	1.8	5.2	0.1	–	–
Share of results of associates after tax	1.0	0.8	0.7	0.4	0.3
Operating profit	63.4	90.7	91.5	45.7	54.6
Investment revenue	0.3	0.3	0.1	–	–
Finance costs	(53.1)	(55.5)	(38.8)	(21.8)	(27.0)
Other gains and (losses)	1.9	11.7	10.3	0.9	(19.4)
Profit before tax	12.5	47.2	63.1	24.8	8.2
Tax	(2.4)	(8.8)	(12.3)	(3.4)	(0.9)
Profit for the period from continuing operations	10.1	38.4	50.8	21.4	7.3
Discontinued operations					
Profit for the period from discontinued operations	2.7	13.5	0.5	–	–
Profit for the period	12.8	51.9	51.3	21.4	7.3

Results of operations for H1 2017 compared to H1 2016

Revenue

Revenue from continuing operations increased by £48.8 million, or 5.7% from £854.5 million in H1 2016, to £903.3 million in H1 2017. LFL revenue grew by 6.4%, from £843.8 million in H1 2016, to £898.0 million in H1 2017. This increase was primarily due to strong growth in the Group's operating segments, as described below.

Segmental breakdown

In the UK segment, revenue from continuing operations increased by £48.3 million, or 6.3%, from £768.6 million in H1 2016 to £816.9 million in H1 2017. LFL revenue was not materially different from revenue from continuing operations for these periods. This increase was primarily due to strong growth for all key customers, giving an underlying increase in volumes following a number of business wins across the Group's core categories in the second half of 2016. Revenues also increased due to price increases agreed with key customers to offset a proportion of the raw material inflation seen in the first half of 2017.

In the International segment, revenue from continuing operations increased by £0.5 million, or 0.6%, to £86.4 million in H1 2017 from £85.9 million in H1 2016. LFL revenue grew by 7.8%, from £75.2 million in H1 2016, to £81.1 million in H1 2017. Revenue for H1 2017 was impacted by the sale of the Group's

Belgian business NV Vaco BV on 1 August 2016. This business contributed revenue of £14.3 million in H1 2016. The increase in LFL revenues was primarily due to strong growth in the China business, where the Group's sales volumes increased with respect to all of its customers.

Cost of sales from continuing operations

Cost of sales from continuing operations increased by £45.4 million, or 7.4%, from £614.0 million in H1 2016 to £659.4 million in H1 2017. This increase was primarily due to a combination of an increase in raw materials and direct labour costs supporting the significant sales volume growth seen in H1 2017 and inflationary increases in these cost categories.

Gross profit

Gross profit increased by £3.4 million, or 1.4%, from £240.5 million in H1 2016 to £243.9 million in H1 2017. This increase was primarily due to the benefits from the sales volume increases more than offsetting the increase in raw material and direct labour costs.

Distribution costs

Distribution costs increased by £0.4 million, or 1.1%, from £38.0 million in H1 2016 to £38.4 million in H1 2017. This increase was primarily due to the increase in sales volumes across the Group.

Other administrative costs

Administrative costs decreased by £3.7 million, or 2.5%, from £150.8 million in H1 2016 to £147.1 million in H1 2017. This decrease was primarily due to H1 2016 including £3.5 million of costs in respect of NV Vaco BV, which was sold on 1 August 2016. Excluding the impact of the sale of NV Vaco BV, the total administrative costs were broadly flat due to the Group's tight control over costs.

Share of results of associates after tax

Share of results of associates after tax decreased by £0.1 million, or 25.0%, from £0.4 million in H1 2016 to £0.3 million in H1 2017. This decrease was primarily due to an increase in overheads for the Group's associate La Rose Noire Limited as it continues to expand its operations.

Operating profit

Operating profit increased by £8.9 million, or 19.5%, from £45.7 million in H1 2016 to £54.6 million in H1 2017. This increase was primarily due to benefits from the increase in sales volumes in H1 2017 and a £2.3 million reduction in exceptional items, as compared to H1 2016.

Finance costs

Finance costs increased by £5.2 million, or 23.9%, from £21.8 million in H1 2016 to £27.0 million in H1 2017. This increase was primarily due to costs incurred in respect of the Group refinancing completed on 23 March 2017. As a result of the refinancing, the Group incurred a call premium of £9.9 million for the early redemption of the 2020 Senior Secured Notes and £3.3 million of accelerated amortisation of refinancing fees in relation to the previous debt facilities. In H1 2016, the Group incurred a call premium of £1.5 million and accelerated amortisation of £0.7 million in refinancing fees in connection with the early redemption of £75 million of the 2018 Senior Secured Notes. Excluding these costs in H1 2017 and H1 2016, finance costs decreased by £5.8 million in H1 2017 to £13.8 million, reflecting the lower interest rates paid by the Group in H1 2017.

Other gains and losses

Other gains and losses increased by £20.3 million, from a gain of £0.9 million in H1 2016 to a loss of £19.4 million in H1 2017. The increase was primarily due to a £17.2 million loss in H1 2017 for the reversal of previous gains on the fair value of the call option for the 2020 Senior Secured Notes following repayment of the Notes in March 2017.

Tax

Tax decreased by £2.5 million, or 73.5%, from £3.4 million in H1 2016 to £0.9 million in H1 2017. This has resulted in an effective tax rate of 11.0% for H1 2017, compared to 13.7% for H1 2016. The decrease in the tax charge and effective rate was primarily due to the use of a tax efficient structure to fund the Group's US development projects, which has resulted in the recognition of a deferred tax asset in H1 2017.

Profit for the period

As a result of the foregoing, profit for the period decreased by £14.1 million, or 65.9%, from £21.4 million in H1 2016 to £7.3 million in H1 2017.

Adjusted EBITDA

Adjusted EBITDA increased by £5.8 million, or 8.1%, from £71.9 million in H1 2016 to £77.7 million in H1 2017. This increase was primarily due to the benefits from the significant increase in sales volumes and tight cost control in H1 2017.

Results of operations for FY 2016 compared to FY 2015

To assist with comparability, certain line items, including revenue, cost of sales and gross profit, for FY 2016 are discussed below on a 52 week basis, being the 52 weeks ended 24 December 2016. This was derived by excluding the 53rd week from the Group's results. See —"*Comparability of results*" above.

	Fiscal Year		*52 weeks ended*
	2015 (52 weeks)	*2016 (53 weeks)*	*24 December 2016*
Revenue from continuing operations	1,674.5	1,763.6	1,735.4
Cost of sales	(1,214.5)	(1,275.9)	(1,253.3)
Gross profit	460.0	487.7	482.1

Revenue

Revenue from continuing operations increased by £89.1 million, or 5.3%, from £1,674.5 million in FY 2015 to £1,763.6 million in FY 2016.

On a 52 week basis, revenue from continuing operations increased by £60.9 million, or 3.6%, from £1,674.5 million in FY 2015 to £1,735.4 million in the 52 weeks ended 24 December 2016. This increase was primarily due to an £86 million increase in sales volumes, offset in part by a loss of £8 million from decreases in the Group's product selling prices, a loss of £8 million due to the closure of YFF and a loss of £10 million due to the sale of NV Vaco BV. LFL revenue growth was 3.8% as compared to FY 2015. This increase was primarily due to growth in both of the Group's operating segments, as described below.

Segmental breakdown

In the UK segment, revenue from continuing operations increased by £70.9 million, or 4.7%, to £1,589.9 million in FY 2016 from £1,519.0 million in FY 2015.

On a 52 week basis, in the UK segment, revenue from continuing operations increased by £44.7 million, or 2.9%, from £1,519.0 million in FY 2015 to £1,563.7 million in the 52 weeks ended 24 December 2016. LFL revenue growth in the UK segment was 3.5%, from £1,511.0 million in FY 2015 to £1,563.3 million in FY 2016. This increase was primarily due to volume growth following a number of business wins across the Group's core categories, in part supported by the Group's increased capital investment in recent years. The Group also saw strong underlying growth across all of its key customers.

In the International segment, revenue from continuing operations increased by £18.2 million, or 11.7%, from £155.5 million in FY 2015 to £173.7 million in FY 2016.

On a 52 week basis, in the International segment, revenue from continuing operations increased by £16.2 million, or 10.4%, from £155.5 million in FY 2015 to £171.7 million in the 52 weeks ended 24 December 2016. LFL revenue growth in the International segment was 7.9%, from £135.6 million in FY 2015, to £146.4 million in FY 2016. The International segment revenues are split approximately two thirds US and one third China, and in FY 2016 the Group experienced strong growth across both regions. Revenue for FY 2016 was impacted by the sale of the Group's Belgian business NV Vaco BV on 1 August 2016. This business contributed revenue of £17.0 million in FY 2016 and £26.9 million in FY 2015. However, the impact of this sale was offset by currency gains in FY 2016 following the weakening of the pound after the EU referendum results. Revenue adjusted for the revenue from closed and sold businesses increased by 20.3%, from £128.6 million in FY 2015 to £154.7 million in FY 2016.

Cost of sales from continuing operations

Costs of sales from continuing operations increased by £61.4 million, or 5.1%, from £1,214.5 million in FY 2015 to £1,275.9 million in FY 2016.

On a 52 week basis, cost of sales from continuing operations increased by £38.8 million, or 3.2%, from £1,214.5 million in FY 2015 to £1,253.3 million in the 52 weeks ended 24 December 2016. This increase was primarily due to the increased need for raw materials, resulting in a 1.8% increase in the cost of raw materials, from £635 million in FY 2015 to £647 million in FY 2016. Direct labour costs also increased, from £359 million in FY 2015 to £387 million in FY 2016, primarily as a result of the need for more direct labour to meet increased sales volumes and the impact of the National Living Wage in the UK from April 2016. Costs related to packaging remained relatively constant, at £152 million in FY 2015 and £151 million in FY 2016. Other costs were constant, at £69 million for both FY 2015 and FY 2016.

Gross profit

Gross profit increased by £27.7 million, or 6.0%, from £460.0 million in FY 2015 to £487.7 million in FY 2016.

On a 52 week basis, gross profit increased by £22.1 million, or 4.8%, from £460.0 million in FY 2015 to £482.1 million in the 52 weeks ended 24 December 2016. This increase was primarily due to efficiency benefits from stronger volumes and the recent capital investments across the Group.

Distribution costs

Distribution costs increased by £3.2 million, or 4.3%, from £74.8 million in FY 2015 to £78.0 million in FY 2016. This increase was primarily due to an increase in costs in the Group's International segment following the introduction of new customers.

Other administrative costs

Administrative costs increased by £5.8 million, or 2.0%, from £297.0 million in FY 2015 to £302.8 million in FY 2016. This increase was primarily due to the impact of the sale of NV Vaco BV in August 2016, which was partially offset by tight control of overheads, with costs related to factory and office operations and other fixed administrative costs remaining constant at £56 million and £39 million, respectively. This increase was also impacted by a 2.9% increase in costs related to equipment.

Profit on disposal of subsidiaries and associates

Profit on disposal of subsidiaries and associates decreased by £5.1 million, or 98.1%, from £5.2 million in FY 2015 to £0.1 million in FY 2016. This decrease was primarily due to FY 2015 including a profit on the sale of the Group's interest in Manor Fresh Limited.

Share of results of associates after tax

Share of results of associates after tax decreased by £0.1 million, or 12.5%, from £0.8 million in FY 2015 to £0.7 million in FY 2016. This decrease was primarily due to the sale of the Group's interest in Manor Fresh Limited in FY 2015.

Operating profit

Operating profit increased by £0.8 million, or 0.9%, from £90.7 million in FY 2015 to £91.5 million in FY 2016. This increase was primarily due to efficiency benefits from the increase in volumes and productivity investments.

In FY 2015, the Group incurred exceptional costs of £3.5 million, of which £1.1 million were restructuring costs related to the closure of YFF; £1.5 million were related to the restructuring of the Group's operation in Belgium; and £0.9 million of costs were incurred following the decision by a major customer in the US to cease trading. With the exception of the US costs, the restructuring costs are mainly in respect of redundancy payments.

In FY 2016, the Group incurred exceptional costs of £8.0 million, of which £5.2 million relate to the fees incurred in connection with the transactions that resulted in Bakk AL Holdings Ltd. owning 100% of the Company and becoming the parent company of the Group; £1.3 million relate to redundancy costs arising from business losses in one of the Group's UK operations; and £1.5 million relate to legal and other costs in respect of an intellectual property dispute that has now been settled.

Finance costs

Finance costs decreased by £16.7 million, or 30.1%, from £55.5 million in FY 2015 to £38.8 million in FY 2016. This decrease was primarily due to the Group's refinancing of its indebtedness in FY 2015 combined with lower debt levels giving a reduction in borrowing costs. In addition, FY 2015 included £9.3 million of costs in connection with the refinancing in that year comprising £5.8 million of call premiums on the 2018 Senior Secured Notes and £3.5 million of accelerated amortisation of refinancing fees. FY 2016 included £2.2 million of costs in respect of the redemption in February 2016 of £75 million of 2018 Senior Secured Notes.

Other gains and losses

Other gains and losses decreased by £1.4 million, or 12.0%, from £11.7 million in FY 2015 to £10.3 million in FY 2016. The decrease was primarily due to a reduction in the gains on its fair value of the call option for the 2020 Senior Secured Notes. This was partly offset by a loss in FY 2015 in respect of other payables for a disputed liability.

Tax

Tax increased by £3.5 million, or 39.8%, from £8.8 million in FY 2015 to £12.3 million in FY 2016. This increase was primarily due to the increase in profit and due to all historical UK tax losses now being utilised. The charge also increased due to the disallowance of £5.2 million of fees included in exceptional costs in connection with the transactions that resulted in Bakk AL Holdings Ltd. owning 100% of Bakkavor Group Limited.

Profit for the period from discontinued operations

Profit for the period from discontinued operations decreased by £13.0 million from £13.5 million in FY 2015 to £0.5 million in FY 2016. The decrease was due to FY 2015 including Italpizza S.r.l. that was sold in July 2015. FY 2016 includes additional consideration from the sale of the Group's French and Spanish businesses in FY 2013.

Profit for the period

As a result of the foregoing, profit for the period decreased by £0.6 million, or 1.2%, from £51.9 million in FY 2015 to £51.3 million in FY 2016.

Adjusted EBITDA

Adjusted EBITDA increased by £16.8 million, or 13.0%, from £129.6 million in FY 2015 to £146.4 million in FY 2016. This increase was primarily due to significant increases in volumes and the benefits arising from the Group's productivity investments in recent years.

Results of operations for FY 2015 compared to FY 2014

Revenue

Revenue from continuing operations increased by £41.0 million, or 2.5%, from £1,633.5 million in FY 2014 to £1,674.5 million in FY 2015. This increase was primarily due to a £46 million increase in sales volumes and £18 million in revenue resulting from the Group's acquisition of B. Roberts Foods, offset in part by a loss of £13 million from decreases in the Group's product selling prices and a loss of £10 million from the closure of YFF. LFL revenue growth was 1.9% as compared to FY 2014. This increase was primarily due to strong growth from the Group's International Segment, as further described below.

Segmental breakdown

In the UK segment, revenue from continuing operations decreased by £1.1 million from £1,520.1 million in FY 2014 to £1,519.0 million in FY 2015. This decrease was primarily due to price decreases as the Group passed on raw materials deflation to its customers, partially offset by volume gains in the Group's core categories. UK revenue was also impacted by the closure of YFF in June 2015. LFL revenue in the UK segment increased by 0.6%, from £1,501.9 million in FY 2014, to £1,511.0 million in FY 2015, primarily due to the focus of the UK business having shifted from revenue growth to Adjusted EBITDA margin.

In the International segment, revenue from continuing operations increased by £42.1 million, or 37.1%, from £113.4 million in FY 2014 to £155.5 million in FY 2015. LFL revenue growth in the International segment increased by 18.5%, from £114.5 million in FY 2014, to £135.6 million in FY 2015. This increase was primarily due to a £22.3 million contribution to revenue from the Group's acquisition of B. Robert's Foods in January 2015, as well as increased volume demand, new product roll-outs in Asia and the US and improved pricing from core Asian customers. Revenue adjusted for the revenue from closed and sold businesses increased by 55.7%, from £82.6 million in FY 2014 to £128.6 million in FY 2015.

Cost of sales from continuing operations

Cost of sales from continuing operations increased by £19.3 million, or 1.6%, from £1,195.2 million in FY 2014 to £1,214.5 million in FY 2015. This increase was primarily due to increased labour costs, from £336 million in FY 2014 to £359 million in FY 2015, following the B. Roberts Foods acquisition and an increase in other costs, from £59 million in FY 2014 to £69 million in FY 2015. These increases were partially offset by a decrease in raw material costs, from £642 million in FY 2014 to £635 million in FY 2015, and a decrease in packaging costs, from £158 million in FY 2014 to £152 million in FY 2015.

Gross profit

Gross profit increased by £21.7 million, or 5.0%, from £438.3 million in FY 2014 to £460.0 million in FY 2015. This increase was primarily due to efficiencies from volume growth as well as the benefits from productivity investments made during FY 2014 and FY 2015.

Distribution costs

Distribution costs decreased by £3.0 million, or 3.9%, from £77.8 million in FY 2014 to £74.8 million in FY 2015. This decrease was primarily due to the impact of lower fuel costs incurred by the Group's distribution providers.

Other administrative costs

Administrative costs increased by £7.8 million, or 2.7%, from £289.2 million in FY 2014 to £297.0 million in FY 2015. This increase was primarily due to investment to support product innovation and volume growth as well as rising labour costs and the inclusion of overheads relating to the Group's acquisition of B. Robert's Foods in the United States during FY 2015. This increase was also impacted by a 3.7% increase in costs related to factory and office operations, from £54 million in FY 2014 to £56 million in FY 2015, a 3.0% increase in costs related to equipment, from £33 million in FY 2014 to £34 million in FY 2015, and a 2.6% increase in costs related to other fixed administrative costs, from £38 million in FY 2014 to £39 million in FY 2015.

Profit on disposal of subsidiaries and associates

Profit on disposal of subsidiaries and associates increased by £3.4 million from £1.8 million in FY 2014 to £5.2 million in FY 2015. This increase was primarily due to the sale of the Group's interest in Manor Fresh Limited during FY 2015.

Share of results of associates after tax

Share of results of associates after tax decreased by £0.2 million, or 20.0%, to £0.8 million in FY 2015 from £1.0 million in FY 2014. This decrease was primarily due to the sale of the Group's interest in Manor Fresh Limited during FY 2015.

Operating profit

Operating profit increased by £27.3 million, or 43.1%, from £63.4 million in FY 2014 to £90.7 million in FY 2015. This increase was primarily due to volume gains and productivity improvements.

In FY 2015, the Group incurred exceptional costs of £3.5 million, of which £1.1 million were restructuring costs related to the closure of YFF; £1.5 million were related to the restructuring of the Group's operation in Belgium; and £0.9 million of costs were incurred following the decision by a major customer in the US to cease trading. With the exception of the US costs, the restructuring costs are mainly in respect of redundancy payments.

In FY 2014, the Group restructured a number of its UK businesses. As a consequence of this restructure and other reorganisation initiatives, the Group recognised exceptional charges of £6.6 million, principally arising from redundancy payments.

Finance costs

Finance costs increased by £2.4 million, or 4.5%, from £53.1 million in FY 2014 to £55.5 million in FY 2015. This increase was primarily due to the Group incurring costs of £9.3 million in respect of the refinancing completed in April 2015. These costs comprised of £5.8 million call premium on the early redemption of £140.0 million of 2018 Senior Secured Notes and £3.5 million of accelerated amortisation of fees relating to the Group's previous financing structure.

Tax

Tax increased by £6.4 million from £2.4 million in FY 2014 to £8.8 million in FY 2015. This increase was primarily due to increased profit before tax and the use of UK tax losses in 2014, which lowered the tax payable for FY 2014.

Profit for the period from discontinued operations

Profit for the period from discontinued operations increased £10.8 million from £2.7 million in FY 2014 to £13.5 million in FY 2015. The profit in both fiscal years relates to Italpizza S.r.l. that was sold in July 2015. Italpizza S.R.l. generated a profit after tax from trading of £3.1 million in FY 2015 and £2.7 million in FY 2014. In addition, in FY 2015 the Group recorded a £10.4 million profit on disposal of this business.

Profit for the period

As a result of the foregoing, profit for the period increased by £39.1 million from £12.8 million in FY 2014 to £51.9 million in FY 2015.

Adjusted EBITDA

Adjusted EBITDA increased by £16.4 million, or 14.5%, from £113.2 million in FY 2014 to £129.6 million in FY 2015. This increase was primarily due to productivity investments and volume gains as well as strong international growth from increased consumer demand and the successful integration of the acquisition of B. Roberts Foods.

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary sources of liquidity are the cash flows generated from its operating activities, along with third party debt, overdrafts, short term facilities and early payment schemes with customers. The primary use of this liquidity is to fund the Group's operations and service its indebtedness.

Cash flows

The table below presents a summary of the Group's cash flows for the periods indicated, which have been extracted without material adjustment from the historical financial information set out in Part 11—"Historical Financial Information".

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
Net cash generated from operating activities	86.4	105.0	112.1	48.3	34.5
Net cash used in investing activities	(37.7)	(30.4)	(64.4)	(24.9)	(22.1)
Net cash used in financing activities	(71.5)	(2.1)	(124.3)	(104.1)	2.7
Net cash and cash equivalents at end of fiscal period	24.6	97.0	22.5	17.2	37.1

Net cash from operating activities

Net cash from operating activities decreased by £13.8 million, or 28.6%, to £34.5 million in H1 2017 from £48.3 million in H1 2016 due to the increase in profitability in H1 2017 having been more than offset by an increase in interest paid. In H1 2017, interest paid amounted to £30.9 million, compared to £20.5 million in H1 2016, with the increase due to payments totalling £16.3 million relating to the Group refinancing completed in March 2017.

Net cash from operating activities increased by £7.1 million, or 6.8%, to £112.1 million in FY 2016 from £105.0 million in FY 2015 primarily due to increased profitability combined with a further working capital benefit and a reduction in interest paid from £53.3 million in FY 2015 to £39.2 million in FY 2016 as 2015 included £7.2 million of payments in respect of the refinancing completed in April 2015. Interest paid was also lower in FY 2016 as debt levels were lower and interest margins had decreased following the 2015 refinancing. Tax paid in FY 2016 was £4.9 million lower than FY 2015 at £13.3 million as the previous FY included a past payment of £12.5 million to settle historic UK tax liabilities. A further payment of £4.1 million was made in FY 2016 to fully settle these tax matters.

Net cash from operating activities increased by £18.6 million, or 21.5%, to £105.0 million in FY 2015 from £86.4 million in FY 2014 primarily due to increased profitability and effective working capital management, following harmonisation of supplier payment terms, and lower interest payments after the April 2015 refinancing. However, partly offsetting this was £7.2 million of refinancing fees (including a call premium of £5.8 million paid on the early redemption of £140.0 million of 2018 Senior Secured Notes). Tax paid also increased by £17.2 million to £18.2 million in FY 2015 mainly due to a payment of £12.5 million for the past settlement of historic UK tax liabilities that was concluded in FY 2016.

Net cash used in investing activities

Net cash used in investing activities decreased by £2.8 million, or 11.2%, to £22.1 million in H1 2017 from £24.9 million in H1 2016 primarily due to the Group receiving £1.7 million in proceeds from the sale of a freehold property in H1 2017.

Net cash used in investing activities increased by £34.0 million to £64.4 million in FY 2016 from £30.4 million in FY 2015 primarily due to a significant increase in capital expenditure to support volume gains across the Group. During FY 2016 the Group received cash of £1.9 million from the sale of its Belgian operation, NV Vaco BV and £0.5 million as further consideration from the sale of its French and Spanish businesses in 2013.

Net cash used in investing activities decreased by £7.3 million, or 19.4%, to £30.4 million in FY 2015 from £37.7 million in FY 2014 primarily due to a reduction in capital expenditure with projects rephased into FY 2016. During FY 2015 the Group had a net cash inflow from corporate transactions with cash contributions from the sale of Italpizza S.r.l. for £20.5 million and the sale of the Group's interest in Manor Fresh Limited for £6.0 million more than offsetting the £19.6 million payment to acquire B. Roberts Foods.

Net cash used in financing activities

Net cash used in financing activities moved by £106.8 million to a cash inflow of £2.7 million in H1 2017 from a cash outflow of £104.1 million in H1 2016. The movement was primarily due to the £75.0 million redemption of the 2018 Senior Secured Notes in H1 2016. In addition, the Group paid £33.8 million in H1 2016 to finance the buyback of 12,505,605 of its Ordinary Shares of £0.01 each, as required under the terms of the transaction that resulted in Bakk AL Holdings Ltd. becoming the parent undertaking of the Group on 25 January 2016. The Group refinancing completed in March 2017 had no significant impact on cash flows, as the previous debt facilities were repaid from drawings under the new £485 million corporate loan facility.

Net cash used in financing activities increased by £122.2 million to £124.3 million in FY 2016 from £2.1 million in FY 2015 primarily due to a £75.0 million redemption of 2018 Senior Secured Notes in February 2016 and £15.0 million of other debt repayments. In addition, the Group paid £33.8 million in FY 2016 to finance the buyback of 12,505,605 of the Ordinary Shares at £0.01 each as required under the terms of the transaction that resulted in Bakk AL Holdings Ltd. becoming the parent undertaking of the Group on 25 January 2016.

Net cash used in financing activities decreased by £69.4 million, or 97.1%, to £2.1 million in FY 2015 from £71.5 million in FY 2014 primarily due to FY 2014 including £72.6 million of debt repayments. In FY 2015 the £140 million redemption of 2018 Senior Secured Notes was funded by an increase in bank borrowings of the same amount.

Borrowings

The table below presents a breakdown of the Group's interest-bearing loans and borrowings as at the dates indicated.

	As at				
	27 December 2014	*26 December 2015*	*31 December 2016*	*25 June 2016*	*1 July 2017*
	(£ million)				
Bank overdrafts	1.3	0.1	–	–	–
Bank and other term loans	11.4	149.8	135.2	147.5	401.0
Receivables securitisation	(0.4)	(0.2)	–	10.0	–
8.25% Senior Secured Notes	337.0	195.8	119.9	119.6	–
8.75% Senior Secured Notes	144.9	135.2	129.6	139.2	–
Total borrowings	494.2	480.7	384.7	416.3	401.0
Borrowings repayable as follows:					
On demand or within one year	8.8	14.9	12.9	24.6	0.7
In the second year	8.7	7.8	241.1	250.5	–
In the third to fifth years inclusive	328.6	458.0	130.7	141.2	325.6
Over five years	148.1	–	–	–	74.7
Total borrowings	494.2	480.7	384.7	416.3	401.0

The Group's total cost of debt was 3.5% at 1 July 2017.

Refinancing

On 23 March 2017, the Group completed a refinancing of its current debt facilities with a new £485 million corporate loan facility. The Group used the funds from the refinancing to repay in full existing bank debt, all outstanding Senior Secured Notes maturing in 2018 and 2020 and associated fees. The Group's new funding

structure provides the Group with a significant reduction in interest costs while extending the maturity of the funding commitments.

The corporate loan facility comprises revolving credit facilities of £200 million maturing in June 2021, and term loans totalling £285 million, of which £210 million mature in June 2021 with the balance maturing in June 2024. The facilities are currently secured by way of share pledges, floating charge agreements and share security; however the facilities grant the Company a right to release such security in full on Admission, and the Company intends to exercise that right. For a description of the corporate loan facility see Part 14—"Additional Information—Material Contracts".

Early payment schemes

The Group utilises early payment schemes as an additional source of liquidity. With three out of four of its major customers, the Group has in place such schemes pursuant to which the Group can request early payment of invoices (generally 10 days after issue) in lieu of payment over the normal payment terms. As a result, the Group's customers pay a discounted amount of what is due, calculated as a margin of 0.75% to 1.65% over LIBOR per annum.

Commitments and Contingent Liabilities

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 Historical Financial Information. 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 1 July 2017, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £102.1 million.

Operating lease arrangements

The Group's other commitments relate to non-cancellable operating lease arrangements pursuant to which the Group leases various offices and operational facilities. The leases have various terms, escalation clauses and renewal rights. The Group also leases plant and machinery under non-cancellable operating lease agreements. The Group paid a total of £12.1 million in lease payments relating to property, plant and machinery in FY 2016, as compared to £12.4 million in FY 2015.

The table below presents a summary of the Group's commitments for future minimum lease payments under non-cancellable operating leases as at 1 July 2017.

	Payments due			
	Within one year	*Within two to five years*	*After five years*	*Total*
	(£ million)			
Land and buildings	5.3	26.3	55.3	86.9
Other	3.5	6.0	0.1	9.6
Total	8.8	32.3	55.4	96.5

Retirement benefit schemes

The Group operates a number of pension schemes in the UK and overseas. In the UK, the two main schemes are a defined contribution scheme open to all UK employees of the Group and a funded defined benefit scheme ("Bakakvor Pension Scheme") which provides benefits on a final salary basis which was closed to future accrual in March 2011. The results of the triennial valuation of the Bakkavor Pension Scheme assets and the present value of the defined benefit obligations for funding purposes found that the Bakkavor

Pension Scheme had a funding shortfall of £35.6 million as at 31 March 2016. Contributions were agreed totalling £22.5 million over 8 years as follows:

- £2.0 million in the year ended 31 March 2017;
- £4.5 million in the year ending 31 March 2018;
- £3.5 million in the year ending 31 March 2019; and
- £2.5 million per year for the years ending 31 March 2020 through 31 March 2024.

The Group's investment strategy is to invest 55% in growth seeking assets and 45% in bonds. The Group also hedges interest and inflation risk related to the Bakkavor Pension Scheme. As at H1 2017, under IAS 19 'Employee Benefit' accounting principles, the Group recognised a deficit of £3.3 million for the Bakkavor Pension Scheme.

The Group also operates a number of defined contribution schemes, both in the United Kingdom and for its international operations, with contributions of £6.3 million charged in FY 2016. For further information on the Group's retirement benefit schemes see Note 38 of Part 11—"Historical Financial Information".

Capital expenditure

The Group's capital expenditure programme is geared towards meeting the Group's planned growth needs and ensuring that it can maintain cost-efficiency and infrastructure requirements. Maintenance capital expenditure accounts for approximately 1% of revenue from continuing operations. The table below presents a breakdown of the Group's capital expenditure for the periods indicated.

	Fiscal Year			*H1*	
	2014	*2015*	*2016*	*2016*	*2017*
			(£ million)		
UK	42.3	36.0	59.9	22.4	18.8
International	8.8	6.5	8.3	2.5	7.0
Total	51.1	42.5	68.2	24.9	25.8

Capital expenditure investments across the Group in the periods under review include:

- introducing wood-fired/stone baked ovens to the Pizza Harrow facility in two stages to meet demand;
- increasing capacity on flat breads to support business win for Bread;
- completing site development at Wingland to support customer growth;
- investment at the Spalding site to support salads business win;
- expansion of US manufacturing facilities, including building a new factory in Texas;
- development of the Xiamen facility in China;
- efficiency project to ensure consistency of quality at Desserts business to move to fully automated fondant mixing and delivery to lines;
- capacity increase based on business gain for leafy salads in one of the Group's dedicated facilities;
- investment in a full water recycling plant at one of the Group's customer dedicated facilities;
- investment in a replacing redundant refrigeration technology across various sites;
- purchase of leased site to give long term stability to support future investments;
- investment behind a dedicated factory to supply yoghurt based food to go for Marks & Spencer focused on the breakfast eating occasion;

- investing behind full automation of small pot trifles following a business win; and
- investment behind a dedicated Marks & Spencer site following a business gain for raw protein based meals.

