EXCEPTIONAL PEOPLE DRIVING OUR BUSINESS

BAKKAVOR GROUP PLC
ANNUAL REPORT & ACCOUNTS 2019

IT'S OUR EXCEPTIONAL AND DEDICATED PEOPLE WHO DELIVER OUR CORE STRATEGY OF LONG-TERM SUSTAINABLE GROWTH

Every day, our people play a crucial role in driving quality and helping to deliver great-tasting fresh prepared food.

Our success is driven by the passion, dedication and commitment of all our people. It's their determination and ideas that keep us agile and fresh.

They live and breathe our values every day and are our single most important asset. We couldn't do what we do without their commitment to deliver better products.

We would like to recognise and thank our colleagues for working so hard to make this happen.

READ PAGES 16-18
To find out how our people help deliver excellence throughout our business.

VIEW AND DOWNLOAD OUR ANNUAL REPORT AT
BAKKAVOR.COM

Bakkavor

@Bakkavor

Disclaimer — Forward-looking statements

This Annual Report, prepared by Bakkavor Group plc ("the Company"), may contain forward-looking statements about Bakkavor Group plc and its subsidiaries ("the Group"). Forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will, or may, occur in the future. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. Forward-looking statements speak only as of the date they are made and the Company undertakes no obligation to update these forward-looking statements. Nothing in this report should be construed as a profit forecast. Some numbers and period-on-period percentages in this report have been rounded or adjusted in order to ensure consistency with the financial information.

We are the leading provider of fresh prepared food (FPF) in the UK, with a growing international presence in the US and China. Our 20,000 employees operate from 45 locations, including 39 factories, to develop and produce innovative products for a wide variety of occasions and budgets.

2019 FINANCIAL HIGHLIGHTS

GROUP REVENUE

£1,885.9m

+1.5%

ADJUSTED EBITDA[1]

£153.5m

No change

OPERATING PROFIT

£69.4m

-19%

NET CASH FROM OPERATIONS

£114m

+15%

BASIC EPS

6.4p

-5.2p

2019 OPERATIONAL HIGHLIGHTS

Clear leadership position in the UK with share gain in three core categories

Completed investment at desserts site in Newark and integration of Blueberry Foods on track

Benefitted from transfer of significant new meals business in the UK following investment at four sites

Developing stronger US retail partnerships to build foundations for future growth

Three new sites in China now fully operational, increasing capacity to support growing demand

[1] Alternative Performance Measures ("APMs") including 'like-for-like', 'adjusted' and 'underlying' are used as a guide to performance. The definitions and calculations for APMs are set out in Note 38 to the Consolidated Financial Statements.

OUR PEOPLE LIVING OUR VALUES EVERY DAY

OUR PURPOSE

To provide the high-quality food that fast-paced, modern living demands – allowing people to focus on what really matters.

OUR MISSION

To develop and produce innovative, commercially successful, great-tasting food that offers choice, convenience and freshness to people around the world.

RELATED PAGES
Chief Executive's Review 19
Corporate Responsibility 30



OUR VALUES

CUSTOMER CARE
We are committed to supplying outstanding service, quality and value, never forgetting that our relationship with our customers is key to our success.

INNOVATION
We thrive on new challenges, looking for innovative ways to grow and improve our business further.

CAN-DO ATTITUDE
We encourage personal initiative and empower our people to make things happen. Our motivation comes from a determination to succeed in all that we do.

TEAMWORK
We believe everyone has a valuable part to play in the success of our business. We aim to communicate effectively and are committed to the highest standards of ethics and integrity.

GETTING IT RIGHT, KEEPING IT RIGHT
We work to deliver the right results every time in the most effective way, providing value for our customers and stakeholders alike.




WE ARE THE LEADING PROVIDER OF FRESH PREPARED FOOD IN THE UK, WITH A GROWING INTERNATIONAL PRESENCE IN THE US AND CHINA

UK

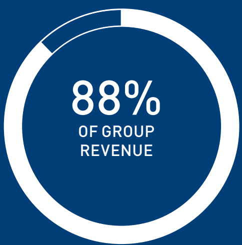
In the UK, we have 25 factories, four distribution centres and a head office in London.

CORE PRODUCTS
- MEALS
- PIZZA & BREAD
- DESSERTS
- SALADS

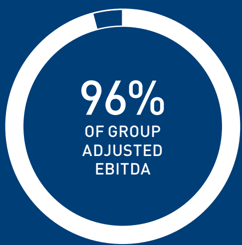
AROUND
2,000
PRODUCTS IN OUR UK PORTFOLIO

OVER
550
NEW PRODUCTS CREATED IN THE UK THIS YEAR

REVENUE
£1,652.5m



ADJUSTED EBITDA[1]
£147.1m



CUSTOMERS

DISCOVER MORE ON PAGE 21

INTERNATIONAL

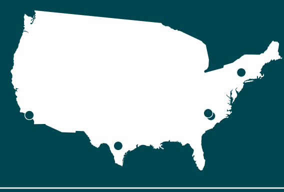
In the US, we have five factories, including a head office in Charlotte, North Carolina, and in China, we have nine factories plus our head office in Shanghai.

US

CORE PRODUCTS
- MEALS
- SOUPS & SAUCES
- BREAD
- DIPS

OVER
100
NEW PRODUCTS CREATED IN THE US THIS YEAR

AROUND
500
PRODUCTS IN OUR US PORTFOLIO



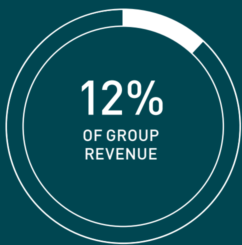
CHINA

CORE PRODUCTS
- FOOD-TO-GO
- SALADS
- FRESH CUT SALADS
- SANDWICHES & WRAPS
- BAKERY PRODUCTS

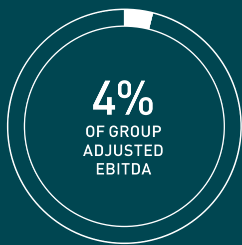
OVER
220
NEW PRODUCTS CREATED IN CHINA THIS YEAR

OVER
500
PRODUCTS IN OUR CHINA PORTFOLIO

REVENUE
£233.4m



ADJUSTED EBITDA[1]
£6.4m



CUSTOMERS

DISCOVER MORE ON PAGE 24

[1] Alternative Performance Measures ("APMs") including 'like-for-like', 'adjusted' and 'underlying' are used as a guide to performance. The definitions and calculations for APMs are set out in Note 38 to the Consolidated Financial Statements.

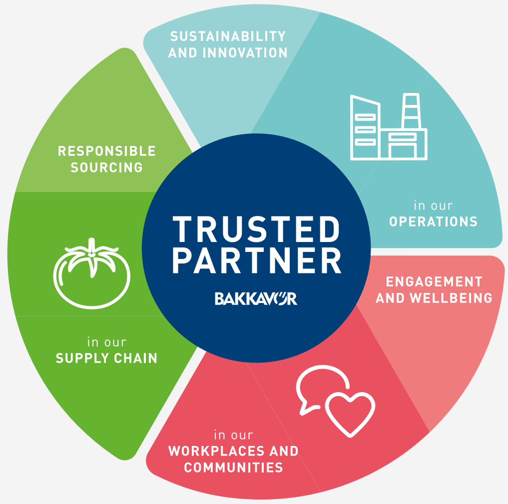
RELATED PAGES
Our Business Model 10
Our Strategy 14

OUR CORE PRODUCTS

Our deep understanding of consumer food choices enables us to create innovative products that set us apart from our competitors.

We manufacture and market a wide variety of fresh prepared food, covering a range of categories including meals, desserts, pizza & bread and salads.

CORPORATE RESPONSIBILITY



RESPONSIBLE SOURCING
IN OUR SUPPLY CHAIN

Responsible sourcing starts with transparency and integrity in our supply chain.

SUSTAINABILITY AND INNOVATION
IN OUR OPERATIONS

We are tackling waste and reducing the environmental footprint of our own operations as well as of the food we produce.

ENGAGEMENT AND WELLBEING
IN OUR WORKPLACES AND COMMUNITIES

It is essential for us to provide a safe and inclusive environment for our colleagues where everyone can thrive and develop.

DISCOVER MORE ON PAGE 30

SIMON BURKE
CHAIRMAN

OUR 2019 RESULTS REFLECT THE RESILIENCE OF THE GROUP IN THE FACE OF TOUGH MARKET CONDITIONS.

POST YEAR-END

While this Annual Report focuses on business activities for 2019, I want to start by paying tribute to my Bakkavor colleagues everywhere for their extraordinary commitment during the COVID-19 pandemic. They are working with imagination and dedication to continue the essential supply of our food, whilst we for our part are working to ensure their safety and wellbeing.

2019 OVERVIEW

More than anything, our 2019 results reflect the resilience of the Group in the face of tough market conditions. We are pleased to be reporting unchanged Adjusted EBITDA[1] for a year in which there were unhelpful consumer trends, continued inflationary pressures and generally weak volumes in our UK markets.

These market conditions have persisted for some time, and I am confident that our strategy of fostering strong, long-term relationships with our main UK customers has been an important factor in enabling Bakkavor to weather these challenges.

At the same time, we have been investing to build capacity in our business, to take advantage of market opportunity, and to maintain a leading manufacturing capability in our factories. The Board has been keen to ensure that these investments deliver value and I am pleased to report that results to date are very positive.

We have also invested significantly in our two international markets. In the US, we are serving a relatively new and rapidly developing part of the food market. However, we have added capacity and capability across several product categories and inevitably it is taking time for the returns to come through. We are, however, greatly encouraged by the recent progress we are seeing, and our confidence of success is high.

In China, our business continued its strong growth trajectory in 2019, again supported by a significant investment programme, and the momentum continued into early 2020.

In every territory, our progress has of course now been interrupted by COVID-19. I am very proud of the way our business has responded to this, protecting our colleagues, whilst maintaining very high fulfilment rates for our customers. Like everyone, we hope that the outbreak will end soon, and we are ready to resume full production when it does. The business resilience I mentioned previously will stand us in good stead in this case too.

PEOPLE

Our Annual Report this year rightly focuses on our colleagues and celebrates some of the great work they do. Without question, they are the foundation of our success, and during the year we have concentrated on keeping them with us. We were really pleased with our recent employee survey, which showed high levels of engagement and provided some great feedback that we are now working to put into effect. We have continued to support colleagues impacted by Brexit; in particular, providing help to those who need to achieve settled status in the UK. We have also been bringing in great talent, and I am delighted to see the Bakkavor apprentice and graduate programmes go from strength to strength as we continue to develop our Early Careers programme.

THE BOARD

The Board continued to develop during 2019, with all of our Directors serving for the full year. I am delighted to have welcomed Annabel Tagoe-Bannerman as Group General Counsel & Company Secretary. In light of COVID-19, it is right that members of the Board and Management Board have recently agreed voluntary reductions in remuneration for an initial period of three months.

I'm delighted to see the Bakkavor apprentice and graduate programmes go from strength to strength as we develop our Early Careers programme.

OUR WIDER RESPONSIBILITY
Bakkavor has always endeavoured to build its business sustainably – for customers, investors, suppliers, and all of those consumers who choose our food. We recognise that businesses need to do more and that it is no longer sufficient to merely 'do enough'. The Board is delighted that we are embarking on a new and enhanced Corporate Responsibility strategy, with much more ambitious goals. Details can be found on page 30. We will be monitoring this closely, and I look forward to updating stakeholders on our progress in future reports.

DIVIDEND
The Group paid an interim dividend of 2 pence per Ordinary share in October 2019. Due to the recent impact of COVID-19 on the business, as part of the steps being taken to conserve cash and plan for financial uncertainty, the Board has decided to suspend the proposed final dividend as originally announced with the Preliminary Results on 27 February 2020.

OUTLOOK FOLLOWING COVID-19 OUTBREAK
2020 started very well, but the landscape has changed significantly since we released our results and COVID-19 has now become a global health emergency. As I write this, we are responding well to these challenges in the UK and working hard to minimise disruption in the US. In China, signs of recovery in demand are encouraging, but very gradual. Along with most other businesses, we find it impossible to predict the eventual impact of the virus. We are a well-capitalised and robust business and are taking all the steps you would expect to protect our workforce, our business, and our cash resources in the coming months.

Prior to the virus outbreak, we saw signs of improving volumes in the UK and the US, and continuing strong sales in China. Whilst we are monitoring other developments, such as post-Brexit trade and immigration rules, we remain confident in our medium-term prospects in all three markets.

Simon Burke

SIMON BURKE
Chairman
5 May 2020

GOVERNANCE IN ACTION

CASE STUDY:
PROGRESSING OUR APPROACH TO CORPORATE RESPONSIBILITY THROUGH A CLEARLY DEFINED FRAMEWORK AND STRATEGY – 'TRUSTED PARTNER'

WHY?
Sustainability is an increasingly important element of our longer-term risk management.

THE RISK
The strategy addresses a number of sustainability risks including, among others: the ability to continue to source ingredients, mitigated by a structured programme of responsible sourcing; a potential shortage of labour in the future, mitigated by focusing on the engagement, development and wellbeing of our colleagues to maximise attraction and retention; and over-consumption of resources, mitigated by reducing levels of wastage and increasing efficiency in production.

THE WORK OF OUR BOARD AND INTERNAL COMMITTEES
The Group Board has approved a Corporate Responsibility strategy, which we have called 'Trusted Partner', to guide our work in this area.

OUTCOMES
Detailed plans are being developed for our work in 2020 and beyond under three focus areas: Responsible Sourcing, Sustainability and Innovation, and Engagement and Wellbeing.

DISCOVER MORE ON PAGES 30 TO 49

BAKKAVOR OPERATES ACROSS THREE DISTINCT GEOGRAPHICAL MARKETS AND GATHERS GLOBAL INSIGHTS TO HELP ENSURE OUR PRODUCTS REFLECT CHANGING CONSUMER LIFESTYLES AND TRENDS.

ECONOMIC BACKDROP

GDP GROWTH RATES 2019 (IMF ESTIMATE):

UK 1.3%

US 2.3%

China 6.1%

In the UK, economic uncertainty together with Brexit led to relatively weak consumer confidence throughout 2019, which impacted purchasing behaviours as shoppers looked for ways to cut back. In addition, inflationary pressures continued to influence the promotional activity that helps drive interest and spend across more discretionary products in our ranges.

The US economy is projected to slow in 2020, driven by subdued spending linked to political uncertainties. However, unemployment remains low at below 4% and we have seen a clear increase in demand from US regional retailers for pre-packaged FPF.

Despite slowing GDP growth in China and the ongoing trade dispute with the US, Chinese consumers continued to increase their spend in FPF. The increasing number of urban, middle-class consumers is the main driver, with young, free-spending consumers in lower-tier cities providing a 'growth engine' for the future. The COVID-19 outbreak in China is expected to have significant short-term impacts on the market, but no change is anticipated in our long-term prospects.

GROWTH OPPORTUNITIES

- In the UK, our scale, expertise and ability to respond quickly to changes in demand enable us to tailor our products to specific consumer preferences and price points for each customer. This includes producing items to a range of budgets as well as looking at opportunities to create value through our category breadth.
- We continue to look at meal solutions that reduce the financial burden on consumers having to buy separate ingredients to recreate a similar dish at a higher cost. For example, our stir fry-packs and sauces provide value and convenience.
- In the US and China, we are successfully using our UK expertise to develop or reconfigure products to meet local tastes.

i

Key fact: The Pizza Company offers the UK's biggest pizza deal – a £10 meal deal that includes a pizza and range of complementary sides and desserts all produced by Bakkavor.

CONVENIENCE

The UK retail environment is increasingly tough and competitive, as shoppers now have access to many more shopping channels and store formats than in previous years.

FPF is perfectly aligned to meet the needs of a wide variety of food shopping occasions and missions, and with shoppers increasingly eating meals outside the home, it is important to tailor solutions to meet this demand.

In the US, there continues to be strong interest for convenient FPF across the retail sector, with limited suppliers possessing the capability to deliver on retailers' demands. This, coupled with the increase in the number of consumers purchasing prepared foods, puts Bakkavor in a strong position to put itself forward as a supplier of choice.

In China, growth opportunities continue with our current customers.

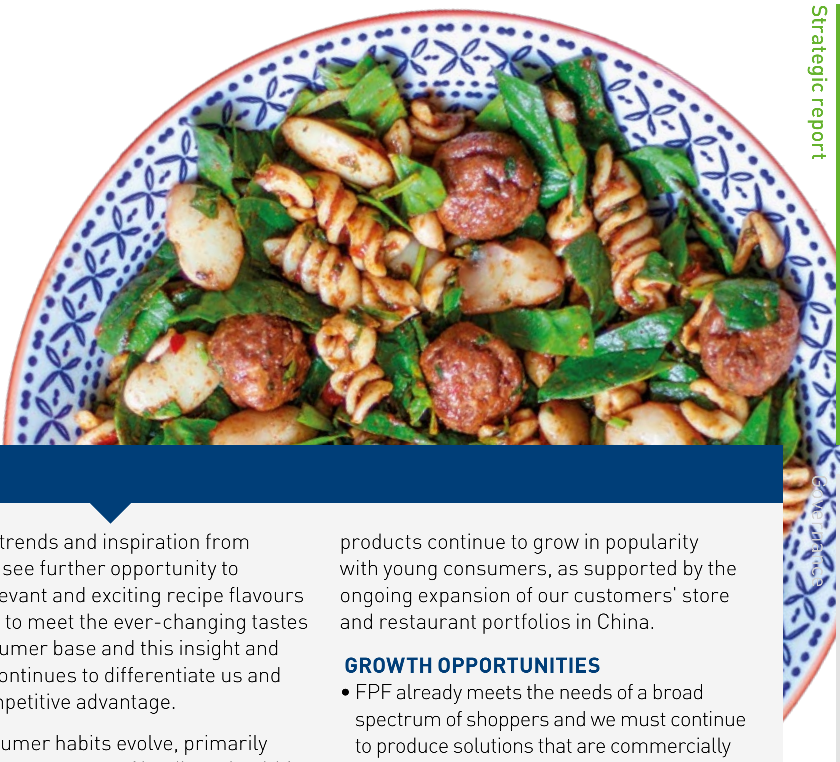
GROWTH OPPORTUNITIES

- We continue to look for ways to make the overall FPF shopping experience more accessible and enjoyable, including exploring store formats, product placements, packaging innovations and promotional activity to optimise the accessibility and attractiveness of our products.
- Many of our FPF products give consumers a convenient solution to reduce their time preparing meals from scratch and gain more time to do what they enjoy.
- The food-to-go category, which includes wraps, salads and chilled snacks, is likely to continue to benefit from shoppers wanting solutions to meet their 'on-the-go' needs throughout the day.
- In China, we continue to extend our 'food-to-go' offer to some of the best-known global food service-outlets and retail brands and this now represents more than half of our business in China.
- The size of the US can often mean distribution of short shelf-life products is challenging. Our model of either partnering with regional retailers or working with those that have well invested and effective supply chains is proving successful in being able to meet the growing consumer demand for FPF.

i

Key fact: In China, the popularity of food-to-go is driving the growth of two of our best-selling products – the Chicken Caesar Wrap and the Chicken & Bacon Club Sandwich – with over 5.5 million products made by us in 2019.

RELATED PAGES
Our Business Model 10
Our Strategy 14



DEMOGRAPHICS

By 2022, the upper middle class in China will account for 54% of urban households and 56% of urban private consumption[1].

In the UK, the way households are structured is changing and the FPF products we offer need to consider and accommodate these trends. For example, smaller households of one or two people are growing in numbers at a faster rate than households with three people or more.

In an ageing population, with the number of people aged over 65 rising faster than the rest of the population, it is important we respond to their FPF needs. Similarly, we are seeing an increased interest, particularly from under 25s, in meat alternatives and vegan meals, as well as products packaged in a more environmentally focused way.