Off-balance sheet arrangements

The Group does not have any material off-balance sheet arrangements. The Group is sometimes required to provide letters of credit when importing produce from overseas or for certain key suppliers. These letters of credit provide legal evidence of its liability to a supplier or a financial institution acting on its behalf, so that if the Group defaults, the party can require payment directly from the bank and the Group would be liable for the debt. As of 1 July 2017, the Group had £2.2 million of letters of credit in existence.

DIVIDEND POLICY

The Group intends to adopt a progressive dividend policy. For 2018, the Group is targeting a 40% payout ratio of FY 2018 adjusted profit after tax.

The Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the annual total dividend. The current intention of the Directors is that the first dividend to be paid by the Company following Admission will be an interim dividend in respect of H1 2018, based on a target payout ratio of 40% of H1 2018 adjusted profit after tax annualised for a full year. The Company may revise its dividend policy from time to time.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

For a description of the Group's management of market risks, including foreign currency, interest rate, credit, commodity and liquidity risks, see Note 30 of Part 11—"Historical Financial Information".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For a description of the Group's critical accounting judgements and key sources of estimation uncertainty, see Note 3 of Part 11—"Historical Financial Information".

Part 10

Capitalisation and Indebtedness

Capitalisation

The capitalisation information has been extracted without material adjustment from the Group's financial information included in Part 11—"Historical Financial Information" as at 1 July 2017.

	1 July 2017 (£ millions)
Shareholder's equity	
Share capital	1.0
Merger reserve	54.9
Capital reserve	98.8
Translation reserve	29.5
Retained earnings	202.4
Total	386.6

There has been no material change in the Company's capitalisation since 1 July 2017.

Indebtedness

The following table sets out the Company's indebtedness as at 30 September 2017. The information has been sourced from the Group's unaudited accounting records as at 30 September 2017.

	30 September 2017 £ millions (unaudited)
Total current debt	
Guaranteed	–
Secured	
Bank loans[1]	1.3
Finance leases	0.8
Unguaranteed/unsecured	–
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	–
Secured	
Bank loans[1]	367.3
Finance leases	3.5
Unguaranteed/unsecured	–
Total	372.9
Cash	(21.5)
Net financial indebtedness	351.4

Note:

(1) The security on the Group's current and non-current secured debt is secured by way of share pledges, floating charge agreements and share security; however the terms of the relevant facilities grant the Company a right to release such security in full on Admission, and the Company intends to exercise that right

The Group has no indirect and contingent indebtedness.

Part 11

Historical Financial Information

Section A: Accountant's report on the Historical Financial Information

Deloitte.

Deloitte LLP
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on behalf of Bakkavor Group plc
Fitzroy Place
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8 Mortimer Street
London
W1T 3JJ

HSBC Bank plc
8 Canada Square
London
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10 November 2017

Dear Sirs/Madams

Bakkavor Group plc

We report on the financial information for the three financial periods ended 27 December 2014, 26 December 2015 and 31 December 2016 and 26 weeks ended 1 July 2017 of Bakkavor Holdings Limited (formerly Bakkavor Group Limited) set out in Part 11—"Historical Financial Information" of the prospectus dated 10 November 2017 of Bakkavor Group plc (the "Company" and, together with its subsidiaries, the "Group") (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

We have not audited or reviewed the financial information for the 26 weeks ended 25 June 2016 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at 27 December 2014, 26 December 2015, 31 December 2016 and 1 July 2017 and of its profits, cash flows and changes in equity for each of the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

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Section B: Historical Financial Information

Consolidated Income Statement

£ million	Notes	52 weeks ended 27 December 2014	52 weeks ended 26 December 2015	53 weeks ended 31 December 2016	26 weeks ended 25 June 2016 (unaudited)	26 weeks ended 01 July 2017
Continuing operations						
Revenue	4,5	1,633.5	1,674.5	1,763.6	854.5	903.3
Cost of sales		(1,195.2)	(1,214.5)	(1,275.9)	(614.0)	(659.4)
Gross profit		438.3	460.0	487.7	240.5	243.9
Distribution costs		(77.8)	(74.8)	(78.0)	(38.0)	(38.4)
Other administrative costs		(289.2)	(297.0)	(302.8)	(150.8)	(147.1)
Exceptional items	7	(6.6)	(3.5)	(8.0)	(6.4)	(4.1)
Impairment of assets	8	(4.1)	–	(8.2)	–	–
Total administrative costs		(299.9)	(300.5)	(319.0)	(157.2)	(151.2)
Profit on disposal of subsidiary	33	1.8	–	0.1	–	–
Profit on disposal of associate	19,33	–	5.2	–	–	–
Share of results of associates after tax	19	1.0	0.8	0.7	0.4	0.3
Operating profit		63.4	90.7	91.5	45.7	54.6
Investment revenue	5,9	0.3	0.3	0.1	–	–
Finance costs	10	(53.1)	(55.5)	(38.8)	(21.8)	(27.0)
Other gains and (losses)	11	1.9	11.7	10.3	0.9	(19.4)
Profit before tax		12.5	47.2	63.1	24.8	8.2
Tax	12	(2.4)	(8.8)	(12.3)	(3.4)	(0.9)
Profit for the period from continuing operations		10.1	38.4	50.8	21.4	7.3
Discontinued operations						
Profit for the period from discontinued operations	13,33	2.7	13.5	0.5	–	–
Profit for the period	6	12.8	51.9	51.3	21.4	7.3
Attributable to:						
Equity holders of the parent		12.1	50.6	51.3	21.4	7.3
Non-controlling interests	32	0.7	1.3	–	–	–
		12.8	51.9	51.3	21.4	7.3
Earnings per share						
From continuing operations						
Basic and diluted	14	8.7p	32.7p	43.9p	18.2p	7.0p
From continuing and discontinued operations						
Basic and diluted	14	10.4p	43.2p	44.4p	18.2p	7.0p

The accompanying notes are an integral part of the consolidated Historical Financial Information.

Consolidated Statement of Comprehensive Income and Expenditure

£ million	*Notes*	*52 weeks ended 27 December 2014*	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Profit for the period		12.8	51.9	51.3	21.4	7.3
Other comprehensive income/ (expense)						
Items that will not be reclassified subsequently to profit or loss:						
Actuarial gain/(loss) on defined benefit pension schemes	38	0.3	(14.4)	(7.6)	(6.7)	5.7
Tax relating to components of other comprehensive income/(expense)	12	–	2.8	1.4	1.2	(1.0)
		0.3	(11.6)	(6.2)	(5.5)	4.7
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations		1.1	3.2	16.5	8.0	(4.2)
Exchange differences on translation of discontinued foreign operations		(0.5)	(1.9)	–	–	–
Net exchange losses/(gains) recycled to income statement on disposal of subsidiaries	33	1.7	–	(2.5)	–	–
		2.3	1.3	14.0	8.0	(4.2)
Total other comprehensive income/(expense)		2.6	(10.3)	7.8	2.5	0.5
Total comprehensive income		15.4	41.6	59.1	23.9	7.8
Attributable to:						
Equity holders of the parent		15.1	41.1	59.1	23.9	7.8
Non-controlling interests		0.3	0.5	–	–	–
		15.4	41.6	59.1	23.9	7.8

The accompanying notes are an integral part of the consolidated Historical Financial Information.

Consolidated Statement of Financial Position

£ million	Notes	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Non-current assets						
Goodwill	15	642.1	642.9	651.5	646.9	649.1
Other intangible assets	16	9.4	5.1	3.6	3.9	3.1
Property, plant and equipment	17	277.8	281.2	304.5	290.1	308.5
Interests in associates	19	10.9	10.7	13.3	12.0	12.5
Other investments	20	0.1	0.1	0.1	0.1	0.1
Derivative financial instruments	25	–	0.1	0.3	–	0.7
Retirement benefit asset	38	6.7	–	–	–	–
		947.0	940.1	973.3	953.0	974.0
Current assets						
Inventories	21	64.3	57.5	59.2	52.2	55.4
Trade and other receivables	22	204.0	185.8	190.7	197.5	171.4
Cash and cash equivalents	23	24.6	97.0	22.5	17.2	37.1
Derivative financial instruments	25	0.5	0.4	2.8	3.8	2.2
		293.4	340.7	275.2	270.7	266.1
Total assets		1,240.4	1,280.8	1,248.5	1,223.7	1,240.1
Current liabilities						
Trade and other payables	28	(365.1)	(396.3)	(432.1)	(409.8)	(410.4)
Current tax liabilities		(18.3)	(6.2)	(4.6)	(6.4)	(4.3)
Borrowings	24	(8.8)	(14.9)	(12.9)	(24.6)	(0.7)
Obligations under finance leases	27	(0.4)	(0.5)	(0.7)	(0.5)	(0.7)
Provisions	29	(0.6)	(3.4)	(3.4)	(3.5)	(2.2)
Derivative financial instruments	25	(6.9)	(2.5)	–	(0.7)	(0.7)
Deferred income		–	(0.7)	(0.7)	(0.7)	(0.7)
		(400.1)	(424.5)	(454.4)	(446.2)	(419.7)
Non-current liabilities						
Trade and other payables	28	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)
Borrowings	24	(485.4)	(465.8)	(371.8)	(391.7)	(400.3)
Obligations under finance leases	27	(1.7)	(4.4)	(4.0)	(4.1)	(3.6)
Provisions	29	(11.5)	(10.7)	(11.2)	(11.2)	(12.2)
Derivative financial instruments	25	–	–	(0.1)	–	–
Deferred tax liabilities	26	(16.9)	(16.5)	(15.0)	(14.3)	(11.5)
Retirement benefit obligation	38	–	(3.9)	(10.0)	(9.5)	(3.3)
Deferred income		–	(1.2)	(2.8)	(2.7)	(2.5)
		(515.7)	(502.8)	(415.3)	(433.9)	(433.8)
Total liabilities		(915.8)	(927.3)	(869.7)	(880.1)	(853.5)
Net assets		324.6	353.5	378.8	343.6	386.6
Equity						
Share capital	31	96.8	1.2	1.0	1.2	1.0
Share premium	31	218.3	–	–	–	–
Merger reserve	31	54.9	54.9	54.9	54.9	54.9
Capital reserve	31	3.0	98.6	98.8	98.6	98.8
Translation reserve	31	17.6	19.7	33.7	27.7	29.5
Retained earnings		(74.8)	179.1	190.4	161.2	202.4
Shareholder's equity		315.8	353.5	378.8	343.6	386.6
Non-controlling interest	32	8.8	–	–	–	–
Total equity		324.6	353.5	378.8	343.6	386.6

The accompanying notes are an integral part of the consolidated Historical Financial Information.

Consolidated Statement of Changes in Equity

£ million	Equity attributable to owners of the parent								
	Share capital	*Share premium*	*Merger reserve*	*Capital reserve*	*Translation reserve*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
Balance at 29 December 2013	96.8	218.3	54.9	3.0	14.9	(86.0)	301.9	–	301.9
Profit for the period	–	–	–	–	–	12.1	12.1	0.7	12.8
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	12.4	15.1	0.3	15.4
Disposal of investment	–	–	–	–	–	(1.2)	(1.2)	8.5	7.3
Balance at 27 December 2014	96.8	218.3	54.9	3.0	17.6	(74.8)	315.8	8.8	324.6
Profit for the period	–	–	–	–	–	50.6	50.6	1.3	51.9
Other comprehensive income/(expense) for the period	–	–	–	–	2.1	(11.6)	(9.5)	(0.8)	(10.3)
Total comprehensive income for the period	–	–	–	–	2.1	39.0	41.1	0.5	41.6
Reclassification of share premium (note 31)	–	(218.3)	–	–	–	218.3	–	–	–
Share buyback (note 31)	(95.6)	–	–	95.6	–	–	–	–	–
Dividends paid (note 31)	–	–	–	–	–	(3.4)	(3.4)	(1.3)	(4.7)
Disposal of non-controlling interest (note 32)	–	–	–	–	–	–	–	(8.0)	(8.0)
Balance at 26 December 2015	1.2	–	54.9	98.6	19.7	179.1	353.5	–	353.5
Profit for the period	–	–	–	–	–	51.3	51.3	–	51.3
Other comprehensive income/(expense) for the period	–	–	–	–	14.0	(6.2)	7.8	–	7.8
Total comprehensive income for the period	–	–	–	–	14.0	45.1	59.1	–	59.1
Share buyback (note 31)	(0.2)	–	–	0.2	–	(33.8)	(33.8)	–	(33.8)
Balance at 31 December 2016	1.0	–	54.9	98.8	33.7	190.4	378.8	–	378.8
Balance at 27 December 2015	1.2	–	54.9	98.6	19.7	179.1	353.5	–	353.5
Profit for the period	–	–	–	–	–	21.4	21.4	–	21.4
Other comprehensive income/(expense) for the period	–	–	–	–	8.0	(5.5)	2.5	–	2.5
Total comprehensive income for the period	–	–	–	–	8.0	15.9	23.9	–	23.9
Reclassification of share premium (note 31)	(0.2)	–	–	0.2	–	(33.8)	(33.8)	–	(33.8)
Balance at 25 June 2016 (unaudited)	1.0	–	54.9	98.8	27.7	161.2	343.6	–	343.6
Balance at 1 January 2016	1.0	–	54.9	98.8	33.7	190.4	378.8	–	378.8
Profit for the period	–	–	–	–	–	7.3	7.3	–	7.3
Other comprehensive income/(expense) for the period	–	–	–	–	(4.2)	4.7	0.5	–	0.5
Total comprehensive income for the period	–	–	–	–	(4.2)	12.0	7.8	–	7.8
Balance at 01 July 2017	1.0	–	54.9	98.8	29.5	202.4	386.6	–	386.6

The accompanying notes are an integral part of the consolidated Historical Financial Information.

Consolidated Statement of Cash Flows

£ million	Notes	52 weeks ended 27 December 2014	52 weeks ended 26 December 2015	53 weeks ended 31 December 2016	26 weeks ended 25 June 2016 (unaudited)	26 weeks ended 01 July 2017
Net cash generated from operating activities	35	86.4	105.0	112.1	48.3	34.5
Investing activities:						
Interest received		0.1	0.1	0.1	0.1	–
Dividends received from associates		0.6	0.6	0.3	0.1	0.4
Purchases of property, plant and equipment		(50.8)	(38.2)	(67.3)	(25.2)	(24.2)
Proceeds on disposal of property, plant and equipment		1.6	0.2	0.1	0.1	1.7
Acquisition of business	34	–	(19.6)	–	–	–
Disposal of subsidiaries net of cash disposed of	33	10.8	20.5	2.4	–	–
Disposal of associate	33	–	6.0	–	–	–
Net cash used in investing activities		(37.7)	(30.4)	(64.4)	(24.9)	(22.1)
Financing activities:						
Dividends paid to non-controlling interests		–	(1.3)	–	–	–
Dividends paid		–	(3.4)	–	–	–
Share buyback		–	–	(33.8)	(33.8)	–
Increase in borrowings		1.6	143.9	–	10.0	405.0
Repayments of borrowings		(72.6)	(140.6)	(90.0)	(80.0)	(401.9)
Repayments of obligations under finance leases		(0.5)	(0.7)	(0.5)	(0.3)	(0.4)
Net cash (used in)/generated from financing activities		(71.5)	(2.1)	(124.3)	(104.1)	2.7
Net (decrease)/increase in cash and cash equivalents		(22.8)	72.5	(76.6)	(80.7)	15.1
Cash and cash equivalents at beginning of period		47.5	24.6	97.0	97.0	22.5
Effect of foreign exchange rate changes		(0.1)	(0.1)	2.1	0.9	(0.5)
Cash and cash equivalents at end of period		24.6	97.0	22.5	17.2	37.1

The accompanying notes are an integral part of the consolidated Historical Financial Information.

Notes to the Consolidated Historical Financial Information

1. General information

Bakkavor Group Limited (the 'Company') is a Company registered in England and Wales,100% owned by Bakk AL Holdings Limited, a company registered in the British Virgin Islands.

Basis of accounting

In preparing a Prospectus in accordance with the Prospectus Directive Regulation, to support an admission to the London Stock Exchange's main market for listed securities, the Company is required to present certain Historical Financial Information on a basis consistent with accounting policies that will be applied in preparing its next consolidated financial statements following conclusion of the offering.

The Historical Financial Information presented is for the periods: 52 weeks ended 27 December 2014, 52 weeks ended 26 December 2015, 53 weeks ended 31 December 2016, 26 weeks ended 25 June 2016 and 26 weeks ended 01 July 2017. The Historical Financial Information has been prepared on a going concern basis and under the historical cost convention, except for the revaluation of financial instruments and the valuation of the retirement benefit asset/obligation.

The Historical Financial Information has been prepared in accordance with the Prospectus Directive Regulation and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Historical Financial Information does not constitute statutory financial statements.

The Historical Financial Information is presented in Pound 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.

Certain costs amounting to £8.1 million have been reclassified from Distribution costs to Cost of Sales for the 52 weeks ended 26 December 2015 to conform with the presentation for the 52 weeks ended 27 December 2014 and the 53 weeks ended 31 December 2016.

The principal accounting policies adopted are set out below.

Adoption of new and revised standards

At the date of authorisation of the Historical Financial Information, the following Standards and Interpretations which have not been applied in the Historical Financial Information 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 (Jul 2014)
IFRS 15	Revenue from Contracts with Customers (May 2014)
IFRS 16	Leases (Jan 2016)

Amendments:

IFRS 2	Classification and Measurement of Share-based Payment Transactions (June 2016)
IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (September 2016)
IAS 7	Disclosure Initiative (Jan 2016)
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Jan 2017)
IFRS 15	Clarifications to IFRS 15 'Revenue from Contracts with Customers' (April 2016)
IFRIC 22	Foreign Currency Transactions and Advance Consideration (Dec 2016)
IFRIC 23	Uncertainty over Income Tax Treatments (June 2017)
Various	Annual Improvements to IFRS Standards 2014–2016 Cycle (Jan 2016)

With the exception of IFRS 9 and IFRS 16, the Directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the Historical Financial Information of the Group.

The adoption of IFRS 9 Financial Instruments will impact both the recognition and disclosure of the Group's financial instruments but at this time it is not practical to quantify the future impact as further work is required to be conducted to complete the review and complete the assessment.

Management's preliminary assessment is that the adoption of IFRS 15 will have no material impact on the current revenue recognition under IAS 18 Revenue. The principal reason for this is that the Group only has as enforceable right to bill once the product is delivered to the customer. Further work is still required to complete the assessment of the impact of IFRS 15 on the Group and to put in place processes to capture the additional disclosures required under IFRS 15.

The implementation of IFRS 16 will require the recognition of the Group's operating leases (with the exception of short-term and immaterial leases) on the statement of financial position. Furthermore, it is expected that operating profit will increase alongside an increase in finance costs resulting from the unwind of the lease liability. Initial assessments of the impact of IFRS 16 are ongoing and therefore it is not practicable to provide a quantification of the impact on the financial statements.

2. Significant accounting policies

Going Concern

The Directors have reviewed the historical trading performance of the Group and the forecasts through to December 2018.

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 interpretations of market data and past experience. The Directors considered the Group's level of liquidity and compliance with its financing arrangements. On 23 March 2017 the Group completed a refinancing of its debt facilities with a new £485 million corporate loan facility – see note 24. At the date of this HFI the Group has complied in all respects with the terms of its borrowing agreements and forecasts to continue to do so. Consequently, the Directors consider that the Group have adequate resources to meet their liabilities as they fall due for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Historical Financial Information.

Basis of consolidation

The consolidated Historical Financial Information comprises the Historical Financial Information 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 or a 26 week period ending on the Saturday nearest to 30 June. Where the fiscal year 2016 is quoted in the Historical Financial Information this relates to the 53 week period ended 31 December 2016. The fiscal year 2015 relates to the 52 week period ended 26 December 2015. The fiscal year 2014 relates to the 52 week period ended 27 December 2014.

Subsidiaries

Subsidiary undertakings are included in the Group's Historical Financial Information 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.

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 that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37, as appropriate.

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 assumed to have an indefinite life as the acquired business is expected to trade for the foreseeable future and therefore 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 in associates 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 the Historical Financial Information 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 Historical Financial Information to the extent of interests in the associate that are not related to the Group.

Discontinued operations

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 discontinued operation is presented as a single amount and shown separately from continuing operations in the income statement and statement of comprehensive income. For details of discontinued operations see note 13.

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 customer deductions and 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.

Customer deductions

Consistent with standard industry practice, the Group has arrangements with its customers providing volume related rebates, marketing and promotional funding contributions, discounts or lump sum incentives. These costs are recognised as a reduction to revenue as they are considered to be an adjustment to the selling price

for the Group's products. Sometimes the payment of this support is subject to the Group's customers performing specified actions or satisfying certain performance conditions associated with the purchase of products from the Group. These include achieving agreed purchase volume targets and providing promotional marketing materials/activities. Whilst there is no standard definition, these amounts payable to customers are generally termed as "customer deductions".

The Group recognises these costs as a deduction from revenue based upon the terms of the relevant arrangement in place. Amounts payable relating to customer deduction arrangements are recognised within accruals except in cases where the Group has a legal right of set-off and intends to offset against amounts due from that 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 Historical Financial Information 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 Historical Financial Information, the results and financial position of each Group company are expressed in Pound Sterling, being the functional currency of the Company, and the presentation currency for the consolidated Historical Financial Information.

In preparing the Historical Financial Information 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.

For the purpose of presenting consolidated Historical Financial Information, 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.

Exceptional items

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Exceptional items will typically include major restructuring programmes, legal cases, corporate transaction costs and pre-commissioning and start-up costs for new manufacturing facilities.

Operating profit

Operating profit is stated after charging exceptional items (net), impairment of assets, profit/loss on the disposal of subsidiaries and associates 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. Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognised outside of the income statement and presented in the statement of comprehensive income.

Defined benefit cost are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs or termination benefits

The Group recognises the first two components of defined benefit costs in the income statement.

The retirement benefit recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to 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 period. 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 periods 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 Historical Financial Information 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.

The tax expense for the 26 week periods in this HFI are based on an effective tax rate expected for the full financial year.

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, none of which are internally generated, 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 and is charged to Other administrative costs in the income statement.

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.

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 30.

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.

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 cap and 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.

Embedded derivatives

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. Embedded derivatives are not presented separately from the host in the statement of financial position, the assessment regarding classification as current or non-current is based on the cash flows of the whole hybrid arrangement as the embedded derivatives cannot be settled separately from the host contract.

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 Historical Financial Information 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

The following are areas of particular significance to the Group's Historical Financial Information and include the application of judgement, which is fundamental to the compilation to the Historical Financial Information:

Key sources of estimation uncertainty

Pensions

The Group maintains a defined benefit pension plan for which it has recorded a pension asset/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 38.

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 key estimates that can impact the value in use calculations are changes to the growth rates applied to derive a five-year forecast, or a movement in the discount rate applied to the future cash flows. These are key estimates as they are subjective in nature and significant assumptions is required and any changes to assumptions may lead to impairment charges being recognised. 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 15 and 16 for further details.

Impairment of property, plant and equipment

All items of property, plant and equipment are reviewed for impairment when there are indications that the carrying value may not be recoverable. See note 17 for further details.

Customer deductions

Management is required to make estimates in determining the amount and timing of recognition of customer deductions due in respect of sales to its customers. In determining the amount of customer deductions due for volume-related allowances in any period, management estimate the probability that customers will meet the purchase target volumes by the end of the arrangement, based on historical and forecast performance, and recognises this cost as a deduction from revenue over the period of the relevant arrangement.

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 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 30.

Critical judgements in applying the Group's accounting policies

Embedded derivatives

The Group's debt contracts entered into in 2011 and 2013 contain call options. The Group assesses whether the call option is closely related to the host contract. The assessment of this option is considered a key judgement. Embedded derivatives that are not closely related to the host contract are separately accounted for at fair value through the income statement. The Group's embedded derivatives are the call option feature of certain Senior Secured Notes. The call option feature is valued as if it were a swap instrument which allows the Group to swap the fixed rate interest due for the Senior Secured Notes to a floating rate at the callable dates in return for the payment of a premium. The swap value is determined by market rates for swap instruments available for the call dates at the relevant fixed interest rate and taking into account the Group's credit spread at each statement of financial position date.

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 manages the performance of its businesses through the use of 'Adjusted EBITDA'. EBITDA is generally defined as profit for the period adjusted for interest, tax, depreciation and amortisation. In calculating Adjusted EBITDA, we further exclude share of results of associates, exceptional items, asset impairments and profit/loss on disposals of property, plant and equipment, subsidiaries and 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.

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*	*Discontinued operations*	*Continuing operations*
Revenue	1,520.1	172.5	–	1,692.6	59.1	1,633.5
Adjusted EBITDA	112.8	7.0	–	119.8	6.6	113.2
Depreciation	(30.5)	(5.5)	–	(36.0)	(1.2)	(34.8)
Amortisation	(7.9)	(0.8)	–	(8.7)	(0.6)	(8.1)
Exceptional items	(6.4)	(0.2)	–	(6.6)	–	(6.6)
Impairment of assets	(3.8)	(0.3)	–	(4.1)	–	(4.1)
Profit on disposal of property, plant and equipment	1.0	–	–	1.0	–	1.0
Profit on disposal of subsidiaries	–	1.8	–	1.8	–	1.8
Share of results of associates	0.2	0.8	–	1.0	–	1.0
Operating profit	65.4	2.8	–	68.2	4.8	63.4
Investment revenue				0.3	–	0.3
Finance costs				(53.3)	(0.2)	(53.1)
Other gains and (losses)				1.7	(0.2)	1.9
Profit before tax				16.9	4.4	12.5
Tax				(4.1)	(1.7)	(2.4)
Profit for the period				12.8	2.7	10.1
Other segment information:						
Capital additions	42.3	8.8	–	51.1	1.6	49.5
Interests in associates	0.9	10.0	–	10.9	–	10.9
Total assets	1,092.0	123.3	25.1	1,240.4	41.4	1,199.0
Non-current assets	861.8	78.5	6.7	947.0	20.3	926.7

There were no inter-segment revenues. Discontinued operations relate to the Group's International segment. The un-allocated amount of £6.7 million in non-current assets relates to the Group's retirement benefit asset.

The following table provides an analysis of the Group's segment information for the period to 26 December 2015:

£ million	*UK*	*International*	*Un-allocated*	*Total Group*	*Discontinued operations*	*Continuing operations*
Revenue	1,519.0	188.3	–	1,707.3	32.8	1,674.5
Adjusted EBITDA	124.0	11.3	–	135.3	5.7	129.6
Depreciation	(31.3)	(4.6)	–	(35.9)	(0.6)	(35.3)
Amortisation	(5.4)	(0.7)	–	(6.1)	(0.2)	(5.9)
Exceptional items	(1.1)	(2.4)	–	(3.5)	–	(3.5)
Loss on disposal of property, plant and equipment	(0.1)	(0.1)	–	(0.2)	–	(0.2)
Profit on disposal of subsidiary	–	10.4	–	10.4	10.4	–
Profit on disposal of associate	5.2	–	–	5.2	–	5.2
Share of results of associates	0.1	0.7	–	0.8	–	0.8
Operating profit	91.4	14.6	–	106.0	15.3	90.7
Investment revenue				0.3	–	0.3
Finance costs				(55.6)	(0.1)	(55.5)
Other gains and (losses)				11.7	–	11.7
Profit before tax				62.4	15.2	47.2
Tax				(10.5)	(1.7)	(8.8)
Profit for the period				51.9	13.5	38.4
Other segment information:						
Goodwill additions	–	14.5	–	14.5	–	14.5
Other intangible asset additions	–	3.2	–	3.2	–	3.2
Capital additions	36.0	6.5	–	42.5	1.1	41.4
Interests in associates	–	10.7	–	10.7	–	10.7
Total assets	1,069.9	113.2	97.7	1,280.8	–	1,280.8
Non-current assets	859.9	80.1	0.1	940.1	–	940.1

There were no inter-segment revenues. Discontinued operations relate to the Group's International segment. The un-allocated amount of £0.1 million in non-current assets relates to derivative financial instruments.

The following table provides an analysis of the Group's segment information for the period to 31 December 2016:

£ million	*UK*	*International*	*Un-allocated*	*Total Group*	*Discontinued operations*	*Continuing operations*
Revenue	1,589.9	173.7	–	1,763.6	–	1,763.6
Adjusted EBITDA	137.7	8.7	–	146.4	–	146.4
Depreciation	(33.1)	(4.1)	–	(37.2)	–	(37.2)
Amortisation	(1.6)	(0.6)	–	(2.2)	–	(2.2)
Exceptional items	(8.0)	–	–	(8.0)	–	(8.0)
Impairment of assets	(8.2)	–	–	(8.2)	–	(8.2)
Loss on disposal of property, plant and equipment	–	(0.1)	–	(0.1)	–	(0.1)
Profit on disposal of subsidiary	–	0.6	–	0.6	0.5	0.1
Share of results of associates	–	0.7	–	0.7	–	0.7
Operating profit	86.8	5.2	–	92.0	0.5	91.5
Investment revenue				0.1	–	0.1
Finance costs				(38.8)	–	(38.8)
Other gains and (losses)				10.3	–	10.3
Profit before tax				63.6	0.5	63.1
Tax				(12.3)	–	(12.3)
Profit for the period				51.3	0.5	50.8
Other segment information:						
Capital additions	59.9	8.3	–	68.2	–	68.2
Interests in associates	–	13.3	–	13.3	–	13.3
Total assets	1,104.3	118.6	25.6	1,248.5	–	1,248.5
Non-current assets	877.2	95.8	0.3	973.3	–	973.3

There were no inter-segment revenues. Discontinued operations relate to the Group's International segment. The un-allocated amount of £0.3 million in non-current assets relates to derivative financial instruments.

The following table provides an analysis of the Group's segment information for the period to 25 June 2016:

£ million	*UK*	*International*	*Un-allocated*	*Total Group*	*Discontinued operations*	*Continuing operations*
Revenue	768.6	85.9	–	854.5	–	854.5
Adjusted EBITDA	67.0	4.9	–	71.9	–	71.9
Depreciation	(16.6)	(2.1)	–	(18.7)	–	(18.7)
Amortisation	(1.2)	(0.3)	–	(1.5)	–	(1.5)
Exceptional items	(6.4)	–	–	(6.4)	–	(6.4)
Share of results of associates	–	0.4	–	0.4	–	0.4
Operating profit	42.8	2.9	–	45.7	–	45.7
Finance costs				(21.8)	–	(21.8)
Other gains and (losses)				0.9	–	0.9
Profit before tax				24.8	–	24.8
Tax				(3.4)	–	(3.4)
Profit for the period				21.4	–	21.4
Other segment information:						
Capital additions	22.4	2.5	–	24.9	–	24.9
Interests in associates	–	12.0	–	12.0	–	12.0
Total assets	1,084.2	118.5	21.0	1,223.7	–	1,223.7
Non-current assets	864.6	88.4	–	953.0	–	953.0

There were no inter-segment revenues.

The following table provides an analysis of the Group's segment information for the period to 01 July 2017:

£ million	*UK*	*International*	*Un-allocated*	*Total Group*	*Discontinued operations*	*Continuing operations*
Revenue	816.9	86.4	–	903.3	–	903.3
Adjusted EBITDA	74.0	3.7	–	77.7	–	77.7
Depreciation	(16.6)	(2.0)	–	(18.6)	–	(18.6)
Amortisation	(0.1)	(0.3)	–	(0.4)	–	(0.4)
Exceptional items	(3.5)	(0.6)	–	(4.1)	–	(4.1)
Loss on disposal of property, plant and equipment	(0.2)	(0.1)	–	(0.3)	–	(0.3)
Share of results of associates	–	0.3	–	0.3	–	0.3
Operating profit	53.6	1.0	–	54.6	–	54.6
Finance costs				(27.0)	–	(27.0)
Other gains and (losses)				(19.4)	–	(19.4)
Profit before tax				8.2	–	8.2
Tax				(0.9)	–	(0.9)
Profit for the period				7.3	–	7.3
Other segment information:						
Capital additions	18.8	7.0	–	25.8	–	25.8
Interests in associates	–	12.5	–	12.5	–	12.5
Total assets	1,079.4	120.7	40.0	1,240.1	–	1,240.1
Non-current assets	877.4	95.9	0.7	974.0	–	974.0

There were no inter-segment revenues. The un-allocated amount of £0.7 million in non-current assets relates to derivative financial instruments.

Major customers

For the 26 week period ended 01 July 2017 the Group's four largest customers accounted for 77.7% and for the 26 weeks ended 25 June 2016: 77.4% of our total revenue from continuing operations. In 2016 the Group's four largest customers accounted for 77.5%, 2015: 77.8% and 2014: 78.7% of our total revenue from continuing operations. The Group does not enter into long-term contracts with its retail customers.

Each of these four customers accounts for more than 10% of the Group's revenue and are all in the UK segment. The percentage of Group revenue from these customers is as follows:

£ million	*52 weeks ended 27 December 2014*	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Customer A	31.3%	30.3%	30.5%	30.8%	29.9%
Customer B	25.1%	25.9%	25.5%	25.1%	26.3%
Customer C	12.1%	11.5%	11.5%	11.4%	11.5%
Customer D	10.2%	10.1%	10.0%	10.1%	10.0%

5. Revenue

£ million	*52 weeks ended 27 December 2014*	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Continuing operations					
Sale of goods	1,633.5	1,674.5	1,763.6	854.5	903.3
Investment revenue	0.3	0.3	0.1	–	–
	1,633.8	1,674.8	1,763.7	854.5	903.3
Discontinued operations					
Sale of goods	59.1	32.8	–	–	–

6. Profit for the period

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

£ million	52 weeks ended 27 December 2014	52 weeks ended 26 December 2015	53 weeks ended 31 December 2016	26 weeks ended 25 June 2016 (unaudited)	26 weeks ended 01 July 2017
Continuing operations					
Depreciation of property, plant and equipment:					
• owned	34.4	34.8	36.4	18.3	18.2
• leased	0.4	0.5	0.8	0.4	0.4
Research and development costs	7.9	7.7	8.9	3.5	5.4
Cost of inventory recognised as an expense	799.8	779.3	813.5	391.2	427.1
Write down of inventories recognised as an expense/(credit)	0.1	(0.4)	1.5	0.6	2.0
Amortisation of intangible assets	8.1	5.9	2.2	1.5	0.4
Impairment of assets (note 8)	4.1	–	8.2	–	–
Exceptional items (note 7)	6.6	3.5	8.0	6.4	4.1
(Profit)/loss on disposal of property, plant and equipment	(1.0)	0.2	0.1	–	0.3
Profit on disposal of subsidiary (note 33)	(1.8)	–	(0.1)	–	–
Profit on disposal of associate (note 19,33)	–	(5.2)	–	–	–
Staff costs	396.8	419.7	442.5	210.7	228.3

7. Exceptional items

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

£ million	52 weeks ended 27 December 2014	52 weeks ended 26 December 2015	53 weeks ended 31 December 2016	26 weeks ended 25 June 2016 (unaudited)	26 weeks ended 01 July 2017
Continuing operations					
Transaction costs	–	–	5.2	5.1	–
Restructuring costs	6.6	3.5	1.3	1.3	3.5
Legal case	–	–	1.5	–	–
New site costs	–	–	–	–	0.6
	6.6	3.5	8.0	6.4	4.1

26 weeks ended 01 July 2017

£3.5 million of the restructuring costs relates to the cost of closing a site in the UK and moving related operations to another site. The new site costs of £0.6 million relates to the opening of a new site in the US.

26 weeks ended 25 June 2016

The Group incurred exceptional costs of £6.4 million, of which £5.1 million relate to the fees incurred in connection with the transactions that resulted in Bakk AL Holdings Limited owning 100% of the Company and becoming the parent company of the Group. £1.3 million is attributable to redundancy costs arising from business losses in one of the Group's UK operations.

2016

The Group incurred exceptional costs of £8.0 million, of which £5.2 million relate to the fees incurred in connection with the transactions that resulted in Bakk AL Holdings Limited owning 100% of the Company and becoming the parent company of the Group. £1.3 million is attributable to redundancy costs arising from business losses in one of the Group's UK operations. The remaining £1.5 million relates to legal and other costs in respect of an intellectual property dispute, at another UK business, that has now been settled.

2015

£1.1 million of restructuring costs relate to the closure of a fresh prepared fruit facility within the UK sector and £1.5 million relates to the restructuring of the Group's operation in Belgium. In addition, £0.9 million of costs were incurred following the decision by a major customer in the US to cease trading. With the exception of the US costs the restructuring costs are mainly in respect of redundancy payments.

2014

In 2014, the Group restructured a number of its UK businesses. As a consequence of this restructure and other reorganisation initiatives, the Group recognised exceptional charges of £6.6 million in 2014, principally arising from redundancy payments.

8. Impairment of assets

£ million	*52 weeks ended 27 December 2014*	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Continuing operations					
Impairment of goodwill	2.6	–	–	–	–
Impairment of intangible assets	0.1	–	–	–	–
Impairment of property, plant and equipment	1.4	–	8.2	–	–
	4.1	–	8.2	–	–

The goodwill and intangible asset impairments in 2014 are within the UK segment.

During 2016, the Group has impaired £8.2 million of property, plant and equipment within the UK segment 2015: £nil, 2014: £1.1 million impaired within the UK segment and £0.3 million within the International segment. This follows a review which highlighted a number of assets whose carrying amount was greater than their recoverable amount.

9. Investment revenue

£ million	*52 weeks ended 27 December 2014*	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Continuing operations					
Interest on bank deposits	0.1	0.1	0.1	–	–
Interest on loan to related party	0.2	0.2	–	–	–
	0.3	0.3	0.1	–	–

10. Finance costs

£ million	52 weeks ended 27 December 2014	52 weeks ended 26 December 2015	53 weeks ended 31 December 2016	26 weeks ended 25 June 2016 (unaudited)	26 weeks ended 01 July 2017
Continuing operations					
Interest on borrowings	48.6	42.5	34.0	18.1	12.7
Interest on obligations under finance leases	0.2	0.2	0.2	0.1	0.1
Amortisation of refinancing costs	4.0	6.7	2.8	1.9	4.2
Call premium Senior Secured Notes	–	5.8	1.5	1.5	9.9
Unwinding of discount on provisions (note 29)	0.3	0.3	0.3	0.2	0.1
	53.1	55.5	38.8	21.8	27.0

The call premium of £9.9 million and £3.3 million accelerated amortisation of refinancing fees (included within the £4.2 million above) relates to the redemption of the 2018 and 2020 Senior Secured Notes in the 26 weeks ended 01 July 2017. In the 26 weeks ended 25 June 2016 the £1.5 million call premium and £0.7 million accelerated amortisation of refinancing fees (included within the £1.9 million above) relates to the part-redemption of the 2018 Senior Secured Notes.

The £1.5 million call premium in 2016 (2015: £5.8 million) and £0.7 million accelerated amortisation of refinancing fees in 2016 (2015: £3.5 million) included in the amortisation of refinancing costs above related to the part-redemption of the 2018 Senior Secured Notes in the respective periods.

11. Other gains and (losses)

£ million	52 weeks ended 27 December 2014	52 weeks ended 26 December 2015	53 weeks ended 31 December 2016	26 weeks ended 25 June 2016 (unaudited)	26 weeks ended 01 July 2017
Continuing operations					
Change in the fair value of derivative financial instruments	1.5	4.2	4.6	5.1	(0.9)
Change in fair value of call option (note 24)	–	10.7	6.5	(4.4)	(17.2)
Change in fair value of other payable	–	(3.3)	–	–	–
Foreign exchange (losses)/gains	0.4	0.1	(0.8)	0.2	(1.3)
	1.9	11.7	10.3	0.9	(19.4)

Other gains and (losses) for the 26 weeks ended 01 July 2017 includes a loss of £17.2 million for the reversal of the mark to market asset held at 31 December 2016 in respect of the call option for the 2020 Senior Secured Notes, following the redemption of those Notes in March 2017.

12. Tax

£ million	52 weeks ended 27 December 2014	52 weeks ended 26 December 2015	53 weeks ended 31 December 2016	26 weeks ended 25 June 2016 (unaudited)	26 weeks ended 01 July 2017
Continuing operations					
Current tax:					
Current period	3.1	6.4	11.9	4.4	5.3
Prior period adjustment	(2.6)	(0.3)	0.5	–	0.1
Total current tax charge	0.5	6.1	12.4	4.4	5.4
Deferred tax:					
Deferred tax relating to the origination and reversal of temporary differences in the period	–	3.8	3.0	0.5	(3.1)
Deferred tax relating to changes in tax rates	(0.1)	(1.5)	(0.8)	–	–
Prior period adjustment	1.4	0.8	(0.2)	–	0.1
Benefit arising from previously unrecognised temporary differences of a prior period	(0.7)	(0.8)	(2.8)	(1.5)	(1.5)
Unrecognised tax loss originating in the current period	1.3	0.4	0.7	–	–
Total deferred tax charge/(credit) (note 26)	1.9	2.7	(0.1)	(1.0)	(4.5)
Tax charge for the period	2.4	8.8	12.3	3.4	0.9

Corporation tax is calculated at 19.5% for 2017, 20% for 2016, 20.25% for 2015 and 21.5% for 2014, of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	52 weeks ended 27 December 2014 £ million	52 weeks ended 27 December 2014 %	52 weeks ended 26 December 2015 £ million	52 weeks ended 26 December 2015 %	53 weeks ended 31 December 2016 £ million	53 weeks ended 31 December 2016 %	26 weeks ended 25 June 2016 (unaudited) £ million	26 weeks ended 25 June 2016 (unaudited) %	26 weeks ended 01 July 2017 £ million	26 weeks ended 01 July 2017 %
Profit before tax:	12.5	100.0	47.2	100.0	63.1	100.0	24.8	100.0	8.2	100.0
Tax charge at the UK corporation tax rate of 19.5% (2016: 20%, 2015: 20.25%, 2014: 21.5%)	2.7	21.5	9.6	20.2	12.6	20.0	5.0	20.0	1.6	19.5
Non-deductible expenses	1.2	9.6	1.4	3.0	2.7	4.2	0.6	2.4	0.6	7.3
Adjustment in respect of prior periods	(1.2)	(9.6)	0.5	1.1	0.3	0.5	–	–	0.2	2.5
Tax effect of losses carried forward not recognised	1.3	10.5	0.4	0.9	0.7	1.1	–	–	–	–
Unprovided deferred tax assets now recognised	(0.7)	(5.6)	(0.8)	(1.7)	(2.8)	(4.4)	(1.5)	(6.0)	(0.4)	(4.9)
Overseas taxes at different rates	0.1	0.8	–	–	0.3	0.5	–	–	(0.7)	(8.5)
Release of deferred tax on IBA reversal	(0.9)	(7.2)	(0.8)	(1.7)	(0.7)	(1.1)	(0.7)	(2.7)	(0.4)	(4.9)
Deferred tax change in rate	(0.1)	(0.8)	(1.5)	(3.2)	(0.8)	(1.3)	–	–	–	–
Tax charge and effective tax rate for the period	2.4	19.2	8.8	18.6	12.3	19.5	3.4	13.7	0.9	11.0

In addition to the amount charged to the consolidated income statement, a £1.0 million charge in the 26 weeks ended 01 July 2017, 26 weeks ended 25 June 2016: £1.2 million credit, 2016: £1.4 million credit, 2015: £2.8 million credit, 2014: £nil, relating to tax on the defined benefit pension scheme actuarial gain/loss

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 21% to 20% from 1 April 2015. In accordance with the Finance Act 2016, the UK corporation tax rate will reduce to 19% in 2017 and 17% in 2020.

Deferred tax has been calculated at the tax rate applicable for the period in which the temporary differences are expected to reverse.

13. Discontinued operations

26 weeks ended 01 July 2017

There have been no discontinued operations in the period.

26 weeks ended 25 June 2016

There have been no discontinued operations in the period.

2016

In July 2016, the Group received a further £0.5 million cash consideration in relation to its French and Spanish businesses that were sold in April 2013. This has been disclosed in the income statement within discontinued operations as these businesses were classed as discontinued in 2013.

2015

On 14 July 2015, the Group completed the sale of its remaining 60% stake in Italpizza S.r.l, its Italian Pizza manufacturing business, to Dreamfood S.r.l. for a cash consideration of £22.0 million (€ 31.0 million). The net cash generated was £20.5 million as there was £1.5 million cash included in the assets of Italpizza S.r.l when it was sold.

As a result Italpizza S.r.l qualified as a discontinued operation and has been presented as such in the income statement.

2014

On 7 May 2014, the Group completed the sale of 40% of its 100% holding in Italpizza S.r.l 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 results of the Group's discontinued operations have been included in the consolidated income statement as follows:

£ million	*Notes*	*52 weeks ended 27 December 2014*	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Discontinued operations						
Revenue	4,5	59.1	32.8	–	–	–
Cost of sales		(41.1)	(21.0)	–	–	–
Gross profit		18.0	11.8	–	–	–
Distribution costs		(2.4)	(1.4)	–	–	–
Total administrative costs		(10.8)	(5.5)	–	–	–
Profit on disposal of subsidiary	33	–	10.4	0.5	–	–
Operating profit		4.8	15.3	0.5	–	–
Finance costs		(0.2)	(0.1)	–	–	–
Other gains and (losses)		(0.2)	–	–	–	–
Profit before tax		4.4	15.2	0.5	–	–
Tax		(1.7)	(1.7)	–	–	–
Profit for the period from discontinued operations		2.7	13.5	0.5	–	–
Attributable to:						
Equity holders of the parent		2.0	12.2	0.5	–	–
Non-controlling interests		0.7	1.3	–	–	–
		2.7	13.5	0.5	–	–

During 2016, discontinued operations used £nil, 2015: used £0.5 million, 2014: contributed cash of £5.6 million, of the Group's net operating cash flows, paid £nil, 2015: paid £1.4 million, 2014: paid £1.5 million, in respect of investing activities (excluding proceeds from the disposal of the business) and received £nil, 2015: received £0.6 million, 2014: paid £4.9 million, in respect of financing activities.

14. Earnings per share

The calculation of earnings per Ordinary share is based on earnings after tax and the weighted average number of Ordinary shares in issue during the period.

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

£ million	*52 weeks ended 27 December 2014*	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Profit attributable to equity shareholders of the Company	12.1	50.6	51.3	21.4	7.3
Adjustments to exclude profit for the period from discontinued operations	(2.0)	(12.2)	(0.5)	–	–
Earnings from continuing operations for the purpose of earnings per share excluding discontinued operations	10.1	38.4	50.8	21.4	7.3

Number of shares

'000	*52 weeks ended 27 December 2014*	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Weighted average number of ordinary shares	117,280	117,280	115,717	117,280	104,774

	52 weeks ended 27 December 2014	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Basic and diluted earnings per share from continuing operations	8.7p	32.7p	43.9p	18.2p	7.0p
Basic and diluted earnings per share from continuing and discontinued operations	10.4p	43.2p	44.4p	18.2p	7.0p
Basic and diluted earnings per share from discontinued operations	1.7p	10.5p	0.5p	–	–

15. Goodwill

£ million	
Cost	
At 29 December 2013	712.6
Exchange differences	(0.4)
At 27 December 2014	712.2
Acquisition of business	14.5
Disposal of subsidiary	(33.9)
Exchange differences	1.0
At 26 December 2015	693.8
Exchange differences	10.7
At 31 December 2016	704.5
Accumulated impairment losses	
At 29 December 2013	(68.2)
Impairment	(2.6)
Exchange differences	0.7
At 27 December 2014	(70.1)
Disposal of subsidiary	20.0
Exchange differences	(0.8)
At 26 December 2015	(50.9)
Exchange differences	(2.1)
At 31 December 2016	(53.0)
Carrying amount	
At 31 December 2016	651.5
At 26 December 2015	642.9
At 27 December 2014	642.1
Cost	
At 27 December 2015	693.8
Exchange differences	5.2
At 25 June 2016 (unaudited)	699.0
At 01 January 2017	704.5
Exchange differences	(2.9)
At 01 July 2017	701.6
Accumulated impairment losses	
At 27 December 2015	(50.9)
Exchange differences	(1.2)
At 25 June 2016 (unaudited)	(52.1)
At 01 January 2017	(53.0)
Exchange differences	0.5
At 01 July 2017	(52.5)
Carrying amount	
At 01 July 2017	649.1
At 25 June 2016 (unaudited)	646.9

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or group 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*	*26 December 2015*	*31 December 2016*	*25 June 2016*	*01 July 2017*
UK	601.5	601.5	601.5	601.5	601.5
International	40.6	41.4	50.0	45.4	47.6
	642.1	642.9	651.5	646.9	649.1

The Group's CGUs are at a lower level than the segments shown above.

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

There was no impairment recognised during the 26 weeks ended 01 July 2017, 26 weeks ended 25 June 2016: £nil, 2016: £nil, 2015: £nil, 2014: £2.6 million goodwill impairment was recognised, within the Group's UK segment as a result of difficult trading conditions across two of the Group's UK businesses.

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

- Discount rates: Management uses pre-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 2016: 9.1% to 10.8%, 2015: 9.5% to 10.3%, 2014: 8.4% to 10.4%.
- 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 in each financial year. The Group has prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next three years as determined by business units, and extrapolated cash flows for the following two years based on an estimated profit growth rate of 4%, to provide a five year forecast. The estimated growth rate of 4% is in line with business plans going forward. Cash flows are then extrapolated using a perpetuity growth rate of 2% for 2016, 2015 and 2014 to take account of inflationary increases only. 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 impairment test is conducted annually with the last one being in December 2016. The assumptions used, and the impact of sensitivities on these assumptions, are shown below:

	31 December 2016	
£ million	*UK*	*International*
Sensitivity:		
Head room of impairment test based on management assumptions	317.5	7.5

The pre-tax discount rate ranges from 9.1% to 10.8%. If the pre-tax discount rate in certain parts of the International segment were to be increased from 10.3% to 10.8% then there would be no impairment charge. An increase to the pre-tax discount rate from 10.3% to 11.0% would result in no headroom. The perpetuity growth rate included in the future cash flows is 2.0%.A decrease to the perpetuity growth rate to 1.2% would result in no headroom.

16. Other intangible assets

£ million	Customer Relationships	Customer Contracts	Total
Cost			
At 29 December 2013	89.8	1.6	91.4
Exchange differences	(0.2)	–	(0.2)
At 27 December 2014	89.6	1.6	91.2
Acquisition of business	3.2	–	3.2
Disposal of subsidiary	(4.9)	–	(4.9)
Exchange differences	(0.3)	–	(0.3)
At 26 December 2015	87.6	1.6	89.2
Exchange differences	1.1	–	1.1
At 31 December 2016	88.7	1.6	90.3
Accumulated amortisation and impairment			
At 29 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)
Disposal of subsidiary	3.5	–	3.5
Charge for the period	(6.1)	–	(6.1)
Exchange differences	0.3	–	0.3
At 26 December 2015	(82.5)	(1.6)	(84.1)
Charge for the period	(2.2)	–	(2.2)
Exchange differences	(0.4)	–	(0.4)
At 31 December 2016	(85.1)	(1.6)	(86.7)
Carrying amount			
At 31 December 2016	3.6	–	3.6
At 26 December 2015	5.1	–	5.1
At 27 December 2014	9.4	–	9.4
Cost			
At 27 December 2015	87.6	1.6	89.2
Exchange differences	0.5	–	0.5
At 25 June 2016 (unaudited)	88.1	1.6	89.7
At 01 January 2017	88.7	1.6	90.3
Exchange differences	(0.3)	–	(0.3)
At 01 July 2017	88.4	1.6	90.0
Accumulated amortisation and impairment			
At 27 December 2015	(82.5)	(1.6)	(84.1)
Charge for the period	(1.5)	–	(1.5)
Exchange differences	(0.2)	–	(0.2)
At 25 June 2016 (unaudited)	(84.2)	(1.6)	(85.8)
At 01 January 2017	(85.1)	(1.6)	(86.7)
Charge for the period	(0.4)	–	(0.4)
Exchange differences	0.2	–	0.2
At 01 July 2017	(85.3)	(1.6)	(86.9)
Carrying amount			
At 01 July 2017	3.1	–	3.1
At 25 June 2016 (unaudited)	3.9	–	3.9

The 2014 impairment charge of £0.1 million related to the Group's UK segment and arose due to difficult trading conditions in one particular business. The customer relationships relate to those acquired in a business combination. They are recognised as an intangible asset as the customers are long standing and are key customers of the businesses acquired. They mainly relate to customers in the USA and are amortised over their estimated useful lives of ten years.

17. Property, plant and equipment

£ million	*Land and buildings*	*Plant and machinery*	*Fixtures and equipment*	*Total*
Cost				
At 29 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
Additions	4.1	32.2	6.2	42.5
Acquisition of business	–	1.0	–	1.0
Disposals	(0.3)	(3.0)	(0.7)	(4.0)
Disposal of subsidiary	(0.9)	(11.7)	(0.9)	(13.5)
Exchange differences	(0.3)	(1.3)	(0.1)	(1.7)
At 26 December 2015	191.8	363.1	61.8	616.7
Additions	5.0	58.2	5.0	68.2
Disposals	–	(2.8)	(0.6)	(3.4)
Disposal of subsidiary (note 33)	(7.0)	(16.3)	(1.3)	(24.6)
Reclassifications	0.1	–	(0.1)	–
Exchange differences	4.8	6.8	1.0	12.6
At 31 December 2016	194.7	409.0	65.8	669.5
Accumulated depreciation and impairment				
At 29 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	(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)
Charge for the period	(6.3)	(22.9)	(6.7)	(35.9)
Disposals	0.3	2.7	0.6	3.6
Disposal of subsidiary	0.4	9.0	0.8	10.2
Exchange differences	0.2	0.9	0.1	1.2
At 26 December 2015	(102.8)	(189.3)	(43.4)	(335.5)
Charge for the period	(5.8)	(26.3)	(5.1)	(37.2)
Impairment	(0.6)	(7.4)	(0.2)	(8.2)
Disposals	–	2.6	0.6	3.2
Disposal of subsidiary (note 33)	7.2	10.6	2.1	19.9
Reclassifications	(0.1)	0.2	0.1	0.2
Exchange differences	(2.5)	(4.1)	(0.8)	(7.4)
At 31 December 2016	(104.6)	(213.7)	(46.7)	(365.0)
Carrying amount				
At 31 December 2016	90.1	195.3	19.1	304.5
At 26 December 2015	89.0	173.8	18.4	281.2
At 27 December 2014	91.8	166.9	19.1	277.8

£ million	*Land and buildings*	*Plant and machinery*	*Fixtures and equipment*	*Total*
Cost				
At 27 December 2015	191.8	363.1	61.8	616.7
Additions	4.5	17.2	3.2	24.9
Disposals	–	(2.4)	(0.1)	(2.5)
Exchange differences	2.8	3.6	0.6	7.0
At 25 June 2016 (unaudited)	199.1	381.5	65.5	646.1
At 01 January 2017	194.7	409.0	65.8	669.5
Additions	1.6	22.8	1.4	25.8
Disposals	(5.2)	(9.3)	(2.0)	(16.5)
Exchange differences	(0.9)	(1.4)	(0.3)	(2.6)
At 01 July 2017	190.2	421.1	64.9	676.2
Accumulated depreciation and impairment				
At 27 December 2015	(102.8)	(189.3)	(43.4)	(335.5)
Charge for the period	(3.8)	(12.5)	(2.4)	(18.7)
Disposals	–	2.4	–	2.4
Exchange differences	(1.5)	(2.3)	(0.4)	(4.2)
At 25 June 2016 (unaudited)	(108.1)	(201.7)	(46.2)	356.0
At 01 January 2017	(104.6)	(213.7)	(46.7)	(365.0)
Charge for the period	(3.4)	(13.1)	(2.1)	(18.6)
Disposals	3.4	9.2	1.9	14.5
Exchange differences	0.4	0.8	0.2	1.4
At 01 July 2017	(104.2)	(216.8)	(46.7)	(367.7)
Carrying amount				
At 01 July 2017	86.0	204.3	18.2	308.5
At 25 June 2016 (unaudited)	91.0	179.8	19.3	290.1

The carrying value of the Group's plant and machinery includes an amount of £4.2 million, 25 June 2016: £4.7 million, 2016: £4.6 million, 2015: £5.0 million, 2014: £2.3 million, in respect of assets held under finance leases.

At 01 July 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2.7 million, 25 June 2016: £5.1 million, 2016: £2.6 million, 2015: £4.2 million, 2014: £2.1 million.

During 2016, the Group impaired £0.6 million of land and buildings, £7.4 million of plant and machinery and £0.2 million of fixtures and equipment. In 2015 there were no impairments and in 2014 there was a £1.1 million impairment of plant and machinery within the UK sector and £0.3 million impairment of land and buildings within the International sector. These impairments are recognised within 'Impairment of assets' in the income statement. The impairments arose as a result of site restructures on assets that could not be used by other parts of the group. The impairments were determined by comparing the carrying values of the assets with their recoverable amount i.e. the higher of the asset's fair value less costs of disposal and its value in use. The recoverable amount in the case of each asset was its fair value less costs of disposal.

18. Subsidiaries

The Group consists of a parent company, Bakkavor Group Limited, incorporated in the UK and a number of subsidiaries and associates held directly and indirectly by Bakkavor Group Limited as follows:

Name	*Place of registration and operation*	*Principal activity*	*% of voting shares*
Directly held investments:			
Bakkavor Finance (1) Limited	United Kingdom	Holding company	100%
Bakkavor Finance ehf	Iceland	Holding company	100%
Indirectly held investments:			
Bakkavor Finance (2) plc	United Kingdom	Holding company	100%
Bakkavor Finance (3) Limited	United Kingdom	Holding company	100%
Bakkavor London Limited	United Kingdom	Holding company	100%
Bakkavor Estates Limited	United Kingdom	Property management	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 Foods USA Inc	USA	Manufacture of custom and private label savoury and bakery products	100%
Bakkavor Foods Holdings LLC	USA	Holding company	100%
Bakkavor Invest Limited	United Kingdom	Holding company	100%
Bakkavor (Acquisitions) Limited	United Kingdom	Holding company	100%
Bakkavor Finance Limited	United Kingdom	Customer invoicing and financing of receivables	100%
Bakkavor Asia Limited	United Kingdom	Holding company	100%
Bakkavor China Limited	United Kingdom	Holding company	100%
Creative Food Group Limited	Hong Kong	Production and manufacture of salad products	100%
Bakkavor Hong Kong Limited	Hong Kong	Preparation and marketing of fresh prepared foods	100%
Creative Agriculture Holdings Limited	Hong Kong	Production and manufacture of salad products	100%
Bakkavor China Holdings Limited	Hong Kong	Holding company	100%
Wuhan Creative Food Company Limited	China	Production and manufacture of salad products	100%
Jiangsu Creative Agriculture Produce Development Company Limited	China	Production and manufacture of salad products	100%
Shaanxi Bakkavor Food Company Limited	China	Production and manufacture of salad products	100%
Shanghai Creative Food Company Limited	China	Production and manufacture of salad products	100%
Beijing Bakkavor Food Company Limited	China	Production and manufacture of salad products	100%
Guangzhou Creative Food Company Limited	China	Production and manufacture of salad products	100%
Bakkavor (Shanghai) Management Co. Limited	China	Holding company	100%
Nantong Creative Agriculture Produce Development Company Limited	China	Production and manufacture of salad products	100%
Fujian Bakkavor Food Company. Limited	China	Production and manufacture of salad products	100%

Name	*Place of registration and operation*	*Principal activity*	*% of voting shares*
Bakkavor Limited	United Kingdom	Holding company	100%
Bakkavor (Jersey) Limited	Jersey	Dormant holding company	100%
Bakkavor (Jersey Two) Limited	Jersey	Dormant holding company	100%
Bakkavor Properties Limited	United Kingdom	Non-trading	100%
Geest Corporation Inc	USA	Dormant holding company	100%
Bakkavor Overseas Holdings Limited	United Kingdom	Non-trading	100%
BV Foodservice Limited	United Kingdom	Non-trading	100%
Bakkavor Foods Limited	United Kingdom	Preparation and marketing of fresh prepared foods	100%
Bakkavor Pension Trustees Limited	United Kingdom	Pension trustee holding company	100%
Bakkavor European Marketing BV	Netherlands	Holding company	100%
NV Bakkavor Belgium BV	Belgium	Non-trading	100%
Bakkavor Fresh Cook Limited	United Kingdom	Preparation and marketing of fresh prepared foods	100%
Anglia Crown Limited	United Kingdom	Preparation and marketing of fresh prepared foods	100%
English Village Salads Limited	United Kingdom	Non-trading	100%
Bakkavor Australia Pty Limited	Australia	Holding company	100%
BV Restaurant Group Limited	United Kingdom	Production and distribution of fresh prepared foods	100%
Bakkavor Iberica S.L.U	Spain	Distribution	100%
Bakkavor Central Finance Limited	United Kingdom	Customer invoicing and financing of receivables	100%
Notsallow 256 Limited	United Kingdom	Dormant non-trading company	100%
Kent Salads Limited	United Kingdom	Dormant non-trading company	100%
Laurens Patisseries Limited	United Kingdom	Dormant non-trading company	100%
Hitchen Foods Limited	United Kingdom	Dormant non-trading company	100%
Bakkavor Brothers Limited	United Kingdom	Dormant non-trading company	100%
Cucina Sano Limited	United Kingdom	Dormant non-trading company	100%
Butterdean Products Limited	United Kingdom	Dormant non-trading company	100%
Exotic Farm Prepared Limited	United Kingdom	Dormant non-trading company	100%
Exotic Farm Produce Limited	United Kingdom	Dormant non-trading company	100%

19. Interests in associates

Details of the associated undertakings of the Group at 01 July 2017 were as follows:

Name of associate	*Place of registration and operation*	*Principal activity*	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*	*Method of accounting*
La Rose Noire Limited	Hong Kong	Producer of bakery and pastry products	45%	45%	45%	45%	45%	Equity

On 9 December 2015, the Group sold its 27.5% share in its associate Manor Fresh Limited, a supplier of fresh produce based in the United Kingdom for a cash consideration of £6.0 million. The transaction resulted in a profit on sale of associate of £5.2 million being recorded in the income statement in 2015.