Using food trends and inspiration from abroad, we see further opportunity to develop relevant and exciting recipe flavours and ranges to meet the ever-changing tastes of our consumer base and this insight and expertise continues to differentiate us and give us competitive advantage.

As US consumer habits evolve, primarily including the pressures of leading a healthier lifestyle, reducing food waste and reducing animal protein levels in the diet, retailers are looking to us to help them provide product ranges that address these needs, while helping them to deliver on their obligation to clean label restrictions.

In China, the ongoing trend of urbanisation and a growing demand for western food among its rising middle class will continue to present opportunities for Bakkavor to grow its basket of products and consumer base. Out-of-home consumption and pre-prepared convenience products continue to grow in popularity with young consumers, as supported by the ongoing expansion of our customers' store and restaurant portfolios in China.

GROWTH OPPORTUNITIES

- FPF already meets the needs of a broad spectrum of shoppers and we must continue to produce solutions that are commercially relevant to a broad demographic: for example, meals ranging from single household portions to family portions, twin-pack desserts to mini-selection desserts, and products that meet specific nutritional or calorie targets.

Key fact: In the UK, according to Kantar Worldpanel, households buy fresh prepared food products on average 62.6 times a year which is at least once a week.

HEALTHY AND ENVIRONMENTALLY CONSCIOUS LIFESTYLES

45% of UK shoppers agree that they look out for new and different healthy products to improve their health – and this rises to 55% for 18-24-year olds[2].

Consumers are increasingly looking for ways to maintain a healthier lifestyle, whether that is the trend towards plant and vegan-based diets, controlling calories or subscribing to a 'flexitarian' way of eating.

The rise of the 'conscious consumer' has led to an increased desire to consider environmental factors, as consumers make food purchase decisions to reflect more sustainable and ethical lifestyle values.

Similarly, in the US consumer interest in plant-based foods is a trend that is evident across fast-food outlets as well as retail chains.

'Light-eating' foods are an emerging trend in China, combining healthy and popular western food choices with traditional Chinese ingredients.

GROWTH OPPORTUNITIES

- We are actively working on developing ranges that cover the full breadth of the health spectrum. This includes calorie controlled, nutritionally balanced, 'free-from', vegan and plant-based products.
- Some of our products are viewed by consumers as 'inherently healthy', for example, salads, vegetables, soup and hummus, and we continue to monitor trends that we can adapt to these products. For example, our hummus ranges have been adapted to include ingredients such as turmeric and beetroot.

Key fact: On average, we make over 90 vegan and vegetarian products for UK consumers.

[1] mckinsey.com/industries/retail/our-insights/mapping-chinas-middle-class.

[2] Institute of Grocery Distribution.

A PROVEN MODEL FOR COMPETITIVE ADVANTAGE

WHAT DIFFERENTIATES US

We have a number of strengths which, combined with a confidence in market fundamentals and demand for fresh prepared food, help differentiate us in the industry:

Clear leadership in the UK FPF market and across four out of five* product categories

Proven operating model of managing complexity and ability to manufacture short shelf-life products at scale

Strong and long-standing customer relationships in all our markets

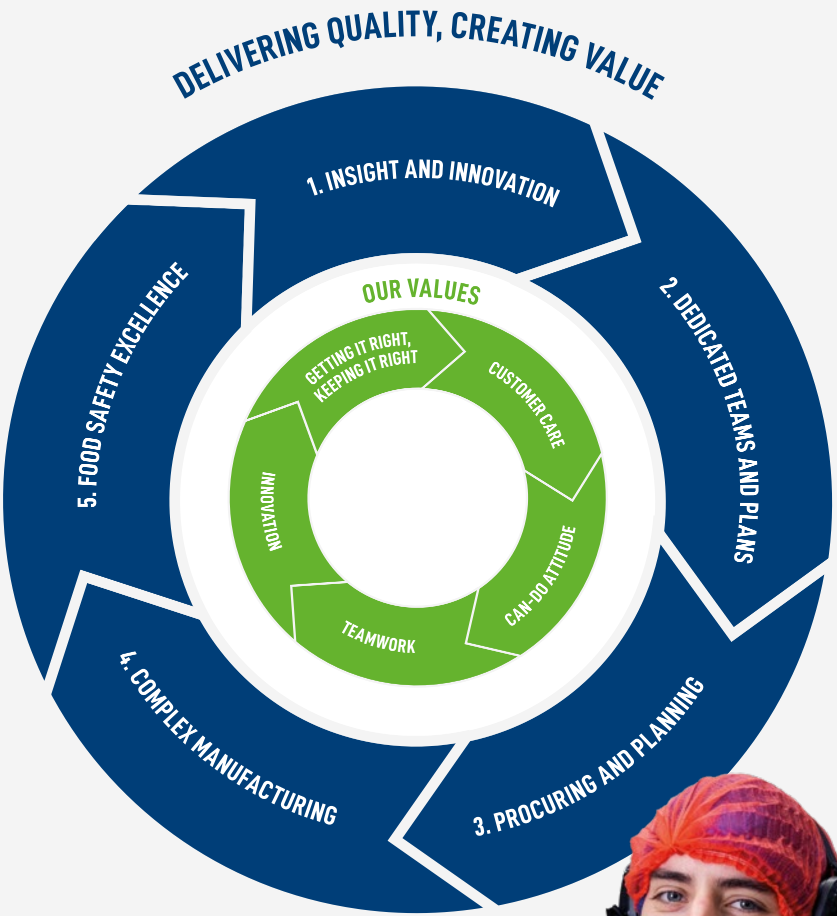
Ability to provide both customer and consumer specific insights to drive innovation

Track record of, and investment in, food safety

Resilient financial profile and sustainable track record for organic growth

* Market leader in Meals, Pizza and Bread, Salads and Desserts, with no presence in the Sandwiches category.

HOW WE CREATE VALUE



RELATED PAGES
At a Glance 04
Our Strategy 14

Consumers are at the heart of what we do: our deep understanding of the food choices they make enables us to create and make innovative products for our customers that set us apart from our competitors.

Focusing on customer service and continuously creating and making food that is both commercially successful and meets consumer demand is what drives our business and what creates value for our stakeholders.

OUR STAKEHOLDERS

1. INSIGHT AND INNOVATION

We use insights gained through our analysis of consumer research and data, as well as our knowledge of food trends sourced from around the world, to build a good understanding of what consumers want.

Our teams of chefs and product development experts continuously create and test recipes and work collaboratively with our commercial and marketing teams to ensure products taste great, are commercially viable and reinforce our market-leading positions.

2. DEDICATED TEAMS AND PLANS

We recognise that our relationships with customers and the service we provide are key to our success.

As a specialist in private label food, we are committed to protecting and developing our customers' brands as though they are our own.

We have dedicated teams, each with differentiated plans, that work with our strategic customers and ensure we meet their exacting standards.

3. PROCURING AND PLANNING

Our procurement teams work with selected approved growers and suppliers to source raw materials that meet the quality standards required to produce our products, in the right quantities at the right competitive price. They buy from more than 50 countries, with no single supplier accounting for more than 5% of total UK supplier spend.

Our planning experts ensure we can produce, deliver and meet the daily orders of our customers by analysing product demand and planning production accordingly. As well as raw material planning, this also involves efficient staff planning, with a mix of both permanent employees and agency workers to meet seasonal demand.

4. COMPLEX MANUFACTURING

Our UK factories are operational 24/7, 364 days a year, providing approximately 2,000 different short shelf-life high-quality products to customers every day.

We operate a 'just-in-time' model, using fresh raw materials to produce only what is required to meet our daily orders and we have a proven ability to deliver against our own exacting service level standards.

Essential to the success of our model is our logistics expertise in managing our inbound and outbound supply chain. Raw materials are supplied to our factories and finished products are delivered on time through our distribution centres to our customers' depots.

5. FOOD SAFETY EXCELLENCE

We manufacture food that is not only great-tasting for consumers, but also meets the highest standards of safety.

Sites are audited regularly, often on an unannounced basis, by internal food safety experts, customers and independent bodies for compliance with food safety standards.

In the UK, we employ more than 500 food safety professionals and conduct over 1,500 in-house microbiology and chemistry tests every day in our own laboratories.

We engage with our stakeholders through:

Partnering with our customers to develop a diverse, innovative and on-trend product range to drive consumer demand

Collaborating with our suppliers to promote customer service and food safety excellence so that we all benefit from growth and innovation

Offering open communication with our investors, explaining our strategy and performance at regular intervals

Providing an engaging learning environment and rewards to attract and retain our colleagues

Investing in our communities, working collaboratively to promote the sustainable growth of the food industry

CREATING VALUE FOR OUR STAKEHOLDERS

We believe it is important to listen and engage with our stakeholders, as we will only be able to build a sustainable business with their input, cooperation and trust.

CUSTOMERS

HOW WE ENGAGE

- Dedicated customer champions at senior business director level
- Supplier business reviews
- Insights team
- New Product Development team
- Technical team
- Customer site audits

WHAT WE DID IN 2019

We embedded our UK operational structure to incorporate a more customer focused leadership team.

We transferred a complex and significant business win into our meals business for our largest customer.

We strengthened our relationship with a major customer in Texas, and developed new customer relationships in our US business.

Alongside many of our customers, we continued to support and collaborate on Environmental, Social and Corporate Governance ("ESG") related issues such as our carbon footprint and responsible sourcing.

We supported our customers in industry events such as Inclusion and Diversity in Grocery in March 2019.

NEW PRODUCTS DEVELOPED

870

SUPPLIERS

HOW WE ENGAGE

- Procurement Leadership Team with ownership of specific product categories
- Dedicated Group buyers with category & supplier expertise
- Regular supplier visits & audits – of both technical & commercial nature
- New product development & innovation
- Cost/quality improvement initiatives
- Inbound logistics
- Industry conferences

WHAT WE DID IN 2019

We collaborated with suppliers and invested significant time and effort in key areas such as responsible sourcing and Brexit related planning.

In the area of responsible sourcing, we worked collaboratively with suppliers in areas such as human rights, raw material integrity and the environment and sustainability, all with the aim of further improving security of supply and resilience in our supply chain.

With regard to Brexit, extensive work was carried out with EU suppliers, particularly around stock management and inbound supply chain planning as well as developing new systems and processes, all with the aim of de-risking our business to disruption in the event of a no-deal Brexit.

SUPPLIER VISITS

200

RELATED PAGES
Key Performance Indicators 26
Corporate Responsibility 30
Principal Risks and Uncertainties 58

LINK TO CORPORATE RESPONSIBILITY FRAMEWORK

RESPONSIBLE SOURCING IN OUR SUPPLY CHAIN

SUSTAINABILITY AND INNOVATION IN OUR OPERATIONS

ENGAGEMENT AND WELLBEING IN OUR WORKPLACES AND COMMUNITIES

INVESTORS

HOW WE ENGAGE

- Annual General Meeting
- Annual Report & Accounts
- Financial results releases, presentation and audio cast
- Investor roadshows
- Investor conferences
- Factory site visits
- Hosted events
- One-to-one calls

WHAT WE DID IN 2019

We held three investor roadshow events across London and Dublin and attended a number of investor conferences throughout the year.

We hosted a number of analysts and investors at our UK sites to support their understanding of Bakkavor.

We held over 100 one-to-one investor meetings and analyst calls.

We held an investor and analyst visit to showcase the recent investment at our Newark desserts site.

INVESTOR ENGAGEMENT MEETINGS

100+

COLLEAGUES

HOW WE ENGAGE

- Group Board awareness and support of our workplace culture
- Employee forums
- Employee engagement survey
- Intranet
- Internal announcements and CEO messages to employees
- Group colleague magazine
- Colleague Awards
- Internal conferences
- Early Careers
- Brexit – supporting colleagues

WHAT WE DID IN 2019

Sue Clark, Non-executive Director, became our Board Employee Representative. Employee forums continue to be central to our engagement strategy. Participation in our employee survey rose to 87%. Our internal announcements became more tailored, visual and engaging. We enhanced our intranet experience and plan to expand access. We extended our colleague magazine and introduced a version in Mandarin. We refreshed our Innovation Awards to reach a broader Group audience and sites celebrated local awards e.g. Long Service, Values. We delivered a more targeted and interactive experience for conference delegates. We continued to support employees during Brexit. We broadened our apprenticeship and graduate schemes and applications increased, including from international candidates.

EMPLOYEE SURVEY ENGAGEMENT

87%
RESPONSE RATE

COMMUNITIES

HOW WE ENGAGE

- School partnerships
- Charity fundraising
- Employee volunteering
- Local awards sponsorship
- Hosting community events
- Social media

WHAT WE DID IN 2019

In July, we hosted our annual 'Fun Weekend' in Spalding, Lincolnshire, for employees and the local community, raising over £25,000 for charity.

We also developed both of our three-year charity partnerships – with FareShare and Action Against Hunger – through targeted campaigns including 'Go Green Day', 'World Food Day' and a number of sports events including Tough Mudder.

We also continued to support our local communities via charities such as Mind in Harrow and Centrepoint Homeless Charity and we expanded our schools programme 'IGD Feeding Britain's Future'.

CHARITY PARTNERS

ACTION AGAINST HUNGER

FareShare fighting hunger, tackling food waste

RELATED PAGES
Our Business Model 10
Principal Risks and Uncertainties 58

WORKING TOGETHER TO DELIVER LONG-TERM SUSTAINABLE GROWTH

The Group's core strategy of delivering long-term sustainable growth is focused on developing its businesses in the UK and internationally, while continuing to improve operational efficiency.

This strategy is underpinned by a constant focus on customer needs and service, selective partnerships and strong financial discipline.

In 2020, the Group has been impacted by the COVID-19 outbreak. Our current focus is safeguarding our people and minimising business disruption. Further information can be found on page 58 of this report.

LINK TO CORPORATE RESPONSIBILITY FRAMEWORK

RESPONSIBLE SOURCING IN OUR SUPPLY CHAIN

SUSTAINABILITY AND INNOVATION IN OUR OPERATIONS

ENGAGEMENT AND WELLBEING IN OUR WORKPLACES AND COMMUNITIES

1

LEVERAGING NUMBER ONE POSITION IN THE UK

Bakkavor's strategy in the UK is to leverage its number one position in the growing FPF market.

Our strategy centres on the following key areas:

- Strengthening partnerships with existing customers
- Exploiting insight, innovation and breadth of capability
- Pursuing strategic investments to accelerate growth

We seek to deliver these strategic priorities and enhance our number one position through our dedicated customer teams and our commitment to operational excellence.

WHAT WE HAVE ACHIEVED

- We successfully leveraged our scale, expertise and customer relationships to maintain our number one position in the highly competitive UK FPF market, against a backdrop of inflationary pressure and continued weak consumer sentiment
- We maintained industry leading standards for service, innovation and technical delivery and continued to invest in consumer insight to identify emerging trends and shifts in consumption habits to drive growth across our categories
- We strengthened our leadership in the desserts category through the acquisition of Blueberry Foods, the integration of Haydens Bakery and the successful expansion of our Newark site, which is now the largest chilled dessert manufacturing site in Europe
- We strengthened our long-standing customer relationships, most notably with a significant business gain in meals with one of our strategic customers
- We launched a new UK operating structure around our four core categories and strategic customer partnerships. This enables us to drive operational focus across our production sites and align more closely with our customers

FUTURE FOCUS AREAS

- We will further strengthen our leadership position by continuing to support our customers with valuable consumer insight, best-in-class product development capabilities and technically superior and efficient operations
- We are absolutely focused on delivering returns from our recent investment in the desserts category, by realising synergies from integrating our acquired businesses and leveraging capacity at our expanded Newark site
- We continue to explore organic and inorganic growth opportunities across product categories to ensure we remain on-trend amid changing consumer habits and channel developments
- We continue to review the potential impact on the business of Brexit, updating operational plans accordingly to limit any impact. We will work alongside our customers to navigate through this ongoing uncertainty

KEY RESPONSIBILITY COMMITMENTS

- Work towards our Champions 12.3 target of halving food waste by 2030
- Ensure that discussions with our top five strategic suppliers include an understanding of their environmental challenges and their plans to mitigate the impacts associated with each material or ingredient (2021)

2

ACCELERATING GROWTH IN HIGH-POTENTIAL INTERNATIONAL MARKETS

Bakkavor has developed a strong and growing presence in the two largest food markets in the world, the US and China, where the Group has operated for over 10 years. Our international strategy will continue to leverage our expertise in the UK to further support the strong foundations now in place.

To accelerate growth internationally, we are focused on:

- Developing strong customer partnerships
- Establishing leading positions in key categories with a view to providing nationwide supply
- Investing strategically in new capacity and capability to support growing demand

WHAT WE HAVE ACHIEVED

We continued our programme of investments in both markets to support our growth plans and remain ahead of the competition. Operationally we continue to focus on bringing in the relevant skilled resource through international secondments and active recruitment.

In the US:

- We refocused our business and simplified our offer by exiting certain low margin businesses, freeing up resources and improving performance
- We undertook two major projects at our site in Carson, California to repurpose the factory for ready meals production, as well as a new process for hummus production
- Our new customer dedicated meals site in Texas is in production and volumes are growing in line with an agreed rollout plan, while production of premium artisan bread has commenced at our new site in Charlotte, North Carolina
- We supported the launch of new fresh food offers at two grocers and expanded our category offer at a strategic customer

In China:

- Our new state-of-the-art site in Shanghai has been in operation since January and production at our factories in Taicang and Chengdu has increased, with volumes growing in line with our plan
- We continued to strengthen our relationship with existing customers and delivered strong growth on the back of the successful relaunch of our food-to-go offer, as well as supplying innovative new players with a growing product range
- We are starting to develop our retail offer through both own label and branded products across existing categories

FUTURE FOCUS AREAS

We will continue to grow at pace in these underserved markets by bringing new capacity online and improving factory efficiency.

In the US:

- We continue to build our presence in 'super' categories, enhancing and building new strategic partnerships with retailers committed to fresh produce
- We remain focused on building production at our new sites and optimising performance across our footprint, by leveraging our UK operational expertise, making targeted investments and maintaining strict financial discipline

In China:

- We will continue to grow our presence with our existing customers through new product development and expansion of our core offering with new product categories
- We will continue to explore further growth opportunities through our branded and own label offer in the retail sector
- Work is underway at our new replacement sites in Wuhan and Xi'an and we will constantly review our capacity plans to ensure we meet our customer demand.

KEY RESPONSIBILITY COMMITMENTS

- Increase the use of recycled and recyclable materials in packaging for our US and Asia businesses by sharing manufacturing expertise and access to materials
- Expand our supplier management tools to our US and Asia businesses to conduct a combined environmental and social risk mapping by 2022
- Develop future leaders by expanding our graduate programme in the UK and Asia to the US, as well as doubling our apprenticeship programme in 2020

3

IMPROVING OPERATIONAL EFFICIENCY

Bakkavor continues to invest in operational efficiencies across the Group to support its strategy and to help offset margin pressures across the business.

We do this by:

- Investing in automation and continuous process improvement
- Sharing best practices across the business led by our operational finance team

WHAT WE HAVE ACHIEVED

- In the UK, we completed the closure of our loss-making meals site, Freshcook, in Holbeach, Lincolnshire to protect profitability
- We delivered several efficiency improvements in the year to help mitigate increasing cost pressures, including investment in a number of small payback projects to automate processes at our desserts site in Newark and meals site in London
- We continued to drive improvement in our factories through process controls, equipping our people with the right skills and adapting our ways of working
- We consolidated the recently acquired UK desserts businesses which delivered synergy benefits across procurement and overheads

FUTURE FOCUS AREAS

- We will continue to actively seek opportunities for further efficiency improvements across the business, particularly focused on opportunities to reduce our reliance on labour and improve process standardisation across the Group
- Our operational finance team continues to build an extensive pipeline of projects and capital investment opportunities, including replacing legacy refrigeration systems in our UK factories
- We will accelerate margin improvement at new international sites by leveraging our UK expertise through people transfers, training programmes and formalising our knowledge sharing

KEY RESPONSIBILITY COMMITMENTS

- Reduce our relative carbon footprint and energy intensity across operational manufacturing, year-on-year and Group-wide, per tonne of product
- Demonstrate a continued commitment to H&S measurement and performance improvement, targeting zero serious accidents across the Group

EXCEPTIONAL PEOPLE

I've been with Bakkavor for 15 years and over this time I've been promoted four times, from being a multi-skilled operative to my current role as a section manager. I love and really value the fact that everyone here has the opportunity to progress and, more importantly, is encouraged to do so.