£ million	*Manor Fresh Limited*	*La Rose Noire Limited*	*Total*
At 29 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
Share of profit after tax	0.1	0.7	0.8
Exchange differences	–	0.4	0.4
Dividend payment	(0.2)	(0.4)	(0.6)
Disposal of associate	(0.8)	–	(0.8)
At 26 December 2015	–	10.7	10.7
Share of profit after tax	–	0.7	0.7
Exchange differences	–	2.2	2.2
Dividend payment	–	(0.3)	(0.3)
At 31 December 2016	–	13.3	13.3
At 27 December 2015	–	10.7	10.7
Share of profit after tax	–	0.4	0.4
Exchange differences	–	1.0	1.0
Dividend payment	–	(0.1)	(0.1)
At 25 June 2016 (unaudited)	–	12.0	12.0
At 01 January 2017	–	13.3	13.3
Share of profit after tax	–	0.3	0.3
Exchange differences	–	(0.7)	(0.7)
Dividend payment	–	(0.4)	(0.4)
At 01 July 2017	–	12.5	12.5

20. Other investments

£ million	*Non listed investments held at cost*
At 27 December 2014	0.1
At 26 December 2015	0.1
At 31 December 2016	0.1
At 01 July 2017	0.1
At 25 June 2016 (unaudited)	0.1

21. Inventories

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Raw materials and packaging	51.9	48.3	50.9	43.7	46.8
Work-in-progress.....	2.4	3.2	2.0	2.7	2.1
Finished goods	10.0	6.0	6.3	5.8	6.5
	64.3	57.5	59.2	52.2	55.4

22. Trade and other receivables

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Amounts receivable from trade customers.....	168.2	155.1	163.3	160.8	136.9
Allowance for doubtful debts.....	(1.0)	(0.6)	(1.1)	(0.8)	(1.0)
Net amounts receivable from trade customers.....	167.2	154.5	162.2	160.0	135.9
Other receivables.....	17.3	21.2	17.9	17.4	16.0
Prepayments	19.5	10.1	10.6	20.1	19.5
	204.0	185.8	190.7	197.5	171.4

The Group has a £50 million, 25 June 2016: £65 million, 2016: £50 million, 2015: £65 million, 2014: £65 million, Receivables Securitisation Facility which it can draw against, up to a maximum of 72% of its net eligible receivables balance for certain UK customers. As at 01 July 2017 the Group had not drawn against this facility, drawn at 25 June 2016: £10 million, 2016: £nil, 2015: £nil, 2014: £nil. The collection risk on these receivables remains with the Group until final settlement and therefore the Group continues to recognise these receivables until payment is received from the customer.

The average credit period taken on sales of goods at 01 July 2017 is 26 days, at 25 June 2016: 32 days, 2016: 32 days, 2015: 32 days, 2014: 33 days. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £1.0 million, at 25 June 2016: £0.8 million, 2016: £1.1 million, 2015: £0.6 million, 2014: £1.0 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 Other receivables amount mainly relates to non-specific amounts the largest of which is recoverable VAT.

The following table is an ageing analysis of trade receivables from customers:

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Not past due	152.1	136.6	137.3	134.0	124.9
Past due by 1 – 30 days.....	13.8	16.2	23.6	22.3	9.8
Past due by 31 – 60 days.....	1.3	1.2	0.7	2.7	0.9
Past due by 61 – 90 days.....	0.2	0.3	0.6	0.4	0.3
Past due by more than 90 days	0.8	0.8	1.1	1.4	1.0
	168.2	155.1	163.3	160.8	136.9

Trade receivables renegotiated in the 26 weeks ended 01 July 2017 that would otherwise have been past due or impaired amounted to £nil for the 26 weeks ended 01 July 2017, 26 weeks ended 25 June 2016, 2016, 2015 and 2014.

The major customers of the Group, representing more than 77%, 26 weeks ended June 2016: 77%, 2016: 77%, 2015: 77%, 2014: 78% of the Group's revenue from continuing operations 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 Group does not consider that it is exposed to any significant credit risk and therefore the carrying amounts of trade receivables represents the expected recoverable amounts and there is no further credit risk exposure.

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

£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Balance at beginning of the period ...	(0.8)	(1.0)	(0.6)	(0.6)	(1.1)
Allowances recognised against receivables	(0.8)	(0.4)	(0.7)	(0.4)	(0.3)
Amounts written off as uncollectible during the period	0.1	0.4	–	0.1	0.1
Amounts recovered during the period	0.4	0.1	0.1	0.1	0.1
Allowance reversed	0.1	0.3	0.1	–	0.2
Balance at end of the period	(1.0)	(0.6)	(1.1)	(0.8)	(1.0)

23. Cash and cash equivalents

£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Cash and cash equivalents	24.6	97.0	22.5	17.2	37.1

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.

24. Borrowings

Bakkavor Finance (2) plc Senior Secured Notes

8.25% Senior Secured Notes

As at 31 December 2016 and 25 June 2016 the Group had £117 million, 2015: £192 million, 2014: £332 million of 8.25% Senior Secured Notes due 2018 outstanding following the early repayment of £75 million of the Notes in February 2016 and £140 million in April 2015. Interest on the Notes was payable semi-annually each year on 15 February and 15 August. The Notes and associated fees were repaid as part of a refinancing on 23 March 2017.

8.75% Senior Secured Notes

As at 31 December 2016 and 25 June 2016 the Group had £150 million, 2015: £150 million, 2014: £150 million, of 8.75% Senior Secured Notes due 2020. Interest on the Notes was payable semi-annually each year on 15 June and 15 December. The Notes and associated fees were repaid as part of a refinancing on 23 March 2017.

Bakkavor Central Finance Limited receivables securitisation facility

As at 01 July 2017 the Group has a £50 million, 2016: £50 million, 25 June 2016: £65 million, 2015: £65 million, 2014: £65 million, Receivables Securitisation Facility that matures in February 2018. The maximum drawing of the facility depends on the size of the Group's receivable book for certain UK customers 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 for the relevant customers 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 2.85%, 2016: Libor plus a margin of 2.85%, 25 June 2016: Libor plus a margin of 2.85%, 2015: Libor plus a margin of 2.85%, 2014: Libor plus a margin of 2.6%. As at 01 July 2017, the Group had no drawings under this facility, 2016: £nil, 25 June 2016: £10 million, 2015: £nil, 2014: £nil. The facility is subject to a non-utilisation fee of 1.4%, 2016: 1.4%, 25 June 2016: 1.4%, 2015: 1.4%, 2014: 1.3%.

Bakkavor Finance (2) plc bank facilities

The Group's total banking facilities amount to £485 million, 2016: £205 million, 25 June 2016: £215m, 2015: £220 million, 2014: £130 million comprising (i) a £285 million term loan, 2016: £135 million term loan, 25 June 2016: £145 million term loan, 2015: £150 million term loan, 2014:£60 million term loan, split £210 million and £75 million maturing in June 2021 and June 2024 respectively and (ii) £200 million, 2016: £70 million RCF, 25 June 2016: £70 million, 2015: £70 million RCF, 2014: £70 million RCF, which includes an overdraft and money market facility of £16.5 million, 2016: £16.5 million, 25 June 2016: £16.5 million, 2015: £16.5 million, 2014: £15.0 million and further ancillary facilities of £8.7 million, 2016: £12.4 million, 25 June 2016: £12.4 million, 2015: £12.4 million, 2014: £12.4 million.

The Group has repaid £nil, 2016: £15 million, 25 June 2016: £5 million, 2015: £nil, 2014: £50 million, of the term loan as at 01 July 2017 and therefore the balance owing at that date was £285 million, 2016: £135 million, 25 June 2016: £145 million, 2015: £150 million, 2014: £10.0 million. At 01 July 2017 the Group had drawn £120 million, 2016: £nil, 25 June 2016: £nil, 2015: £nil, 2014: £nil under the RCF and overdraft facilities.

The interest rate payable on the term loan at 01 July 2017 was Libor plus a margin of 2.50% for the £210 million maturing in June 2021 and Libor plus a margin of 4.25% for the £75 million maturing in June 2024, 2016: Libor plus a margin of 2.50%, 25 June 2016: Libor plus a margin of 3.25% 2015: Libor plus a margin of 3.00%, 2014: Libor plus a margin of 4.00%.

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

Refinancing of debt facilities

On 23 March 2017, the Group completed a refinancing of its current debt facilities with a new £485 million corporate loan facility. The agreement comprises revolving credit facilities of £200 million maturing in June 2021, and term loans totalling £285 million, of which £210 million mature in June 2021 with the balance maturing in June 2024. The Group has used the funds from the refinancing to repay in full existing bank debt, all outstanding Senior Secured Notes maturing in 2018 and 2020 and associated fees. This new funding structure provides the Group with a significant reduction in interest costs whilst extending the maturity of the funding commitments.

£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Bank overdrafts	1.3	0.1	–	–	–
Bank loans	11.4	149.8	135.2	147.5	401.0
Receivables securitisation	(0.4)	(0.2)	–	10.0	–
8.25% Senior Secured Notes	337.0	195.8	119.9	119.6	–
8.75% Senior Secured Notes	144.9	135.2	129.6	139.2	–
	494.2	480.7	384.7	416.3	401.0

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Borrowings repayable as follows:					
On demand or within one year.....	8.8	14.9	12.9	24.6	0.7
In the second year	8.7	7.8	241.1	250.5	–
In the third to fifth years inclusive....	328.6	458.0	130.7	141.2	325.6
Over five years	148.1	–	–	–	74.7
	494.2	480.7	384.7	416.3	401.0
Analysed as:					
Amount due for settlement within 12 months (shown within current liabilities).....	8.8	14.9	12.9	24.6	0.7
Amount due for settlement after 12 months	485.4	465.8	371.8	391.7	400.3
	494.2	480.7	384.7	416.3	401.0

The Group has not drawn against the receivables facility as at 01 July 2017, 2016: £nil, 25 June 2016: £10 million, 2015: £nil, 2014: £nil, and as such the £nil, 2016: £nil, 25 June 2016: £nil, 2015: £(0.2) million, 2014: £(0.4) million, receivables securitisation credit represents unamortised fees.

As at 01 July 2017, 25 June 2016, 31 December 2016 and 26 December 2015 all of the Group's borrowings were denominated in Sterling. At 27 December 2014, £4.5 million of the Group's borrowings were denominated in Euro's and £0.2 million in Chinese Yuan.

	27 December 2014 %	26 December 2015 %	31 December 2016 %	25 June 2016 (unaudited) %	01 July 2017 %
The weighted average interest rates paid were as follows:					
Bank overdrafts	2.08	–	–	–	–
Senior Secured Notes and bank loans	8.29	6.97	6.64	6.78	3.18

The Group had an interest rate swap in place of £63.2 million in 2014 and 2015 which matured in September 2016. This has been replaced by a £75 million notional principal interest rate cap that matures in October 2019. Both the 8.25% and 8.75% Senior Secured Notes due in 2018 and 2020 respectively, were issued at a fixed rate. Interest on the Group's term loan, receivables securitisation and other borrowings are at floating rates, thus exposing the Group to cash flow interest rate risk.

The fair value of the Group's borrowings is as follows:

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Fair value of the Group's borrowings.....	510.0	510.0	413.8	432.9	405.0

The 2018 and 2020 Senior Secured Notes were listed on the Irish Stock Exchange until March 2017 and were actively traded. The best indication, therefore, of the fair value of these debt instruments is considered to be the list price at the relevant period end. The remaining debt is regularly refinanced with interest rates that are in-line with the market rate for similar debt instruments and as a result of this the Directors estimate that the carrying value of this debt approximates its fair value.

The 8.75% Senior Secured Notes due in 2020 contained a call option from 15 June 2016 that under IAS 39 'Financial Instruments: Recognition and Measurement' should be accounted for as an embedded derivative and is required to be separately accounted for at fair value with the issued bond value carried at amortised cost. As at 31 December 2016 the fair value of the call option amounted to an asset of £17.2 million, 25 June 2016: £6.3 million, 2015: £10.7 million, 2014: £nil, with a gain of £6.5 million, 25 June 2016: loss of

£4.4 million, 2015: £10.7 million gain, 2014: £nil, recognised in the period in Other gains and (losses) in the income statement. Following the repayment of the 8.75% Senior Secured notes on 23 March 2017 a loss of £17.2 million was recognised in the 26 weeks ended 01 July 2017 in Other gains and (losses) in the income statement.

£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Analysis of net debt					
Cash and cash equivalents	24.6	97.0	22.5	17.2	37.1
Borrowings	(1.9)	(10.0)	(10.0)	(20.0)	–
Unamortised fees	3.9	2.4	1.9	1.9	1.4
Interest accrual	(10.8)	(7.3)	(4.8)	(6.5)	(2.1)
Finance leases	(0.4)	(0.5)	(0.7)	(0.5)	(0.7)
Debt due within one year	(9.2)	(15.4)	(13.6)	(25.1)	(1.4)
Borrowings	(493.3)	(480.7)	(390.9)	(400.8)	(405.0)
Unamortised fees	7.9	4.2	1.9	2.8	4.7
Fair value of call option	–	10.7	17.2	6.3	–
Finance leases	(1.7)	(4.4)	(4.0)	(4.1)	(3.6)
Debt due after one year	(487.1)	(470.2)	(375.8)	(395.8)	(403.9)
Group statutory net debt	(471.7)	(388.6)	(366.9)	(403.7)	(368.2)

25. Derivative financial instruments

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

£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Foreign currency contracts	–	0.1	–	–	0.5
Interest rate contracts	–	–	0.3	–	0.2
Included in non-current assets	–	0.1	0.3	–	0.7
Foreign currency contracts	0.5	0.4	2.8	3.8	2.2
Included in current assets	0.5	0.4	2.8	3.8	2.2
Foreign currency contracts	(2.4)	(0.5)	–	–	(0.7)
Interest rate contracts	(4.5)	(2.0)	–	(0.7)	–
Included in current liabilities	(6.9)	(2.5)	–	(0.7)	(0.7)
Foreign currency contracts	–	–	(0.1)	–	–
Included in non-current liabilities	–	–	(0.1)	–	–
Total	(6.4)	(2.0)	3.0	3.1	2.2

Further details of derivative financial instruments are provided in note 30.

26. 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 and accrued interest*	*Impairment losses*	*Retirement benefit obligations*	*Overseas tax losses*	*Total*
At 29 December 2013	13.8	(1.5)	3.7	(0.5)	(0.9)	0.5	–	15.1
Charge/(credit) to income – continuing operations	2.6	0.2	(1.7)	–	–	0.8	–	1.9
Discontinued operations	–	–	(0.1)	–	–	–	–	(0.1)
At 27 December 2014	16.4	(1.3)	1.9	(0.5)	(0.9)	1.3	–	16.9
Charge/(credit) to income – continuing operations	0.1	2.9	(1.2)	–	0.1	0.8	–	2.7
Discontinued operations	(0.1)	–	–	–	–	–	–	(0.1)
Disposal of subsidiary	0.1	–	(0.3)	–	–	–	–	(0.2)
Credit to equity	–	–	–	–	–	(2.8)	–	(2.8)
At 26 December 2015	16.5	1.6	0.4	(0.5)	(0.8)	(0.7)	–	16.5
Charge/(credit) to income – continuing operations	(0.8)	2.1	(0.3)	(2.1)	0.6	0.4	–	(0.1)
Credit to equity	–	–	–	–	–	(1.4)	–	(1.4)
At 31 December 2016	15.7	3.7	0.1	(2.6)	(0.2)	(1.7)	–	15.0
At 27 December 2015	16.5	1.6	0.4	(0.5)	(0.8)	(0.7)	–	16.5
Charge/(credit) to income – continuing operations	(1.0)	0.3	(0.3)	–	–	–	–	(1.0)
Credit to equity	–	–	–	–	–	(1.2)	–	(1.2)
At 25 June 2016 (unaudited)	15.5	1.9	0.1	(0.5)	(0.8)	(1.9)	–	14.3
At 01 January 2017	15.7	3.7	0.1	(2.6)	(0.2)	(1.7)	–	15.0
Charge/(credit) to income – continuing operations	0.1	(3.3)	–	(0.6)	–	0.2	(0.9)	(4.5)
Credit to equity	–	–	–	–	–	1.0	–	1.0
At 01 July 2017	15.8	0.4	0.1	(3.2)	(0.2)	(0.5)	(0.9)	11.5

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 01 July 2017 the Group had unused tax losses of £34.2 million, 25 June 2016: £34.8 million, 2016: £36.0 million, 2015: £37.3 million, 2014: £30.1 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.

27. Obligations under finance leases

£ million	Minimum lease payments 27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017	Present value of minimum lease payments 27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Amounts payable under finance leases:										
Within one year	0.5	0.8	0.9	0.8	0.9	0.4	0.5	0.7	0.5	0.7
In the second to fifth years inclusive	1.8	3.3	3.1	3.1	2.8	1.3	2.8	2.8	2.7	2.5
Over five years	0.3	1.7	1.3	1.5	1.1	0.4	1.6	1.2	1.4	1.1
	2.6	5.8	5.3	5.4	4.8	2.1	4.9	4.7	4.6	4.3
Less: future finance charges	(0.5)	(0.9)	(0.6)	(0.8)	(0.5)					
Present value of lease obligations	2.1	4.9	4.7	4.6	4.3	2.1	4.9	4.7	4.6	4.3
Analysed as:										
Amount due for settlement within 12 months (shown within current liabilities)						0.4	0.5	0.7	0.5	0.7
Amount due for settlement after 12 months						1.7	4.4	4.0	4.1	3.6
						2.1	4.9	4.7	4.6	4.3

The weighted average lease term outstanding is 5.9 years, at 25 June 2016: 6.9 years, 2016: 6.3 years, 2015: 7.5 years, 2014: 5.5 years. For the 26 weeks ended 01 July 2017, the weighted average effective borrowing rate was 4.54%, 26 weeks ended 25 June 2016: 4.61%, 2016: 4.64%, 2015: 4.73%, 2014: 7.69%. 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.

28. Trade and other payables

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Trade payables	211.1	203.5	215.8	194.5	202.6
Social security and other taxation	2.0	2.1	1.9	2.3	1.9
Other payables	31.4	27.2	25.0	32.3	30.0
Accruals	120.8	163.8	189.8	181.1	176.3
	365.3	396.6	432.5	410.2	410.8
Less: amounts due after one year					
Other payables	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)
Trade and other payables due within one year	365.1	396.3	432.1	409.8	410.4

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases at 01 July 2017 is 61 days, 25 June 2016: 59 days, 2016: 59 days, 2015: 60 days, 2014: 61 days. No interest is incurred against trade payables.

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

29. Provisions

£ million	Onerous leases	Dilapidation provisions	Total
At 29 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
Utilisation of provision	(0.6)	–	(0.6)
Increase of provision	0.1	2.2	2.3
Unwinding of discount	–	0.3	0.3
At 26 December 2015	1.0	13.1	14.1
Included in current liabilities	0.6	2.8	3.4
Included in non-current liabilities	0.4	10.3	10.7
Utilisation of provision	(0.6)	(0.1)	(0.7)
Increase/(release) of provision	1.2	(0.3)	0.9
Unwinding of discount	–	0.3	0.3
At 31 December 2016	1.6	13.0	14.6
Included in current liabilities	0.6	2.8	3.4
Included in non-current liabilities	1.0	10.2	11.2
At 27 December 2015	1.0	13.1	14.1
Utilisation of provision	(0.3)	–	(0.3)
Increase/(release) of provision	0.9	(0.2)	0.7
Unwinding of discount	–	0.2	0.2
At 25 June 2016 (unaudited)	1.6	13.1	14.7
Included in current liabilities	0.6	2.9	3.5
Included in non-current liabilities	1.0	10.2	11.2
At 01 January 2017	1.6	13.0	14.6
Utilisation of provision	(0.3)	–	(0.3)
Unwinding of discount	–	0.1	0.1
At 01 July 2017	1.3	13.1	14.4
Included in current liabilities	0.5	1.7	2.2
Included in non-current liabilities	0.8	11.4	12.2

Onerous lease provisions relate to two vacant properties where leases end in 2019 and 2020. The provisions will be utilised over the term of the individual leases to which they relate.

Dilapidation provisions relate to the estimated 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.

30. 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 24, 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*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Debt	496.3	485.6	389.4	420.9	405.3
Cash and cash equivalents	(24.6)	(97.0)	(22.5)	(17.2)	(37.1)
Net debt	471.7	388.6	366.9	403.7	368.2
Equity	324.6	353.5	378.8	343.6	386.6
Net debt to net debt plus equity	59.2%	52.4%	49.2%	54.0%	48.8%

Debt is defined as long and short term borrowings, as disclosed in note 24 and finance leases payable in note 27.

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*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Financial assets					
Fair value through profit and loss:					
Derivative financial instruments	0.5	0.5	3.1	3.8	2.9
Call option on Senior Secured Notes due 2020	–	10.7	17.2	6.3	–
Loans and receivables at amortised cost:					
Trade receivables	167.2	154.5	162.2	160.0	135.9
Other receivables	17.3	21.2	17.9	17.4	16.0
Cash and cash equivalents	24.6	97.0	22.5	17.2	37.1
	209.6	283.9	222.9	204.7	191.9

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Financial liabilities					
Fair value through profit and loss:					
Derivative financial instruments	6.9	2.5	0.1	0.7	0.7
Other payables.....	1.0	4.3	4.3	4.3	4.3
Other financial liabilities at amortised cost:					
Trade payables.....	211.1	203.5	215.8	194.5	202.6
Other payables.....	30.4	22.9	20.7	28.0	25.7
Accruals.....	120.8	163.8	189.8	181.1	176.3
Borrowings	494.2	491.4	401.9	422.6	401.0
Finance leases.....	2.1	4.9	4.7	4.6	4.3
	866.5	893.3	837.3	835.8	814.9

The fair value of loans and receivables approximates to their carrying value due to the short term nature of the receivables. Fair values for the derivative financial instruments, other payables and the call option on the Senior Secured Notes due 2020 have been determined as level 2 under IFRS 7 'Financial Instruments: Disclosures'. Quoted prices are not available for the derivative financial instruments and so valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves and currency rates. The call option fair value uses an estimate of the Company's credit spread at the valuation date with the main valuation input being the GBP Interest rate swap curve.

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.

There have been no changes to fair values as a result of a change in credit risk of the Group or the Group's customers.

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 and mitigate against these risks where possible and does this by constantly monitoring and using a range of measures including 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:

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

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.

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 26 week period to 01 July 2017, the Euro strengthened against Pound Sterling by 2.8%, with the closing rate at €1.1389 compared to €1.1715 at the prior period end. The average rate for the 26 week period to 01 July 2017 was €1.1617, a 5.0% strengthening of the Euro versus the prior period.

In the same period Pound Sterling strengthened against the US dollar by 5.1%, with the closing rate at $1.2990 compared to $1.2357 at the prior period end. The average rate for the period to 01 July 2017 was $1.2599, a 6.9% strengthening of the US dollar versus the prior period.

The net foreign exchange impact on profit from transactions is a loss of £1.3 million, 25 June 2016: gain of £0.2 million, 2016: loss of £0.8 million, 2015: gain of £0.1 million, 2014: gain of £0.4 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*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Euro	(5.5)	(4.0)	(6.1)	(4.8)	(7.9)	6.8	4.9	7.4	5.8	9.7
USD	(2.3)	(1.3)	(1.5)	(0.9)	(3.5)	2.8	1.6	1.8	1.1	4.3
HKD	(0.1)	(0.3)	(0.2)	(0.2)	(0.1)	0.2	0.2	0.3	0.2	0.1
RMB	0.2	(0.1)	(0.1)	(0.1)	(0.4)	(0.3)	0.1	0.2	0.1	0.5

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 31 December 2016:

	Foreign currency (million)			*Average exchange rate*			*Contract value (£ million)*			*Fair value (£ million)*		
Outstanding contracts	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*
Net Euros:												
3 months or less	38.5	33.1	35.2	1.24	1.35	1.19	31.1	24.6	28.9	(1.2)	(0.3)	1.3
3 to 6 months	27.5	21.3	27.2	1.23	1.34	1.18	22.4	15.9	22.7	(0.6)	(0.2)	0.6
6 to 12 months	25.3	20.7	29.4	1.24	1.36	1.16	20.4	15.0	25.1	(0.4)	0.3	0.2
Over 12 months	2.0	5.9	10.8	1.25	1.36	1.15	1.6	4.3	9.4	–	0.1	(0.1)
Net US Dollars:												
3 months or less	30.4	3.4	5.4	1.58	1.53	1.35	19.2	2.2	4.0	0.3	–	0.3
3 to 6 months	2.5	4.2	11.9	1.67	1.50	1.34	1.5	2.8	9.3	0.1	–	0.2
6 to 12 months	2.4	7.0	3.9	1.60	1.50	1.25	1.5	4.7	3.0	0.1	0.1	0.2
Over 12 months	0.1	3.0	0.1	1.57	1.49	1.26	–	2.1	0.1	–	–	–
							97.7	71.6	102.5	(1.7)	–	2.7

The following table details Sterling foreign currency contracts outstanding as at 01 July 2017:

	Foreign currency (million)		*Average exchange rate*		*Contract value (£ million)*		*Fair value (£ million)*	
Outstanding contracts	*25 June 2016 (unaudited)*	*01 July 2017*	*25 June 2016 (unaudited)*	*01 July 2017*	*25 June 2016 (unaudited)*	*01 July 2017*	*25 June 2016 (unaudited)*	*01 July 2017*
Net Euros:								
3 months or less	29.8	31.0	1.31	1.16	22.7	26.6	1.3	0.7
3 to 6 months	21.2	28.2	1.28	1.17	16.0	24.2	1.0	0.6
6 to 12 months	27.8	46.4	1.27	1.16	21.5	40.2	0.9	0.9
Over 12 months	5.2	22.2	1.25	1.16	4.1	19.2	0.1	0.5
Net US Dollars:								
3 months or less	4.9	33.7	1.48	1.27	3.3	26.4	0.2	(0.5)
3 to 6 months	3.9	11.3	1.48	1.27	2.7	8.8	0.2	(0.1)
6 to 12 months	4.0	3.0	1.48	1.27	2.7	2.4	0.1	(0.1)
Over 12 months	–	0.2	–	1.29	–	0.1	–	–
					73.0	147.9	3.8	2.0

The following table details the US dollar foreign currency contracts outstanding as at 31 December 2016:

	Foreign currency (million)			*Average exchange rate*			*Contract value (US$ million)*			*Fair value (US$ million)*			*Fair value (£ million)*		
Outstanding contracts	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*
Net Canadian Dollars:															
Less than 3 months	–	–	2.1	–	–	1.33	–	–	2.8	–	–	–	–	–	–
3 to 6 months	–	–	1.1	–	–	1.33	–	–	1.4	–	–	–	–	–	–
							–	–	4.2	–	–	–	–	–	–

The following table details the US dollar foreign currency contracts outstanding as at 01 July 2017:

	Foreign currency (million)		*Average exchange rate*		*Contract value (US$ million)*		*Fair value (US$ million)*		*Fair value (£ million)*	
Outstanding contracts	*25 June 2016 (unaudited)*	*01 July 2017*	*25 June 2016 (unaudited)*	*01 July 2017*	*25 June 2016 (unaudited)*	*01 July 2017*	*25 June 2016 (unaudited)*	*01 July 2017*	*25 June 2016 (unaudited)*	*01 July 2017*
Net Canadian Dollars:										
Less than 3 months	2.1	0.4	1.33	1.31	1.6	0.3	–	–	–	–
3 to 6 months	0.4	–	1.30	–	0.3	–	–	–	–	–
6 to 12 months	1.4	–	1.27	–	1.1	–	–	–	–	–
					3.0	0.3	–	–	–	–

The following table details the Euro foreign currency contracts outstanding as at 31 December 2016:

	Foreign currency (million)			*Average exchange rate*			*Contract value (US$ million)*			*Fair value (US$ million)*			*Fair value (£ million)*		
Outstanding contracts	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*
Sell US Dollars:															
3 to 6 months	2.5	–	–	1.21	–	–	2.0	–	–	(0.1)	–	–	(0.1)	–	–
6 to 9 months	4.0	–	–	1.21	–	–	3.3	–	–	(0.1)	–	–	(0.1)	–	–
							5.3	–	–	(0.2)	–	–	(0.2)	–	–

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 and caps to minimise the risk associated with variable interest rates. At the period end 18.5% of the Group's borrowings were covered by an interest rate cap, this was 18.7% at 31 December 2016. At 25 June 2016, there was an interest rate swap that covered 15.0% of the Group's borrowings, 2015: 12.9%, 2014 12.8% of the Group's borrowings. In addition the Group has in issue £nil, 25 June 2016: £117 million, 2016: £117 million, 2015: £192 million, 2014: £332 million, of 8.25% and for 25 June 2016, 2016, 2015 and 2014 £150 million of 8.75% fixed rate Senior Secured Notes that are both listed on the Irish Stock Exchange (see note 24). 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) 26 December 2015*	*Profit/(loss) 31 December 2016*	*Profit/(loss) 25 June 2016*	*Profit/(loss) 01 July 2017*
Effects of 100 basis points increase in interest rate	0.5	(0.9)	(0.9)	(0.8)	(3.6)
Effects of 100 basis points decrease in interest rate	(0.5)	0.9	1.4	0.8	4.1

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

Interest rate cap/swaps

The Group has entered into an interest rate cap agreement following the maturity of an interest rate swap in September 2016. This is to mitigate the risk of changing interest rates on the outstanding variable rate borrowings. The fair value of the interest rate cap 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 following table details the notional principal amounts and remaining terms of interest rate cap/swap contracts outstanding as at 31 December 2016:

	Average contract fixed interest rate			*Notional principal amount*			*Fair value*		
	2014	*2015*	*2016*	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*
	%	*%*	*%*	*£ million*	*£ million*	*£ million*	*£ million*	*£ million*	*£ million*
Interest rate swaps 9 to 12 months	4.90	4.90	–	63.2	63.2	–	(4.5)	(2.0)	–
Interest rate caps Over 12 months	–	–	0.75	–	–	75.0	–	–	0.3

The following table details the notional principal amounts and remaining terms of interest rate cap/swap contracts outstanding as at 01 July 2017:

	Average contract fixed interest rate		*Notional principal amount*		*Fair value*	
	25 June 2016	*01 July 2017*	*25 June 2016*	*01 July 2017*	*25 June 2016*	*01 July 2017*
	%	*%*	*£ million*	*£ million*	*£ million*	*£ million*
Interest rate swaps 9 to 12 months	4.90	–	63.2	–	(0.7)	–
Interest rate caps Over 12 months	–	0.75	–	75.0	–	0.2

The interest rate cap settles on a quarterly basis. The Group will receive payment if the 3 month Libor rate exceeds the agreed cap of 0.75%.

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 77%, 25 June 2016: 77%, 2016: 77%, 2015: 77%, 2014: 78%, of the Group's revenue from continuing operations. 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 £285 million term loan, 25 June 2016: £145 million, 2016: £135 million, 2015: £150 million, 2014: £10 million, and a £200 million, 25 June 2016: £70 million, 2016: £70 million RCF facility for 2016, 2015 and 2014, through a bank syndicate. Coöperatieve Rabobank U.A. 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 Historical Financial Information, 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 to ensure that adequate liquidity is available to meet the maturity profiles of financial 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.

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*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Due within one year:					
Trade payables	211.1	203.5	215.8	194.5	202.6
Other payables	31.2	26.9	24.6	31.9	29.6
Accruals	120.8	163.8	189.8	181.1	176.3
Derivative financial instruments	6.9	2.5	–	0.7	0.7
Borrowings	1.9	10.0	10.0	20.0	–
Finance leases	0.4	0.5	0.7	0.5	0.7
Interest on borrowings	41.0	33.7	31.2	29.2	16.1
Total due within one year	413.3	440.9	472.1	457.9	426.0
In the second to fifth years inclusive:					
Other payables	0.2	0.3	0.4	0.4	0.4
Derivative financial instruments	–	–	0.1	–	–
Borrowings	344.8	481.9	391.9	401.9	330.0
Finance leases	1.3	2.8	2.8	2.7	2.5
Interest on borrowings	120.7	75.4	39.6	48.8	43.9
Total due in the second to fifth years	467.0	560.4	434.8	453.8	376.8
Due after five years:					
Borrowings	150.0	–	–	–	75.0
Finance leases	0.4	1.6	1.2	1.4	1.1
Interest on borrowings	6.6	–	–	–	6.9
Total due after five years	157.0	1.6	1.2	1.4	83.0

The weighted average interest rates for the Group's borrowings are found in note 24 and in note 27 for finance leases.

Items of income, expense, gains or losses

The following table provides an analysis of the Group's investment revenue, finance costs and changes in fair values by category of financial instrument:

£ million	*52 weeks ended 27 December 2014*	*52 weeks ended 26 December 2015*	*53 weeks ended 31 December 2016*	*26 weeks ended 25 June 2016 (unaudited)*	*26 weeks ended 01 July 2017*
Interest revenue					
On loans and receivables at amortised cost	0.3	0.3	0.1	–	–
Finance costs					
On financial liabilities held at fair value through profit and loss	(2.7)	(2.7)	(2.1)	(1.4)	–
On financial liabilities held at amortised cost	(50.4)	(52.8)	(36.7)	(20.4)	(27.0)
	(53.1)	(55.5)	(38.8)	(21.8)	(27.0)
Changes in fair values recognised in Other gains and (losses)					
On financial liabilities held at fair value through profit and loss	1.5	11.6	11.1	0.7	(18.1)

31. Share capital and reserves

Share capital

£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Issued and fully paid:					
104,774,006 (2016: 104,774,006, 25 June 2016: 117,279,611, 2015: 117,279,611, 2014: 117,279,611) Ordinary shares of £0.01 each	1.2	1.2	1.0	1.2	1.0
Nil (2015: Nil, 2014: 96,647,644) Deferred shares of £0.99 each	95.6	–	–	–	–
	96.8	1.2	1.0	1.2	1.0

The Group paid £33,822,000 for the buyback of 12,505,605 of the Ordinary shares of £0.01 each in the Company on 16 November 2016 as required under the terms of the transaction of 25 January 2016 that resulted in Bakk AL Holdings Limited becoming the parent undertaking of the Company. Following the buyback Bakk AL Holdings Limited owns 100% of the Ordinary shares of the Company.

On 28 April 2015, the Company agreed to a buyback of the 96,647,644 deferred shares of £0.99 each for a total consideration of £1 which resulted in a credit of £95.6 million to the Capital reserve.

On 11 May 2015, Bakkavor Group Limited declared an interim dividend for the period ended 26 December 2015 of 2.90p per share to each of the Ordinary shareholders totalling £3,400,000 which was paid on 21 May 2015. No dividends have been declared in the periods ended 27 December 2014, 31 December 2016 and 01 July 2017.

All Ordinary shares of £0.01 each are non-redeemable and carry equal voting rights and rank for dividends and capital distributions, whether on a winding up or otherwise.

Share premium

In April 2015, a resolution was passed to cancel the whole of the Group's share premium account of £218,350,092, as part of a capital reduction proposal which increased the distributable reserves of the Group.

Merger reserve

In 2007, a corporate reorganisation was completed to establish Bakkavor Group Limited as an intermediate holding company of the Group and was accounted for based on the carrying value prior to the merger.

Capital reserve

Following the buyback on 16 November 2016, £0.2 million was credited to the capital reserve. In 2015, £95.6 million was credited following the buyback of the deferred shares as noted above.

In 2012, Bakkavor Group Limited assumed responsibility of ultimately settling a disputed liability to Kaupthing Bank on behalf of Bakkavor Group ehf, in relation to an interest swap arrangement and in that respect 1,554,310 ordinary shares of £0.01 each in the capital of the Company have been provisionally allotted. The fair value of these shares as at the date of the agreement was determined to be £1.0 million. As a result of this transaction a debit of £1.0 million was recorded in reserves with a liability of £1.0 million recognised in Trade and other payables. The liability is required to be held at fair value and at 31 December 2016 this value amounted to £4.3 million, 2015: £4.3 million, 2014: £1 million, 01 July 2017 and 25 June 2016: £4.3 million.

In 2009, £4.0 million was credited to the capital reserve 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.

32. Non-controlling interests

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

Name of subsidiary	*Place of registration and operation*	*Proportion of non-controlling voting interests 2014*	*Profit allocated to non-controlling interests 2014*	*Accumulated non-controlling interests 2014*
Italpizza S.r.l	Italy	40%	0.7	8.8

During 2014, the Group disposed of 40% of its interest in Italpizza S.r.l, which was accounted for as an equity transaction, as the Group retains control of the operations.

There were no non-wholly owned subsidiaries of the Group in 2015 and 2016.

The summarised information below represents amounts, before intragroup eliminations, of Italpizza S.r.l, The Group's subsidiary with material non-controlling interests.

ITALPIZZA S.R.L

£ 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 the Group's material non-controlling interest relating to Italpizza S.r.l, which was sold on 14 July 2015. Note 33 provides further information on the disposal if Italpizza S.r.l.

£ million	*Non-controlling interests*
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
Share of profit for the period	1.3
Disposal of subsidiary	(8.0)
Dividends paid	(1.3)
Exchange differences	(0.8)
Balance at 26 December 2015, 31 December 2016, 25 June 2016 & 01 July 2017	–

33. Disposals

26 weeks ended 01 July 2017

There have been no disposals in the period.

26 weeks ended 25 June 2016

There have been no disposals in the period.

2016

Disposal of subsidiary

On 1 August 2016, the Group completed the sale of the trade and assets of its Belgian fresh prepared food business, NV Vaco BV, to Culinor Food Group for a cash consideration of €3.2 million (£2.7 million). The transaction has resulted in a profit on disposal of £0.1 million being recorded in the consolidated income statement. The net assets of the business at the date of disposal were as follows:

£ million	*01 August 2016*
Property, plant and equipment	4.7
Inventories	1.5
Trade and other receivables	5.7
Trade and other payables	(7.2)
Net assets	4.7
Disposal costs	0.4
Recycle net foreign exchange gain	(2.5)
Profit on disposal	0.1
Total cash consideration	2.7

£ million	01 August 2016
The cash inflow arising on disposal of the business was as follows:	
Total cash consideration	2.7
Disposal costs	(0.4)
Net cash consideration	2.3
Consideration in escrow	(0.4)
Net cash consideration received	1.9

In July 2016, the Group received a further £0.5 million cash consideration in relation to its French and Spanish businesses that were sold in April 2013. This has been disclosed in the income statement within discontinued operations.

2015

Disposal of subsidiary

On 14 July 2015, the Group completed the sale of its remaining 60% stake in Italpizza S.r.l, its Italian Pizza manufacturing business, to Dreamfood S.r.l. for a cash consideration of £22.0 million (€ 31.0 million). This transaction resulted in a profit on disposal of £10.4 million being recorded in the income statement within discontinued operations. The net assets of Italpizza S.r.l on the date of disposal were as follows:

£ million	14 July 2015
Goodwill	13.9
Other intangible assets	1.4
Property, plant and equipment	3.3
Deferred tax asset	0.1
Inventories	5.1
Trade and other receivables	13.8
Cash and cash equivalents	1.5
Trade and other payables	(10.6)
Corporation tax payable	(1.0)
Borrowings	(7.7)
Deferred tax liability	(0.3)
Derivative financial instruments	(0.1)
Net assets	19.4
Group's 60% share of net assets	11.6
Profit on disposal	10.4
Total cash consideration	22.0

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

£ million	14 July 2015
Total cash consideration	22.0
Cash disposed of with business	(1.5)
Net cash consideration received	20.5

Disposal of associate

On 9 December 2015, the Group sold its 27.5% share in its associate Manor Fresh Limited, a supplier of fresh produce based in the United Kingdom for a cash consideration of £6.0 million. The transaction has resulted in a profit on sale of associate of £5.2 million being recorded in the income statement.

2014

Disposal of investment

On 7 May 2014, the Group completed the sale of 40% of its 100% holding in Italpizza S.r.l 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.

Disposal of subsidiary

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*
Property, plant and equipment	0.6
Inventories	1.2
Trade and other receivables	3.1
Cash and cash equivalents	2.4
Trade and other payables	(2.8)
Derivative financial instruments	(2.1)
Net assets	2.4
Disposal costs	0.6
Recycle net foreign exchange losses	1.7
Profit on disposal	1.9
Total cash consideration	6.6

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.

34. Acquisitions

26 weeks ended 01 July 2017

There have been no acquisitions in the period.

26 weeks ended 25 June 2016

There have been no acquisitions in the period.

2016

There have been no acquisitions in the period.

2015

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 Unites States of America for a cash consideration of £19.6 million (US$ 30.5 million). The primary reason for the acquisition was to increase the Group's presence in the US.

The amounts recognised in respect of the fair value of the identifiable assets acquired and liabilities assumed are as set out in the table below:

£ million	
Other intangible assets	3.2
Property, plant and equipment	1.0
Inventories	0.9
Net identifiable assets acquired	5.1
Goodwill	14.5
Total consideration	19.6

The cash inflow arising on acquisition of the business was as follows:	
Total cash consideration	19.6

The results of B. Robert's Foods have been consolidated in the Group's consolidated income statement from 12 January 2015 and contributed £22.3 million of revenue and profit of £2.9 million to the Group's profit for the period.

If the acquisition had been completed on the first day of the financial period, Group revenues would have been £1,675.3 million and Group profit would have been £53.9 million.

The goodwill arising on acquisition is principally related to the synergies expected to arise through the Group's increased presence in the US. The goodwill is tax deductible over a fifteen year period.

2014

There have been no acquisitions in the period.

35. Notes to the statement of cash flows

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Operating profit					
– continuing operations	63.4	90.7	91.5	45.7	54.6
– discontinued operations	4.8	15.3	0.5	–	–
	68.2	106.0	92.0	45.7	54.6
Adjustments for:					
Share of results of associates	(1.0)	(0.8)	(0.7)	(0.4)	(0.3)
Depreciation of property, plant and equipment	36.0	35.9	37.2	18.7	18.6
Amortisation of intangible assets	8.7	6.1	2.2	1.5	0.4
(Profit)/loss on disposal of property, plant & equipment	(1.0)	0.2	0.1	–	0.3
Profit on disposal of subsidiaries (note 33)	(1.8)	(10.4)	(0.6)	–	–
Profit on disposal of associate (note 33)	–	(5.2)	–	–	–
Impairment of assets	4.1	–	8.2	–	–
Net retirement benefits charge less contributions	(3.8)	(3.8)	(1.5)	(1.1)	(1.0)
Operating cash flows before movements in working capital	109.4	128.0	136.9	64.4	72.6
(Increase)/decrease in inventories	(5.6)	1.7	(3.4)	5.1	3.8
(Increase)/decrease in receivables	(12.8)	3.3	(12.6)	(12.3)	19.2
Increase/(decrease) in payables	45.6	43.2	43.1	14.4	(27.0)
(Decrease)/increase in provisions	(0.3)	2.0	0.2	0.4	(0.2)
Increase/(decrease) in exceptional creditor	0.8	(1.7)	0.4	0.9	2.6
Cash generated by operations	137.1	176.5	164.6	72.9	71.0
Income taxes paid	(1.0)	(18.2)	(13.3)	(4.1)	(5.6)
Interest paid	(49.7)	(53.3)	(39.2)	(20.5)	(30.9)
Net cash from operating activities	86.4	105.0	112.1	48.3	34.5

36. 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 Historical Financial Information. 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.

The Group has the following amounts of Letters of Credit issued:

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Letters of Credit	1.5	1.5	1.5	1.5	2.2

As at 01 July 2017, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £102.1 million, 2016: £102.4 million, 2015: £112.5 million and 2014: £115.9 million.

37. Operating lease arrangements

The Group as lessee

£ million	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Continuing operations					
Minimum lease payments under operating leases recognised as an expense in the period	11.8	12.4	12.1	6.7	7.8

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	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
Operating leases which expire:										
Within one year	7.1	7.7	5.3	5.1	5.3	3.6	3.6	3.2	3.3	3.5
Within two to five years	26.5	25.6	25.9	25.4	26.3	5.0	5.9	5.5	5.7	6.0
After five years	42.1	51.0	63.0	59.9	55.3	0.1	–	0.1	–	0.1
	75.7	84.3	94.2	90.4	86.9	8.7	9.5	8.8	9.0	9.6

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.

38. 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	27 December 2014	26 December 2015	31 December 2016	25 June 2016 (unaudited)	01 July 2017
UK defined benefit scheme net charge	0.8	0.7	1.1	0.5	0.6
UK defined contribution scheme net charge	6.1	5.9	6.2	2.3	4.3
Overseas defined contribution scheme net charge	0.2	0.1	0.1	–	0.2
Total charge	7.1	6.7	7.4	2.8	5.1

Defined contribution schemes

The total cost charged to income of £4.5 million, 25 June 2016: £2.8 million, 2016: £6.3 million, 2015: £6.0 million and 2014: £6.3 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 ends for the defined contribution schemes at 01 June 2017, 25 June 2016, 2016, 2015 and 2014.

Defined benefit schemes

An actuarial valuation of Scheme assets and the present value of the defined benefit obligation for funding purposes was carried out as at 31 March 2016. The results were updated for IAS 19 'Employee Benefits' purposes to 01 July 2017 by a qualified independent actuary with Willis Towers Watson. The projected unit cost method was used to value the liabilities.

The major assumptions used in this IAS 19 valuation were:

	27 December 2014	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Future pension increases (majority of liabilities)	3.00%	3.00%	3.10%	3.10%	3.10%
Discount rate applied to Scheme liabilities	3.85%	3.75%	2.55%	2.75%	2.50%
Inflation assumption (CPI)	2.15%	2.15%	2.25%	1.85%	2.25%

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

	Females expected future lifetime 27 December 2014	*Females expected future lifetime 26 December 2015*	*Females expected future lifetime 31 December 2016*	*Males expected future lifetime 27 December 2014*	*Males expected future lifetime 26 December 2015*	*Males expected future lifetime 31 December 2016*	*Males expected future lifetime 25 June 2016*	*Females expected future lifetime 25 June 2016*	*Males expected future lifetime 01 July 2017*	*Females expected future lifetime 01 July 2017*
Member aged 45	44.1	44.3	44.3	41.9	42.1	42.1	42.1	44.3	41.7	43.9
Member aged 65	24.3	24.4	24.5	22.3	22.4	22.4	22.4	24.5	22.3	24.4

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 £48.9 million/increase £65.7 million
Rate of inflation	Increase/decrease by 0.5%	Increase £19.6 million/decrease £19.8 million
Life expectancy	Members assumed to be one year younger than their actual age	Increase £10.3 million

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

£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Past service cost	0.1	–	–	–	–
Net interest on net defined benefit asset/liability	(0.3)	(0.3)	0.1	0.1	0.1
Administration costs incurred during the period	1.0	1.0	1.0	0.4	0.5
Total charge	0.8	0.7	1.1	0.5	0.6

All of the charges for each period presented have been included in total administrative expenses. The actuarial gain of £5.7 million, 25 June 2016: £6.7 million loss, 2016: £7.6 million loss, 2015: £14.4 million loss, 2014: £0.3 million gain, has been reported in other comprehensive income.

The actual return on Scheme assets for the 26 weeks ended 01 July 2017 was an increase of £10.7 million, 26 weeks ended 25 June 2016: £35.8 million increase 2016: £55.4 million increase, 2015: £1.7 million decrease, 2014: £31.7 million decrease.

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*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Fair value of Scheme assets	220.2	211.2	252.6	243.0	259.1
Present value of defined benefit obligations	(213.5)	(215.1)	(262.6)	(252.5)	(262.4)
Scheme surplus/(deficit)	6.7	(3.9)	(10.0)	(9.5)	(3.3)
Related deferred taxation (liability)/ asset (note 26)	(1.3)	0.7	1.7	1.9	0.5
	5.4	(3.2)	(8.3)	(7.6)	(2.8)

The assumptions used 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*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Opening balance	(188.6)	(213.5)	(215.1)	(215.1)	(262.6)
Interest cost on the DBO	(8.5)	(8.1)	(7.8)	(4.0)	(3.3)
Benefits paid from scheme assets	6.3	10.8	15.6	5.2	5.3
Actuarial gain – experience	(0.2)	–	6.6	–	–
Actuarial loss – financial assumptions	(22.4)	(4.3)	(61.9)	(38.6)	(2.8)
Actuarial gain – demographic assumptions	–	–	–	–	1.0
Past service cost	(0.1)	–	–	–	–
Closing balance	(213.5)	(215.1)	(262.6)	(252.5)	(262.4)

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

£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Opening balance	191.2	220.2	211.2	211.2	252.6
Interest income on scheme assets	8.8	8.4	7.7	3.9	3.2
Return on scheme assets greater/(less) than discount rate	22.9	(10.1)	47.7	31.9	7.5
Contributions from the sponsoring Companies	4.6	4.5	2.6	1.6	1.6
Benefits paid from scheme assets	(6.3)	(10.8)	(15.6)	(5.2)	(5.3)
Administrative costs paid	(1.0)	(1.0)	(1.0)	(0.4)	(0.5)
Closing balance	220.2	211.2	252.6	243.0	259.1

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

	Fair value of assets				
£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Structured UK equity	6.6	5.4	6.0	–	10.2
Overseas equity	32.9	31.0	32.9	26.5	34.8
High yield bonds	20.6	26.3	47.1	40.9	46.7
Property	9.1	–	–	–	–
Corporate bonds	48.7	45.6	19.4	39.3	8.0
Fixed interest government bonds	8.2	–	–	–	–
Index linked government bonds	65.0	63.4	118.8	94.1	109.6
Cash	17.6	21.7	13.1	27.3	32.8
Other	11.5	17.8	15.3	14.9	17.0
	220.2	211.2	252.6	243.0	259.1

Structured UK equity provides exposure to UK equities but is a derivative based solution and not a direct investment in equities. A proportion of the Index linked government bonds are held as collateral against the Structured UK equity product.

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 two multi-asset funds which invest in a wide range of assets including alternative asset classes. In the summary above, the multi-asset 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 at 31 March 2016 was finalised in April 2017.

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 22 years.

The actual amount of employer contributions expected to be paid to the pension scheme during 2017 is £3.9 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 the 26 weeks ended 01 July 2017, 26 weeks ended 25 June 2016, 2016 and 2015 the total contributions made in respect of this benefit were £nil and for 2014, £0.1 million.

The current deficit reduction contributions were agreed between the Group and the Trustees as part of the 2016 triennial valuation. The deficit contributions will be paid over an eight year recovery period ending on 31 March 2024. The recovery contributions are paid monthly and the agreed rates are £2.0 million in the year ended 31 March 2017, £4.5 million in the year ending 31 March 2018, £3.5 million in the year ending 31 March 2019 and £2.5 million per annum in subsequent years until 31 March 2024. £2.6 million was paid over the year to 31 December 2016.

39. 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.

Trading transactions

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

	Amounts owed from related parties					*Amounts owed to related parties*				
£ million	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*	*27 December 2014*	*26 December 2015*	*31 December 2016*	*5 June 2016 (unaudited)*	*01 July 2017*
Bakkavor Group ehf.....	2.9	3.1	–	–	–	2.5	2.6	–	–	–

The amount owed from Bakkavor Group ehf to Bakkavor Finance ehf, of £nil at 01 July 2017, 25 June 2016: £nil, 2016: £nil, 2015: £3.1 million, 2014: £2.9 million, is included within the current assets section under Trade and other receivables. In 2014, interest of £0.2 million was received on the loan and there was a £0.1 million foreign exchange loss. In 2015, interest of £0.2 million was received on the loan and in the 26 weeks ended 25 June 2016 the loan balance of £3.1 million was written off as part of the winding up of Bakkavor Group ehf.

The amount owed to Bakkavor Group ehf by Bakkavor Group Ltd, of £nil at 01 July 2017, 25 June 2016: £nil, 2016: £nil , 2015: £2.6 million, 2014: £2.5 million, is included in the current liabilities section within Trade and other payables. In 2014, there was a foreign exchange gain of £0.1 million on the loan. In 2015, there was a £0.1 million foreign exchange loss and in the 26 weeks ended 25 June 2016 the loan balance of £2.6 million was written off as part of the winding up of Bakkavor Group ehf.

The amounts outstanding are unsecured. No guarantees have been given or received. The write off of these loans with Bakkavor Group ehf has been included as an expense in Other administrative costs in the income statement for the 26 weeks ended 26 June 2016 and the 53 weeks ended 31 December 2016.

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	*27 December 2014*	*26 December 2015*	*31 December 2016*	*25 June 2016 (unaudited)*	*01 July 2017*
Short-term employee benefits	5.5	5.4	5.4	2.9	3.4
Post-employment benefits.....	0.3	0.2	0.1	–	–
	5.8	5.6	5.5	2.9	3.4

40. Events after the statement of financial position date

There are no reportable events after the date of 01 July 2017.

Part 12

Unaudited Pro Forma Financial Information

Section A: Unaudited pro forma financial information

The unaudited pro forma financial information set out below has been prepared to illustrate the impact of the proceeds raised through the Offer on the consolidated net assets of the Group. The unaudited Pro forma net assets statement is based on the consolidated net assets of the Group at 1 July 2017 and has been prepared on the basis that the Offer took place on 1 July 2017. The unaudited pro forma financial information is compiled on the basis set out below and in accordance with the accounting policies to be applied in preparing the audited accounts of the Group for the financial year ending 30 December 2017.

Because of its nature, the unaudited pro forma information addresses hypothetical situations and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The unaudited pro forma information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation.

	Consolidated net assets of the Group as at 1 July 2017[1]	*Adjustments for net proceeds of the Offer*[2]	*Pro forma*[3]
		(£ million)	
Non-current assets			
Goodwill	649.1	–	649.1
Other intangible assets	3.1	–	3.1
Property, plant and equipment	308.5	–	308.5
Interests in associates	12.5	–	12.5
Other investments	0.1	–	0.1
Derivative financial instruments	0.7	–	0.7
Retirement benefit asset	–	–	–
	974.0	–	974.0
Current assets			
Inventories	55.4	–	55.4
Trade and other receivables	171.4	–	171.4
Cash and cash equivalents	37.1	86.0	123.1
Derivative financial instruments	2.2	–	2.2
	266.1	86.0	352.1
Total assets	1,240.1	86.0	1,326.1
Current liabilities			
Trade and other payables	(410.4)	–	(410.4)
Current tax liabilities	(4.3)	–	(4.3)
Borrowings	(0.7)	–	(0.7)
Obligations under finance leases	(0.7)	–	(0.7)
Provisions	(2.2)	–	(2.2)
Derivative financial instruments	(0.7)	–	(0.7)
Deferred income	(0.7)	–	(0.7)
	(419.7)	–	(419.7)

	Consolidated net assets of the Group as at 1 July 2017[1]	*Adjustments for net proceeds of the Offer*[2]	*Pro forma*[3]
		(£ million)	
Non-current liabilities			
Trade and other payables	(0.4)	–	(0.4)
Borrowings	(400.3)	–	(400.3)
Obligations under finance leases	(3.6)	–	(3.6)
Provisions	(12.2)	–	(12.2)
Derivative financial instruments	–	–	–
Deferred tax liabilities	(11.5)	–	(11.5)
Retirement benefit obligation	(3.3)	–	(3.3)
Deferred income	(2.5)	–	(2.5)
	(433.8)	–	(433.8)
Total liabilities	(853.5)	–	(853.5)
Net assets	386.6	86.0	472.6

Notes:

(1) The financial information of the Company has been extracted from the historical financial information as at 1 July 2017 as set out under Part 11: "Historical Financial Information" of this Prospectus.

(2) The adjustment reflects the receipt by the Company of net proceeds from the Offer of approximately £86 million of the total gross proceeds from the Offer of approximately £100 million (in each case through the issue of New Ordinary Shares). The fees and expenses relating to the Offer to be paid by the Company are expected to be approximately £14 million.

(3) Other than the adjustments detailed above, no other adjustments have been made for events occurring after 1 July 2017.

Deloitte.

Deloitte LLP
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London
EC4A 3BZ

The Board of Directors
on behalf of Bakkavor Group plc
Fitzroy Place
5th Floor
8 Mortimer Street
London
W1T 3JJ

HSBC Bank plc
8 Canada Square
London
E14 5HQ

10 November

Dear Sirs/Madams

Bakkavor Group plc (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part 12—"Unaudited Pro Forma Financial Information" of the prospectus dated 10 November 2017 (the "Prospectus"), which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 30 December 2017. This report is required by the Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.co.uk/about to learn more about our global network of member firms.

Part 13

Details of the Offer

Background

Pursuant to the Offer, the Company intends to issue 55,555,555 New Shares, raising proceeds of approximately £86 million, net of underwriting commissions and other estimated fees and expenses to be paid by the Company of approximately £14 million. The New Shares will represent approximately 9.6% of the expected issued ordinary share capital of the Company immediately following Admission.

Approximately 89,300,842 Existing Shares are expected to be sold by the Selling Shareholders.

In the Offer, Shares will be offered (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States and (ii) in the United States only to qualified institutional buyers in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

Certain restrictions that apply to the distribution of this Prospectus and the Shares being issued and sold under the Offer in jurisdictions outside the United Kingdom are described below.

When admitted to trading, the Shares will be registered with ISIN number GB00BF8J3Z99 and SEDOL (Stock Exchange Daily Official List) number BF8J3Z9 and trade under the symbol "BAKK".

Immediately following Admission, it is expected that in excess of 25.0% of the Company's issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.1.19 of the Listing Rules).

Reasons for the Offer and use of proceeds

The Directors believe that the Offer will:

- enable the Group to reduce its current leverage;
- enable further investment in the business; and
- provide a partial realisation of the investment in the Group by certain existing shareholders.

The Company intends to use the net proceeds from the issue of the New Shares to fund new investments and general corporate purposes.

Proceeds will also be used to pay fees and expenses related to the Offer, which are estimated to total approximately £14 million.

Allocation

The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes. The Shares allocated under the Offer have been underwritten, subject to certain conditions, by the Underwriters as described in the paragraph headed "Underwriting arrangements" below and in paragraph 9 of Part 14—"Additional Information". Allocations under the Offer will be determined by the Company and the Selling Shareholders following consultation with the Joint Global Coordinators. All Shares issued or sold pursuant to the Offer will be issued or sold, payable in full, at the Offer Price. Liability for UK stamp duty and stamp duty reserve tax is described in paragraph 13 of Part 14—"Additional Information".

Dealing arrangements

The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors, the Selling Shareholders and the Underwriters. Further details of the Underwriting Agreement are described in paragraph 9.1 of Part 14—"Additional Information".

It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 16 November 2017. Settlement of dealings from that date will be on a two-day rolling basis.

Each investor will be required to undertake to pay the Offer Price for the Shares issued or sold to such investor in such manner as shall be directed by the Joint Global Co-ordinators.

It is expected that Shares allocated to investors in the Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

CREST

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. With effect from Admission, the Articles will permit the holding of Shares in the CREST system.

Application has been made for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any shareholder so wishes. CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so.

Underwriting arrangements

The Underwriters have entered into commitments under the Underwriting Agreement pursuant to which they have agreed, subject to certain conditions, to procure subscribers for the New Shares to be issued by the Company and purchasers for the Existing Shares to be sold by the Selling Shareholders in the Offer, or, failing which, themselves to subscribe for or purchase such Shares, at the Offer Price. The Underwriting Agreement contains provisions entitling the Underwriters to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse and any moneys received in respect of the Offer will be returned to applicants without interest. The Underwriting Agreement provides for the Underwriters to be paid commission in respect of the New Shares issued and the Existing Shares sold. Any commissions received by the Underwriters may be retained, and any Shares acquired by them may be retained or dealt in, by them, for their own benefit.

Further details of the terms of the Underwriting Agreement are set out in paragraph 9.1 of Part 14—"Additional Information – Underwriting arrangements". Certain selling and transfer restrictions are set out below.

Lock-up arrangements

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators and Peel Hunt, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement and related arrangements, the Selling Shareholders and the Directors have agreed that, subject to certain exceptions, during the period of 180 days in respect of the Selling Shareholders, and 365 days in respect of the Directors, in each case from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators and Peel Hunt, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Selling restrictions

The distribution of this Prospectus and the offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This prospectus does not constitute an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") no Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained to each such proposed offer or resale. The Company, the Selling

Shareholders, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Joint Global Co-ordinators, be permitted to acquire Shares in the Offer.

United States

The Shares have not been and will not be registered under the US Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer of the Shares an offer or sale of Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

The Underwriting Agreement provides that the Underwriters may directly or through their respective United States broker-dealer affiliates arrange for the offer and resale of Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

Each acquirer of Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

(a) it is (a) a QIB within the meaning of Rule 144A, (b) acquiring the Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (c) acquiring the Shares for investment purposes, and not with a view to further distribution of such Shares, and (d) aware, and each beneficial owner of the Shares has been advised, that the sale of the Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

(b) it understands that the Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the US Securities Act and that the Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the US Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further (a) understands that the Shares may not be deposited into any unrestricted depositary receipt facility in respect of the Shares established or maintained by a depositary bank, (b) acknowledges that the Shares (whether in physical certificated form or in uncertificated form held in CREST) are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resale of the Shares and (c) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

(c) it understands that the Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR RESALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS; and

(d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Shares while they remain "restricted securities" within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Canada

The Shares may be sold by underwriters who are registered dealers in Canada or who are relying on the international dealer exemption under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") only to purchasers that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario) who are purchasing or deemed to be purchasing as principal, and are permitted clients, as defined in NI 31-103. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflict*s ("NI 33-105"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Australia

This Prospectus (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia ("Corporations Act"); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission ("ASIC"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors ("Exempt Investors") who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are "wholesale clients" for the purpose of section 761G of the Corporations Act.

The Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Shares, each purchaser or subscriber of Shares represents and warrants to the Company, the Selling Shareholders, the Underwriters and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Shares under this Prospectus, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Shares each purchaser or subscriber of Shares undertakes to the Company, the Selling Shareholders, the Underwriters that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Shares, offer, transfer, assign or otherwise alienate those Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

DIFC

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Shares offered should conduct their own due diligence on the Shares. If you do not understand the contents of this Prospectus you should consult an authorised financial advisor.

Hong Kong

The Shares will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong has been issued or has been possessed for the purposes of issue, or will be issued or possessed for the purposes of issue, whether in Hong Kong or elsewhere (except if permitted to do so under the securities laws of Hong Kong), other than with respect to

Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Shares have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended, the "FIEL") and disclosure under the FIEL has not been, and will not be, made with respect to the Shares. Neither the Shares nor any interest therein may be offered, sold, resold, or otherwise transferred, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, a resident of Japan is any person that is resident in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Shares have not been offered or sold made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and neither this Prospectus nor any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares have not been circulated or distributed, and will not be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

South Africa

This Prospectus will not be registered as a prospectus in terms of the Companies Act 1973 in South Africa and, as such, any offer of Shares in South Africa may only be made if it shall not be capable of being

construed as an offer to the public as envisaged by section 144 of such Act. Furthermore, any offer or sale of the Shares shall be subject to compliance with South African exchange control regulations.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company and/or the Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), and the offer of Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

Part 14

Additional Information

1. Incorporation and share capital

1.1 The Company was incorporated and registered in England and Wales on 28 September 2017 as a public company limited by shares under the Act with the name Diamond Newco plc and with the registered number 10986940.

1.2 On 9 October 2017, the Company changed its name to Bakkavor Group plc, following the renaming of Bakkavor Group Limited as Bakkavor Holdings Limited.