The manufacturing environment is exciting and fast paced. We operate a 'just-in-time' model, with products made to order on short production runs, often on the day of delivery. It's a complex process that takes great planning and scheduling. Having the expertise and ability to meet our customers' orders is key to our success and continues to motivate me.

ANNA BIALAS
SECTION MANAGER, DESSERTS NEWARK

1

LEVERAGING NUMBER ONE POSITION IN THE UK

MANUFACTURING AT SCALE

UTILISING CAPACITY, INCREASING CAPABILITY

One of our strategic objectives is to leverage our number one position in the UK. To do this we continually review site capacity and capabilities to improve efficiencies and increase profitability across our site portfolio.

In desserts, we've continued to invest in our Newark site and also acquired Blueberry Foods in 2019. This has strengthened our positions and also enabled us to enter new categories, such as single pot and hot-eat desserts. We've also become more efficient through investing in automation and robotics.

>200
MILLION CHOUX DESSERTS MADE A YEAR

1
DESSERTS ACQUISITION

EXCEPTIONAL PEOPLE

"The culture of creativity and culinary excellence within our kitchens is at the heart of our products. We don't just create and develop new recipes; as a responsible food producer we're also looking at how we can reduce food waste, for example by using different edible parts of fruits and vegetables which have in the past been thrown away. My role is exciting but also incredibly rewarding at the same time.

MATT BOIKE
DEVELOPMENT CHEF, BAKKAVOR USA

2

ACCELERATING GROWTH IN HIGH-POTENTIAL INTERNATIONAL MARKETS

THE INNOVATION TO DEVELOP GREAT TASTING FOOD

LEVERAGING OUR UK EXPERTISE

A key part of our international strategy involves leveraging our UK expertise to support the development of our businesses in the US and China.

In the US, we are using our UK bakery experience to bring a chilled rustic bread range to the US – a first to market and exciting opportunity for us in this category.

Offering UK colleagues with specialist skills opportunities for short-term secondments to the US to support this new development has been a great advantage.

TACKLING FOOD WASTE

We're part of the industry movement of Champions 12.3, supporting the UN Sustainable Development Goals target to halve food waste by 2030.

We've made some progress in 2019 and are focused on doing more in 2020.

In China and the US, we'll firstly be working to understand our waste footprint through measurement, and then implementing targeted interventions to reduce it by recycling where possible.

>220
DEVELOPMENT ROLES ACROSS THE BUSINESS

EXCEPTIONAL PEOPLE

Within operational finance, we look at ways to make cost-savings across our sites and support local teams with tools and techniques to achieve efficiencies. One of our big projects has been looking at upgrading our refrigeration.

The project will take time and is a big investment by us, but it will deliver such a positive environmental impact. It's great to be a part of such a significant project and ahead of the curve in driving such a step-change.

KULDIP BAINS
HEAD OF OPERATIONAL FINANCE, UK

3

IMPROVING OPERATIONAL EFFICIENCY

INVESTING IN EFFICIENT & SUSTAINABLE SOLUTIONS

REDUCING OUR ENVIRONMENTAL IMPACT

During 2019, we started a multi-year programme to replace legacy refrigeration systems in our UK factories.

By the end of 2020, we expect to have completed Phase 1 and will have fully replaced the systems in five UK factories at a cost of almost £20 million.

This means we are replacing Fluorinated Greenhouse Gases (F-Gas) with sustainable solutions that have a zero GWP (Global Warming Potential), delivering a significant reduction in our environmental impact.

DELIVERING COST SAVINGS

In addition, we are also investing in technology to take the residual heat from the new systems to heat water for use in our factories.

The combination of these two efficiency projects has the potential to deliver significant savings on our energy bills.

£20m
INVESTMENT IN ENERGY EFFICIENCY

AGUST GUDMUNDSSON
CHIEF EXECUTIVE OFFICER

This is a robust and encouraging result and I would like to thank each of our 20,000 employees for delivering this performance.

OUR BUSINESS IS CENTRED AROUND SCALE, INNOVATION, EXPERTISE AND STRONG CUSTOMER RELATIONSHIPS.

GROUP FINANCIAL HIGHLIGHTS

£ million	2019	2018[2]	Change
Revenue	**1,885.9**	1,857.2	1.5%
Like-for-like revenue[1]	**1,787.2**	1,757.9	1.7%
Adjusted EBITDA[1]	**153.5**	153.5	–
Adjusted EBITDA margin[1]	**8.1%**	8.3%	(20bps)
Operating profit	**69.4**	85.6	(19.0%)
Operating profit margin	**3.7%**	4.6%	(90bps)

1 Alternative Performance Measures ("APMs") including 'like-for-like','adjusted' and 'underlying' are used as a guide to performance. The definitions and calculations for APMs are set out in Note 38 of the Notes to the Consolidated Financial Statements.

2 Reported revenue for 2018 has been restated, the restatement is set out in Note 2 of the Notes to the Consolidated Financial Statements.

TO COLLEAGUES

Before turning to our 2019 performance, I would like to take this opportunity to reiterate how proud I am of everyone at Bakkavor and how they have reacted to the unprecedented nature of the COVID-19 pandemic.

Our 20,000 colleagues across 45 locations in the UK, the US and China are doing everything they can to ensure continued supply of our products to the UK's leading grocery retailers and some of the world's best-known brands. I recognise that these are difficult times for everyone, and I would like to personally thank each of my colleagues for their outstanding efforts. They are at the heart of this business, and it is their health and safety which remains our clear priority.

2019 PROGRESS IN CHALLENGING MARKET CONDITIONS

Bakkavor is a business centred around scale, innovation, expertise and strong customer relationships. Our continued investment in these key strengths has driven our progress over the past year and will ultimately underpin our strategy of long-term sustainable growth across the Group.

While economic and political conditions remained unhelpful in 2019, the unique characteristics of the Group together with our financial resilience continues to differentiate Bakkavor from its competitors. This enables us to leverage our number one position in the highly competitive UK fresh prepared food industry, whilst accelerating our growth in international markets and improving our operational efficiency.

Overall, Group revenue increased by 1.5% to £1,885.9 million, with like-for-like revenue[1] up 1.7% to £1,787.2 million. This increase was primarily due to good growth in the Group's International segment together with a solid performance in the UK despite relatively weak levels of consumer confidence.

As expected, Group Adjusted EBITDA[1] was in line with the prior year at £153.5 million, with operating profit down 19.0% to £69.4 million as a result of initial start-up losses in our new international sites and an increase in depreciation following a period of heavy investment. In the UK, our financial discipline and clear focus on protecting profitability ensured that we successfully held our Adjusted EBITDA[1] margin. However, the Group Adjusted EBITDA[1] margin was slightly lower (-20bps) at 8.1% which reflects ongoing investment in our International infrastructure to support volume growth and deliver the efficiencies from scale.

We continue to generate strong free cash flow[1] for the year at £51.1 million (2018: £55.1 million), although debt levels were higher during the period following further targeted investment, including the acquisition of Blueberry Foods (now Bakkavor Desserts Leicester) in the UK.

In challenging market conditions, this is a robust and encouraging result and I would like to thank each of our 20,000 employees for helping us to deliver this performance.

STRENGTHENING OUR FOUNDATIONS FOR THE FUTURE

While delivering our 2019 financial performance, we have further strengthened our foundations to ensure the Group's long-term success.

In the UK, we continue to see considerable opportunity for Bakkavor within the desserts category. Our upgraded Newark site became fully operational in Q3, with new state-of-the-art automation helping to increase our capacity and capabilities. Elsewhere, we completed the integration of Haydens Bakery and in June this was complemented by the acquisition of Blueberry Foods, bringing additional capacity to our existing product ranges, extending our capabilities into hot desserts and building our market-leading position in this category.

In the US, our dedicated meals site in San Antonio is steadily increasing volumes. Our relationship with the customer is developing well and our oven ready products for their own-label meals range have been well received by consumers. Whilst this venture is still at a relatively early stage, we are confident of its long-term success and continue to discuss further opportunities to capitalise on this model. Our new bakery in Charlotte is now operational, delivering high-quality artisan bread for our customers.

In China, our recent investment in three factories, including the completion of our new state-of-the-art facility in Shanghai, leaves us ideally placed to capitalise on the growing trend for fresh prepared food.

After experiencing strong momentum into January, our China business has been impacted by the COVID-19 outbreak, resulting in a sharp decline in demand, significantly reduced production levels across all sites, and the temporary closure of our sites at Wuhan and Taicang. We continue to prioritise the wellbeing of our colleagues and their families, as well as working closely with local authorities and our customers.

The ongoing uncertainty regarding the extent and duration of the COVID-19 crisis will clearly have a material impact on the Group's International performance this year. However, we are confident that the demand for our products in China remains and we will restore production levels as soon as market dynamics normalise. More recently, we are reviewing the potential impact of the crisis on our UK and US operations and ways in which we can safeguard our people and minimise business disruption.

Further information on our response to the outbreak can be found on page 58.

LEVERAGING OUR INNOVATION EXPERTISE

Innovation is the lifeblood of our business, and during the period we continued to support our customers enabling them to react quickly to changing consumer demands and shopping behaviours. Our deep understanding of consumer tastes has enabled us to work alongside our customers to create innovative new products which appeal to the key market drivers of taste, health and convenience, particularly in the growing vegan, vegetarian and 'free from' categories.

We have helped our customers reconfigure the recipes and designs of classic meal dishes and a number of these were celebrated at our Annual Innovation Awards held in November. For example, hummus production for our largest customer advanced during the year and the full range now has a lower oil content and is healthier for consumers. Similarly, we have also seen innovation in packaging design, including a shift to using more recyclable plastics, and whilst we have further work to do in this area alongside our customers, we are making good progress.

In China, we have successfully used our UK expertise to reconfigure some of our most popular dishes to meet local tastes, with products such as Sichuan Style Mala Crayfish Salad and our own-brand Fresh Kitchen Peppered Beef and Grain Salad. We continue to extend our 'food-to-go' offer to some of the best-known global food service outlets and retail brands and this now represents more than half of our business in China.

GROWING RESPONSIBLY AND SUSTAINABLY

As a Group, we have made meaningful progress this year in developing our approach to corporate responsibility through a formal Group-wide framework, based on the theme of 'Trusted Partner'. Working with colleagues, customers, partners and suppliers, we are proud to have produced our new framework, strategy and new commitments that reflect our ambitions and will make us a more responsible business. The strategy covers our supply chain, operations, workplaces and communities and includes a focus on reducing food waste and minimising the environmental impact of packaging.

We continue to support the United Nations Sustainable Development Goal target 12.3 to halve food waste by 2030. We also commit to achieving the goals of The UK Plastics Pact, including eliminating problematic plastics and moving to 100% recyclable or compostable plastic from 2025 and have already made significant progress, including removing 50 million pieces of plastic in 2019. We will use our expertise to evaluate and manage environmental and social risks across our supply chain, understand our exposure to climate risk and take action to mitigate the impact where possible. The investment plan to upgrade our factory refrigeration systems has already supported greater energy efficiency at site-level and we will continue to focus on operational improvements that reduce our carbon footprint. Our work in this area is fully aligned with all our key stakeholders. Our CR framework sets this out in more detail, see pages 30 to 49.

DEVELOPING OUR EXPERTISE

We continue to recruit talented individuals at all levels across our organisation who bring the skills and experience to support our exciting growth ambitions. At a senior level we were delighted to welcome in the past year Justin Bushby as Group IT Director, Annabel Tagoe-Bannerman as Group General Counsel & Company Secretary and Sebastiano Macchi as Group Strategy Director.

In September, we carried out our latest Group-wide employee engagement survey, achieving a high response rate of 87% from our employees. The survey highlighted that our employees feel more engaged and enabled to fulfil their potential. The feedback is invaluable and allows us to make positive changes to working practices as we continue to create an environment where our people enjoy their jobs and feel valued, motivated and recognised.

We also launched an updated careers website to attract the best talent into the business. Late in 2019, in response to the engagement survey, we announced a commitment to relaunch our overall talent strategy, outlining a new vision in early 2020, including a set of principles and leadership framework that defines, manages and rewards performance.

DIVIDEND

The Group paid an interim dividend of 2 pence per Ordinary share on 11 October 2019.

Due to the impact of COVID-19 on the business as a post balance sheet event and the pro-active steps currently being taken around cash and investment, the Board has decided to suspend the proposed final dividend as originally announced with the Preliminary Results on 27 February 2020. Consequently, the resolution in relation to the declaration of the final dividend will not be put forward at the AGM to be held on 12 June 2020. This will result in a total dividend for the financial year 2019 of 2 pence per Ordinary share, compared to 6 pence in the prior year. The Board will review dividend policy in due course.

UPDATED OUTLOOK FOLLOWING COVID-19

Following an encouraging start to the new financial year, the COVID-19 outbreak has created significant operational challenges, initially in China and more recently in the UK and US. The impact of this has led to increased volatility in daily order levels, and some disruption to labour availability. While our colleagues and infrastructure have responded well in ensuring excellent service levels for customers, as we reported in our trading update on 2 April 2020, trading has been impacted and overall sales are below expectations.

Bakkavor is a resilient and cash generative business, which has market leading positions in each of the categories it operates and is responding to the impact of COVID-19 from a position of strength. However, given that market conditions are likely to remain highly uncertain for the foreseeable future, we have withdrawn our guidance for 2020, issued on 27 February 2020, and committed to a number of important actions to preserve liquidity. These include maintaining a tight control on costs, placing all non-essential capital investment and discretionary expenditure on hold and reviewing capacity across our facilities to better match the current levels of demand. Wherever possible, we have supported any impacted colleagues by making use of the Job Retention Scheme (Furlough) introduced by the Government in the UK.

In addition to these pro-active steps around cash and investment, the Board decided to suspend the proposed final dividend and we will review our dividend policy in due course. Members of the Board and Management Board also agreed voluntary reductions in remuneration for an initial period of three months.

These are extraordinary and uncertain times, but Bakkavor has an essential role to play and, looking further ahead, we remain confident that the strength of our business and strategy leaves us well positioned to achieve long-term sustainable growth within the attractive FPF sector.

OPERATIONAL REVIEW

UNITED KINGDOM

The UK is Bakkavor's largest market, representing around 90% of overall Group revenue. Our priority is producing innovative food that offers quality, choice, convenience and freshness for consumers, and this has been the foundation of our success and continues to drive our performance in the UK.

We produce over 2,000 short shelf-life products, the majority of which are manufactured and delivered to our customers every day. These customers represent some of the largest and most well-known UK retailers, including Tesco, M&S, Waitrose and Sainsbury's, which collectively make up around 87% of UK revenue, and each has a long-term commitment to developing their fresh prepared food offer to consumers.

In 2019, our strong customer focus and proven operating model in dealing with complexity and scale continued to give us a unique competitive advantage and enabled us to respond and adapt quickly to deliver outstanding service levels, above the industry average.

Whilst the UK economic and political landscape throughout 2019 continued to present us with many challenges, we maintained our leading position across all four FPF categories in the year and also gained overall market share.

STRATEGIC POSITIONING

- Operating in attractive markets
- Scale and market-leading position across all four product categories
- Strong insight, innovation and new product development focus
- Long-standing partnerships with key strategic customers

UK FINANCIAL HIGHLIGHTS

£ million	2019	2018	Change
Revenue	**1,652.5**	1,655.6	(0.2%)
Like-for-like revenue[1]	**1,559.8**	1,556.3	0.2%
Adjusted EBITDA[1]	**147.1**	147.7	(0.4%)
Adjusted EBITDA margin[1]	**8.9%**	8.9%	–
Operating profit	**89.6**	99.8	(10.2%)
Operating profit margin	**5.4%**	6.0%	(60bps)

1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying' are used as a guide to performance. The definitions and calculations for APMs are set out in Note 38 of the Notes to the Consolidated Financial Statements.

PERFORMANCE OVERVIEW

Our UK business segment generated £1,652.5 million of reported revenue in 2019, down 0.2% compared to the prior year. Like-for-like revenue[1], excluding closures, disposals and acquisitions, was £1,559.8 million, 0.2% up on 2019. This was due to volume increases of 0.5% being partly offset by price decreases of 0.3% in response to an easing of raw material inflation in the first half and raw material deflation in the second half of 2019.

Underlying volume growth has been limited for the year as a whole as consumer confidence remained weak. In addition, retail price inflation affected consumer spending patterns, with shoppers reducing their total spend by buying less frequently and substituting products for less expensive ones. This reduction in frequency, combined with tough comparatives due to good weather the previous summer, meant that organic volume growth in our business was challenging.

MARGIN PROTECTION AND OPERATIONAL EFFICIENCIES

Recognising the difficult market conditions, our clear focus during the year was on protecting profitability and winning further market share to ensure long-term success. As such, we are pleased to report that, in a volatile environment, the strength of our offer saw us achieve more business wins than losses, underpinning our market share gains in three of our four categories, especially in the final quarter of the year.

Our disciplined approach to profitable growth has been particularly focused on winning additional business with our four strategic customers, with whom we believe our commercial relationships have never been stronger. There is a recognition from them that by doing more together we can unlock value for each of our respective businesses, as we leverage and benefit from our combined expertise and scale. This partnership approach, centred around shared values, helped drive our business gains in the year, and all business losses were due to an inability to agree commercial terms that met our target returns.

Given our focus on maximising profitability, in April 2019 we closed our Freshcook meals facility at Holbeach, Lincolnshire. This dedicated customer site became loss-making in 2018 as we were unable to recover sufficient raw material inflation and we therefore regretfully took the decision that the site was no longer commercially viable. We are pleased to say that the majority of our Freshcook colleagues were offered alternative roles, relocating to neighbouring Bakkavor sites. The site is owned and will therefore provide future capacity to capitalise on opportunities as the market continues to consolidate.

Whilst we saw commodity price inflation ease in the second half, labour inflation remained, fuelled by further pressure on wage rates due to increases in the National Living Wage, and the ongoing impact of complying with auto enrolment pension requirements. We continue to work tirelessly to deal with this pressure. Internally, our focus is on lowering employee turnover and driving efficiency, whilst externally we are working with our customers to ensure that our overall pricing remains sustainable. Increasingly our business relationships are underpinned by cost models that link to our selling prices, giving transparency and supporting commercial discussions.

The actions taken during the year ensured that whilst our UK Adjusted EBITDA[1] dropped slightly to £147.1 million, we held our Adjusted EBITDA margin[1] at 8.9%. The operating profit for the UK segment decreased by £10.2 million in the year from £99.8 million in 2018 to £89.6 million, mainly due to an increase of £6.4 million in exceptional items following the closure of a meals site and the non-core fast casual restaurant business. Depreciation, excluding the IFRS 16 impact, has increased by £4.0 million in 2019 compared to 2018.

DELIVERING CATEGORY EXCELLENCE ACROSS OUR PORTFOLIO

As well as strengthening our strategic customer partnerships we believe our continued focus on developing the depth and breadth of our core categories of meals, pizza & bread, desserts and salads remains key to our success. Our product portfolio remains well balanced across all categories and price points and is able to adapt to seasonal changes in consumer eating patterns. In 2019, following increased investment, we delivered a step change across our meals and desserts sites which was instrumental in securing new business:

MEALS CATEGORY GROWTH

Across our meals business we invested in capability and capacity at four of our meals sites to accommodate a significant business gain. The new business is a natural fit with our existing skill set and represents the largest single transfer of business to the Group. All new business was successfully onboarded by the beginning of September, with a dedicated project team that executed this complex plan on time and on budget. This project has ultimately redefined and strengthened our customer relationship and enabled us to deliver a stronger joint model.