1.3 The Company's registered office and principal place of business is at Fitzroy Place, 5th Floor, 8 Mortimer Street, London W1T 3JJ and its telephone number is 01775 761111.

1.4 The principal laws and legislation under which the Company operates and the ordinary shares have been created are the Act and regulations made thereunder.

1.5 The share capital of the Company on incorporation was £50,000, divided into 500,000 ordinary shares of £0.10 each, all of which were allotted to Bakk AL (the "Subscriber Shareholder") and credited as fully paid on the basis of an undertaking to pay given by Bakk AL to the Company. No further shares have been issued since incorporation, except as set out in paragraph 2 below.

1.6 At a general meeting of the Company to determine the Offer Price, which was held on 9 November 2017, the following resolutions were passed by the Company's sole shareholder:

1.6.1 conditionally upon Admission, the Company adopts the Articles, a summary of which is included at paragraph 4 below;

1.6.2 the Board is authorised for the purposes of section 551 of the Act, in substitution for any prior authority conferred upon the Board, without prejudice to the continuing authority of the Board to allot Shares or grant rights to subscribe for any security convertible into Shares pursuant to an offer or agreement by the Company before the expiry of the authority under which such offer or agreement was made:

(a) to allot Shares up to an aggregate nominal amount of £10,427,400.60 to Bakk AL in connection with the Reorganisation;

(b) conditionally upon Admission, to allot New Shares, up to the aggregate nominal value of the New Shares to be issued on Admission by the Company pursuant to the Offer; and

(c) conditionally upon and following Admission, to allot Shares and to grant rights to subscribe for or to convert any security into Shares, for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date which is 15 months after the date of the general meeting at which the resolution was passed):

(A) up to an aggregate nominal amount equal to one third of the aggregate nominal value of the share capital of the Company immediately following Admission; and

(B) in connection with an offer by way of a rights issue only to holders of Shares in proportion (as nearly as practicable) to their existing holdings and to people who are holders of other equity securities if this is required by the rights of those equity securities, or if the Board considers it necessary, as permitted by the rights of those equity securities, up to an aggregate nominal amount equal to two thirds of the aggregate nominal value of the share capital of the Company on the day

following Admission (including within such limit any shares or rights issued under (i) above);

1.6.3 the Board is authorised, in substitution for any prior authority conferred upon the Board, for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date falling 15 months after the date of the general meeting at which the resolution was passed), but without prejudice to any allotments made pursuant to the terms of such authorities, to allot equity securities for cash pursuant to the resolution described in paragraph 1.6.2 above, as if section 561(1) of the Act did not apply to such allotment, such power being limited to:

(a) the allotment of Shares up to an aggregate nominal amount of £10,427,400.60 to Bakk AL in connection with the Reorganisation;

(b) the allotment of equity securities in connection with an offer of equity securities to holders of Shares in proportion (or as nearly as may be practicable) to their existing holdings and to people who are holders of other equity securities if this is required by the rights of those securities, but in each case subject to such exclusions or other arrangements as the Board deems necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(c) the allotment of equity securities for cash (other than as described at (a) above) up to an aggregate nominal amount equal to 10% of the aggregate nominal value of the share capital of the Company on the day following Admission;

1.6.4 the Company is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Shares each subject to the following conditions:

(a) the maximum aggregate number of Shares will represent 10% of the Company's issued ordinary share capital on the day following Admission;

(b) the minimum price (excluding expenses) which may be paid for each Share is 2 pence (being the nominal value of a Share);

(c) the maximum price (excluding expenses) which may be paid for each Share is the higher of: (i) 105% of the average of the middle market quotations for the Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System; and

(d) the authority shall expire on the date falling 18 months after the resolution conferring it is passed or, if earlier, at the end of the annual general meeting of the Company to be held in 2018 so that the Company may, before the expiry of the authority enter into a contract to purchase Shares which will or may be executed wholly or partly after the expiry of such authority;

1.6.5 the Company is authorised in accordance with the Articles, until the Company's next annual general meeting, to call general meetings on 14 clear days' notice; and

1.6.6 the Company and all companies that are its subsidiaries at any time up to the end of the annual general meeting of the Company to be held in 2018, is authorised, in aggregate, to:

(a) make political donations to political parties and/or independent election candidates not exceeding £100,000 in total;

(b) make political donations to political organisations other than political parties not exceeding £100,000 in total; and

(c) incur political expenditure not exceeding £100,000 in total.

For the purposes of this authority the terms "political donation", "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings given by sections 363 to 365 of the Act.

The Company notes that it is not its policy to make political donations and that it has no intention of using the authority for that purpose.

1.7 Save as disclosed above and in paragraphs 6 and 8 below:

1.7.1 no share or loan capital of the Company has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer and the Reorganisation), fully or partly paid, either for cash or for a consideration other than cash, to any person;

1.7.2 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and

1.7.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

1.8 The Company will be subject to the continuing obligations of the FCA with regard to the issue of shares for cash. The provisions of section 561(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Act) apply to the issue of shares in the capital of the Company except to the extent such provisions are disapplied as referred to in paragraph 1.6.2 above.

1.9 Immediately following Admission, the issued share capital of the Company is expected to be £11,588,512 comprising 579,425,585 Shares of 2 pence each (all of which will be fully paid or credited as fully paid).

1.10 The Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of Shares of any class in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

1.11 The New Shares being issued pursuant to the Offer will be issued at a price of 180 pence per New Share, representing a premium of 178 pence over their nominal value of 2 pence each, which price is payable in full on application.

2. Reorganisation

2.1 ***Pre-Admission steps***

2.1.1 In connection with and prior to Admission, the Group will undertake a reorganisation of its corporate structure which will result in the Company becoming the ultimate holding company of the Group and BGL becoming the direct subsidiary of the Company (the "Reorganisation").

2.1.2 The entire issued share capital of the Group's holding company prior to the Reorganisation, BGL, is held by Bakk AL.

2.1.3 The Reorganisation Deed was executed on 6 October 2017. Under the terms of the Reorganisation Deed, the Company will become the holding company of BGL, in accordance with the steps outlined below.

2.1.4 Prior to the service of the Trigger Notice under the Reorganisation Deed, the Baupost funds will contribute their shares in Bakk AL to BP-PE5.

2.1.5 Immediately following determination of the Offer Price, and upon service of the Trigger Notice under the Reorganisation Deed:

2.1.5.1 the Subscriber Shareholder will fulfil its obligation to pay £50,000 pursuant to the undertaking to pay given by it to the Company referred to in paragraph 1.5; and

2.1.5.2 the Company will acquire the entire issued share capital of BGL, in exchange for issuing new Shares to Bakk AL (the "Share-for-Share Exchange"), as a result of which Bakk AL will hold the entire issued share capital of the Company and the Company will own the entire issued share capital of BGL.

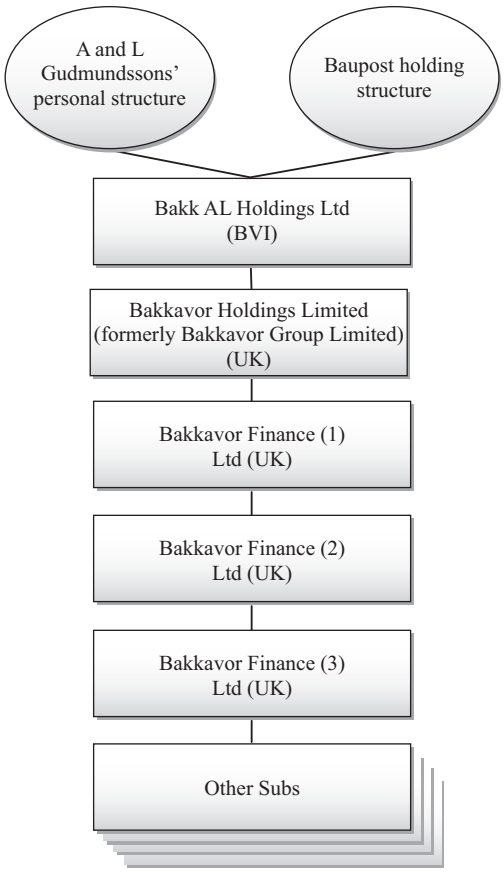
2.1.6 Immediately prior to Admission, the following steps will occur:

2.1.6.1 if required, the Company will undertake a reorganisation of share capital to split or consolidate its existing Shares into an appropriate number of new Shares, in order to achieve the target listing price on Admission;

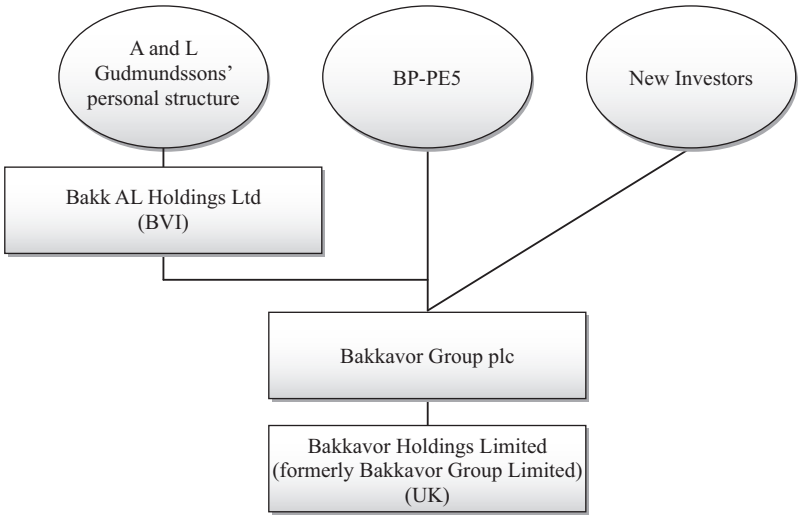
2.1.6.2 Bakk AL will effect a distribution in specie of Shares to BP-PE5 by way of a distribution on the Convertible Preference Shares that BP-PE5 holds in Bakk AL (the "Distribution in Specie"); and

2.1.6.3 upon completion of the Distribution in Specie, shares held by BP-PE5 in Bakk AL will be bought back by Bakk AL for the sum of £1.00.

2.1.7 The structure chart below illustrates the structure of the Group as at the date of this Prospectus and before completion of the Reorganisation due to take place shortly prior to Admission.



2.1.8 The structure chart below illustrates the structure of the Group at Admission following completion of the Reorganisation.



2.2 ***Post-Admission steps***

Following Admission, the Company will undertake a court-approved capital reduction in accordance with the Act in order to provide it with certain distributable reserves. The Company's sole shareholder passed a special shareholder resolution to approve this capital reduction at the general meeting of the Company at which the Offer Price was determined, which was held on 9 November 2017.

3. Ownership History

Lydur and Agust Gudmundsson (the "Founders") founded the Group in 1986.

At the time the Group was listed in Iceland in 1999, the Founders, through a holding company, owned approximately 23% of the share capital in Bakkavor Group hf ("HF"), the then parent company of what today is BGL. From 2003, the Founders held their interest in HF through Exista hf ("Exista"), a company formed following the merger of the holding company for HF and another company in which the Founders had a partial interest. In 2006, Exista increased its holding in HF to approximately 39% through purchases in the market. In 2009, Exista sold its shares in HF to a company wholly owned by the Founders, in exchange for a loan note and security over the shares in HF but these shares were subsequently transferred back to Exista in satisfaction of the loan note. HF was delisted in 2010 and became Bakkavor Group ehf ("EHF"), a private company. As part of arrangements with creditors of Exista in 2010, the Founders transferred their shares in Exista to those creditors. In 2010, EHF underwent a restructuring of its debt with its lenders (the "financial institutions") pursuant to which the Founders and the financial institutions entered into a convertible loan agreement providing that the financial institutions were entitled to convert all outstanding debt owed to them by the Group into shares representing 90% of the share capital of EHF and the Founders were granted an option to subscribe for shares in EHF, representing up to 25% of the total share capital of EHF with such shares to be acquired at market value. The option was cancelled during the restructuring and then a similar option re-issued in 2012.

In 2012, the convertible loan referred to above was converted by the financial institutions, resulting in the relevant financial institutions holding approximately 90% and the remaining shareholders (including Exista) holding approximately 10% of the share capital in EHF, respectively. EHF was liquidated and the shares in its UK subsidiary, BGL were distributed to EHF's shareholders. The Founders, through an investment vehicle, Alloa Finance Limited ("Alloa"), exercised the option referred to above for 16% of the share capital of BGL and purchased BGL shares representing approximately 9% of the share capital of BGL from shareholders that wanted to dispose of their shares. Alloa, which was held by two trusts (one for each of the Founders), and its subsidiaries made further acquisitions of BGL shares from shareholders who wanted to dispose of their shares, as a result of which, by 2015, the Founders held approximately 38% of the share

capital in BGL. Alloa then transferred its shareholding in BGL to an intermediate holding company, Milu Trading Inc. ("Milu") by way of a share-for-share exchange.

In 2016, the Founders and certain entities indirectly managed and/or advised by Baupost (the "Baupost Funds") entered into an agreement in relation to a joint venture vehicle, Bakk AL, for the purposes of providing funds to Bakk AL in order to fund Bakk AL's acquisition of further Shares in BGL from the remaining financial institutions and other shareholders. Following this acquisition and the transfer by Milu of its shareholding in BGL to Bakk AL by way of a share-for-share exchange, Bakk AL held approximately 89% of the share capital of BGL. The Founders (through Milu) collectively hold approximately 59% as ordinary shares) of the share capital of Bakk AL, and the Baupost Funds collectively hold approximately 41% (as preference shares) of the share capital of Bakk AL. Following the above transactions, Bakk AL made an offer to purchase the BGL shares held by the remaining shareholders. This was followed by a compulsory acquisition of the balance of the BGL shares so that Bakk AL now owns all the shares of BGL. Milu remains the intermediate holding company for the Founders' interest in the Group.

For a description of the reorganisation of these ownership interests in connection with Admission, see Part 14—"Additional Information—Reorganisation".

4. Articles of Association

The Articles of Association of the Company (the "Articles") include provisions to the following effect:

4.1 *Share rights*

Subject to the provisions of the Act, and without prejudice to any rights attached to any existing shares or class of shares: (i) any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine; and (ii) shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the holder and the Board may determine the terms, conditions and manner of redemption of such shares provided that it does so prior to the allotment of those shares.

4.2 *Voting rights*

Subject to any rights or restrictions attached to any shares, on a vote on a resolution on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he or she is the holder. Every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote save that a proxy has one vote for and one vote against the resolution if:

(i) the proxy has been duly appointed by more than one member entitled to vote on the resolution, and

(ii) the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names of the holders stand in the register. No member shall be entitled to vote at any general meeting or at a separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by the member unless all moneys presently payable by him or her in respect of that share have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that, (i) in respect of the shares in relation to which the default occurred (including any shares issued after the date of the section 793 notice in respect of those shares), the

member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll; and (ii) where the default shares represent at least one quarter of one per cent of nominal value of the issues shares of their class (excluding any shares of that class held as treasury shares), the direction notice may additionally direct that in respect of the detail shares, no payment shall be made by way of dividend and no share shall be allotted pursuant to Article 178 and no transfer of any default share shall be registered unless (a) the member is not in default as regards supplying the information requested and the transfer when presented for registration is accompanied by a certificate by the member in such form as the board may in its absolute discretion require to the effect that after due and careful enquiry the member is satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer; or (b) the transfer is an approved transfer; or (c) registration of the transfer is required by the Regulations.

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting or poll at which the vote objected to is tendered. Every vote not disallowed at such meeting shall be valid and every vote not counted which ought to have been counted shall be disregarded. Any objection made in due time shall be referred to the chair whose decision shall be final and conclusive.

On a poll, a member entitled to more than one vote need not, if the member votes, use all the member's votes or cast all the votes the member uses in the same way.

4.3 ***Dividends and other distributions***

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of the date on which a call is payable shall be treated for these purposes as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is allotted or issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Subject to the provisions of the Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

If the share capital is divided into different classes, the Board may pay, (i) interim dividends on shares which confer deferred or non-preferred rights with regard to dividends as well as on shares which confer preferential rights with regard to dividends, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear; and (ii) at intervals settled by it, any dividend payable at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

A general meeting declaring a dividend may, on the recommendation of the Board, by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets, including without limitation paid up shares or debentures of another body corporate. The Board may make any arrangements it thinks fit to settle any difficulty arising in connection with the distribution, including without limitation (a) the fixing of the value for distribution of any assets, (b) the payment of cash to any member on the basis of that value in order to adjust the rights of members, and (c) the vesting of any asset in a trustee.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares, credited as fully paid instead of cash in respect of the whole (or some part, to be determined by the Board) of all or any dividend.

The Board may deduct from any dividend or other moneys payable to any member in respect of a share any moneys presently payable by the member to the Company in respect of that share. If a person is entitled by transmission to a share, the Board may retain any dividend payable in respect of that share until that person (or that person's transferee) becomes the holder of that share.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

Dividends may be declared and paid in any currency or currencies that the board shall determine. The board may also determine the exchange rate and the relevant date for determining the value of the dividend in any currency.

Except as provided by the rights attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

4.4 ***Variation of rights***

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class but not otherwise.

4.5 ***Lien and forfeiture***

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Board may at any time (generally or in a particular case) waive any lien or declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a share shall extend to any amount (including without limitation dividends) payable in respect of it.

The Company may sell, in such manner as the Board determines, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold. To give effect to that sale the Board may, if the share is a certificated share, authorise any person to execute an instrument of transfer in respect of the share sold to, or in accordance with the directions of, the buyer.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium). Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his or her shares as required by the notice. A call may be revoked in whole or part and the time fixed for payment of a call may be postponed in whole or part as the board may determine. A person on whom a call is made shall remain liable for calls made on that person even if the shares in respect of which the call was made are subsequently transferred. A call shall be deemed to have been made at the time when the resolution of the board authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls in respect of it.

If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid but the board may in respect of any individual member waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any

member all or any part of the moneys uncalled and unpaid on any share held by him. Such payment in advance of calls shall extinguish the liability on the share in respect of which it is made to the extent of the payment.

The Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited. If that notice is not complied with, any share in respect of which it was sent may, at any time before the payment required by the notice has been made, be forfeited by a resolution of the Board. The forfeiture shall include all dividends or other moneys payable in respect of the forfeited share which have not been paid before the forfeiture.

Subject to the provisions of the Act, a forfeited share shall be deemed to belong to the Company and may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board determines, either to the person who was the holder before the forfeiture or to any other person. A person shall cease to be a member in respect of any share which has been forfeited and shall, if the share is a certificated share, surrender the certificate for any forfeited share to the Company for cancellation. The person shall remain liable to the Company for all moneys which at the date of forfeiture were presently payable by him to the Company in respect of that share with interest on that amount at the rate at which interest was payable on those moneys before the forfeiture or, if no interest was so payable, at the rate determined by the Board.

4.6 ***Transfer of shares***

A member may transfer all or any of his or her certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

4.6.1 is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

4.6.2 is in respect of one class of share only; and

4.6.3 is in favour of not more than four transferees.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

4.7 ***Alteration of share capital***

All shares created by increase of the Company's share capital, by consolidation, division or sub-division of its share capital or the conversion of stock into paid-up shares shall be subject to the

Articles, including without limitation provisions relating to payment of calls, lien, forfeiture, transfer and transmission.

4.8 ***Purchase of own shares***

The Articles do not restrict the Company's ability to purchase its own shares. Therefore, subject to the Act and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

4.9 ***General meetings***

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Act. The Board may call general meetings whenever and at such times and places as it shall determine. The Articles permit the Board to take advantage of section 360A of the Act to hold general meetings by electronic means.

4.10 ***Directors***

4.10.1 *Appointment of Directors*

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by ordinary resolution of Shareholders or by the Board.

4.10.2 *No share qualification*

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

4.10.3 *Annual retirement of Directors*

At every annual general meeting all the Directors at the date of notice convening the annual general meeting shall retire from office. A retiring Director shall be eligible for appointment. If the Company does not fill the vacancy at the meeting at which a director retires, the retiring director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the director is put to the meeting and lost.

4.10.4 *Remuneration of Directors*

The emoluments of any Director holding executive office for his or her services as such shall be determined by the Board, and may be of any description.

The total ordinary remuneration of the Directors who do not hold an executive office (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £2,000,000 per annum or such higher amount as the Company may determine from time to time by ordinary resolution. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board.

In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board, or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his or her family or any person who is or was dependent on him or her.

4.10.5 *Permitted interests of Directors*

Subject to the provisions of the Act, and provided that he or she has disclosed to the Board the nature and extent of his or her interest (unless the circumstances referred to in section 177(5) or section 177(6) of the Act apply, in which case no such disclosure is required), a Director notwithstanding his or her office:

4.10.5.1 may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;

4.10.5.2 may act by himself or herself or for his or her firm in a professional capacity for the Company (otherwise than as auditor), and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director;

4.10.5.3 may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is (directly or indirectly) interested as a shareholder or otherwise or with which he or she has such relationship at the request or direction of the Company; and

4.10.5.4 shall not, by reason of his or her office, be accountable to the Company for any remuneration or other benefit which he or she derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate the acceptance, entry into or existence of which has been approved by the Board pursuant to Article 144 of the Articles or which he or she is permitted to hold or enter into by virtue of paragraph 4.10.5.1, 4.10.5.2 or 4.10.5.3.

4.10.6 *Restrictions on voting*

A Director shall not vote on any resolution of the Board or a committee of the Board on any resolution of the Board concerning a matter in which he or she has an interest (other than by virtue of interests in shares or debentures or other securities of, or otherwise in or through, the Company) which can reasonably be regarded as likely to give rise to a conflict with the interests of the Company, unless his or her interest arises only because the resolution concerns one or more of the following matters:

4.10.6.1 the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or her or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

4.10.6.2 the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

4.10.6.3 a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he or she is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he or she is to participate;

4.10.6.4 a contract, arrangement, transaction or proposal concerning any other body corporate in which he or she or any person connected with him or her is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he or she and any persons connected with him or her do not to his or her knowledge hold an interest (as that term is used in sections 820 to 825 of the Act) representing 1% or more of either any class of the equity share capital (excluding any shares of that class held as treasury shares) of such body corporate (or any other

body corporate through which his or her interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be likely to give rise to a conflict with the interests of the Company in all circumstances):

4.10.6.5 a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him or her any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

4.10.6.6 a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

4.10.7 *Indemnity of officers*

Subject to the provisions of the Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) shall be indemnified out of the assets of the Company against any liability incurred by him or her for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, provided that this Article shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this Article, or any element of it, to be treated as void under the Act.

5. Directors' and Senior Managers' interests

5.1 The interests in the share capital of the Company of the Directors and Senior Managers (all of whom, unless otherwise stated, are beneficial and include interests of persons connected with a Director or a Senior Manager) immediately prior to Admission will be, and immediately following Admission are expected to be:

	Immediately prior to Admission[1]		*Number of Shares to be sold in the Offer*		*Immediately following Admission*		
Director/Senior Manager	*Number of Shares*	*Percentage of issued share capital*	*Number of Shares*	*Percentage of issued share capital*	*Number of Shares*	*Percentage of issued share capital*	*Number of unvested Share options*[2]
Agust Gudmundsson	155,833,130	29.7	10,500,000	2.0	145,333,130	25.1	–
Lydur Gudmundsson	155,833,130	29.7	10,500,000	2.0	145,333,130	25.1	–
Todd Krasnow	–	–	–	–	–	–	–
Robert Q. Berlin	–	–	–	–	–	–	–
Simon Burke	–	–	–	–	–	–	–
Denis Hennequin	–	–	–	–	–	–	–
Peter Gates	–	–	–	–	–	–	1,222,515
Sue Clark	–	–	–	–	–	–	–
Pippa Greenslade	–	–	–	–	–	–	705,000
Mike Edwards	–	–	–	–	–	–	1,000,000
Einar Gustafsson	–	–	–	–	–	–	1,014,900
Ivan Clingan	–	–	–	–	–	–	1,000,000

(1) The interests in Shares as at the date of this Prospectus have been stated on the basis that the Reorganisation steps described in this Part 14—"Additional Information" have been completed in full.

(2) Awards granted prior to Admission. See paragraph 7.3 for further details.

5.2 In so far as is known to the Directors, the following are the interests (within the meaning of Part VI of the Act) (other than interests held by the Directors) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of the Company immediately following Admission:

	Immediately prior to Admission[1]		*Number of Shares to be sold in the Offer*		*Immediately following Admission*	
Shareholders	*Number of Shares*	*Percentage of issued share capital*	*Number of Shares*	*Percentage of issued share capital*	*Number of Shares*	*Percentage of issued share capital*
Bakk AL Holdings Ltd.[2]	311,666,260	59.5	21,000,000	4.0	290,666,260	50.2
BP-PE5	212,203,770	40.5	68,300,842	13.0	143,902,928	24.8

Notes:

(1) The interests in Shares as at the date of this Prospectus have been stated on the basis that the Reorganisation steps described in this Part 14—"Additional Information" have been completed in full.

(2) Agust and Lydur Gudmundsson currently hold their interests in the Group through a common investment vehicle, which is a shareholder in Bakk AL, in which they each own a 50% interest. It is intended that, following Admission, Shares held by Bakk AL on Admission will be transferred to separate corporate holding structures of each of Agust (Carrion Enterprises Ltd. (which is 100% owned by the A.G. Trust)) and Lydur (Umbriel Ventures Ltd. (which is 100% owned by the L.G. Trust)) Gudmundsson (the "Founders Shareholding Reorganisation").

Save as disclosed above, in so far as is known to the Directors, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders have or will have different voting rights attached to the shares they hold in the Company.

5.3 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

5.4 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

6. Directors' terms of employment

6.1 The Directors and their functions are set out in Part 7—"Directors, Senior Managers and Corporate Governance". Summaries of material terms of the service agreements with the Executive Directors and letters of engagement of the Non-Executive Directors are set out below in paragraphs 6.2.2 and 6.3, respectively.

6.2 ***Executive Directors***

The Group's overall philosophy to remuneration is based on the approach that remuneration should be linked to the performance and behaviour of an individual, business results and shareholder and customer outcomes.

The remuneration approach is intended to:

- provide competitive, transparent and fair rewards;
- reward achievement of short and long-term financial objectives and support delivery of the business strategy;
- align the interests of employees and shareholders through share ownership; and
- support the risk management framework.

Reward levels are set to attract, retain and engage high calibre talent to support the business strategy. Selected employees are able to share in the success of the Group through participation in annual bonus schemes, with executive directors and other select members of the senior management team also eligible for participation in a long term incentive plan ("LTIP").

6.2.1 *Executive Director Remuneration Policy*

In anticipation of Admission, the Group undertook a review of its remuneration policy for senior management, including the executive directors, in order to ensure that it is appropriate for the listed company environment. The remuneration policy has been structured taking into account the principles set out in the UK Corporate Governance Code, remuneration levels in place prior to Admission and market practice for comparable FTSE-listed companies. The aim of the remuneration policy is to provide an appropriate reward structure for executive directors and senior management to ensure their retention, focus them on the achievement of the business strategy and enable them to share in the ongoing success of the Group.

The remuneration policy, in so far as it applies to the executive directors, will be subject to a binding shareholder vote at the Company's first Annual General Meeting in 2018.

6.2.2 *Service Agreements*

The Chief Executive Officer is employed under a Service Agreement dated 18 December 2001 as amended by a variation letter dated 2 October 2017. The Chief Financial Officer is employed under a Service Agreement dated 2 October 2017. Both Service Agreements (as amended, in the case of the Chief Executive Officer) are appropriate, executive-style agreements. Key terms of the Service Agreements (other than as relate to remuneration and benefits, which are addressed separately, below) are as follows:

Term	*Description*
Duties.....	Both executives are required to devote the whole of their time and attention to their duties and to use their best endeavours to promote the interests of the Company and its Group Companies.
Notice Period	Both the Chief Executive Officer and the Chief Financial Officer are subject to twelve month notice periods (applicable whether given or received).
Payment in Lieu of Notice	Both Service Agreements (as amended) can be terminated immediately by the Company by serving notice and undertaking to pay the relevant executive salary in lieu of notice. The payment in lieu of notice clause provides for payments to be made in equal monthly instalments, during which time the Chief Executive Officer and Chief Financial Officer would be obliged to take reasonable steps to find alternative employment or otherwise replace his income and, if he is successful, the Company would be under no obligation to continue to pay any remaining instalments. The Service Agreements do not provide for any other payments in respect of loss of office.
Garden Leave.....	Both the Chief Executive Officer and the Chief Financial Officer can be required to remain away from the office during their notice period. During this time, the Company can require them not to engage in certain activities, including requiring them not to contact employees and customers, and to take any accrued but untaken holiday.

Term	*Description*
Summary Termination	The service agreements can be terminated without notice or payment in lieu of notice in certain prescribed circumstances, including misconduct, persistent breaches of the service agreement, bankruptcy, a criminal charge or conviction, acting in a way prejudicial to the interests or reputation of the Company and disqualification as a director.
Holidays	The Chief Executive Officer is entitled to 30 days' holiday plus bank holidays. The Chief Financial Officer benefits from 25 days' holiday in addition to the usual bank holidays. No carryover of holiday to subsequent years is permitted.
Sick Pay.....	In the event of incapacity, both the Chief Executive Officer and the Chief Financial Officer benefit from an entitlement to enhanced sick pay, as follows: • the Chief Executive Officer benefits from six months of full basic salary and benefits followed by half basic pay and benefits for up to 13 weeks in any 12 month period; and • the Chief Financial Officer benefits from six months of full basic salary and benefits in any 12 month period.
Conflicts of Interest	Both executives are subject to restrictions on activities that give rise to conflicts of interest, however, neither the Chief Executive Officer nor the Chief Financial Officer is prevented from holding up to 4% of the issued shares or loan capital in any other publicly listed entity (whether or not a competitor).
Restrictive Covenants..	Both the Chief Executive Officer and the Chief Financial Officer are subject to 12 month restrictive covenants covering non-competition, non-solicitation of clients, prospective clients and key employees, non-dealing with customers and prospective customers, and non-interference with suppliers.
Confidentiality.....	Both executives are under an obligation not to disclose information confidential to the Company and its Group Companies.

6.2.3 *Base Salaries*

Salaries are set taking into account the performance, experience and responsibilities of the individual, the scope and scale of the role, internal pay conditions and relativities and external benchmark data. Base salaries were last reviewed on 1 January 2017 and will remain unchanged from Admission at £750,000 and £467,000 for the Chief Executive Officer and Chief Financial Officer, respectively. Salaries are normally reviewed annually and the next review date is January 2018. It is expected that salary increases post Admission will normally be within the range of typical levels of increase awarded to other employees in the Group. However, increases above this level may be provided where it is appropriate to do so, for example, to reflect a change in the scope of the role or to reflect the increased experience of the individual or where there is a commercial need to do so.

6.2.4 *Benefits and pension*

Benefits include family private medical insurance, life assurance, income protection, health screening and company car/car allowance. Other benefits, including relocation allowances or expatriate benefits may be provided, as appropriate, but neither executive currently receives such additional benefits.

Pension comprises a contribution into the Group personal pension plan or a cash allowance in lieu of pension contributions (or a mix of both) and may be provided at rates of up to 15% of base salary per annum for the Chief Executive Officer and 20% of base salary per annum for the Chief Financial Officer.

6.2.5 *Annual bonus*

Annual bonuses are payable at the sole discretion of the Remuneration Committee. Bonuses are based on the achievement of demanding metrics measured over a one year performance period.