DESSERTS CATEGORY CONSOLIDATION

Current market conditions continued to provide us with opportunities to consolidate and strengthen our market leading position in our core categories, especially desserts. Alongside commissioning the final phase of our Newark investment, in June we also acquired Blueberry Foods, now Bakkavor Desserts Leicester. The acquisition was fully aligned to our customer strategy as this business was a key supplier to our two largest customers. We acquired capability and capacity, a well invested site with values aligned to our own, and a strong track record of technical delivery. These investments, along with our acquisition in 2018 of Haydens Bakery – now Bakkavor Desserts Devizes – further strengthen our market-leading position and leave us well placed to benefit from future growth opportunities in this category.

SEASONAL CHANGES AND VOLATILITY

The complexity of our business model allows us to react and respond quickly to changes in customer eating habits. However, in recent years the salads category has become increasingly unpredictable, exacerbated by concerns over quality and availability of produce. In the summer months of 2019, we had significantly fewer 'sun hours' than the prior year, and consequently we saw a decline in performance in this category. In response, we continue to review our operational strategy in this category to improve efficiencies and protect our margins. However, this year's relative underperformance in the salads category was partially offset by strong trading across our pizza & bread category, in part due to increased promotional activity and a large number of new product launches. Once again this emphasises the benefit of having a balanced business in the UK.

[1] Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying' are used as a guide to performance. The definitions and calculations for APMs are set out in Note 38 of the Notes to the Consolidated Financial Statements.

CATEGORY INNOVATION

Our track record of innovation and operational delivery underpins everything we do across our business. We are focused on ensuring our products are best in class and tailored to the specific consumer preferences and price points for each retailer, whether that be a core Indian meal or a top tier lasagne. Alongside this, we use our category breadth to deliver new meal occasions. For example, together with our largest customer we created The Pizza Company, a unique pizza meal deal concept which includes a range of complementary sides and desserts produced across our business. This has been highly successful and driven incremental sales. Christmas is a great time for us to showcase our innovation, particularly in the desserts category where we worked closely with our customers to create statement desserts for the festive season. These fun and memorable desserts included a sticky toffee family trifle and a 'smash nose reindeer' cheesecake which were both particularly popular with consumers!

CAPITAL INVESTMENT

In addition to completing the major expansion of our desserts site at Newark in August we have also made significant investments in four of our meals sites in preparation for the new business that we took on during the autumn. This investment helped ensure that we were able to deliver a smooth transfer of this complex project on time.

During 2019, we also started a multi-year programme to replace legacy refrigeration systems in our UK factories, targeting the oldest systems in our portfolio. By the end of 2020, we expect to have completed Phase 1 and will have fully replaced the systems in five UK factories at a cost of almost £20 million, replacing Fluorinated Greenhouse Gases (F-Gas) with sustainable solutions that have a zero GWP (Global Warming Potential), delivering a significant reduction in our environmental impact. In addition, we are also investing in technology to take the residual heat from the new systems to heat water for use in our factories. These two efficiency projects are expected to deliver significant savings on our energy bills as well as reduce our carbon footprint.

In addition to the regular maintenance spend required across our UK sites to keep them to the very high standards we expect, we have continued to target productivity improvements that help offset ongoing increases in labour inflation. Going forward, we will be strengthening our Operational Finance Team, who are charged with identifying opportunities and delivering efficiency improvement projects. These can range from small low risk investments such as low-level depositing solutions to more complex step change investments like upgrading our Factory Management Reporting and Control System.

BREXIT PLANNING

Throughout 2019, the political and economic uncertainty linked to Brexit continued to impact our business, creating uncertainty for our employees and potential disruption across our supply base. The availability of raw materials remained our biggest focus and our central procurement team undertook a detailed risk analysis to evaluate the origins of all our ingredients and raw materials, putting in place plans to increase stock holdings of key ingredients where possible and if necessary. In addition, we continued to work closely with our customers to review various scenarios, including reduced stock availability, possible SKU reductions, product reformulations and review of promotional strategies.

Around 50% of our UK employees are EU citizens and whilst we have seen little change in our overall employee turnover rates, we continue to support those potentially impacted by the implications of the UK's exit from the EU. We have an active engagement and support programme across all sites, including facilitating workshops on the practicalities of the settlement scheme application process.

PEOPLE

At the start of the year we introduced a simplified organisational structure in the UK. This has now been embedded across the business, including the reorganisation of our commercial and development teams to better align our day-to-day engagement with customers. These changes are already bringing benefits and have undoubtedly strengthened our customer partnerships.

In an environment of rising labour costs and high employment, our focus on attracting and retaining a skilled workforce is essential. In April, we rolled out the first phase of a two-year plan to introduce an HR shared service centre which streamlines talent acquisition and all HR administration, improving efficiency and our end-to-end HR process.

In addition, in response to our recent employee engagement survey, we have launched a talent initiative which prioritises 'early careers', performance management and learning as key areas that are important to our employees.

More information about our people and talent agenda can be found on page 44 of our Corporate Responsibility section.

CORPORATE RESPONSIBILITY

During the period, we continued to actively support our customers' sustainability programmes and targets through our technical, commercial and category teams. This included a focus on environmental targets around waste, packaging and plastics. In the UK, we are part of an industry commitment to The UK Plastics Pact and we are well on our way to the 2025 goal of eliminating problematic plastics, using only materials that are recyclable or biodegradable.

We are also committed to ensuring that our responsible sourcing and supply chain practices remain best-in-class and address social issues. For example, we collaborated with a strategic customer to assess specific human rights risks in the Thai poultry sector and established effective mechanisms for grievance remedy and worker voice.

INTERNATIONAL

Bakkavor's strategy to accelerate its performance in the US and China is borne of over 10 years of operating in these regions, where we have developed a strong understanding of these markets and their growth potential.

The FPF markets in these two regions are significantly underserved when compared with the UK. Bakkavor has established itself as a pioneer in leveraging its UK expertise to drive the FPF proposition in the US, and in supplying foodservice chains in China with high standards of food safety and quality.

INTERNATIONAL FINANCIAL HIGHLIGHTS

£ million	2019	2018	Change
Revenue	**233.4**	201.6	15.8%
Like-for-like revenue[1]	**227.4**	201.6	12.8%
Adjusted EBITDA[1]	**6.4**	5.8	10.3%
Adjusted EBITDA margin[1]	**2.7%**	2.9%	(20bps)
Operating loss	**(20.2)**	(14.2)	(42.3%)
Operating loss margin	**(8.7%)**	(7.0%)	(170bps)

1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying' are used as a guide to performance. The definitions and calculations for APMs are set out in Note 38 of the Notes to the Consolidated Financial Statements.

DELIVERING GOOD UNDERLYING VOLUME GROWTH

Our International segment now represents around 12% of Group revenue. Both businesses in the US and China continue to operate in highly attractive markets and delivered good underlying volume growth in the year, as we start to benefit from recent capacity investments.

Like-for-like revenue[1], which is at constant currency, increased by 12.8%, from £201.6 million in 2018 to £227.4 million in 2019. On a reported basis the increase was £31.8 million or 15.8% (including a £6.0 million benefit from the weakening of Sterling), to £233.4 million in 2019.

Whilst we have continued to invest in operations and infrastructure in both regions, it has also been a year of consolidation for our US business, and this has had an impact on overall profitability. Adjusted EBITDA[1] for our International segment was £6.4 million for the year, compared with £5.8 million in 2018. At an operating level the loss for this segment increased by £6.0 million to a loss of £20.2 million. Both businesses have been particularly impacted by rising labour costs and further investment in our technical infrastructure to support the pace of growth. In addition, start-up losses in certain of our sites increased by £3.1 million, and depreciation increased by £3.5 million following recent heavy investments.

UNITED STATES

Our business continues to benefit from the growing demand for fresh prepared meals as US retailers are looking for experienced manufacturing partners to develop or expand their chilled proposition. However, the size of the US can often mean distribution of short shelf-life products is challenging. To address this, we have focused on either partnering with regional retailers or working with those that have well invested and effective supply chains.

Our new state-of-the-art meals facility in Texas is an example of partnering with a retailer that is committed to the fresh meals proposition. The site has been fully operational throughout the year and sales growth has been strong, reaching 30% of capacity by December. This pace of growth has presented operational challenges for the business particularly with a shortage of local experience in chilled food manufacturing and its related supply chain. However, we have been able to leverage our expertise across the Group to train and develop our local management team and embed a strong foundation to support future growth.

In July, we launched our first ready meals range available nationally with a retailer that has established one of the most effective supply chains in the US. We are currently supplying meals out of our facilities on both the East and West Coast. Whilst currently at a relatively small scale, this is an exciting opportunity for the business and has provided good start-up volumes for our new ready meals facility in our existing Carson site.

Our dips category, particularly hummus, continues to remain an important part of our business and we are investing to improve quality and to reinforce leading technical standards. We are trialling new and exciting technologies to differentiate ourselves in the hummus market and expect this project to continue through this year.

In July, we launched our new range of artisan breads that can be distributed nationally across the US. Initial sales have been encouraging and we will look to expand the range in 2020 to capitalise on growth within the market. Our new bakery has room to expand as sales increase with the next phase of investment expected to start in 2021.

Despite the short-term profit challenges, the prospects for our US business remain positive and strategic relationships with our retailers have strengthened. Operational expertise will determine our speed to deliver growth and we are investing heavily to build talent across the business and leverage experience from the UK.

CHINA

China remains a highly attractive growth market, and we continue to position ourselves as the partner of choice for western foodservice providers seeking to expand in the region. Our key food service customers continued to build their store and restaurant portfolios rapidly and Bakkavor has been the first choice supplier for a number of high profile new entrants into the market.

Our state-of-the-art, multi-product facility near Shanghai was fully operational throughout the year with all production transferred from the existing smaller site during the first quarter. Since then we have seen a step up in operational performance and an improvement in year on year results. This new facility also enabled us to launch ready meals into the market, complementing our meal salads and other 'food to go' ranges. This exciting development is expected to become a key category for our business in the coming years, and we expect it to drive further growth for us in the region.

The investments made in our greenhouses, incorporating the latest hydroponic technology, have now been completed, with encouraging performance seen during the year. In particular, we have seen an improvement in raw material quality, local growing seasons extended and the opportunity to develop new varieties of leaf supply. These projects have earned praise and recognition from both customers and government agencies.

In close partnership with our existing customers we opened a new facility last year in Chengdu which extends our reach into another fast growing region of China. Sales are continuing to build as we expand our offering of 'food to go', meals and salads. We have also started work on a new facility in Wuhan and later this year construction is planned to start in Xi'an. These replacement sites will deliver significant improvements in capacity, operational efficiency and production capability. They will also allow for our continued growth in the Central China region as we maintain our market leading position and broaden our supply capabilities.

Despite the short-term impact this year from the recent outbreak of COVID-19, market fundamentals remain strong and we remain excited about our prospects in China.

AGUST GUDMUNDSSON
Chief Executive Officer
5 May 2020

MEASURING OUR PROGRESS

We measure our progress by focusing on a number of financial and non-financial performance measures which support our strategy. Four of these measures form the basis of our employee incentive plans.

FINANCIAL KPIS

GROUP REVENUE[2]

+1.5%

2019	£1,885.9M
2018	£1,857.2M

1 2 3

WHAT ARE WE MEASURING?
Group revenue is the total amount of consideration the Group has received in exchange for the delivery of goods to our customers.

WHY IS IT IMPORTANT?
Monitoring of revenue provides a measure of total business growth.

PERFORMANCE
This increase was primarily due to good growth in the Group's International segment, where sales volumes increased across all key customers as the Group started to benefit from recent investments to increase capacity in the US and China.

KEY ASSOCIATED RISKS
Reliance on a small number of key customers, Brexit disruption, consumer behaviour and demand, disruption to Group operations and competitors are all listed as principal risks on pages 58 to 65, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to achieve further business growth.

LIKE-FOR-LIKE REVENUE[1]

+1.7%

2019	£1,787.2M
2018	£1,757.9M

1 2 3

WHAT ARE WE MEASURING?
Revenue growth at a constant currency excluding acquisitions, closed and sold businesses.

WHY IS IT IMPORTANT?
The Group uses LFL revenue as it allows for a more meaningful comparison of revenue trends from period to period.

PERFORMANCE
This increase was primarily due to good growth in the Group's International segment together with a solid performance in the UK despite relatively weak levels of consumer confidence.

KEY ASSOCIATED RISKS
Reliance on a small number of key customers, Brexit disruption, consumer behaviour and demand, disruption to Group operations and competitors are all listed as principal risks on pages 58 to 65, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to achieve further business growth.

ADJUSTED EBITDA[1,2]

No change

2019	£153.5M
2018	£153.5M

1 2

WHAT ARE WE MEASURING?
The profit performance of the business based on EBITDA which is generally defined as operating profit/(loss) before depreciation and amortisation. In calculating Adjusted EBITDA the Group further excludes share of results of associates after tax, restructuring costs, asset impairments, share scheme charges (non-cash) and those additional charges or credits that are considered significant or one-off in nature.

WHY IS IT IMPORTANT?
The Group manages the performance of its businesses through the use of Adjusted EBITDA as this measure excludes the impact of items that hinder comparison of profitability year-on-year.

PERFORMANCE
Group Adjusted EBITDA was in line with the prior year. Overall trading in 2019 reflects volume and efficiency benefits which more than offset labour inflation in the year.

KEY ASSOCIATED RISKS
Raw material and input cost inflation, labour availability and cost, Brexit disruption, disruption to Group operations, consumer behaviour and demand and competitors are all listed as principal risks on pages 58 to 65, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to achieve further profit growth.

RELATED PAGES
Risk Management 54
Directors' Remuneration Report 92

LINK TO OUR STRATEGIC PRIORITIES

1 LEVERAGING NUMBER ONE POSITION IN THE UK

2 ACCELERATING GROWTH IN HIGH-POTENTIAL INTERNATIONAL MARKETS

3 IMPROVING OPERATIONAL EFFICIENCY

FREE CASH FLOW[2]

-£4m

2019	£51.1M
2018	£55.1M

1 2 3

WHAT ARE WE MEASURING?

The cash generation of the business using the free cash flow metric which is defined as the amount of cash generated by the Group after meeting all of its obligations for interest, tax and pensions and after purchases of property, plant and equipment (excluding development projects), lease liability capital payments under IFRS 16, but before payments of refinancing fees and other exceptional or significant non-recurring cash flows.

WHY IS IT IMPORTANT?

The Group views free cash flow as a key liquidity measure as it indicates the underlying cash available to pay dividends, repay debt or make further investments in the Group.

PERFORMANCE

This was lower in 2019 principally due to expenditure on core capital (excluding development projects) being £20.8 million higher than 2018 as the Group continues with its capital investment plan but still remains above £50 million.

KEY ASSOCIATED RISKS

Raw material and input cost inflation, labour availability and cost, Brexit disruption, disruption to Group operations, consumer behaviour and demand and competitors are all listed as principal risks on pages 58 to 65, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to generate further cash flows.

ADJUSTED EARNINGS PER SHARE[1,2]

-1.8p

2019	12.7P
2018	14.5P

1 2

WHAT ARE WE MEASURING?

The Group's underlying earnings calculated by dividing Adjusted earnings by the weighted average number of Ordinary shares in issue during the year. Adjusted earnings is calculated as profit attributable to equity holders of the Company adjusted to exclude exceptional items, start-up losses for new sites, the impact of the introduction of IFRS 16 and the change in fair value of derivative financial instruments.

WHY IS IT IMPORTANT?

The Group uses this measure as it tracks the underlying profitability of the Group and enables comparison with the Group's peer companies.

PERFORMANCE

This decrease reflects an increase in depreciation as assets come into use following recent investment, a higher effective tax rate, and an increase in borrowing costs as average debt levels have increased. Basic earnings per share has decreased from 11.6p for 2018 to 6.4p in 2019, as this also reflects the start-up losses for new sites, mark-to-market losses on derivatives and the impact of the introduction of IFRS 16.

KEY ASSOCIATED RISKS

Raw material and input cost inflation, labour availability and cost, Brexit disruption, disruption to Group operations, consumer behaviour and demand and competitors are all listed as principal risks on pages 58 to 65, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to achieve further earnings growth.

LEVERAGE RATIO (NET DEBT / ADJUSTED EBITDA[1])

+0.3x

2019	2.3X
2018	2.0X

1 2 3

WHAT ARE WE MEASURING?

The level of debt held by the Group which is calculated by dividing operational net debt by Adjusted EBITDA. Operational net debt excludes the impact of non-cash items and those liabilities recognised under IFRS 16 on the Group's statutory net debt and is comparable with the Group's free cash flow measure.

WHY IS IT IMPORTANT?

The leverage ratio must be below the maximum defined in the Group's bank debt facilities to ensure the facilities remain available as needed and also determines the interest margin payable on debt drawn.

PERFORMANCE

The leverage ratio has increased largely due to the expenditure on the development projects and acquisition payments.

KEY ASSOCIATED RISKS

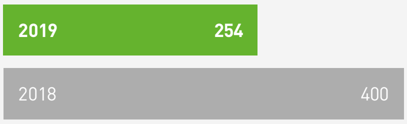
Treasury and pensions are listed as principal risks on page 64, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. These risks could impact the Group's ability to provide finance to achieve further business growth if the Group does not comply with the terms of its financing arrangements.

MEASURING OUR PROGRESS

NON-FINANCIAL KPIS

UK ACCIDENTS RESULTING IN LOST TIME > 7 DAYS (PER 100K UK EMPLOYEES)

-37%



1 3

WHAT ARE WE MEASURING?
The number of accidents that took place across our UK sites that resulted in affected employees taking greater than seven days off work. It is calculated based on 100,000 employees to enable us to compare our performance to the Health and Safety Executive (HSE 821/BV254) food industry average, which we outperform by 69%. Further information can be found in the Corporate Responsibility section on pages 41-43.

WHY IS IT IMPORTANT?
We have a duty of care to employees in ensuring their health, safety and wellbeing. Our health and safety culture is based on a governance process driven by the Group Board and we have health and safety teams in place that define standards and monitor compliance with systems.

PERFORMANCE
There was a decrease of 37% in accidents resulting in lost time of greater than seven days. The Group continues to focus on a number of initiatives to further improve on this result. In addition, the Group collects accident data for its China and US businesses and from 2020 will report comparable Group-wide accident data.

KEY ASSOCIATED RISKS
Health and safety is listed as a principal risk and uncertainty on page 63, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. As part of our drive towards an accident prevention culture we continue to focus on minimising risk associated with workplace transport, machinery safety and work at height and electrical safety.

UK EMPLOYEE TURNOVER[2]

-5.4%

1 2 3

WHAT ARE WE MEASURING?
The percentage of employees leaving the business (excluding fixed-term contracts and redundancies) against total headcount.

WHY IS IT IMPORTANT?
Bakkavor recognises the importance of attracting and retaining a skilled workforce. People are at the heart of our business and we must remain focused on being the local employer of choice for both existing and new talent. Improving our employee turnover also creates efficiency by decreasing the amount of recruitment and induction activities required.

PERFORMANCE
During 2019, we have been reviewing our approach to attraction, recruitment, selection and induction to help retain talent. We have also worked with our EU colleagues to ensure they are abreast with the latest information about Brexit, as we recognise this could be a factor in employees deciding to leave. In addition, in 2019 we ran our employee engagement survey which has given us data to action plan against both locally and at Group level. Finally, for the second year running there was an employee turnover element to our annual bonus scheme in the UK which meant additional focus to retention levels with our management population.

KEY ASSOCIATED RISKS
Recruitment and retention of key employees is one of Bakkavor's principal risks (page 63). Being able to retain skilled and committed colleagues is critical to being able to deliver our strategic growth objectives. In 2019 we undertook a number of initiatives to increase employee engagement as well as learning and development opportunities. More can be read in the Corporate Responsibility section 44.

TOTAL GROUP GROSS CARBON EMISSIONS (tCO_2E)

+5.9%

1 2

WHAT ARE WE MEASURING?
Scope 1 and 2 emissions across Bakkavor Group. This figure is on a like-for-like basis and does not include Bakkavor Desserts Leicester – a business acquired in 2019.

WHY IS IT IMPORTANT?
Bakkavor recognises that its operations have potential direct and indirect impacts on climate change, and we have a responsibility to mitigate this. As a Group we are focused on lowering our carbon footprint infrastructure to drive energy efficiency.

PERFORMANCE
The majority of our GHG emissions arise from our factory sites' heating and cooling systems. Emissions in the Group increased by 5.9% in 2019 due to expansions in our International operations. For example, the full year emissions from two US sites that opened late 2018 were included for the first time. Despite this, the Group's Intensity Ratio (gross emissions in tCO_2e per £m turnover) decreased by 0.3 to 112.6.

In the UK, total gross emissions were 110,600 tCO_2e, an improvement of 5.6% in the year. Further information can be found in the Corporate Responsibility section on pages 37-38.

KEY ASSOCIATED RISKS
Sustainability is listed as a principal risk and uncertainty on page 65, where further details can be found regarding mitigating controls, the risk profile and our risk appetite.

We've committed to reduce our relative carbon footprint and energy intensity across operational manufacturing Group-wide per tonne of product, year-on-year.

RELATED PAGES
Risk Management 54
Directors' Remuneration Report 92

LINK TO OUR STRATEGIC PRIORITIES

1 LEVERAGING NUMBER ONE POSITION IN THE UK

2 ACCELERATING GROWTH IN HIGH-POTENTIAL INTERNATIONAL MARKETS

3 IMPROVING OPERATIONAL EFFICIENCY

UK FOOD WASTE (TONNES)

-0.2%

2019	8.9%
2018	9.1%

1 2 3

WHAT ARE WE MEASURING?

Food waste as per the Food Loss and Waste Accounting and Reporting Standard (FLW Standard). Percentage food waste calculated as 'tonnes food waste ÷ tonnes (food product produced or sold as intended + food waste + food sent to other destinations)'.

WHY IS IT IMPORTANT?

Approximately one third of all food produced is wasted or lost across the value chain[3]. As global food systems are responsible for approximately 30% of greenhouse gas emissions[4] tackling food waste is one of our sector's biggest responsibilities and a major opportunity to tackle resource constraints.

PERFORMANCE

A key part of our food waste strategy is to make the best possible use of any surplus food and food waste, whether it be through redistribution of surplus food and ingredients or for use in animal feed. A number of sites made strong food waste reductions, which were slightly offset by higher waste figures recorded in our newly acquired business and as a result of increased product trials required. Further information can be found in the Corporate Responsibility section on page 36.

KEY ASSOCIATED RISKS

Sustainability is listed as a principal risk and uncertainty on page 65, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. One of our Trusted Partner commitments for the UK is to support the industry initiative Champions 12.3 in halving food waste by 2030.

Notes:

1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying' are used as a guide to performance. The definitions and calculations for APMs are set out in Note 38 of the Notes to the Consolidated Financial Statements. The adjusted earnings used for the adjusted earnings per share calculation in 2018 has been restated to exclude the post tax impact of the change in the fair value of derivative financial instruments.

2 The Group's bonus scheme and long-term incentive awards are based on performance across a selection of four KPIs. See pages 98 to 99 in the Remuneration Report.

3 FAO (2014) Food waste footprint. Full cost accounting (available at www.fao.org/3/a-i3991e.pdf).

4 Vermeulen, S. J., Campbell B.M., Ingram, J.S.I. (2012) Climate Change and Food Systems. Annual Review of Environment and Resources, 37, 195-222.

WE TAKE OUR RESPONSIBILITY TO BUILD A SUSTAINABLE BUSINESS SERIOUSLY – FOR OUR CUSTOMERS, INVESTORS, SUPPLIERS, OUR PEOPLE AND ALL THE CONSUMERS WHO CHOOSE OUR FOOD.

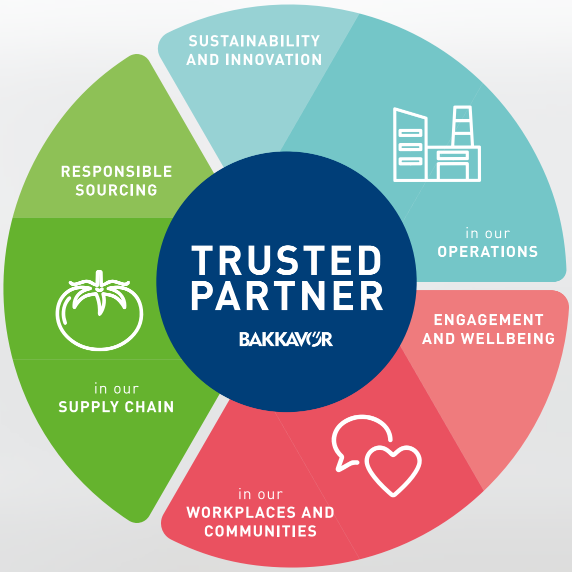
We work collaboratively on the issues that matter most across our supply chain, across our own operations and in our workplaces and communities.

This enables us to be a Trusted Partner in tackling the most important challenges facing our world.

OUR STRATEGY FOR 2020: TRUSTED PARTNER

In 2019, we developed a new strategy for Corporate Responsibility (CR) across Bakkavor Group. Finalised in November and being rolled out in 2020, the strategy builds on our existing work and programmes and focuses our efforts on a set of forward-looking commitments. These commitments emphasise our role in food manufacturing as a trusted supplier, customer and employer in a way that reflects our responsibilities and ambition as a leader in our core categories.

The strategy – which we have named Trusted Partner – is built around three focus areas that represent the value chain of our business.



DEVELOPING THE STRATEGY AND MATERIALITY

At the end of 2018, we undertook a light materiality assessment to determine Bakkavor's most important CR issues. The process helped us to contextualise internal priorities against external stakeholder needs and societal trends, such as the UN Sustainable Development Goals, and ensure that our approach would be based on addressing critical sustainability issues, as well as supporting our business to create long-term value.

In 2019, we further developed Bakkavor's approach to these issues in a process of internal engagement, that resulted in the Trusted Partner framework and commitments. Bakkavor's material issues are reflected in the priority issues mapped in the framework, as well as some that comprise many of our principal business risks (see pages 58 to 65). The strategy was reviewed and signed off at Group Board level in November 2019.

REPORTING ON CORPORATE RESPONSIBILITY

This report summarises our progress on Corporate Responsibility topics in 2019. It is structured around the three focus areas of our Trusted Partner strategy. The strategy itself is being rolled out through 2020, so in subsequent reports we will document progress against its ambitions and commitments. Data shown is for the calendar year 2019 and at Group level unless specified.

Corporate Responsibility contact:
corporate.responsibility@bakkavor.com

MANAGING CR ACROSS THE GROUP

Day-to-day management of the CR strategy at Group level sits within the Corporate Affairs function, which reports on progress to the Management Board and the Group Board, where ultimate responsibility for the CR agenda lies. Peter Gates, CFO, acts as Executive Sponsor for CR at Board level.

In rolling out the new CR strategy, we are formalising new governance structures that reflect existing day-to-day management of CR topics. Functions such as HR, Technical and Supply Chain Operations cascade the strategy within existing UK structures. Customer and Business Directors support roll-outs within customer and category teams.

Responsibility for data collection sits with regional and Group Finance, with the Group General Counsel & Company Secretary incorporating CR within the governance remit.

Dedicated CR representatives from our Asia and US businesses act as champions for CR within our International teams. Finally, key individuals support and lead on specific commitment areas.

NON-FINANCIAL INFORMATION STATEMENT

The following detail sets out where stakeholders can find further non-financial information on each of the key areas of disclosure as required under the UK's Non-Financial Reporting Directive.

REPORTING REQUIREMENT	RELEVANT POLICIES	LOCATION OF FURTHER INFORMATION IN THIS REPORT	PAGE
Environmental matters		Sustainability and Innovation Environmentally Sustainable Sourcing	36-40 35
Employees	Code of Conduct* Inclusion and Diversity Policy **	Engagement and Wellbeing	41
Human rights	Responsible Operations Policy* Group Ethical Trading and Human Rights Policy*	Responsible recruitment Supply chain human rights	43 33
Social matters	Code of Conduct* Modern Slavery Statement**	Engagement and Wellbeing	41-47
Anti-bribery and corruption	Anti-bribery and Business Ethics Policy* Anti-bribery and Business Ethics Statement** Whistleblowing Policy* Charity and Political Donations Policy**	Anti-bribery and Business Ethics Policy Whistleblowing Policy Charity and Political Donations Policy	32 32 32
Business model		Our Business Model	10
Non-financial KPIs		Non-financial KPIs	28-29

INCLUSION AND DIVERSITY POLICY

We are committed to building an inclusive culture and diverse workforce. We believe that a culture of inclusion is paramount to creating an environment where all our people can be at their best. Our Inclusion and Diversity Policy was developed in 2019 and launched to all employees in early 2020. Its three objectives are:

- Living the Bakkavor values
- Building an inclusive and diverse workforce across all levels of the organisation
- Providing opportunity for employees to succeed

MODERN SLAVERY STATEMENT

Bakkavor published its most recent Modern Slavery statement in June 2019 and seeks to retain the highest standards of employee welfare, safety and human rights within both its own business and across its supply chain. It continues to be an integral part of our commitment to human rights, to work with our business, partners and associated supply chain to ensure adherence to the highest standards of behaviour and care and to identify and tackle all forms of slavery and human trafficking.

WHISTLEBLOWING POLICY

This Whistleblowing Policy applies to the whole Bakkavor Group and provides a mechanism through which individuals can raise concerns on illegal, unsafe or inappropriate activities in the workplace. This Policy represents Bakkavor's internal procedure and use of this enables Bakkavor to effectively address any wrongdoing within the business. Whistleblowing is regularly monitored by the Board.

CHARITY AND POLITICAL DONATIONS POLICY

Bakkavor believes in giving back to those communities in which we operate. Our Charity and Political Donations Policy sets out the ways charitable giving may be channelled: through monetary and product donations, supporting our colleagues in their fundraising efforts and advocating skills and volunteering events, where appropriate. We never use charitable donations as a means to gain improper influence and all monies given to charity in Bakkavor's name are subject to due process. Bakkavor does not give financial donations or support to political individuals, representatives, parties or causes in any country in which we operate.

HUMAN RIGHTS, ETHICAL TRADING AND RESPONSIBLE OPERATIONS POLICIES

Bakkavor is committed to doing business in a fair and ethical way. It actively works at meeting its moral, legal, ethical and humanitarian responsibilities. Our Ethical Trading and Human Rights and Responsible Operations Policies provide the principles and framework that Bakkavor has adopted to manage this commitment both within its own operations and down its supply chain. The Policies apply to all Bakkavor's own operations and the permanent, temporary and agency employees who are employed within them.

ANTI-BRIBERY AND BUSINESS ETHICS POLICY

This policy, which also includes a Gifts and Hospitality policy embedded within it, sets out the highest standards of business and ethical conduct expected by those who work for and on behalf of Bakkavor in all its business dealings whether with customers, suppliers, competitors or other business partners in all the countries in which Bakkavor does business. Bakkavor takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever Bakkavor operates and implementing and enforcing effective systems to counter bribery and corruption.

Bakkavor requires all employees and third parties to be familiar with the basic principles of anti-bribery law in order to avoid any actions or omissions which might infringe those laws. In support of this, an e-learning version of the anti-bribery and corruption training was implemented in the UK in 2019 for our employees and, with respect to our suppliers, due diligence is undertaken by our Procurement team. The outcome of the implementation of these policies, supported by the e-learning platform, has been recognition of the need to be vigilant in identifying any bribery and corruption issues within the business and across the supply chain, together with greater awareness of reporting procedures. As part of its remit, the Audit and Risk Committee this year considered the adequacy of these arrangements and concluded that the Policy was adequate. See page 89.

BUSINESS MODEL AND KPIS

Details of our business model and Key Performance Indicators are given on pages 10 and 26-29.

* Available to all employees through the Bakkavor intranet. Not published externally.
** Available on www.bakkavor.com and to all employees through the Bakkavor intranet

RESPONSIBLE SOURCING IN OUR SUPPLY CHAIN

As a Trusted Partner, responsible sourcing starts with transparency and integrity in our supply chain.

We work with growers and partners throughout our supply chain and use our influence to promote a shared understanding of the importance of respecting human rights, environmental risks and ingredient integrity.

Our supply chain experts use a number of tools to assess specific risks and take targeted action to prevent, address and respond promptly to issues alongside our supply chain partners.

SUPPLY CHAIN HUMAN RIGHTS

Respect for human rights is at the heart of our business. Ensuring the welfare of our colleagues, and those in our wider supply chain, is a top priority and central to our approach to responsible sourcing. We are clear with our suppliers that we do not tolerate any form of modern slavery, and will work with our supply base to ensure they are able to meet the standards required, and that our expectations are understood and upheld.

Our Group Ethical Trading and Human Rights Policy sets out the principles and framework that Bakkavor has adopted to manage our commitment to conducting business in a fair and ethical way, both within our own operations and throughout our supply chain. For more details about our practices in our own operations, see the Responsible Recruitment and Employment section on page 43.

The food supply chain is immensely complex and a risk-based approach to identifying human rights issues is essential. We assess risks in our own operations and in our supply chain and use this information to address any issues in conjunction with our customers and suppliers.

Bakkavor is a founding member of Food Network for Ethical Trade (FNET), a collaboration between suppliers and retailers whose mission is 'to improve human rights in global food supply chains through a common approach to managing ethical trade'. We use FNET's risk assessment tool to profile all ingredients and sourcing countries.

As well as evaluating human rights risks at ingredient and country level, we support tools that build supplier capacity to reduce risk. For example, as an active Buyer/Supplier (AB) member of the responsible supply chain platform Sedex, we support the work of the Sedex Stakeholder Forum to develop best practice guidance for members and auditors.

OVERVIEW OF BAKKAVOR'S HUMAN RIGHTS AND ETHICAL TRADE PROGRAMME

1 COMMIT
- Board commitment
- Responsible Sourcing strategy
- Ethical expert resource & HR Forum
- Group policies

2 ASSESS
- Third-party ethical audits
- Modern slavery risk assessment
- Stronger Together checklists and toolkits

3 ACT
- Training
- Internal processes
- Collaboration
- Worker voice
- Labour provider selection
- Responsible recruitment

4 REMEDY
- Confidential hotline
- Stronger Together posters
- GLAA
- Local victim support

5 MONITOR
- Modern slavery risk assessment
- Stronger Together assessment annual review
- Group Annual Modern Slavery Action Plan

6 COMMUNICATE
- Annual modern slavery statement
- HR hub
- Group-wide communication on progress
- External engagement

In 2019, we undertook a leading role in a major review of Sedex's Self-Assessment Questionnaire (SAQ) as part of a working group of suppliers and retailers. This will ensure that Sedex adds value in enabling suppliers to understand good labour practices and drive change within their own businesses and down their supply chains.

Following an external audit, we updated our Group Human Rights and Ethical Programme to include our support for the 'Employer Pays' principle – i.e. that no worker should pay for a job – and the costs of recruitment should be borne not by the worker but by the employer – and also expanded on our commitment to ensure appropriate remedy for any victims of modern slavery through agreed response and remediation plans.

In addition, in 2019 we continued a number of specific projects in areas identified as high-risk within our supply chain, including poultry suppliers in Thailand and a key fresh produce supplier in Italy.

POULTRY FROM THAILAND

The poultry sector in Thailand has been identified as high-risk for labour abuses and exploitation of migrant workers from Myanmar, Laos, Vietnam and Cambodia. Alongside a key customer and several other suppliers, we worked with a specialist consultancy to map the specific risks and locations, focusing on access to worker voice and grievance reporting mechanisms. We are now working to ensure that workers are suitably empowered and can effectively voice their concerns to seek appropriate remedy. We continue to collaborate with our peers, suppliers and key NGOs in monitoring this.

OUR TRUSTED PARTNER COMMITMENTS FOR SUPPLY CHAIN HUMAN RIGHTS

SUPPLY CHAIN ASSESSMENT – HUMAN RIGHTS
Use our supplier management tools to identify suppliers deemed 'high risk' on our combined risk approach for our UK business (2020).

Expand supplier management tools to our US and Asia businesses to expand our human rights risk mapping (2022).

CODE OF CONDUCT
Communicate our Code of Conduct with all our tier 1 suppliers to formalise a shared understanding of our responsible business requirements (UK: 2020, Asia and US: 2022).

CORRECTIVE ACTION AND REMEDY
Work collaboratively with our suppliers on any breaches of our Code of Conduct to develop and implement a clear and appropriate corrective action plan (2021 and ongoing).

WORKER VOICE
Empower worker voice and collaborative dialogue within our direct supply chain by promoting independent whistleblowing channels and effective grievance reporting mechanisms (UK: 2022, Asia and US: 2024).

INDUSTRY ACTION
Actively participate in industry action alongside our customers on areas of strategic importance to the Bakkavor supply chain (ongoing).

ENVIRONMENTALLY SUSTAINABLE SOURCING

We recognise our responsibility to procure ingredients and materials in a way that is as environmentally sound as possible. Environmental sustainability is one of the core pillars of our Responsible Sourcing strategy to ensure the long-term sustainability and resilience of our supply chain.

We source ingredients and materials from more than 50 countries, and the environmental impacts of their production can be very different. By working openly and closely with our suppliers we can better understand the environmental impacts of certain materials and ingredients and determine the appropriate sourcing approach.

As well as having our own approach, we also support our customers' commitments, which can include sourcing through commodity-specific sustainability standards, such as the Roundtable on Sustainable Palm Oil (RSPO), Rainforest Alliance or the Marine Stewardship Council (MSC) as some examples.

Our dedicated sourcing teams in Asia and Spain work closely with our producers, ensuring we are aware of ongoing developments, opportunities and challenges.

Global deforestation is a significant sustainability issue for the global food industry. Particularly, how demand for food is driving forest loss through unsustainable practices in beef, palm oil and soy production.

Bakkavor is not a significant buyer of beef and our food integrity practices ensure that we source to the exacting standards of our customers and that none of our beef originates from higher risk areas such as Brazil. All palm oil that we source is purchased to the standards set by the Roundtable on Sustainable Palm Oil (RSPO).

Three-quarters of soy produced globally is used for animal feed[1] and in 2019 we supported a project to map the use of 'embedded' soy in UK livestock products. We were one of 219 companies that contributed data to the Retail Soy Initiative study in both 2018 and 2019. As a result, from 2020, Bakkavor UK will source all soy with credits purchased from the Round Table on Responsible Soy (RTRS) and encourage our suppliers to do the same.

OUR TRUSTED PARTNER COMMITMENTS FOR ENVIRONMENTALLY SUSTAINABLE SOURCING

SUPPLY CHAIN ASSESSMENT – ENVIRONMENT

Use our supplier management tools to identify the hotspots of highest environmental risk in our UK business's supply chain (2020).

Expand these tools to our US and Asia businesses to replicate our environmental risk mapping (2022).

ENVIRONMENTALLY SUSTAINABLE SUPPLY CHAIN

Ensure that discussions with our top five strategic suppliers include an understanding of their environmental challenges and their plans to mitigate the impacts associated with each material or ingredient (2021).

ENVIRONMENTALLY SUSTAINABLE SOURCING

Identify the 20 strategic raw materials for our UK business with the highest levels of environmental risk and develop action plans or sourcing policies for each (2021 onwards).