The potential bonus opportunity under the remuneration policy will be set at 150% of salary for Executive Directors, save that for the 2018 financial year shall be set at 80% of salary for the current Chief Executive and 125% of salary for the Chief Financial Officer. Performance measures and targets will be determined by the Committee at the start of the financial year.

It is intended that any annual bonus in respect of the 2018 financial year will be payable in a mix of cash and shares. For executive directors of the Company part of any bonus paid will be deferred for three years (deferral in cash for the current Chief Executive Officer and in shares for the Chief Financial Officer) which shall vest subject to continued employment. Any deferral into shares will be awarded under the Deferred Annual Bonus Plan ("DABP"), the key terms of which are set out in paragraph 7.1.2 of this Part 14–"Additional Information". Recovery and, in the case of the deferred awards, withholding provisions will apply for the 2018 bonus onwards.

For bonuses payable in respect of the financial year commencing 1 January 2017, performance measures are based on the Group's EBITDA and revenue for the Chief Executive Officer, and the Group's EBITDA, EBITDA margin, sales growth and working capital for the Chief Financial Officer. 2017 bonuses for the Executive Directors are capped at 67% of base salary for the Chief Executive Officer and 60% of base salary for the Chief Financial Officer. In addition to this, according to an arrangement entered into on 16 March 2017, the Chief Financial Officer is eligible to receive a retention bonus of £200,000 in January 2018 subject to continued employment. No new retention bonuses will be granted to Executive Directors after Admission.

6.2.6 *Long Term Incentive Plan ("LTIP")*

The Board adopted the LTIP on 20 October 2017, conditional on Admission. This will form the primary long-term incentive arrangement for Executive Directors and Senior Management. The purpose of the LTIP is to incentivise and reward the creation of long-term shareholder value.

Under the LTIP, it is intended that awards will be in the form of conditional free shares or nil cost options and will be granted to the Executive Directors and selected senior executives on an annual basis. The maximum LTIP award in any financial year under the plan rules will be 200% of base salary. It is currently intended that the first awards under the plan will be made in 2018 and that the award to the Chief Financial Officer will be made at a level of 150 per cent of base salary and that the current Chief Executive Officer will not participate given his shareholding in the Company.

In the normal course of events, awards under the LTIP will vest three years from award (or upon the assessment of performance conditions) subject to the participant's continued service and the extent to which performance conditions specified for the awards are satisfied. Any shares vesting for Executive Directors, other than those sold to settle tax and national insurance contributions, may be subject to a two year holding period during which they may not be sold. Recovery and withholding provisions will apply.

The performance conditions for the first awards to the Executive Directors to be granted in the 2018 financial year will be determined closer to the time of the award and will be disclosed in the Directors' Remuneration Report next year.

6.2.7 *Other share plans*

The Executive Directors are also eligible to participate in any all-employee share plans operated by the Company on the same terms as other eligible employees (for further information see paragraph 7 of this Part 14—"Additional Information".

No awards are currently contemplated under the all-employee share plans.

6.2.8 *Share ownership guidelines*

The Executive Directors are required to build and maintain a shareholding in the Company equivalent to 200% of their base salary.

6.2.9 *Recruitment policy*

New executive director hires (including those promoted internally) will be offered packages in line with the remuneration policy in force at the time, including the maximum limits set out therein. In the case of an external hire, it may be necessary to buy out forfeited remuneration arrangements (which would be forfeited on leaving the previous employer). This would be provided for taking into account the form (cash or shares) and timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited.

6.3 ***Non-Executive Directors***

6.3.1 The Company's Non-Executive Chairman is Simon Burke who was appointed on 20 October 2017. The Company's other current Non-Executive Directors are Lydur Gudmundsson, Todd Krasnow, Robert Q. Berlin, Denis Hennequin and Sue Clark. In anticipation of the Offer and Admission, Mr Berlin became a Non-Executive Director of the Company on 28 September 2017, and Messrs Lydur Gudmundsson, Krasnow and Hennequin and Ms Clark became Non-Executive Directors of the Company on 20 October 2017.

6.3.2 Each of the Non-Executive Directors is engaged under a market standard non-executive director appointment letter, which states that the appointment will continue for a renewable three year term provided that the appointment must not continue for more than 9 years in total. In any event, each appointment is terminable by either party on one month's written notice.

6.3.3 From Admission, Mr Burke, as Chairman, is entitled to an annual fee of £200,000. Each of the other Non-Executive Directors (other than Messrs Krasnow and Berlin) is entitled to receive an annual fee of £70,000. Mr Krasnow is entitled to receive an annual fee of £100,000, and Mr Berlin will not receive any fees. No additional fee is payable to any Non-Executive Directors for serving on a committee of the Board.

6.3.4 Each Non-Executive Director is also entitled to reimbursement of reasonable expenses, including transatlantic travel expenses in the case of Mr Krasnow. The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Company's share, bonus or pension schemes. The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. They are also subject to non-compete restrictive covenants for the duration of their appointments.

6.3.5 In addition, given his unique expertise and insight into the Company's business as a founder of the Bakkavor Group, pursuant to an agreement between Lydur Gudmundsson and Bakkavor Iberica S.L., and a service agreement between Bakkavor Iberica S.L. and BGL, Lydur Gudmundsson will continue to be employed to provide consulting services to the Group for a fee of €230,000 per annum. Lydur Gudmundsson is also entitled to medical coverage in the UK for the benefit of his family.

6.3.6 Pursuant to a pre-existing commitment with BGL, on 9 October 2017, Mr Krasnow was granted a cash bonus award in the amount of £500,000 payable immediately prior to Admission

in recognition of his past services as a Non-Executive Director of the Group since January 2016. Mr Krasnow has advised the Company that he intends to use the net cash amount (after taking account of any applicable tax and other charges) to purchase the Company's Shares following Admission through open market purchases.

6.4 ***Directors' and Senior Managers' Remuneration***

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in FY 2016, the aggregate remuneration and benefits (including pensions) to the Directors and Senior Managers who served the Group during FY 2016, consisting of eleven individuals, was £5.02 million.

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the year ended FY 2016, the Directors were remunerated as set out below:

Name	*Position in FY 2016*	*Annual Salary/Fee (£)*	*Other Benefits/ Bonus (£)*	*Date of Joining the Group*
Agust Gudmundsson ...	Chief Executive Officer and Director	750,000	635,742	August 1986
Lydur Gudmundsson...	Non-executive Director	200,000	74,449	August 1986
Peter Gates.....	Chief Executive Officer and Director	391,810	437,679	November 2010
Todd Krasnow.....	Non-executive Director	91,665	–	January 2016
Robert Q. Berlin	Non-executive Director	–	–	January 2016
Simon Burke.....	Non-executive Director	5,833	–	December 2016*
Denis Hennequin.....	Non-executive Director	13,820	–	November 2016*

* Appointed as Directors of BGL on 1 February 2017 but attended Board meetings as advisors from the date of joining the Group.

6.5 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

6.6 ***Directors' and Senior Managers' current and past directorships and partnerships***

Set out below are the directorships (unless otherwise stated) and partnerships held by the Directors and Senior Managers (other than, where applicable, directorships held in the Company and its subsidiaries and the subsidiaries of the companies listed below), in the five years prior to the date of this Prospectus:

Name	*Current directorships/ partnerships*	*Past directorships/ partnerships*
Agust Gudmundsson.....	Bakk AL Holdings Ltd. Bakkabræður ehf. BBR ehf. BBRR ehf. Drápuhlíð eignarhaldsfélag ehf. GT 2 ehf. Korkur Invest ehf. Korkur ehf. Meðalfell ehf. Ufsastaðir ehf. Frigus ehf. Frigus II ehf.	Tjarnargata 35 ehf. BR ehf. Bearing ehf. Olympus Mons ehf Frigust Invest Limited Frigus Sarl

Name	*Current directorships/ partnerships*	*Past directorships/ partnerships*
Lydur Gudmundsson	Bakk AL Holdings Ltd. Frigus Invest Limited GT 1 ehf. Frigus ehf. Bakkabraedur Holding BV	Frigus Sarl Bakkabræður ehf. BBR ehf. BBRR ehf. Drápuhlíð eignarhaldsfélag ehf Korkur Invest ehf. Korkur ehf. Ufsastaðir ehf. BR ehf. Bearing ehf. (reserve director) Olympus Mons ehf
Peter Gates	–	–
Todd Krasnow.....	Carbonite, Inc. Tile Shop Holdings, Inc. Porchlight Equity	Zoots, Inc. Piedmont, Ltd
Robert Q. Berlin	–	Archroma
Simon Burke	The British Broadcasting Corporation Co-Operative Group The Light Cinema Group Blue Diamond Group	Bathstore.com Ltd. Hobbycraft Ltd. Eagle Eye Solutions Group Mitchells & Butlers plc National Gallery London
Denis Hennequin.....	John Lewis Partnership plc Eurostar Ltd SSP Group plc Celio France French Food Capital Development fund	–
Sue Clark.....	Akzo Nobel N.V. Britvic plc Tulchan Communications LLP	Plzensky Prazdroj a.s. Kompania piwowarska S.A. Ursus Breweries S.A. Royal Grolsch N.V. (Supervisory Board)
Mike Edwards.....	–	–
Pippa Greenslade.....	Christian Aid Cardinal Hume Centre Whitehall & Industry Group	–
Ivan Clingan.....	–	–
Einar Gustafsson	–	–

6.7 Save as disclosed below, within the period of five years preceding the date of this Prospectus, none of the Directors:

(a) has had any convictions in relation to fraudulent offences;

(b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or

(c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

Lydur Gudmundsson was a shareholder from 27 December 2002 and the chairman of the board of directors from 11 February 2003 to 30 April 2010 of Exista hf ("Exista"), an Icelandic company.

In late December 2008, during the "financial crisis", ("BBR"), a company in which Lydur Gudmundsson was a joint owner and chairman, agreed to inject capital into Exista. At that time, the market value of the shares in Exista was a fraction of the nominal value of ISK 1 (being the minimum nominal value permitted). A plan was developed whereby shares in Kvakkur ehf ("Kvakkur"), a company owned by BBR with equity of ISK 1,000,000,000 (the funds for which were in an escrow) and no liabilities, would be paid as consideration by BBR for the new shares in Exista.

At a meeting of the board of Exista on 4 December 2008, it was resolved that the share capital of Exista should be increased by 50,000,000,000 shares against payment of 1,000,000,000 shares of Kvakkur with a nominal value of ISK 1,000,000,000. Lydur Gudmundsson recused himself from the board during this decision. The board took advice on the structuring and capital increase and was presented with a confirmation that the value of the new shares was no higher than the amount proposed to be paid. The share capital increase was duly registered at the Icelandic company registry ("FSK") on 8 December 2008, and the subscription for the new Exista shares by BBR was completed.

Following the share capital subscription, BBR made an offer for the remaining Exista shares as required under the Icelandic mandatory takeover rules. The offer was accepted by many of Exista's remaining shareholders, including Arion Bank, which at the time was also one of Exista's main creditors.

At the end of May 2009, following a complaint by Arion Bank, the FSK reviewed the registration of the capital increase and, on 29 June 2009, withdrew it and lowered the registered share capital of Exista to the amount of shares registered prior to the increase. The equity funding to Kvakkur was never released to it from escrow. The amount paid by BBR for the shares in the mandatory takeover offer triggered by the withdrawn capital increase and subscription was not recovered.

In September 2009, Arion Bank requested that charges be brought against Lydur Gudmundsson and others. An indictment was issued against Lydur Gudmundsson in September 2012 for having violated Article 16(1) of the Icelandic Act on Public Limited Companies (which provides that payments for new shares may not amount to less than the nominal value) in relation to the subscription and also for having misled the FSK in relation to the filing of the capital increase. In May 2013, the District Court of Rekyjavik found Lydur Gudmundsson guilty of violating Article 16(1) but acquitted him of having any involvement in the notification to the FSK. Lydur Gudmundsson was ordered to pay a fine of ISK 2,000,000 (now approximately £14,000) and the state was ordered to pay half of his defence costs, which in total were ISK 10,500,000 (approximately £75,000).

In June 2013, the Director of Public Prosecutions appealed the judgment of the District Court to the Supreme Court of Iceland, and in March 2014, the Supreme Court confirmed the conclusions of the District Court and sentenced Lydur Gudmundsson to eight months in prison, having found that he deliberately violated Article 16(1). Five of the eight months were suspended for two years, which period has expired (so that part of the sentence has now been revoked). Lydur Gudmundsson discharged the remaining three months of the sentence by carrying out 120 hours of community service at the Icelandic Red Cross in Reykjavik. The Supreme Court confirmed the acquittal of Lydur Gudmundsson on the second charge.

Due to having been found in violation of Icelandic company law, Lydur Gudmundsson was automatically disqualified under Icelandic company law from acting as a director of an Icelandic company for three years. This disqualification expired in March 2017.

No charges were brought against the other directors of Exista who approved but did not propose the capital increase, including Agust Gudmundsson, who was also a shareholder of Exista and joint owner of BBR at the time.

7. Share Plans and Employee Incentives

7.1 ***Share plans and employee incentive arrangements following Admission***

To cater for discretionary share based incentive awards to selected employees, the Company has adopted the LTIP and the DABP (together, the "Executive Share Plans").

Separately, to provide flexibility for a broad based "all-employee" share incentive policy, the Company has adopted the Share Incentive Plan (the "SIP") and the Sharesave Scheme, savings related share option scheme (the "Sharesave" and together with the SIP, the "All-Employee Share Plans").

The Executive Share Plans and the All-Employee Share Plans (together the "New Share Plans") were adopted by the Board on 20 October 2017, conditional on Admission, for future possible share based incentive awards.

The following paragraphs first describe the unique features of the LTIP, DABP, SIP and Sharesave and then the features which are common to the New Share Plans.

7.1.1 *Summary of the LTIP*

Operation and Eligibility

The Remuneration Committee will supervise the operation of the LTIP. Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the LTIP at the discretion of the Remuneration Committee. However, the current Chief Executive Officer will not participate in the LTIP in 2018 given his shareholding in the Company.

Grant of awards under the LTIP

The Remuneration Committee may grant awards to acquire Shares as conditional share awards or as nil (or nominal) cost options. The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

The Appendix to the LTIP allows the Remuneration Committee to grant awards under a HMRC approved Company Share Option Plan ("CSOP"). Awards to a participant under the CSOP are limited to shares with a market value of £30,000 and the exercise price of the option must not be less than market value.

Timing of grants

The Remuneration Committee may grant awards within six weeks following the Company's announcement of its results for any period. The Remuneration Committee may also grant awards at any other time when it considers there to be exceptional circumstances which justify the granting of awards.

Individual limit

An employee may not receive awards in any financial year of Shares having a market value in excess of 200% of their annual base salary in that financial year.

Market value for such purposes shall be based on the market value of Shares on the dealing day immediately preceding the grant of an award (or by reference to a short averaging period).

Performance conditions

The extent of vesting of awards granted to executive directors of the Company will be subject to performance conditions set by the Remuneration Committee unless the shareholder

approved policy does not require targets to apply to the relevant award. The extent of vesting of awards granted to other participants may be subject to performance conditions set by the Remuneration Committee.

Details of the performance conditions set for any awards to the executive directors of the Company will be disclosed in the Company's annual directors' remuneration report and operate within the relevant approved shareholder policy.

The Remuneration Committee may vary the performance conditions applying to existing awards if an event has occurred which causes the Remuneration Committee to consider that it would be appropriate to amend the performance conditions, provided the Remuneration Committee considers the varied conditions to be fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Vesting of awards

Awards normally vest on the third anniversary of grant or, if later, when the Remuneration Committee determines the extent to which any performance conditions have been satisfied. Where awards are granted in the form of options, these will then be exercisable up until the tenth anniversary of grant (or such shorter period specified by the Remuneration Committee at the time of grant) unless they lapse earlier.

Shorter exercise periods shall apply in the case of "good leavers" and/or vesting of awards in connection with corporate events.

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be ceasing to a director within the Group (where relevant).

However, if the participant ceases to be an employee or a director within the Group because of his death, injury, disability, retirement, his employing company or the business for which he/she works being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, then his/her award will vest on the date when it would have vested if he/she had not so ceased. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions (if any) have been satisfied at that time; and (ii) the pro-rating of the award by reference to the period of time served in employment during the normal vesting period, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

Alternatively, if a participant ceases to be an employee or director in the Group for one of the "good leaver" reasons specified above (or in other circumstances at the discretion of the Remuneration Committee), the Remuneration Committee can decide that their award will vest on cessation, subject to: (i) the performance conditions measured at that time; and (ii) pro-rating by reference to the time of cessation as described above. Such treatment shall also apply in the case of death.

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all awards will vest early, subject to: (i) the extent that the performance conditions (if any) have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the period of time between their grant and vesting, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Remuneration Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Shares to a material extent, then the Remuneration Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

Holding periods

The terms of the LTIP include that the Company's executive directors (and such others if any as the Remuneration Committee requires) will ordinarily be required to retain their net of tax number of vested shares (if any) delivered under the LTIP (or the full number of the vested shares whilst held under an unexercised nil (or nominal) cost option award, where relevant) for at least two years from the third anniversary of the date of grant.

The Remuneration Committee may, in its discretion, allow such participants to sell, transfer, assign or dispose of some or all of such shares before the end of the holding period, subject to such additional terms and conditions that the Remuneration Committee may specify.

Dividend equivalents

The Remuneration Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the vesting of their awards of an amount equivalent to the dividends that would have been paid on those Shares between the time (or part of the time) when the awards were granted and the time when they vest (or where an award is structured as an option and subject to a holding period, the date of expiry of the holding period or if earlier the exercise of such award). This amount may assume the reinvestment of dividends. Alternatively, participants may have their awards increased as if dividends were paid on the Shares subject to their award and then reinvested in further Shares.

Recovery and withholding

The Remuneration Committee may decide that the LTIP's recovery and withholding provisions shall apply if, within three years of the vesting of an award, it is discovered that the award vested to a greater extent than warranted as a result of a material misstatement in the Company's financial results, an error in assessing any applicable performance condition and/or in the event of the discovery of pre-vesting serious misconduct, failure of risk management, or actions resulting in reputational damage to the company's reputation.

The recovery and withholding may be satisfied by way of a reduction in the amount of any future bonus, subsisting award or future share awards and/or a requirement to make a cash payment.

7.1.2 *Summary of Deferred Annual Bonus Plan*

Operation and Eligibility

The Remuneration Committee will supervise the operation of the DABP. Any employee (including an executive director) of the Company and its subsidiaries, as selected by the Remuneration Committee at its discretion, will be required to participate in the DABP.

Overview

The general purpose of the DABP is to facilitate the deferral of part of an executive director's and other key manager's annual bonus into Shares at the discretion of the Remuneration Committee. The decision (if any) to require such bonus deferral in any year, and the portion of any bonus which will be deferred, will be determined by the Remuneration Committee.

It is currently anticipated that the Remuneration Committee will require one third of any bonuses payable to the executive directors of the Company in relation to the first full financial year post Admission to be deferred under the DABP (the deferral for any bonus payable to the current Chief Executive Officer will be a cash deferral).

Grant of awards under the DABP

The Remuneration Committee may grant awards to acquire Shares as conditional share awards or as nil (or nominal) cost options. The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

Timing of grants

The Remuneration Committee may grant awards within six weeks following the Company's announcement of its results for any period or the date on which bonuses are determined. The Remuneration Committee may also grant awards at any other time when it considers there to be exceptional circumstances which justify the granting of awards.

Individual limit

An employee may not receive awards in any financial year of Shares having a market value in excess of 100% of the relevant bonus being deferred under the DABP.

Vesting of awards

The normal vesting date for awards will be the third anniversary of grant (or such other normal vesting date (or dates in respect of distinct portions) as the Remuneration Committee may specify).

Vesting will ordinarily be dependent on the participant still being employed within the group.

Where awards are granted in the form of options, these will then be exercisable up until the tenth anniversary of grant (or such shorter period specified by the Remuneration Committee at the time of grant) unless they lapse earlier. Shorter exercise periods shall apply in the case of "good leavers" and/or vesting of awards in connection with corporate events.

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Group.

However, if the participant ceases to be an employee or a director within the Group because of his death, injury, disability, retirement, his employing company or the business for which he works being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, then his award will vest on the normal vesting date (or on the date of cessation if the Remuneration Committee so determines) to such extent (which may include the full extent of the award) as the Remuneration Committee determines appropriate.

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all awards will vest early in full.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company, unless the Remuneration Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Shares to a material extent, then the Remuneration Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

Dividend equivalents

The Remuneration Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the vesting of their awards of an amount equivalent to the dividends that would have been paid on those Shares between the time when the awards

were granted and the time when they vest. This amount may assume the reinvestment of dividends. Alternatively, participants may have their awards increased as if dividends were paid on the Shares subject to their award and then reinvested in further Shares.

Recovery and withholding

The Remuneration Committee may decide that the DABP's recovery and withholding provisions shall apply if, within three years of the grant of an award, it is discovered that the award was granted to a greater extent than warranted as a result of a material misstatement in the Company's financial results, an error in assessing any applicable bonus condition and/or in the event of the discovery of pre-grant serious misconduct, failure of risk management, or actions resulting in reputational damage to the company's reputation.

The recovery and withholding may be satisfied by way of a reduction in the amount of any future bonus, subsisting award or future share awards and/or a requirement to make a cash payment.

7.1.3 *Summary of Share Incentive Plan*

Operation

The Board will supervise the operation of the SIP. It is intended that the SIP will meet the requirements of Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA") as amended and re-enacted from time to time in order to provide UK tax-advantaged participation to UK employees.

The SIP comprises the following three elements and the Board may decide which element to offer (if any) to eligible employees:

- "Free Shares" which are free Shares which may be allocated to an employee.

The market value of Free Shares allocated to any employee in any tax year may not exceed £3,600 or such other limit as may be permitted by the relevant legislation. Free Shares may be allocated to employees equally or on the basis of salary, length of service or hours worked, or on the basis of performance, as permitted by legislation.

- "Partnership Shares" which are Shares an employee may purchase out of his pre-tax earnings.

The market value of Partnership Shares which an employee can agree to purchase in any tax year may not exceed £1,800 (or 10% of the employee's salary, if lower), or such other limit as may be permitted by the relevant legislation. The funds used to purchase Partnership Shares will be deducted from the employee's pre-tax salary. Salary deductions may be accumulated over a period of up to 12 months and then used to buy Shares.

- "Matching Shares" which are free Shares which may be allocated to an employee who purchases Partnership Shares.

The Board may allocate up to a maximum of two Matching Shares for every one Partnership Share purchased (or such other maximum ratio as may be permitted by the relevant legislation). The same Matching Share ratio will apply to all employees who purchase Partnership Shares under the SIP on the same occasion.

Eligibility

Employees of the Company and any designated participating subsidiary who are UK resident taxpayers are eligible to participate. The Board may allow non-UK tax resident taxpayers to participate. The Board may require employees to have completed a qualifying period of employment of up to 18 months in order to be eligible to participate. All eligible employees must be invited to participate.

Retention of Shares

The trustee of the SIP trust will acquire Partnership Shares on behalf of participants and hold those Shares in the SIP trust on their behalf. Employees can withdraw Partnership Shares from the SIP trust at any time.

The trustee will award Free Shares and Matching Shares to participants and hold those Shares in the SIP trust on their behalf. The Board may decide that awards of Free Shares or Matching Shares will be forfeited in certain circumstances. The default position is that such shares will be forfeited on leaving employment unless the participant leaves by reason of death, injury, disability, redundancy, retirement or the employing company or business ceasing to be part of the Group. In addition, the default position includes that Free Shares and Matching Shares will be forfeited if the participant attempts to withdraw such shares or the corresponding Partnership Shares as relevant from the SIP trust within the first three years. The Board may amend or remove the forfeiture provisions applying to a particular award but the same provisions must apply to all shares under the same award.

If a participant ceases to be employed by the Group at any time he or she will be required to withdraw his or her shares from the SIP trust (if they are not forfeited).

Corporate events

In the event of a general offer being made to Shareholders, participants will be able to direct the trustees how to act in relation to their Shares. In the event of a corporate reorganisation any Shares held by participants may be replaced by equivalent shares in a new holding company.

Dividends on Shares held by the trustee of the SIP

Any dividends paid on Shares held by the trustee of the SIP on behalf of participants may be either used to acquire additional Shares for employees or distributed to participants.

Rights attaching to Shares

An employee will be treated as the beneficial owner of Shares held on his/her behalf by the trustee of the SIP.

7.1.4 *Summary of Sharesave*

Operation

The operation of the Sharesave will be supervised by the Board.

It is intended that the Sharesave will meet the requirements of Schedule 3 to the ITEPA as amended and re-enacted from time to time in order to provide UK tax-advantaged options to UK employees.

Eligibility

Employees and full-time directors of the Company and any designated participating subsidiary who are UK resident tax payers are eligible to participate. The Board may require employees to have completed a qualifying period of employment of up to five years before the grant of options. The Board may also allow other employees to participate.

Grant of options

Options can only be granted to employees who enter into HMRC approved savings contracts, under which monthly savings are normally made over a period of three or five years. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set. The number of Shares over which an option is granted will be such that the total option price payable for those Shares corresponds to the proceeds on maturity of the related savings contract.

Individual participation
Monthly savings by an employee under all savings contracts linked to options granted under any Sharesave scheme may not exceed the statutory maximum (currently £500). The Board may set a lower limit in relation to any particular grant.

Option price
The price per Share payable upon the exercise of an option will not be less than the higher of: (i) 80% of the average middle-market quotation of a Share on the London Stock Exchange on the three days preceding a date specified in an invitation to participate in the Sharesave (or such other day or days as may be agreed with HMRC); and (ii) if the option relates only to new issue Shares, the nominal value of a Share.

The option price will be determined by reference to dealing days which fall within six weeks of the announcement by the Company of its results for any period or at any other time when the Board considers there to be exceptional circumstances which justify offering options under the Sharesave.

Exercise of options
Options will normally be exercisable for a six month period from the third or fifth anniversary of the commencement of the related savings contracts. Earlier exercise is permitted, however, in the following circumstances:

- following cessation of employment by reason of death, injury, disability, redundancy, retirement or the business or company that the employee works for ceasing to be part of the Group;
- where employment ceases more than three years from grant for any reason other than dismissal for misconduct; and
- in the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate re-organisation when the Board may decide to exchange existing options for equivalent new options over shares in a new holding company.

Except where stated above, options will lapse on cessation of employment or directorship within the Group.

Shares will be allotted or transferred to participants within 30 days of exercise.

7.1.5 *Principal terms common to the New Share Plans*

Life of Plans
An award may not be granted more than 10 years after the date on which the New Share Plans were adopted.

No payment is required for the grant of an award save in the case of the purchase of Partnership Shares under the SIP.

Awards are not transferable, except on death. Awards are not pensionable.

Participants' rights
Awards under the Executive Share Plans and Sharesave will not confer any shareholder rights until the awards have vested or the options have been exercised as relevant and the participants have received their Shares.

Rights attaching to Shares
Any Shares allotted will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital (or in the case of the Executive Share Plans only, in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares), the Remuneration Committee or Board as relevant may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

Overall limits

The New Share Plans may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10% of the issued ordinary share capital of the Company under the New Share Plans and any other (executive or otherwise) share incentive plan adopted by the Company.

Furthermore, in the same period as noted above, the Company may not issue (or grant rights to issue) more than 5% of the Shares in issue under the Executive Share Plans and any other executive share plan adopted by the Company.

Treasury shares will count as new issue Shares for the purposes of these limits unless institutional investor guidelines cease to require such Shares to be so counted.

Shares issued or to be issued under awards or options granted before or in connection with Admission will not count towards these limits.

Alterations

The Remuneration Committee may, at any time, amend the New Share Plans in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the New Share Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award amended in line with its terms.

Overseas plans

The New Share Plans allow the Remuneration Committee or Board, as relevant, to establish further schedules for overseas territories, any such plan to be similar to the relevant New Share Plan, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the relevant New Share Plan.

7.2 ***Employee Benefit Trust***

At its discretion the Company may operate an Employee Benefit Trust ("EBT") which has the flexibility to acquire Shares to hold or distribute them in respect of share options and awards granted pursuant to the Company's share plan arrangements from time to time. The EBT would not, without prior Shareholder approval, acquire Shares which would cause its holding to exceed 5% of the Shares in issue.

The EBT would be an offshore trust and the trustees would buy shares on the market or subscribe for them. It is intended that the EBT would be funded by way of loans and other contributions from the Group.

7.3 ***Share plans and employee incentive arrangements prior to Admission***

Bakkavor Group Limited has granted a number of awards since July 2017 in respect of its shares under arrangements in place prior to Admission, in accordance with the terms of the Bakkavor Group Limited 2017 Long Term Incentive Plan. Following the Reorganisation, these awards will be exchanged for equivalent awards over the Shares of the Company, and it is expected that following the exchange awards under these pre-IPO arrangements will remain outstanding over 9,178,785 Shares post-Admission. The numbers of Shares represented by the awards are stated on the basis that the Reorganisation steps described in this Part 14–"Additional Information" have been completed in full and the relevant adjustments have been made. Following Admission no further awards will be made under the pre-IPO arrangements.

The majority of awards have been granted under the Bakkavor Group Limited 2017 Long Term Incentive Plan as options (including options over 1,222,515 Shares that have been granted to Peter Gates, who is the only executive director to participate in the Bakkavor Group Limited 2017 Long Term Incentive Plan). The exercise price of these options is £0.764 and they will vest following publication of the Company's audited financial results for the 2019 financial year, subject to continued service and satisfaction of performance conditions based on the Company's EBITDA for the 2019 financial year. If an award holder ceases to be an employee of a member of the Group, the award holder may exercise any vested awards for a period of six months following the date of cessation of employment (or such longer period as the Board may permit), but the unvested portion will lapse automatically, unless the cessation is due to reasons such as death, injury, disability, ill-health or retirement in which case the unvested portion will vest to the extent as the Board may determine in accordance with the original vesting schedule. In addition, certain awards have been granted on the terms equivalent to the Bakkavor Group Limited 2017 Long Term Incentive Plan on a nominal cost basis (with the Company having the ability to waive the exercise price), which will vest in April 2020 and April 2022, subject to continued service. If an award holder ceases to be an employee of a member of the Group, the award holder may exercise any vested awards for a period of six months following the date of cessation of employment (or such longer period as the Board may permit), but the unvested portion will lapse automatically, unless the cessation is due to reasons such as death, injury, disability, ill-health or retirement in which case the unvested portion will vest to the extent as the Board may determine in accordance with the original vesting schedule.

8. Pensions

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.