PLASTICS IN THE SUPPLY CHAIN

Engage with key suppliers to ensure shared understanding of the responsible use of plastics (2022).

INGREDIENT TRACEABILITY AND INTEGRITY

Trust and traceability are fundamental principles in how we procure our ingredients to ensure that our end products can be consumed with confidence.

All our ingredients can be traced back to our direct suppliers, and many of them can be traced back to the field or farm.

Regular audits and routine trace exercises help us to ensure the integrity of our ingredients. Where we find issues or inconsistencies, we work with the supplier to take rapid action and implement a solution, with regular follow ups. We also use the learning to monitor similar supply chains. In addition, we work with our peers and partner with industry bodies to identify risks of adulteration or substitution.

In 2019, we continued our active membership of the Food Industry Intelligence Network (FIIN). This collaborative project supports information sharing and horizon scanning around food traceability, identifies risks and promotes best practice.

In 2019, with a focus on our highest risk materials, we worked with our suppliers to better understand the current mitigating controls that they have in place to reduce the risks of fraud and adulteration.

Through 2020 we will work together with those suppliers to share best practice and improve the risk management controls in the supply chain.

OUR TRUSTED PARTNER COMMITMENT FOR INGREDIENT TRACEABILITY AND INTEGRITY

Build transparency and traceability into our Supplier Code of Conduct and communicate to Tier 1 suppliers (2020).

[1] 2019, 3Keel. 'Moving to deforestation free animal feed: 2018 Retail Soy Initiative'

SUSTAINABILITY AND INNOVATION IN OUR OPERATIONS

As a Trusted Partner, we're tackling waste and reducing the environmental footprint of our operations and the food we produce.

It is our responsibility as a food manufacturer, with 25 factories in the UK, five in the US and nine in China, to ensure operational excellence. This means adhering to the highest standards in food safety and constantly looking for ways we can reduce our environmental impact.

FOOD AND OTHER WASTE

Food waste is one of the biggest issues facing our sector and an issue that we take to heart. We're committed to the UN Sustainable Development Goal (SDG) target 12.3 – to halve food waste at retail and consumer level and reduce food loss along production and supply chains by 2030.

To achieve this, we use the Food Loss and Waste Accounting and Reporting Standard, and address our UK business's food waste by adopting the principles and template of 'Target, Measure, Act' – a toolkit set by the non-profit organisation WRAP and the IGD. We report on our progress using this template and we are now applying the principles across our international sites.

Our priority for action is to prevent waste from occurring in the first place, so each of our UK sites has targets to work towards. Where we have surplus production, we prioritise redistribution to our employees through our staff shops and to local communities via networks such as Company Shop and FareShare.

In the UK, we also send suitable food waste to be used for animal feed, with the remainder primarily being recycled for anaerobic digestion – a way of producing fertilisers and biogas. A very small proportion of food waste goes to composting (aerobic digestion). Our UK sites do not send any food waste to incineration or landfill.

In the US and China, the infrastructure for food waste recycling is less developed, although a significant proportion of suitable food waste in China is used for animal feed. Through 2020, we will be working to understand our waste footprint in these countries.

Bakkavor is committed to the Champions 12.3 initiative to scale action around the UN SDG target 12.3 of halving food waste. We have been measuring this in our UK operations since 2017, and 2019 was our third year of using the WRAP and IGD Food Waste Standard to calculate our food waste data. Our overall food waste in 2019 was 43,913 tonnes, representing 8.90% of total food produced. This is a small improvement compared to 2018, in both percentage reduction (9.1% in 2018) and absolute volume.

This data includes the full-year results of Bakkavor Desserts Devizes, a desserts business that Bakkavor acquired in 2018. The site reported a higher than average level of food waste, due to the need to both conduct a larger number of new product tests, and align to broader Bakkavor production systems. The figures also include those of the Freshcook site, which was closed in April 2019.

A number of UK sites made strong food waste reductions, and we are sharing the learnings of their successes across our other sites. Nevertheless, we have more work to do in order to achieve our target. In 2020, we will launch a number of initiatives to accelerate our efforts in reducing food waste, and continue to report through Champions 12.3.

In 2019, we attended 'Step Up to the Plate' – a major event hosted by Ben Elliot, the UK Government's Food Surplus and Waste Champion, convening actors from across government, civil society and industry to take action on reducing UK food waste. We signed the 'Step Up to the Plate' pledge, mirroring our Champions 12.3 target.

MAKING BEST POSSIBLE USE OF UK SURPLUS FOOD AND INGREDIENTS

- 1,771,800 meal equivalents[1] distributed to employees at discounted rates via our UK network of staff shops, up by a third (33%) on 2018. This popular initiative also supports local communities as the funds raised through staff shops are allocated to local causes
- 165,550 meal equivalents were donated to FareShare and local charities – an increase of 92% on 2018
- 989,190 meal equivalents distributed to Company Shop[1] representing a 27% decrease on 2018, as our overall secondary market for food products shifted towards our staff shop initiatives and charity donations
- 27,520 tonnes sent to animal feed, a decrease of 10% reflecting changes in suitable product mix, i.e. bread and pastry doughs, vegetable and fruit trimmings

OUR TRUSTED PARTNER COMMITMENTS FOR FOOD AND OTHER WASTE

HALVING FOOD WASTE
Work towards our Champions 12.3 target of reducing food loss by preventing it at each of our sites, whilst measuring and reporting our progress annually (2030).

FOOD REDISTRIBUTION
Actively engage each of our UK and US sites to maximise the suitable surplus food available for redistribution (2022).

FOOD WASTE RECYCLING
Follow the Food Loss and Waste hierarchy for all unavoidable waste, prioritising recycling for animal feed, then anaerobic digestion (AD) and monitor performance against site-specific targets (ongoing).

ZERO WASTE TO LANDFILL
Maintain zero waste to landfill status in the UK (ongoing) and look to progress across our US and Asia sites (2025).

[1] Meal equivalent based on 420g

BAKKAVOR AND CHAMPIONS 12.3

Bakkavor is committed to the Champions 12.3 initiative to scale action around the UN target 12.3 of halving food waste. We have been measuring this in our UK operations since 2017, and 2019 was our third year of using the Food Loss and Waste Accounting and Reporting Standard and reporting our food waste data against the WRAP and IGD template.

Our overall food waste in 2019 was 43,913 tonnes, representing 8.9% of total food produced. This is a small improvement compared to 2018, in both % reduction (9.1% in 2018) and absolute volume.

CHAMPIONS 12.3

RESOURCE EFFICIENCY AND EMISSIONS

Energy and water are critical resources necessary for food manufacturing, particularly impacting refrigeration and hygiene operations which are critical in ensuring quality and safety. Using them in the most efficient way, without compromising on safety, product quality or the environment in which our colleagues work, matters not only for environmental sustainability but also makes business sense. Increasing our efficient use of these resources is a priority for all our sites.

Our biggest direct contributor to carbon emissions comes from the heating and cooling systems at our factory sites. We are committed to reducing our carbon emissions and our impact on climate change year on year.

Our priority focus is on minimising our direct consumption, so we will continue to identify the most impactful areas to make reductions. We will set targets and work towards them through effective monitoring of consumption patterns, smart infrastructure, effective environmental management systems as well as specific investments and process improvements at site-level.

In China, we grow our own lettuce leaf varieties in hydroponic facilities that use rainwater collected in our protected, on-site reservoir.

In 2019, we made significant progress in our investment plan to upgrade our refrigeration systems away from using fluorinated F gases (F gas), which have a high global warming potential. Our upgrades include natural gas (ammonia) and/or CO_2 systems that are significantly more energy efficient. For the second year, 100% of our UK electricity supply was sourced through a renewable supply contract, representing 89% of our UK Scope 2 emissions.

As a result of these measures, Scope 1 and 2 net emissions in the UK decreased by 5.6% in 2019. However, as a Group our overall carbon footprint (net emissions) increased by 5.9% due to expansions in our International operations. 2019 data for the US includes the full year emissions for two sites that opened in late 2018. In China, the emissions increase comes as a result of major site expansions and technical requirements such as refrigerant gas replacements,

Group Scope 2 emissions have decreased by 5.1%, driven by a 14.5% decrease in our UK figures. This is due to a reduction in energy consumption at site level as well as wider grid decarbonisation.

The Group's Intensity Ratio decreased slightly (0.4), to 112.7 tCO_2e per £m turnover. More detail on our carbon footprint calculations can be found in the GHG emissions statement.

Bakkavor Inbound Logistics (BIL), the team responsible for managing all inbound fresh produce supply and transporting it to UK sites, undertook a project to calculate the carbon footprint of raw material transport in a dynamic way. Using an Enterprise Resource Planning (ERP) system and tools to visualise the data, the information shows the carbon footprint data of transporting different produce to different sites. Trialled in 2019, the software will allow our Procurement team to review carbon impact in decision making going forward.

We reported our carbon footprint information to CDP (formerly, the Carbon Disclosure Project) for the second time in 2019, receiving a D score for Climate Change disclosure. The score reflects our journey in starting to implement more robust energy and emissions data management as well as climate change impact practices and we have ambitions to rapidly improve this score.

Our sites are incentivised to find process and manufacturing innovations that save water and energy. Our annual Group Innovation Awards celebrate these activities, share best practice and seed the legacy of innovation.

In 2019, a number of award entries showcased resource efficiency benefits, whether through ways of working, processes, products or sourcing. We also include a dedicated Sustainability Award which this year was awarded to the Bakkavor Meals' Boston team for their 'Wise with Water' project. This innovation is a simple update to a pasta cooking machine that reused chilled water in a secondary process reducing water consumption by half, saving approximately 2 million litres of water each year.

GREENHOUSE GAS EMISSION STATEMENT

This is the second year Bakkavor is reporting carbon emissions for the Group, including our UK, US and China businesses.

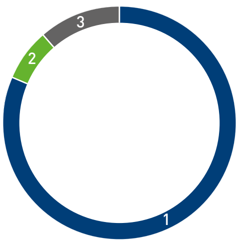
Greenhouse gas ("GHG") emissions for the year to December 2019 have been measured and reported as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, following the UK Government Environmental Reporting Guidelines (June 2013). In addition, 2018 figures have been revised to correct an overstatement of emissions in 2018*. This became apparent following improvements to our international data capture process and also to reflect UK supplier bill recalculations.

The total gross GHG emissions reported include all Scope 1 and Scope 2 emissions for the Bakkavor Group globally. This covers all sites where Bakkavor has full operational control, with the exception of Bakkavor Desserts Leicester, which was acquired in 2019 and will be included in full in 2020. Data has not been collected for sites owned by Bakkavor but leased to tenants as Bakkavor does not have oversight or control of this energy usage and emissions data. The Group's environmental management system is based on ISO 14001.

Bakkavor has used the WRI/GHG Protocol Corporate Accounting and Reporting standard and emission factors from Defra's UK Government GHG Conversion Factors for Company Reporting (2019) and the International Energy Agency (IEA) Emissions Factors Database (2019) to calculate the GHG emissions where they are not separately provided by a supplier.

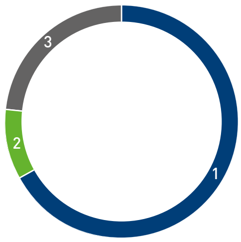
Scope 1 emissions are those that directly release GHGs and include fuel consumed by our manufacturing facilities, offices, warehouses, our vehicle fleet, and releases of fluorinated gases from our refrigeration plant. Scope 2 emissions are released indirectly from our consumption of energy sources (electricity and cooling streams).

EMISSIONS FROM COMBUSTION OF FUEL AND OPERATION OF FACILITIES



1. UK	104,242
2. US	9,226
3. China	14,217

EMISSIONS FROM PURCHASED ELECTRICITY AND COOLING



1. UK	56,842
2. US	8,345
3. China	19,566

GROUP GREENHOUSE GAS EMISSIONS

	Emissions (tCO_2e)		
Bakkavor Group	**2019**	**Change since 2018**	**2018**
Scope 1: Emissions from combustion of fuel and operation of facilities			
UK	104,242	-3.1%	107,526
US	9,226	+54.9%	5,957
China	14,217	+102.6%	7,017
Total Scope 1 emissions	**127,685**	**+6%**	**120,500**
Scope 2: Emissions from purchased electricity and cooling			
UK	56,842	-14.5%	66,484
US	8,345	+18.4%	7,050
China	19,566	+24.1%	15,761
Total Scope 2 emissions	**84,753**	**-5.1%**	**89,295**
Total gross emissions	**212,438**	**+1.3%**	**209,795**
Green tariff	50,484	-11.3%	56,900
Total annual net emissions	**161,954**	**+5.9%**	**152,895**
Intensity Ratio (gross tCO_2e/£m turnover)	**112.7**	**-0.4**	**113.1**

UK GREENHOUSE GAS EMISSIONS

	Emissions (tCO_2e)			
Bakkavor Foods Limited (UK)	**2019**	**Change since 2018**	**2018 restated**	**2017**
Scope 1: Emissions from combustion of fuel and operation of facilities	104,242	-3.1%	107,526	112,392
Scope 2: Emissions from purchased electricity and cooling	56,842	-14.5%	66,484	80,606
Total gross emissions	**161,084**	**-7.4%**	**174,010**	**192,998**
Green tariff	50,484		56,900	22,747
Total annual net emissions	**110,600**	**-5.6%**	**117,110**	**170,251**
Intensity Ratio (gross tCO_2e/£m turnover)	**97.50**	**-7.8%**	**105.2**	**117.9**

* 2018 emissions figures that have been re-stated were previously reported in our 2018 Annual Report as follows:
UK: Scope 1 – 110,241; Scope 2 – 66,492; Total gross emissions – 176,733; Total net emissions – 119,833; Intensity Ratio – 106.9
China: Scope 2 – 36,031
Bakkavor Group: Total Scope 1 – 123,215; Total Scope 2 – 109,573; Total gross emissions – 232,788; Total net emissions – 175,888; Intensity Ratio – 125.5

OUR TRUSTED PARTNER COMMITMENTS FOR RESOURCE EFFICIENCY AND EMISSIONS

ALIGNED ENVIRONMENTAL MANAGEMENT
Roll out consistent environmental management and reporting systems at each of our sites, tracking monthly performance metrics for energy, carbon, water and food waste (2021).

ENERGY & CARBON
Reduce our relative carbon footprint and energy intensity across operational manufacturing Group-wide per tonne of product, year on year whilst continuing to monitor best practice, including feasibility of potential innovations in decarbonisation.

WATER INTENSITY
Work towards optimising operational water intensity per tonne of product, whilst maintaining product quality and integrity, reporting internally on a monthly basis through the environmental tracker (year on year).

CLIMATE RISK AND MITIGATION
Understand our business's exposure to climate risks and take action to mitigate our impacts whilst building greater resilience in our sector (2022).

IMPACT OF PACKAGING

In selecting the right packaging for our products, we and our customers, under whose brands the vast majority of our products are sold, must consider a number of factors. In particular, we must prioritise food safety, quality and waste but balance this with the environmental impact of the packaging across its lifecycle.

Global use of plastic is contributing to a critical pollution problem, yet as a material for food packaging it has many advantages. It is lightweight, efficient to produce, affordable and often the most effective material in extending product shelf life. Nevertheless, we recognise our responsibility to minimise use of unnecessary plastics, maximise recyclability of all materials and move towards more sustainable alternatives.

We have signed up to the goals of The UK Plastics Pact for our UK business and will apply our knowledge in procuring and developing more sustainable packaging solutions across our business by sharing and promoting the same manufacturing techniques and materials in our Asia and US divisions.

In 2019, we continued to work closely with our customers to explore ways to redesign and redevelop product packaging to improve the overall environmental impact while still maintaining shelf life, and as such review the sustainability impact over the whole product lifecycle.

We assessed our entire primary consumer packaging portfolio in the UK and evaluated the impact of alternatives. This identified around 50 million pieces of plastic that we were able to remove in 2019, such as replacing all non-recyclable (polystyrene) discs from pizza products for example. We also identified a further 250 million pieces that can be removed over the next 24 months. This will help us make good progress towards the goals of The UK Plastics Pact of eliminating problematic or unnecessary plastic packaging, moving to 100% recyclable packaging where possible, and using plastics with at least 30% recycled content.

50m
PIECES OF PLASTIC REMOVED IN 2019

250m
PIECES OF PLASTIC THAT CAN BE REMOVED OVER THE NEXT 24 MONTHS

OUR TRUSTED PARTNER COMMITMENTS FOR IMPACT OF PACKAGING

THE UK PLASTICS PACT
Commit to achieving The UK Plastics Pact's shared industry goals for 2025:

- Eliminate problematic or unnecessary[5] single-use plastic packaging
- 100% reusable, recyclable or compostable plastic packaging
- 30% average recycled content in plastic packaging

CARDBOARD
Use only cardboard from PEFC- or FSC-certified forests (2021).

US AND ASIA PACKAGING
Increase the use of recycled and recyclable materials in packaging for our US and Asia businesses where possible, by sharing manufacturing expertise and access to materials.

[5] 'problematic or unnecessary' defined as 'avoidable, unable to recycle/compost, not reusable, high levels of leakage into environment'

DELIVERING HEALTHIER CHOICES FOR CONSUMERS

Our annual Innovation Awards celebrate some of many achievements our sites make to deliver great value, improve processes and demonstrate our values.

One of the stand-out nominees in 2019 highlighted a project to reduce the fat levels in an entire range of hummus for one of our UK customers.

The traditional recipes contain high levels of fat from olive oil and chickpeas but the customer innovation team were able to modify the full range, without compromising on taste or quality.

After investigation, the team were successfully able to reduce fat levels to meet the amber Guideline Daily Amounts (GDA) traffic light system. In blind taste tests, 9/10 testers were unable to taste the difference.

PRODUCT INNOVATION

As a leading fresh prepared food producer, we enable balanced and plant-rich diets through our product offering and it is our business to stay on top of food and consumer trends. This means working with our customers to create great tasting products that are nutritious, exciting and support healthy lifestyles.

We are adapting recipes with our customers to support targets around salt, sugar and saturated fat and increasing our ranges of healthy food options. Additionally, as consumers are increasingly prioritising environmental and ethical considerations, our product innovation has helped to support more sustainable lifestyles through our popular plant-based ranges. For example, Bakkavor is one of two suppliers producing Tesco's highly successful Wicked Kitchen range which expanded from 32 to 80 lines in its second year. We also support Tesco's competitively-priced plant-based range of family favourites – Plant Chef – which was introduced in September with the view to support 'flexitarians' looking to make everyday swaps. We have also helped M&S grow its Plant Kitchen range.

In 2019, our teams continued to work closely with our customers to reformulate our products with improved nutritional profiles.

OUR TRUSTED PARTNER COMMITMENTS FOR PRODUCT INNOVATION

SUSTAINABLE PRODUCT INNOVATION

Promote sustainability considerations in new product development through regular training and information sharing.

PRODUCT REFORMULATION

Work with customers to meet their nutrition targets on salt, sugar, saturated fat and overall calories through reformulation.

NUTRITIONAL IMPACT

Support healthier lifestyles through our product ranges by using our expertise to develop great-tasting products that support customers' targets on healthy ranges.

PRODUCTS FOR SUSTAINABLE DIETS

Enable sustainable diets through our product portfolio by continuing to lead and drive plant-based fresh-prepared product ranges.

ENGAGEMENT AND WELLBEING IN OUR WORKPLACES AND COMMUNITIES

As a Trusted Partner, it is essential for us to provide a safe and inclusive environment in which our colleagues can thrive and develop.

Additionally, we pursue continuous improvements in safety, as well as enabling worker voice.

We are committed to leading our sector in responsible recruitment and employment in the UK, through risk assessment, training and risk reduction. We will take our experience from the UK to apply across our Group practices.

EMPLOYEE DATA

The Group employed 20,105 employees in total. Approximately 98.4% of employees are considered permanent.

BY LOCATION

	2019	2018	2017
United Kingdom	**16,942**	17,004	17,348
US	**874**	635	595
China	**2,266**	2,181	1,628
Continental Europe (Spain, Italy)	**23**	22	22
Total number of employees	**20,105**	19,842	19,593

BY FUNCTION

	2019	2018	2017
Production	**16,759**	16,706	16,653
Management and administration	**2,424**	2,183	1,992
Sales and distribution	**922**	953	948
Total number of employees	**20,105**	19,842	19,593

In 2019, the Group reported employee turnover in the UK of 20.9%, compared to 22.1% in 2018, representing a 1.2 percentage point improvement.

Turnover includes voluntary and involuntary leavers and excludes employees on fixed term contracts and those affected by redundancy. In 2019, the average length of service of employees in production was 6.82 years, while that of employees in management and administration was 8.58 years, both of which are in line with 2018's figures.

BY GENDER

	UK			International		
	2019	2018	2017	2019	2018	2017
Female	**7,011**	7,055	7,116	**1,853**	1,643	1,273
Male	**9,931**	9,949	10,232	**1,310**	1,195	972
Total number of employees	**16,942**	17,004	17,348	**3,163**	2,838	2,245

SENIOR MANAGEMENT BY GENDER

Board and Management Board	2019	2018	2017
Female	**3**	3	2
Male	**10**	10	10
Total	**13**	13	12

See Board gender and diversity page 78

COLLEAGUE WELLBEING, HEALTH AND SAFETY

We promote a pro-active safety awareness and accident prevention culture by empowering employees to raise risk awareness and actively support solutions to improve the Group's performance. We consistently outperform industry figures on workplace safety and will always target zero serious accidents.

Each of our regional divisions has a strong health and safety (H&S) culture based on best-practice governance processes and reporting driven by the Group Board. Dedicated health and safety teams are in place to define standards and monitor compliance with risk-based workplace health and safety systems.

We have processes in place for capturing and sharing learnings to ensure best practice learnings from high potential incidents are shared across the Group. We undertake comprehensive audits and unannounced 'safe site' inspections are carried out by qualified experts. Bakkavor celebrates positive practices through two H&S award categories – H&S Culture and H&S Innovation – at our annual Group Employee Forum (GEF) Awards. The Awards also recognise health and safety 'Bright Stars' – individuals that demonstrate passion and leadership in the task of continuous improvements in health and safety.

To foster and embed a positive approach to workplace health and safety, we run a UK-wide H&S Action Team and our central H&S team provide regular updates and guidance. The team attends our Engineering discussion group and our Hygiene and Manufacturing Forums. The team also communicates key risks and shares best practice initiatives at the Group's annual GEF Conference.

GROUP RESPONSIBILITY AWARDS

Every year we recognise the good work our businesses have done at our Annual Responsibility Awards. This includes rewarding sites and individuals for going 'above and beyond' in Health & Safety through three dedicated awards: H&S Innovation, H&S Culture and H&S Stars.

Their award-winning ideas and initiatives are then shared across the business so that other sites can benefit and make their sites healthier and safer. Pictured here is the 2019 Safety Star Award winner.

HIREN BAKHAI,
PRODUCTION MANAGER BAKKAVOR MEALS LONDON (ABBEYDALE)
Winner of: Safety Star Award

At the annual Group Responsibility Awards in 2019, the Health and Safety Culture Award was presented to Bakkavor Meals London (Abbeydale) for their range of initiatives to improve the safety culture at the site. The Health and Safety Innovation Award was presented to Bakkavor Pizza Harrow, for their project to address levels of flour dust by implementing technical innovations, as well as occupational health awareness activities and engagement days.

Our sites also pursue a variety of activities designed to improve overall wellbeing. For example, in September, Bakkavor Pizza Holbeach held a 'Wellbeing fortnight' which included NHS consultation and testing services, a relaxing wellbeing zone, information about our Employee Assistance Programme, smoothie-making and bike riding competitions. Across the fortnight, over 200 employees at the site received health consultations.

In 2019, our Health and Safety accident performance improved across all measures:

- Major accidents reduced by 56%, currently outperforming the HSE Food Industry average by 80%
- +7 day accidents reduced by 37%, therefore outperforming the current HSE Food Industry average by 69%
- Total accidents reduced by 24% (2019: 1,309 v 2018: 1,712)

TOP FOUR H&S IMPROVEMENTS 2019

- Introduced 'risk-focused' audits enabling increased central support, to ensure we are making improvement around our key risks
- Included High Potential Incidents into our existing shared learning process
- Set up a Sustainability, Health and Environment (SHE) steering team and held a SHE conference
- Supported sites with significant change projects to ensure improvement continues

TOP THREE H&S INITIATIVES FOR 2020

- Improving awareness around machinery and workplace transport risks
- Reinvigorating our policies using user-friendly terminology to clarify our standards
- Investigating new technology on our vehicles to reduce the risk of pedestrian impact and /or injury

UK WORKPLACE ACCIDENTS

	2019	2018	2017
Major[6] accidents per 100k employees	**41**	94	40
>7 days lost-time accidents per 100k employees	**254**	400	380
Total accidents per 100k employees	**7,726**	10,068	10,745

[6] Number of 'major' accidents/specified injuries as defined by the Health and Safety Executive

OUR TRUSTED PARTNER COMMITMENTS FOR COLLEAGUE WELLBEING, HEALTH AND SAFETY

HEALTH AND SAFETY – SERIOUS ACCIDENTS
Demonstrate a continued commitment to H&S measurement and performance improvement, aiming for zero serious accidents by reducing significant risks across the Group (ongoing).

HEALTH AND SAFETY – LOST TIME ACCIDENTS (UK)
Continue to maintain UK performance by out-performing industry average on numbers of major accidents and +7 days lost time accidents (ongoing).

COLLEAGUE WELLBEING
Be recognised by our colleagues as supporting them to achieve positive wellbeing (ongoing).

Bakkavor's input into the Progress Monitoring Tool, as well as the training workshops we deliver, has been very helpful in ensuring that the content reflects current and emerging modern slavery risks, business and supply chain realities, and provides credible and actionable outcomes for users. It's collaborative working like this that supports business to impact real change in addressing major human rights abuses.

DAVID CAMP
FOUNDER, STRONGER TOGETHER

RESPONSIBLE RECRUITMENT AND EMPLOYMENT

Bakkavor directly employs around 20,000 colleagues, including almost 17,000 in the UK. We aim to fill vacancies through direct recruitment, but we also use agency labour providers when we require staff at short notice to fill seasonal or promotional peaks. Subcontracting provides invaluable flexibility to our manpower planning, but it also increases our exposure to risks of modern slavery, which is an issue we take extremely seriously.

Our values as a business will never be compatible with any form of modern slavery, and we address this issue through our Group Human Rights and Ethical Programme, overseen by our Management Board. We will continue to take an active role in driving best practice in this area by, for example, contributing to leading industry platforms including the responsible supply chain platform Sedex.

We want to build capacity across our business and raise worker voices by embedding an understanding and awareness of the issue of modern slavery in order that our people understand the risks, can spot the signs and feel confident in reporting them.

RESPONSIBLE RECRUITMENT

Through 2019, we have led the major review of the Sedex SAQ (Self-Assessment Questionnaire) alongside a working group of suppliers and retailers. The new SAQ will be an added value tool to help suppliers understand good labour practices and drive change in their own operations and supply chains in order to reduce issues of modern slavery, but without it becoming an overly burdensome activity.

Bakkavor also remains an active partner of Stronger Together, the multi-stakeholder initiative that aims to tackle modern slavery through training and information sharing.

We conducted our modern slavery risk assessment using these tools and identified the impact of Brexit and inclusion as particular risk areas on which to focus.

We identified that limited English-language skills for a large proportion of the workforce was a strategic issue in our UK desserts business. This was impacting the performance of the factory and our ability to grow the business. As a result, an external provider carried out a workforce language assessment, reviewing job specifications to understand the level of English required and developed a risk map of our operations. This enabled us to build an action plan to upskill our workforce with English skills appropriate to the actual job requirements.

This case study contributed to the development of a toolkit led by two of our customers that offers practical support to addressing the challenges associated with multi-language and multicultural workforces.

In 2019, we moved to a centralised recruitment system to streamline how we recruit across the business. We trained over 80 managers in the new process and emphasised the accountability of managers in responsible recruitment, including how to avoid unconscious bias.

We continued to hold training workshops with Bakkavor HR Business Partners on responsible recruitment. This year the training was updated to include how we, as a business, can go 'beyond compliance'.

More information can be found in our modern slavery statements.

ACCESS TO EMPLOYMENT

We aim to create employment opportunities for those that might otherwise struggle to access job and skills development. In 2019, our Holbeach site continued a partnership with local charity Centre Point and supported a project to empower homeless and vulnerable people around Boston, Lincolnshire to improve their circumstances and reach their full potential through employment. The partnerships established the 'Second Chance Back to Work' programme which gives those helped by the charity the opportunity to enter full-time employment at Bakkavor Pizza Holbeach. A pilot project provided bursaries to support candidates to ensure they were given fair opportunities during the standard assessment process. As a result, five permanent employment opportunities were made, and a further five candidates were referred to a partner agency with guaranteed hours.

OUR TRUSTED PARTNER COMMITMENTS FOR RESPONSIBLE RECRUITMENT AND EMPLOYMENT

MODERN SLAVERY AWARENESS
Drive awareness and action on the issue of modern slavery, rolling out campaigns and training so that our colleagues know the indicators and how to report them (ongoing).

ACCESS TO EMPLOYMENT
Facilitate access to employment for hard-to-reach individuals by supporting and encouraging our sites to undertake dedicated recruitment programmes with local communities and NGO partnerships (UK and US, 2022).

LABOUR RISKS ASSESSMENT
Lead our industry on rolling out completion of the new Sedex SAQ and new risk assessment (UK sites by 2020, and Group-wide by 2021).

LABOUR PROVIDER STANDARDS
Work only with UK Labour Providers that are GLAA registered, commit to the Responsible Recruitment Toolkit and work towards the standards (from 2020).

ENGAGEMENT, DEVELOPMENT AND RETENTION

We are committed to providing a workplace environment where people are engaged, motivated and feel empowered to speak up. We are working to foster greater inclusion for our current and future colleagues and to maintain open and two-way communication channels.

We want to be an attractive employer in our communities, as this will support the talent pipeline within our business and contribute to local economic development. As such, we are looking at ways of making working for Bakkavor appealing for a diverse range of individuals.

Open and constructive communication is vital to how we run our business. We are committed to conducting a regular People Survey to monitor our performance on all aspects of employee engagement, as well as promoting our Site Employee Forums (SEFs) as an open channel between employees and management.

Our Inclusion and Diversity policy was developed in 2019 and launched to all employees in early 2020.

> Our apprenticeships are a fantastic opportunity for people to gain real world experience and responsibility within a range of functions, whilst achieving an accredited qualification. We are committed to playing an active role in nurturing talent in the food industry and our apprenticeships are just one of the great ways we do this.
>
> **DONNA-MARIA LEE**
> GROUP HR DIRECTOR

We launched a new SEF representative training programme that delivers workshops and activities to build confidence and better equip SEFs in taking on their role, as both a site representative and a community link.

We are committed to the training and development of all our employees to ensure they know how to do their job safely and to the best of their ability. We have an in-house e-learning Bakkavor Training System (BTS) which enables us to monitor compliance as well as plan and record training for factory site-based colleagues. As we have a highly-diverse workforce, at some of our sites we offer free, 13-week English lessons to support colleagues where English is not a first language and drive inclusion in the workplace. Colleagues are invited to attend during their working shift for a 90-minute lesson each week.

In addition, we continue to offer tailored training plans for our colleagues, including for example, Managing for Results, Diversity at Work, Financial Awareness and Root Cause Analysis training. Our graduate and apprenticeship schemes continued to expand in 2019. In the autumn, we welcomed 20 new graduates and 19 new apprentices to our UK business, and nine to our International China Graduate programme.

In the UK, the graduates are based across several sites in specialist roles including Commercial, Development, Finance, HR, Manufacturing and Technical functions. Each graduate completes a placement in a number of different business units, whilst being guided through a tailored leadership training programme.

Apprentices undertook higher or advanced apprenticeships in specialisms such as Bakery, Cyber Security, Engineering, HR, IT, Manufacturing and Technical at sites across the UK.

GROUP EMPLOYEE FORUM

In 2019, we held our annual Group Employee Forum (GEF), bringing together the local SEFs from across the business to share site news and hear about business developments they can then share with their site colleagues. Our designated Board Employees' Representative, Non-executive Director, Sue Clark, was in attendance. Sue has a dedicated email channel for all employees who wish to contact her with their feedback and views.

UK GENDER PAY REPORT SUMMARY

Bakkavor is committed to advancing and raising the profile of gender equality across the Group. The Bakkavor UK Gender Pay Report 2019 is available on the Group website in accordance with our legal requirement as a company with more than 250 employees.

A summary is shown below.

Our overall mean gender pay gap for 2019 is 10.7%, which is an increase of 0.8% on 2018. As is common with most businesses with a gender pay gap, ours is largely due to the underrepresentation of women at senior levels. In addition, in the last year we have experienced an overall reduction in the number of women across the Group in comparison to men.

In 2019, we undertook a number of initiatives intended to address the pay gap from different sides:

- Flexible working pilots across some of our sites
- Maintained female manager mentorship programme to prepare them for more senior roles
- Inclusion and diversity planning projects across the business
- Succession planning and a review of our internal talent pipeline
- Implemented an enhanced maternity pay policy

Whilst our mean gender pay gap is still well below the UK national average of 17.1% (ONS, Oct' 2018), we know we need to do more to help reduce the gap and to ensure we are at the forefront of positive change.

Our focus in 2020 and future years will be on the following measures:

- Continuing to monitor and review our diversity metrics and use data to ensure equity in our reward arrangements at all levels, starting with a review of our pay structure
- Launching a new approach to talent, potential and performance management which will help remove any barriers to career progression
- Launching our first 'diversity in grocery' initiative aimed at under-represented groups
- Continuing to drive our inclusion training programme at site level which focuses on unconscious bias and subjectivity
- Reviewing our flexible working pilot to support and promote female retention and career progression
- Continuing to focus on gender diversity in our entry level programmes, particularly amongst our graduates and apprentices

GENDER PAY DATA

The information below is a summary of the data available in our online report. This comprises the mean and median gender pay gap; the mean and median gender bonus gap; the proportion of males and females receiving a bonus payment; and the proportion of males and females in each pay quartile.

The results focus on our total UK business, which is the best indicator of our overall gender pay position.

	2019	2018
Median pay gap	**7.3%**	8.4%
Mean pay gap	**10.7%**	9.9%

The quartile split confirms that we have more men in senior roles, which is the primary driver of our gender pay gap.

	Women	Men
1st quartile (lowest paid)	50.5%	49.5%
2nd quartile	40.7%	59.3%
3rd quartile	37.5%	62.5%
4th quartile (highest paid)	32.5%	67.5%

GENDER BONUS DATA

	2019	2018
Median pay gap	**14.9%**	11.6%
Mean pay gap	**13.6%**	60.7%

The underlying gender bonus gap reflects a higher proportion of men in senior roles. In 2018, the gender bonus gap reflected the payment of accrued LTIP bonuses.

	2019	2018
Proportion of men receiving a bonus	**2.4%**	9.0%
Proportion of women receiving a bonus	**2.0%**	8.0%

For the full Gender Pay Gap report, please visit www.bakkavor.com

OUR TRUSTED PARTNER COMMITMENTS FOR ENGAGEMENT, DEVELOPMENT AND RETENTION

ATTRACTIVE AND INCLUSIVE EMPLOYER
Implement a range of workplace opportunities designed to increase the attractiveness, accessibility and inclusivity of employment at Bakkavor (ongoing).

INCLUSIVE WORKING ENVIRONMENT
Promote an inclusive working environment, where differences are valued, and individuals feel they can be themselves, without judgement (ongoing).

EMPLOYEE ENGAGEMENT
Conduct a regular Group-wide employee engagement survey, aiming for an overall employee engagement score above industry average (ongoing).

EMPLOYEE VOICE
Continue to empower our employees to speak up on issues important to them by promoting open channels of communication through our Site Employee Forums (SEFs) and the annual Group Employee Forum (ongoing).

TALENT DEVELOPMENT AND RETENTION
Implement an integrated talent management and development programme to provide our employees with continuous learning opportunities (2021).

FUTURE LEADERS
Develop future leaders by expanding our graduate programme and aligning our UK/Asia scheme with our US programme, as well as doubling the apprenticeship programmes in 2020.

EMPLOYEE TURNOVER
Reduce our employee turnover and maintain below industry average (ongoing).

LOCAL CAUSES AND COMMUNITY ENGAGEMENT

We pride ourselves on our strong ties with the communities in which we work, supporting causes and projects important to them and our people. Rallying our colleagues and communities around causes engages all of us to make a difference, as well as producing a positive impact for the charitable organisations involved.

We have group corporate partnerships with Action Against Hunger, a charity working to lead the global fight against hunger and malnutrition, and FareShare, a charity that saves good food destined for waste and sends it to charities and community groups for vulnerable people.

We also encourage our sites to support local charities which make a real difference within their communities. Site Employee Forum (SEF) representatives are heavily involved in organising activities to fundraise or volunteer with community projects.

On World Food Day on 16 October, we supported Action Against Hunger in their campaign to tackle child malnutrition. Each of our sites held fundraising efforts such as bake sales, raffles and bucket collections. Over £2,500 was raised for Plumpy'Nut – a therapeutic food for children suffering from malnutrition around the world. We also held other fundraising events during the year, including Bakkavor Fun Weekend and 'Party in the Park' in Spalding, Lincolnshire.

In the UK, FareShare is a core partner for our surplus food distribution which supports nearly 11,000 charities making more than 46 million meals a year. We also support them through fundraising activities and campaigns, raising nearly £24,000 in 2019.

As well as our two corporate charity partnerships, we encourage and enable our colleagues to support local charities and causes important to them. Our SEFs are critical to building community connections, raising awareness, and building site engagement.

For example, Bakkavor Salads Bourne raised over £4,000 to support a local school for pupils with learning needs through a series of activities including car washes, cake sales and craft sales. The money will go towards the school football team, playground and a new minibus.

Other site fundraising activities included: SEF Breakfast Sandwiches by Bakkavor Salads Tilmanstone raising £470 for Children in Need and a bake sale at Bakkavor Meals London Abbeydale raising £650 for local food bank charity, Sufra.

By investing in the local community, we show colleagues that we care about their wellbeing both outside and inside work.

Our Charity and Political Donations policy sets out the appropriate channels for philanthropic fundraising and has been published to employees on our intranet 'MyBakkavor'. We do not give financial donations or other support to political individuals, representatives, parties or causes in any country where we operate.

OUR TRUSTED PARTNER COMMITMENTS FOR LOCAL CAUSES AND COMMUNITY ENGAGEMENT

GROUP PARTNERSHIPS

Fundraise and support our key Group charities through Group donations and employee engagement fundraising activities (ongoing).

EMPLOYEE FUNDRAISING

Support and encourage our colleagues to fundraise for causes important to them through our Matched Giving Scheme launched in 2020.

COMMUNITY

January 2019 marked the start of two new Group charity partnerships with Action Against Hunger and FareShare. As a responsible food manufacturer, the impact of hunger on communities, both in the UK and globally, is a major concern and we believe we can play an important part in making a positive difference. In 2019, we gave over £45,000 to these charities through corporate donations and employee engagement.

BAKKAVOR AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The long-term success of our Group depends on responding to the needs of all our stakeholders and the world around us. We developed Trusted Partner – our Corporate Responsibility strategy (page 31) – in 2019, to address the critical social and environmental issues for our business.

The UN Sustainable Development Goals (SDGs) supported this process by providing a blueprint for how the industry, government and civil society can make progress towards a mutually sustainable future.