9. Underwriting arrangements

9.1 ***Underwriting Agreement***

On 10 November 2017 the Company, the Directors, the Selling Shareholders and the Underwriters entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement:

9.1.1 the Company has agreed, subject to certain conditions, to allot and issue, at the Offer Price, the New Shares to be issued in connection with the Offer;

9.1.2 the Selling Shareholders have agreed, subject to certain conditions, to sell the Existing Shares in the Offer at the Offer Price;

9.1.3 the Underwriters have severally agreed, subject to certain conditions, to procure subscribers or, failing which, to subscribe themselves for the New Shares (in such proportions as will be set out in the Underwriting Agreement) and to procure purchasers for or, failing which, to purchase themselves the Existing Shares pursuant to the Offer;

9.1.4 the Underwriters will deduct from the proceeds of the Offer payable to the Company a commission of 2% of the product of the Offer Price and the number of New Shares allotted pursuant to the Offer and from the proceeds of the Offer to the Selling Shareholders a commission of 2% of the product of the Offer Price and the number of Existing Shares sold in the Offer;

9.1.5 in addition, the Company may, at its absolute discretion, pay an additional commission of up to 1% of the product of the Offer Price and the number of New Shares and the Selling Shareholders shall, in their absolute discretion, pay an additional commission of up to 1% of the product of the Offer Price and the number of Existing Shares sold in the Offer;

9.1.6 the obligations of the Underwriters to procure subscribers and/or purchasers for or, failing which, themselves to subscribe for or purchase Shares on the terms of the Underwriting Agreement are subject to certain conditions. These conditions include the absence of any breach of representation or warranty under the Underwriting Agreement and Admission occurring on or before 8:00 am (London time) on the date of Admission (or such later time and/or date as the Joint Global Co-ordinators may agree with the Company). In addition, the Joint Global Co-ordinators have the right to terminate the Underwriting Agreement, exercisable in certain circumstances, prior to Admission;

9.1.7 the Selling Shareholders have agreed to pay any stamp duty and/or stamp duty reserve tax arising on the sale of Existing Shares;

9.1.8 the Company has agreed to pay the costs, charges, fees and expenses of the Offer (together with any related value added tax) not including certain costs, charges, fees and expenses which will be paid by the Selling Shareholders;

9.1.9 each of the Company, the Directors and the Selling Shareholders have given certain representations, warranties and undertakings, subject to certain limits in the case of the Directors and the Selling Shareholders, to the Underwriters;

9.1.10 the Company has given an indemnity to the Underwriters on customary terms;

9.1.11 the parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions; and

9.1.12 the Underwriting Agreement contains lock-up provisions described in more detail in "Lock-up arrangements" in Part 13 (Details of the Offer).

10. Subsidiaries, investments and principal establishments

The Company is the principal operating and holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company are as follows:

10.1 *Subsidiaries and subsidiary undertakings*

Name	*Country of incorporation and registered office*	*Proportion of capital held*	*Principal activity*
Bakkavor Finance (1) Limited	United Kingdom	100%	Holding company
Bakkavor Finance ehf	Iceland	100%	Holding company
Bakkavor Finance (2) plc	United Kingdom	100%	Holding company
Bakkavor Finance (3) Limited	United Kingdom	100%	Holding company
Bakkavor London Limited	United Kingdom	100%	Holding company
Bakkavor Estates Limited	United Kingdom	100%	Property management
Bakkavor Acquisitions (2008) Limited	United Kingdom	100%	Holding company
Bakkavor USA Inc	USA	100%	Holding company
Bakkavor USA Limited	United Kingdom	100%	Holding company
Bakkavor Foods USA Inc	USA	100%	Manufacture of custom and private label savoury and bakery products
Bakkavor Foods Holdings LLC	USA	100%	Holding company
Bakkavor Invest Limited	United Kingdom	100%	Holding company
Bakkavor (Acquisitions) Limited	United Kingdom	100%	Holding company
Bakkavor Finance Limited	United Kingdom	100%	Customer invoicing and financing of receivables
Bakkavor Asia Limited	United Kingdom	100%	Holding company
Bakkavor China Limited	United Kingdom	100%	Holding company
Creative Food Group Limited	Hong Kong	100%	Production and manufacture of salad products
Creative Agriculture Holdings Limited	Hong Kong	100%	Production and manufacture of salad products
Jiangsu Bakkavor Food Co. Limited	China	100%	Production and manufacture of salad products
Nantong Bakkavor Food Co. Limited	China	100%	Production and manufacture of salad products
Bakkavor China Holdings Limited	Hong Kong	100%	Holding company

Name	*Country of incorporation and registered office*	*Proportion of capital held*	*Principal activity*
Wuhan Bakkavor Food Co. Limited.....	China	100%	Production and manufacture of salad products
Shanghai Bakkavor Food Co. Limited	China	100%	Production and manufacture of salad products
Beijing Bakkavor Food Co. Limited	China	100%	Production and manufacture of salad products
Guangzhou Bakkavor Food Co. Limited.....	China	100%	Production and manufacture of salad products
Bakkavor (Shanghai) Management Co. Limited	China	100%	Holding company
Xianyang Bakkavor Food Co. Limited.....	China	100%	Production and manufacture of salad products
Fujian Bakkavor Food Co. Limited.....	China	100%	Production and manufacture of salad products
Bakkavor Hong Kong Limited	Hong Kong	100%	Preparation and marketing of fresh prepared food
Bakkavor Limited	United Kingdom	100%	Holding company
Bakkavor Foods Limited	United Kingdom	100%	Preparation and marketing of fresh prepared food
Bakkavor Pension Trustees Limited	United Kingdom	100%	Pension trustee holding company
Bakkavor European Marketing BV	Netherlands	100%	Holding company
NV Bakkavor Belgium BV.....	Netherlands (tax resident in Belgium)	100%	Financing company

10.2 ***Principal investments***

The following are the principal investments of the Group:

Name	*Country of incorporation and registered office*	*Class and percentage of ownership interest and voting power*	*Field of activity*
La Rose Noire Limited	Hong Kong	Ordinary (45%)	Producer of bakery and pastry products

10.3 ***Principal establishments***

The following are the principal establishments of the Group:

Name and location	*Type of facility*	*Tenure*
Abbeydale Road (England, United Kingdom).....	Manufacturing facility	Leased
Premier Park (England, United Kingdom).....	Distribution Centre	Leased
Boston (England, United Kingdom)	Manufacturing facility	Owned
Cumberland Avenue (England, United Kingdom).....	Manufacturing facility	Leased
Elveden Place (England, United Kingdom).....	Manufacturing facility	Leased
Elveden Place (England, United Kingdom).....	Manufacturing facility	Owned
Holbeach (Pizza) (England, United Kingdom).....	Manufacturing facility	Owned
Spalding (Cerberus) (England, United Kingdom)	Manufacturing facility	Owned
Spalding (Soups and Sauces) (England, United Kingdom).....	Manufacturing facility	Owned
Sutton Bridge (Bakkavor Meals) (England, United Kingdom) ...	Manufacturing facility	Owned
Sutton Bridge (BM and Wingland) (England, United Kingdom)	Warehouse	Leased
Wigan (England, United Kingdom)	Manufacturing facility	Owned
Wigan (England, United Kingdom)	Warehouse	Leased
Alresford (England, United Kingdom)	Manufacturing facility	Owned
Borrowstounness (Bridgeness) (Scotland, United Kingdom).....	Manufacturing facility	Leased
Borrowstounness (Carriden) (Scotland, United Kingdom).....	Manufacturing facility	Leased
Borrowstounness (Bridgeness) (Scotland, United Kingdom).....	Manufacturing facility	Leased
Borrowstounness (Carriden) (Scotland, United Kingdom).....	Manufacturing facility	Leased
Bourne (England, United Kingdom).....	Manufacturing facility	Owned
Bourne (England, United Kingdom).....	Effluent Plant	Leased
Spalding (Deli) (England, United Kingdom).....	Manufacturing facility	Owned
Spalding (Salads) (England, United Kingdom)	Manufacturing facility	Owned
Sutton Bridge (Wingland) (England, United Kingdom).....	Manufacturing facility	Leased
Tilmanstone (England, United Kingdom).....	Manufacturing facility	Leased
Highbridge (England, United Kingdom).....	Manufacturing facility	Owned
Highbridge (England, United Kingdom).....	Warehouse	Leased
Newark (England, United Kingdom)	Manufacturing facility	Owned
Newark (England, United Kingdom)	Warehouse	Leased
Barton on Humber (England, United Kingdom).....	Manufacturing facility	Owned
Crewe (England, United Kingdom)	Manufacturing facility	Leased
Crewe (England, United Kingdom)	Distribution Centre	Leased
Harrow (England, United Kingdom).....	Manufacturing facility	Leased
Holbeach (Freshcook) (England, United Kingdom)	Manufacturing facility	Owned
Nantwich (England, United Kingdom)	Manufacturing facility	Leased
Colchester (England, United Kingdom).....	Manufacturing facility	Leased
Fitzroy Place (England, United Kingdom)	Office	Leased
Carson (California, United States)	Manufacturing facility	Leased
Charlotte (North Carolina, United States).....	2 Manufacturing facilities	Leased
Jessup (Pennsylvania, United States).....	Manufacturing facility	Leased
San Antonio (*under construction*) (Texas, United States)	Manufacturing facility	Leased
Beijing (China).....	Manufacturing facility	Leased

Name and location	*Type of facility*	*Tenure*
Shanghai (China)	Office	Leased
Guangzhou (China)	Manufacturing facility	Owned
Haimen (China)	Manufacturing facility	Owned
Haimen (*under construction*) (China)	Manufacturing facility	Owned
Haimen Demo Farm	Farm	Leased
Hong Kong (Hong Kong) 13th Floor	Manufacturing facility	Owned
Hong Kong (Hong Kong) 6,7,10,11 Floors	Manufacturing facility	Leased
Hong Kong (Hong Kong)	Office	Leased
Wuhan (China)	Manufacturing facility	Leased
Xiamen (China)	Manufacturing facility	Leased
Xian (China)	Manufacturing facility	Leased
Taicang	Manufacturing facility	Leased
Almeria (Spain)	Office	Leased
Murcia (Spain)	Office	Leased

11. Statutory auditors

The auditors of the Company for the period from incorporation on 28 September 2017 to the present have been Deloitte LLP, whose registered address is at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP have audited the consolidated accounts for the Company for financial information as at and for FY 2014, FY 2015 and FY 2016, in accordance with International Standards on Auditing (UK and Ireland).

12. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Group, and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Prospectus:

12.1 ***Underwriting Agreement***

The Underwriting Agreement described in paragraph 9.1 of this Part 14—"Additional Information".

12.2 ***Relationship Agreement with the Founder Shareholders***

The Founders' Relationship Agreement is described in Part 7—"Directors, Senior Managers and Corporate Governance—Corporate Governance—Relationship Agreement with the Founders"

12.3 ***Relationship Agreement with BP-PE5***

The BP-PE5 Relationship Agreement is described in Part 7—"Directors, Senior Managers and Corporate Governance—Corporate Governance—Relationship Agreement with BP-PE5"

12.4 ***New Facilities Agreement***

On 21 February 2017, Bakkavor Finance (1) Limited as parent, Bakkavor Finance (2) plc as the company, Coöperatieve Rabobank U.A., trading as Rabobank London branch and HSBC Bank plc as bookrunners and mandated lead arrangers, Barclays Bank PLC and The Royal Bank of Scotland plc as mandated lead arrangers, Fifth Third Bank, Citibank N.A., London Branch, NIBC Bank N.V. and AIB Group (UK) P.L.C. as lead arrangers, Coöperatieve Rabobank U.A., trading as Rabobank London branch as co-ordinator, Coöperatieve Rabobank U.A. as agent, Barclays Bank PLC as security agent and others entered into a senior facilities agreement (the "New Facilities Agreement"). Certain other members of the Group are party to the New Facilities Agreement as guarantors.

The New Facilities Agreement provides for senior bank facilities (the "New Facilities") comprising: (i) a £210.0 million bullet term facility ("Term Loan Facility A"); (ii) a £75.0 million bullet term facility ("Term Loan Facility B"); and (iii) a £200.0 million revolving credit facility (the "Revolving Facility").

The Term Loan Facility A and Term Loan Facility B were drawn in full on 23 March 2017. Term Loan Facility A and Term Loan Facility B were used for the refinancing of the Group's existing indebtedness and for paying fees, costs and expenses associated with such refinancing. The Group had drawn down £120 million from the Revolving Facility as at H1 2017, which may be used for (i) directly or indirectly refinancing the Group's existing indebtedness and for paying fees, costs and expenses associated with such refinancing and (ii) the general corporate purposes of the Group (including, but not limited to, for acquisitions, investments and capital expenditure).

The interest rate payable on a loan under each New Facility for each interest period is the London Interbank Offered Rate ("LIBOR"), or in respect of any loan made in euro, the Euro Interbank Offered Rate ("EURIBOR") plus a margin. The margin is subject to a margin ratchet calculated by reference to the ratio of Bakkavor's total net debt to adjusted EBITDA (as defined in the New Facilities Agreement). Bakkavor Finance (2) is the borrower under the New Facilities Agreement. The New Facilities are currently secured by way of English law governed share pledges and floating charge agreements and New York law governed share security entered into by each Obligor; however the facilities grant the Company a right to release such security in full without any further consent requirements on Admission, and the Company intends to exercise that right. Certain subsidiaries of Bakkavor Finance (2) which together represent at least 80.0% of the Group's consolidated EBITDA and gross assets will provide a continuing guarantee of the punctual performance of the borrower's payment obligations thereunder.

The Term Loan Facility B lenders benefit from prepayment fees and call protection in certain circumstances where Bakkavor Finance (2) prepays the Term Loan Facility B prior to 23 March 2020, as detailed in the New Facilities Agreement. For example, Bakkavor Finance can prepay up to 50% of the Term Loan Facility B with proceeds from the Offer without incurring prepayment fees.

The New Facilities Agreement contains customary warranties, representations, covenants (including limited restrictions on disposals, financial covenants, a negative pledge and a restriction on the incurrence of indebtedness by members of the Group which are not guarantors of the New Facilities) and events of default (in each case, subject to customary agreed exceptions, materiality tests, carve-outs and grace periods) suitable for facilities of this type.

In addition, the New Facilities Agreement also contains a leverage financial covenant which the Group must comply with, being the ratio of the Group's total net debt to the Group's adjusted EBITDA (as defined in the New Facilities Agreement) which must not exceed 3.50:1. As at 1 July 2017, the ratio was 2.4x. The leverage covenant is currently tested quarterly but, following the date of Admission, will be tested semi-annually only by reference to the audited consolidated financial statements for each financial year and the consolidated financial statements for each half year with the leverage ratio stepping down in June 2018 and June 2019 to 3.25:1 and 3.00:1 respectively. The New Facilities Agreement also includes an interest coverage covenant (being tested semi-annually by reference to the ratio of EBITDA to net finance charges (as defined in the New Facilities Agreement) of the Group for that period) which shall not be less than 4.00:1.

The final maturity date in respect of Term Loan Facility A and the Revolving Facility will be 30 June 2021, and 30 June 2024 in the case of Term Loan Facility B.

The New Facilities Agreement is governed by English law.

13. UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current UK law and what is understood to be the current practice of HMRC as at

the date of this Prospectus, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or exempt pension arrangement) and who are the absolute beneficial owner of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

(a) ***Taxation of dividends***

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

(i) *UK resident individual Shareholders*

With effect from April 2016 the income tax rules applicable to dividends changed. Dividend income no longer carries a UK tax credit, and instead new rates of tax apply. These include a nil rate of tax for the first £5,000 of dividend income in any tax year (the "nil rate band") and different rates of tax for dividend income that exceeds the nil rate band. For these purposes "dividend income" includes UK and non UK source dividends and certain other distributions in respect of shares. It was announced in the UK Spring Budget 2017 that the Dividend Allowance would be reduced to £2,000 from 6 April 2018. This measure was included in Finance Bill (No.2) 2017. Shareholders should note that as this measure has not been enacted, it may therefore be subject to change.

Under the new rules, an individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will not be liable to UK tax on the dividend to the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5% to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5% to the extent that it is within the higher rate band, or 38.1% to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate band which would otherwise have fallen within the basic or higher rate bands will use up those bands respectively and so will be taken into account in determining whether the threshold for higher rate or additional rate income tax is exceeded.

(ii) *UK resident corporate Shareholders*

It is likely that most dividends paid on the Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

(iii) *UK resident exempt Shareholders*

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to any tax credit in respect of dividends paid by the Company.

(iv) *Non-UK resident Shareholders*

No tax credit will attach to any dividend paid by the Company. A Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

An individual UK Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty ("Treaty non-resident") for a period of five years or less and who receives or becomes entitled to dividends from the Company during that period of temporary non-residence may, if the Company is treated as a close company for UK tax purposes and certain other conditions are met, be liable for income tax on those dividends on his or her return to the UK.

(b) ***Taxation of disposals***

A disposal or deemed disposal of Shares by a Shareholder who is resident in the UK for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Shareholders who are not resident in the UK will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as Treaty non-resident for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his Shares during that period may be liable to capital gains tax on his return to the UK, subject to any available exemptions or reliefs.

(c) ***Stamp Duty and Stamp Duty Reserve Tax ("SDRT")***

(i) *The Offer*

The stamp duty and SDRT treatment of the subscription or purchase of Shares under the Offer will be as follows:

(a) The issue of Shares direct to persons acquiring Shares pursuant to the Offer will not generally give rise to stamp duty or SDRT.

(b) The transfer of, or agreement to transfer, Shares sold by the Selling Shareholders under the Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholders have agreed to meet such liability. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

(ii) *Subsequent transfers*

Stamp duty at the rate of 0.5 per cent (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. As noted above an exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

A charge to SDRT will also arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

(iii) *Shares transferred through paperless means including CREST*

Paperless transfers of Shares, such as those occurring within CREST, are generally liable to SDRT rather than stamp duty, at the rate of 0.5 per cent of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent) will arise.

(iv) *Shares held through Clearance Systems or Depositary Receipt Arrangements*

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5% on such issue or transfer (with subsequent transfers within the clearance service or transfers of depositary receipts then being free from stamp duty or SDRT). Following litigation HMRC confirmed that they will no longer seek to apply the 1.5% SDRT charge on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. However, this view has not been reflected in a change in the UK rules. HMRC's view is that the 1.5% SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. This view is currently being challenged in further litigation. **Accordingly, specific professional advice should be sought before incurring a 1.5% stamp duty or stamp duty reserve tax charge in any circumstances.**

The UK rules provide a statutory basis for disapplying the 1.5% charge where a clearance services provider makes an election under Section 97A(1) of the Finance Act 1986 which is approved by HMRC. In these circumstances, SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer will instead arise on any transfer of shares into the clearance service and on subsequent agreements to transfer such shares within the clearance service.

The statements in this paragraph (c) apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

(d) ***Inheritance Tax***

The Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold Shares, bringing them within the charge to inheritance tax. Shareholders should consult an appropriate tax adviser if

they make a gift or transfer at less than market value or intend to hold any Shares through trust arrangements.

14. US Federal Income Taxation

The following discussion is a general summary based on present law of certain US federal income tax considerations relevant to the acquisition, ownership and disposition of Shares. This discussion addresses only US Holders (as defined below) that purchase Shares in the Offer, will hold Shares as capital assets (generally assets held for investment) and use the US dollar as their functional currency. This discussion is not a complete description of all US federal tax considerations relating to the purchase, ownership and disposition of Shares and is not a substitute for tax advice. This discussion does not address all aspects of the tax treatment of persons subject to special rules, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, dealers, traders in securities that elect to mark-to-market, tax-exempt entities, persons owning directly, indirectly or constructively 10% or more of the Company's share capital, US expatriates, investors liable for alternative minimum tax, certain US expatriates, persons holding Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction or persons holding Shares in connection with a permanent establishment or fixed base outside the United States. It also does not address US federal taxes other than income tax (*e.g.*, estate and gift taxes) or US state and local and non-US tax considerations.

As used in this section, "US Holder" means a beneficial owner of Shares that is, for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust (x) if it is subject to the control of one or more US persons and the primary supervision of a US court or (y) if such trust has a valid election in effect under applicable Treasury regulations to be treated as a United States person or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Shares generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their own tax advisors regarding the specific US federal income tax consequences to them and to their partners of the partnership's acquisition, ownership and disposition of Shares.

The Company believes, and the following discussion assumes, that the Company was not in its taxable year ended 31 December 2016, is not for its current taxable year and will not become in the foreseeable future, a passive foreign investment company ("PFIC") for US federal income tax purposes. The tests to determine whether a company is a PFIC apply annually and a company's status can change depending, among other things, on changes in the composition and relative value of its gross receipts and assets, changes in its operations and changes in the market value of its stock. Accordingly, no assurance can be provided by the Company that it will not become a PFIC in any future year.

14.1 *Dividends*

Distributions on the Shares should be included in a US Holder's gross income as ordinary dividend income from foreign sources when actually or constructively received. Dividends will not be eligible for the dividends-received deduction generally available to US corporations. If the Company qualifies for benefits under the United States-United Kingdom tax treaty (the "Treaty") and is not a PFIC in the year of distribution or in the preceding year, dividends on the Shares will qualify for the reduced rates applicable to qualified dividend income of certain eligible non-corporate US Holders that satisfy a minimum holding period and other generally applicable requirements. The Company believes it will qualify for benefits under the Treaty.

Dividends paid in a currency other than US dollars will be includable in a US Holder's income in a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the currency is converted into US dollars or otherwise disposed of at that time. A US Holder's tax basis in the non-US currency will equal the US dollar amount included in income. Any gain or loss realised

on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss.

14.2 ***Dispositions***

A US Holder generally will recognise capital gain or loss on the sale or other disposition of Shares in an amount equal to the difference between the US Holder's adjusted tax basis in the Shares and the US dollar value of the amount realised from the sale or other disposition.

A US Holder's adjusted tax basis in the Shares generally will be the US dollar value of the purchase price paid in the Offer. Any gain or loss generally will be treated as arising from US sources and will be long-term capital gain or loss if the US Holder's holding period exceeds one year. A loss may nonetheless be a long-term capital loss regardless of a US Holder's actual holding period to the extent the US Holder has received qualified dividends eligible for reduced rates of tax prior to a sale or other disposition of its Shares that exceeded 10 percent of such US Holder's basis in the Shares. Deductions for capital loss are subject to limitations.

A US Holder that receives a currency other than US dollars on the sale or other disposition of Shares generally will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale or other disposition (or, in the case of a cash basis or an electing accrual basis US Holder and provided the Shares are treated as traded on an established securities exchange, the settlement date). A US Holder that does not determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency received at the spot rate on the settlement date. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss.

14.3 ***Medicare Tax on Net Investment Income***

Certain non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax tax on their "net investment income" (which generally includes, among other things, dividends on, and capital gain from the sale or other disposition of Shares). Non-corporate US Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of Shares.

14.4 ***Reporting and Backup Withholding***

Dividends on the Shares and proceeds from the sale or other disposition of Shares may be reported to the US Internal Revenue Service ("IRS") unless the US Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number, fails to report all interest and dividends required to be shown on its US federal income tax returns or otherwise fails to establish an exemption. Any amount withheld may be credited against a US Holder's US federal income tax liability or refunded to the extent it exceeds the holder's liability, provided the required information is timely furnished to the IRS. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain non-corporate US Holders are required to report information with respect to their investment in Shares not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their investment in Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH

PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

15. Enforcement and civil liabilities under US federal securities laws

The Company is a public limited company incorporated under English law. Many of the Directors are citizens of the United Kingdom (or other non-US jurisdictions), and a portion of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the US courts judgments obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

16. Litigation

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had, a significant effect on the Company's and/or the Group's financial position or profitability.

17. Related party transactions

Save as described in the Company's audited consolidated financial information for FY 2014, 2015 and 2016 set out in Section(s) A and B of Part 11—"Historical Financial Information" and the relationship agreements described in Part 7—"Directors, Senior Managers and Corporate Governance", there are no related party transactions between the Company or members of the Group that were entered into during the year to date and during FY 2014, 2015 and 2016.

18. Working capital

In the opinion of the Company, taking into account the net proceeds receivable by the Company from the subscription for New Shares in the Offer, and the bank facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

19. No significant change

There has been no significant change in the financial or trading position of the Group since 1 July 2017, the date to which the last audited consolidated accounts of the Company were prepared.

20. Consents

Deloitte LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of the reports in Part 11—"Historical Financial Information" and Part 12—"Unaudited Pro Forma Financial Information", in the form and context in which they appear and has authorised the contents of those parts of this Prospectus which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the Shares have not been and will not be registered under the Securities Act, Deloitte LLP has not filed and will not be required to file a consent under Section 7 of the Securities Act.

OC&C Strategy Consultants has given and has not withdrawn its written consent to the inclusion of the information in this Prospectus which has been sourced to OC&C, in the form and context in which it appears. For the purposes of Prospectus Rule 5.5.3R (2)(f), OC&C Strategy Consultants is responsible for the inclusion of the information in this Prospectus which has been sourced to OC&C and declares that OC&C Strategy Consultants has taken all reasonable care to ensure that such information is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration

is included in this Prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

21. General

21.1 The fees and expenses to be borne by the Company in connection with Admission including the Underwriters' commission, the FCA's fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £14 million (including VAT). In addition the Selling Shareholders have agreed to pay their expenses in connection with the sale of Shares including underwriting commissions of up to approximately £3 million.

21.2 The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 434(3) of the Act.

21.3 Each New Share is expected to be issued at a premium of 178 pence to its nominal value of 2 pence.

22. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following the date of this Prospectus at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HS:

(a) the Articles of Association of the Company;

(b) the historical financial information relating to the Group and the report thereon by Deloitte LLP set out in Part 11—"Historical Financial Information" and the unaudited pro forma financial information and the report thereon by Deloitte LLP set out in Part 12—"Unaudited Pro Forma Financial Information";

(c) the consent letters referred to in "Consents" in paragraph 20 above; and

(d) this Prospectus.

Dated: 10 November 2017

Part 15

Definitions and Glossary

The following definitions apply throughout this Prospectus unless the context requires otherwise:

"2010 PD Amending Directive"	Directive (2010/73/EU)
"Act".....	the Companies Act 2006, as amended
"Admission".....	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
"Articles".....	the Articles of Association of the Company to be adopted upon Admission
"ASIC"	Australian Securities and Investments Commission
"Barclays"	Barclays Bank PLC
"Bakk AL".....	Bakk AL Holdings Ltd.
"Bakkavor Pension Scheme"	the Group operated defined benefit pension scheme
"Banks"	HSBC Bank plc, Morgan Stanley & Co. International plc, Barclays Bank PLC, Citigroup Global Markets Limited, Coöperatieve Rabobank U.A. and Peel Hunt LLP
"Baupost"	The Baupost Group, L.L.C.
"BGL"	Bakkavor Holdings Limited, formerly named Bakkavor Group Limited (and renamed as described in Part 14—"Additional Information—Incorporation and share capital")
"Board".....	the board of directors of the Company
"BP-PE5"	BP-PE5, L.L.C., an entity indirectly managed by Baupost
"BP-PE5 Agreement".....	the relationship agreement entered into between the Company and BP-PE5 as described in Part 7—"Directors, Senior Managers and Corporate Governance"
"Brexit"	referendum vote in favour of the United Kingdom's exit from the European Union on 23 June 2016
"CAGR"	Compound annual growth rate
"CCPs"	Critical Control Points
"Citigroup".....	Citigroup Global Markets Limited
"City Code".....	the City Code on Takeovers and Mergers
"Company".....	Bakkavor Group plc
"CREST".....	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
"Directors"	the Executive Directors and the Non-Executive Directors

"EA"	United Kingdom's Environment Agency
"EEA"	the European Economic Area
"ERP"	Enterprise resource planning system
"EU"	the European Union
"EURIBOR"	Euro Interbank Offered Rate
"Executive Directors"	the executive Directors of the Company
"Existing Shares"	89,300,842 Shares be sold as part of the Offer by the Selling Shareholders
"FCA"	the Financial Conduct Authority
"Founders"	Lydur and Agust Gudmundsson
"Founders Relationship Agreement"	the relationship agreement entered into between the Company, Carrion Enterprises Ltd, Umbriel Ventures Ltd, the trustees of the A.G. Trust and the trustees of the L.G. Trust as described in Part 7—"Directors, Senior Managers and Corporate Governance"
"Founders Shareholding Reorganisation"	the shareholding reorganisation intended to take place following Admission as described in Part 14—"Additional Information—Directors' and Senior Managers' interests"
"FPF"	Fresh Prepared Food
"FSMA"	the Financial Services and Markets Act 2000, as amended
"GDP"	gross domestic product
"GMB"	Britain's General Union
"Governance Code"	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
"Group"	the Company and its consolidated subsidiaries and subsidiary undertakings
"HACCP"	Hazard Analysis Critical Control Point
"HMRC"	HM Revenue and Customs
"HSBC"	HSBC Bank plc
"HSE"	United Kingdom's Health and Safety Executive
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards, as adopted by the European Union
"IRS"	US Internal Revenue Service
"Joint Bookrunners"	Barclays, Citigroup and Peel Hunt
"Joint Global Co-ordinators"	HSBC and Morgan Stanley
"LIBOR"	London Interbank Offered Rate
"Lead Manager"	Rabobank

"Listing Rules"	the listing rules of the FCA made under section 74(4) of the FSMA
"London Stock Exchange"	London Stock Exchange plc
"Main Market"	London Stock Exchange's main market for listed securities
"Member States"	member states of the European Economic Area
"Morgan Stanley"	Morgan Stanley & Co. International plc
"New Facilities"	Term Loan Facility A, Term Loan Facility B and the Revolving Facility
"New Shares"	new Shares in the Company to be allotted and issued as part of the Offer
"Non-Executive Directors"	the non-executive Directors of the Company
"OC&C"	OC&C Strategy Consultants LLP
"Offer"	the issue of New Shares by the Company and the sale of Existing Shares by the Selling Shareholders described in Part 13—"Details of the Offer"
"Offer Price"	the price at which each Share is to be issued or sold pursuant to the Offer
"Official List"	the Official List of the FCA
"OTIF"	On time, in full
"PCAOB"	the Public Company Accounting Oversight Board (United States)
"Peel Hunt"	Peel Hunt LLP
"Prospectus"	the final prospectus approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA
"Prospectus Directive"	Directive 2003/71/EC and amendments thereto, including the 2010 PD Amending Directive and any relevant implementing measure in each Relevant Member State.
"qualified institutional buyers" or "QIBs"	has the meaning given by Rule 144A
"Qualified Investors"	persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive
"Rabobank"	Coöperatieve Rabobank U.A.
"Registrars"	Equiniti Limited
"Regulation S"	Regulation S under the US Securities Act
"Reorganisation"	the reorganisation of the Group in preparation for the Offer as described in paragraph 2 of Part 14—"Additional Information — Reorganisation"
"Reorganisation Deed"	the reorganisation deed entered into by the Company, Bakk AL, Bakkavor Group Limited, Milu Trading Inc., Agust and Lydur Gudmundsson, Alloa Finance (CY) Ltd., entities indirectly managed by Baupost and BP-PE5

"ROIC"	return on invested capital
"Rule 144A"	Rule 144A under the US Securities Act
"SDRT"	stamp duty reserve tax
"Selling Shareholders"	Shareholders who sell Shares as part of the Offer, consisting of Bakk AL Holdings Ltd. and BP-PE5
"Senior Managers"	those individuals identified as such in Part 7—"Directors, Senior Managers and Corporate Governance"
"Shareholders"	the holders of Shares in the capital of the Company
"Shares"	the ordinary shares of the Company, having the rights set out in the Articles
"SHDC"	South Holland District Council
"Sponsor"	HSBC
"Strategic Customers"	Tesco, Marks & Spencer, Sainsbury's and Waitrose
"UK"	the United Kingdom of Great Britain and Northern Ireland
"Underwriting Agreement"	the underwriting agreement entered into between the Company, the Directors, the Selling Shareholders and the Underwriters described in paragraph 9.1 of Part 14—"Additional Information—Underwriting agreement"
"Underwriters"	HSBC Bank plc, Morgan Stanley & Co. International plc, Barclays Bank PLC, Citigroup Global Markets Limited, Coöperatieve Rabobank U.A. and Peel Hunt LLP
"United States" or "US"	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
"US Exchange Act"	United States Securities Exchange Act of 1934, as amended
"US Securities Act"	United States Securities Act of 1933, as amended