We see the Goals as a valuable framework to translate our strategy to broader sustainable development, provide measurement and indicators of progress as well as opportunities to engage and unify around common themes. For example, we are part of the industry movement taking up the target 12.3 within Sustainable Consumption and Production. By signing up to Champions 12.3 we have committed to halving our food waste in the UK by 2030 and measuring and reporting progress along the way.

At Bakkavor, we have a significant contribution towards some specific SDGs, but all of them are relevant to some degree. The below outlines how we see our contribution and how each Goal relates to our Trusted Partner strategy. More can be read about our approach to each topic, action and commitments on the relevant pages.

UN SDGs WHERE BAKKAVOR HAS A HIGH CONTRIBUTION

SDG	Our contribution	Related topics in our Trusted Partner strategy
Goal 2: Zero Hunger	Through our responsible sourcing strategy, we have a role to support sustainable agricultural practices to make them more productive and resilient while minimising potential harmful impacts. We also directly contribute through our two corporate charity partners – Action Against Hunger and FareShare – who directly tackle this topic.	• Environmentally sustainable sourcing (read more, page 35) • Supply chain human rights (page 33) • Food waste (page 36) • Product innovation (page 40) • Local causes / community engagement (page 46)
Goal 3: Good Health & Well-Being	We can contribute to healthier lives by adapting recipes to support our customers' nutrition targets and by offering a wide range of options, including plant-based products. With our own colleagues we strive for the highest standards of workplace health and safety, and support healthier lifestyles and wellbeing through a range of local engagement activities and campaigns.	• Product innovation (page 40) • Colleague wellbeing, health and safety (page 41)
Goal 6: Clean Water and Sanitation	Water is an important resource in both food production and manufacturing. We are working to understand impacts in our supply chain and how we can use it as efficiently as possible in our own operations, without compromising on safety, product quality or the environment in which our colleagues work.	• Environmentally sustainable sourcing (page 35) • Resource efficiency and emissions (page 37)
Goal 8: Decent Work and Economic Growth	We can directly support the rights of workers in our own operations as well as indirectly in our supply chain through our sourcing approach and responsible recruitment and employment practices. As top priorities, our Group Human Rights and Ethical Programme details how our approach applies both to our own operations and our supply chain.	• Supply chain human rights (page 33) • Colleague wellbeing, health and safety (page 41) • Responsible recruitment and employment (page 43) • Engagement, development and retention (page 44)
Goal 12: Responsible Consumption and Production	Businesses have a vital role in promoting sustainable consumption and production. In 2018, Bakkavor signed up to the Champions 12.3 initiative to halve food waste by 2030. We are undertaking a number of measures to support this goal; more can be read on page 36. We contribute to other targets in SDG 12 through continually embedding sustainable practices and improving our sustainability disclosures.	• Food and other waste (page 36) • Resource efficiency and emissions (page 37) • Environmentally sustainable sourcing (page 35) • Impact of packaging (page 39) • Product innovation (page 40)
Goal 13: Climate Action	The heating and cooling systems used by our factories are our biggest source of carbon emissions. As a result, this is where we focus our energy efficiency efforts. We have committed to reduce our footprint year on year and are also working to set concrete medium to long-term reduction targets to work towards.	• Resource efficiency and emissions (page 37) • Environmentally sustainable sourcing (page 35)

UN SDGs WHERE BAKKAVOR HAS A MODERATE CONTRIBUTION

SDG	Our contribution	Related topics in our Trusted Partner strategy
Goal 15: Life on Land	Whilst we are not significant purchasers of beef, soy or palm oil – the ingredients that are major causes of global deforestation – in a global or national context, we have sourcing specifications for these ingredients: All palm oil that we source is purchased to the standards of the Roundtable on Sustainable Palm Oil (RSPO). We map our soy usage and from 2020 will source all soy through Round Table Responsible Soy (RTRS) credits. None of our beef originates from deforestation risk areas.	• Environmentally sustainable sourcing (page 35)

SDG	Our contribution	Related topics in our Trusted Partner strategy
Goal 1: No Poverty	Globally, we provide jobs meeting all local national minimum wage laws and offer a range of training opportunities to help our employees go further in their careers as well as a range of personal benefits. We support job creation in the food supply chain and our responsible sourcing strategy promotes ethical employment standards for workers.	• Supply chain human rights (page 33) • Engagement, development and retention (page 44)
Goal 4: Quality Education	The training and development of our colleagues enables them to progress in their career. We offer tailored training plans and in-house e-learning across the Group. In addition, our growing graduate and apprenticeship schemes enable young people to gain real-world experience through a structured placement scheme and build qualifications.	• Engagement, development and retention (page 44)
Goal 5: Gender Equality	We are committed to increasing the inclusiveness of working at Bakkavor and promoting gender equality at every level. We monitor our diversity metrics and are finding ways to remove barriers to career progression, which have traditionally affected women more than men. Bakkavor has a gender pay gap of 7.3%, which has narrowed in the last year. More information is in our Gender Pay statement (page 45)	• Engagement, development and retention (page 44)
Goal 7: Affordable and Clean Energy	We switched our UK electricity supply to a renewable supply contract and are looking for similar opportunities in our US and Asia businesses.	• Resource efficiency and emissions (page 37)
Goal 9: Industry, Innovation and Infrastructure	We promote more sustainable manufacturing through our efforts to decrease our operational environmental improvement. We also support innovation in manufacturing and technology through our annual Group Innovation Awards. These awards celebrate improvements in technologies and processes, many of which have direct sustainability benefits, and help to scale and stimulate best practices.	• Resource efficiency and emissions (page 37) • Impact of packaging (page 39)

OTHER UN SDGs WHERE BAKKAVOR HAS SOME CONTRIBUTION

SDG	Our contribution	Related topics in our Trusted Partner strategy
Goal 10: Reduced Inequalities	We can reduce economic inequality through our responsible recruitment practices and by ensuring compliance with our ethical standards also through our supply chain (see more: Supply chain human rights (page 33) and Responsible recruitment and employment (page 43). We are an Equal Opportunity Employer and drive inclusion through workplace training on unconscious bias and subjectivity. We are committed to advancing gender equality in the business. For more details, see the Gender Pay statement (page 45).	• Supply chain human rights (page 33) • Engagement, development and retention (page 44) • Responsible recruitment and employment (page 43)
Goal 11: Sustainable Cities and Communities	Many of our sites are located in smaller towns and regions. This means that Bakkavor can have a relatively larger impact on the local community. We encourage and enable our sites to support local charities which make a real difference within their communities. Our Site Employee Forum (SEF) representatives are critical to building community connections, raising awareness, and increasing local employee engagement.	• Local causes/community engagement (page 46)
Goal 14: Life Under Water	We source seafood according to the sustainability standards required by our customers, which can include, for example, Marine Stewardship Council (MSC) certification.	• Environmentally sustainable sourcing (page 35)
Goal 16: Peace and Strong Institutions	Good governance practices are core to how we conduct business at Bakkavor and the Bakkavor Code of Conduct is in place to support this. Reflecting our values, it defines how our employees should act on a day-to-day basis. The Code includes policies and procedures such as anti-bribery and business ethics, IT usage policy and statements supporting our commitment to acting professionally, fairly and with integrity. For more information see our Governance section (page 66).	• Corporate Governance Compliance Statement (page 68)
Goal 17: Partnerships for the Goals	Multi-stakeholder partnerships are critical to addressing many of the shared and systemic sustainability challenges faced by business and society. We actively engage with a number of industry platforms, from the Food Network for Ethical Trade (FNET), Champions 12.3, to WRAP, the Food Industry Intelligence Network (FIIN), IGD, Stronger Together and Sedex that tackle issues from food waste, to resource efficiency, ingredient integrity as well as human rights.	• We work in partnership across all of our Corporate Responsibility focus areas

PETER GATES
CHIEF FINANCIAL OFFICER

THOUGH IT WAS CHALLENGING, THIS YEAR, WE DELIVERED REVENUE GROWTH IN LINE WITH OUR EXPECTATIONS.

REVENUE

Reported revenue increased by £28.7 million, or 1.5%, from £1,857.2 million in 2018 to £1,885.9 million in 2019.

Like-for-like revenue[1] was up 1.7%, from £1,757.9 million in 2018 to £1,787.2 million in 2019. This increase was primarily due to good growth in the Group's International operating segment.

SEGMENTAL BREAKDOWN

UK

In the UK segment, reported revenue decreased slightly by 0.2%, or £3.1 million, from £1,655.6 million in 2018 to £1,652.5 million in 2019.

Like-for-like revenue[1], which excludes Freshcook and Anglia Crown that were closed and sold in April 2019 and July 2018 respectively and Blueberry Foods and Haydens Bakery which were acquired in June 2019 and September 2018 respectively, increased marginally by 0.2%, from £1,556.3 million in 2018 to £1,559.8 million in 2019. Freshcook contributed revenues of £21.4 million in 2019 for the period up to its closure. Blueberry Foods contributed £31.0 million to reported revenue in the six-month period following its acquisition and Haydens Bakery contributed £40.2 million in 2019.

This like-for-like revenue[1] growth for the year was due to volume increases of 0.5% being partly offset by price decreases of 0.3% as we saw raw material deflation in the second half of 2019. Underlying volume growth has been limited for the year as a whole as consumer confidence remained weak in the current economic environment. The growth that has been seen was largely due to business wins in our meals category.

INTERNATIONAL

In the International segment, reported revenue increased by £31.8 million, or 15.8%, to £233.4 million in 2019 from £201.6 million in the prior year. The weakening of Sterling in the year helped to increase reported revenue in 2019 by £6.0 million.

Like-for-like revenue[1], which is at constant currency, increased by 12.8%, from £201.6 million in 2018 to £227.4 million in 2019. The increase was primarily due to strong growth in both our International markets, where sales volumes increased across all key customers as we started to benefit from recent investments to increase our capacity in the US and China.

COST OF SALES

Cost of sales increased by £6.0 million, or 0.4%, from £1,370.6 million in 2018 to £1,376.6 million in 2019.

Overall costs increased due to increased volumes in the year. Labour costs in particular were higher following further increases in the National Living Wage and pension auto-enrolment costs in the UK, but this was partly offset by further efficiency benefits. In addition raw material inflation eased as we went through the year and was broadly neutral for the year as a whole.

The Group delivered a robust performance in 2019 given the continued challenging market conditions in the UK, with a combination of high levels of inflation and weak consumer confidence.

GROSS PROFIT

Gross profit increased by £22.7 million, or 4.7%, from £486.6 million in 2018 to £509.3 million in 2019.

The increase for the year was due to the benefits from higher volumes more than offsetting the increase in direct labour costs.

DISTRIBUTION COSTS

Distribution costs for the year remained in line with 2018 at £77.1 million (2018: £77.2 million).

OTHER ADMINISTRATIVE COSTS

Administrative costs increased by £43.7 million, or 13.7%, from £319.6 million in 2018 to £363.3 million in 2019.

Administrative costs for underlying activities excluding exceptional items increased by £46.5 million, or 15.6%, from £298.1 million in 2018 to £344.6 million in 2019. This was primarily due to an increase of £15.4 million in overheads for new sites in the US and China that were operational throughout the year and an increase in depreciation of £7.5 million following recent capital investments. The UK business continued to maintain a tight control over costs at the existing sites.

EXCEPTIONAL ITEMS

Included within other administrative costs and cost of sales are exceptional items which are adjusted for when determining the Group's APMs, as management consider they should be disclosed by virtue of their nature or amount to determine the underlying performance of the business. Exceptional items comprise the following:

£ million	2019	2018
New sites	–	12.4
Disruption	**6.6**	2.6
GMP equalisation	–	2.6
Restructuring, impairment and onerous lease provision	**13.7**	5.2
Gain on bargain purchase	–	(1.3)
Loss on disposal of subsidiary	–	4.6
	20.3	26.1

2019

The Group incurred £20.3 million of net costs presented as exceptional items in 2019 of which £6.6 million related to disruption costs; £2.8 million as our factory in California was repurposed for ready meal manufacturing and changes made to the hummus production process, and £3.8 million in the UK as the business prepared for the launch of significant new products in Q3 2019. In addition, the Group incurred £13.7 million of restructuring and impairment costs in the UK. Of this, £7.7 million related to the closure of a meals business in Lincolnshire, comprising cash closure costs of £4.2 million and plant and equipment asset impairments of £3.5 million. A further charge of £4.3 million has been recognised for the closure of the Group's non-core UK fast casual restaurant business. The remaining £1.7 million is primarily for redundancy costs following changes to our commercial and marketing structure.

2018

The Group incurred £26.1 million of exceptional costs in 2018 of which £12.4 million related to the initial start-up and pre-commissioning costs of new factories in the US and China and £2.6 million for disruption costs as the existing factory in California was repurposed for ready meal manufacturing. In addition, an onerous lease provision of £1.7 million was made in respect of the Group's non-core UK fast casual restaurant business and there was a charge of £2.6 million in respect of meeting the change in Guaranteed Minimum Pension ("GMP") for the defined benefit pension scheme which came into force from October 2018. The Group also incurred an impairment charge of £3.5 million in the year in respect of tangible fixed assets as the relevant assets no longer have any future value to the Group, and also recorded a gain of £1.3 million on the acquisition of Haydens Bakery in September 2018 and a loss on disposal of Anglia Crown in July 2018 of £4.6 million.

SHARE OF RESULTS OF ASSOCIATES AFTER TAX

Share of results of associates after tax increased by £0.1 million from £0.4 million in 2018 to £0.5 million in 2019. This increase was due to further profit improvement in the Group's associate La Rose Noire Limited as it continues to expand its operations in Hong Kong.

OPERATING PROFIT

Operating profit decreased by £16.2 million, or 19.0%, from £85.6 million in 2018 to £69.4 million in 2019 with margins decreasing by 90 basis points to 3.7%, primarily due to an increase in the depreciation charge following recent capital investments, a number of exceptional items as explained above and ongoing start-up losses for new sites. In addition, operating profit includes a year on year net credit of £4.9 million (2018: £3.1 million) arising from the reassessment of the need for certain commercial accruals and the requirement for provisions under the Group's short-term bonus scheme.

Before exceptional items and start-up losses for new sites and the loss on disposal of a subsidiary in 2018, which are not expected to reoccur, the operating margins for 2019 were 40 basis points lower than 2018 at 5.6%.

[1] Alternative performance measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 38.

ADJUSTED EBITDA[1]

Adjusted EBITDA[1] for the year was £153.5 million, in line with 2018. Overall trading in 2019 reflects volume and efficiency benefits which more than offset labour inflation in the year and higher losses of £1.4 million at one of our meals' businesses in Lincolnshire prior to its closure in April 2019.

FINANCE COSTS

Finance costs increased by £5.5 million, or 41.7%, from £13.2 million in 2018 to £18.7 million in 2019. The increase is partly due to the recognition of £2.8 million of lease liability costs following the transition to IFRS 16 from the start of the 2019. The balance of the increase is due to an increase in borrowing costs from higher average debt levels in the period following further capital investment. The Group's cost of debt remains at circa 3.5% per annum.

OTHER GAINS AND LOSSES

Other gains and losses moved by £12.4 million, from a gain of £5.5 million in 2018, to a loss of £6.9 million in 2019. This is due to the Group recording mark-to-market losses of £7.3 million on its financial derivatives in 2019, compared to a gain of £1.1 million for 2018, following the relative strengthening of Sterling against the Euro in recent months. In addition, in 2018 our results benefitted from a £4.2 million exceptional gain on the release of an amount in other payables, held at fair value, in respect of a potential liability for a disputed historical claim which has not materialised and is now time-barred.

TAX

The Group tax charge for the year was £6.9 million, which was a decrease of £3.8 million over last year. The £6.9 million charge represents an effective tax rate of 15.8% on profit before tax of £43.8 million. Most of the Group's profits were earned in the UK, where the statutory tax rate was 19% for 2019. The main reason for the lower effective rate is that the US tax rate is higher than the UK and therefore this increases the value of the deferred tax asset on US losses expected to be used against future profits. Excluding exceptional items and other adjusting items, the effective tax rate[1] was 17.5% and it is expected that the effective tax rate will rise to between 18% and 19% in 2020 as the UK statutory tax rate is now expected to remain at 19% from April 2020.

PROFIT FOR THE PERIOD

As a result of the above, profit for the period decreased by £30.3 million, or 45.1%, from £67.2 million in 2018 to £36.9 million in 2019. Excluding the impact of exceptional items and other adjusting items, the profit for the year[1] has decreased by £10.5 million to £73.5 million.

EARNINGS PER SHARE

Basic earnings per share has decreased from 11.6 pence for 2018 to 6.4 pence in 2019, reflecting the start-up losses for new sites, an increase in depreciation following recent investments, mark-to-market losses on derivatives and the impact of the introduction of IFRS 16.

Adjusted earnings per share[1], which is calculated before exceptional items, start-up losses for new sites, the impact of the introduction of IFRS 16 and the change in fair value of derivative financial instruments, has decreased from 14.5 pence for 2018 to 12.7 pence in 2019, reflecting an increase in depreciation as assets come into use following recent investment, a higher effective tax rate[1], and an increase in borrowing costs as average debt levels have increased. The weighted average number of shares in issue during both 2018 and 2019 was 579,425,585.

CASH FLOW

Net cash from operating activities, which is calculated before capital expenditure but after payments for exceptional items, increased by £14.9 million from £99.1 million in 2018 to £114.0 million. This was largely due to the benefit from a year on year working capital decrease of £15.8 million more than offsetting an increase in interest paid of £5.0 million, of which £2.8 million is due to the transition to IFRS 16 from the start of 2019.

Net cash used in investing activities decreased by £9.3 million in the year from £123.7 million in 2018 to £114.4 million in 2019. This was primarily due to a £13.8 million decrease in capital expenditure as the Group's key development projects in Shanghai and Newark were completed during 2019. This decrease in capital expenditure was partly offset by a £5.1 million year on year increase in payments for acquisitions and disposals of businesses.

Free cash flow[1] for the year, which is the key measure the Directors use to manage cash flow in the business, was £4.0 million lower than the previous year at £51.1 million. This was principally due to expenditure on core capital (excluding development projects) being £20.8 million higher than 2018 as the Group continues with its capital investment plan. Working capital remains tightly managed and delivered a year on year improvement of £16.7 million largely due to increases in supplier payment terms and due to new sites being in operation for a full financial year. Interest payments were £2.2 million higher as average debt levels increased across the year following further investment.

CAPITAL, DEBT AND LEVERAGE

At 28 December 2019 the Group had committed debt facilities of £517.5 million including a revolving credit facility of £200 million maturing in June 2021 and term loans totalling £247.5 million, of which £210 million mature in June 2021 with the balance maturing in June 2024. Of the remaining debt facilities of £70 million, £20 million matures in November 2020, £25 million in August 2020 and £25 million in September 2026. On 18 March 2020 the Group completed a refinancing of its core debt facilities amounting to £410 million through a new term loan and revolving credit facility totalling £455 million. The new facilities are due to mature in March 2024, with an option to extend the tenure by a further two years subject to lender approval. Following the refinancing the Group has £562.5 million of debt facilities available.

Whilst the Group has continued to generate good free cash flow in 2019, payments of £17.5 million have been made in the year in respect of the completion of the final two key development projects in Shanghai and Newark that were identified at the time of the public listing, finance for which was raised from the proceeds of the primary offering in November 2017. In addition, the Group has funded the acquisition of Blueberry Foods in the year at a cost of £16.8 million. These payments, combined with the dividend of £34.8 million and payments for exceptional items and start-up losses for new sites of £28.5 million, have resulted in an increase of £45.5 million in operational net debt to £354.8 million. Leverage (the ratio of operational net debt to adjusted EBITDA) was 2.3 times at December 2019 and, as expected, is an increase from the 2.0 times at the end of 2018, largely due to the expenditure on the development projects and acquisition payments.

The Group continues to target a medium-term range of 1.5 – 2.0 times. The Group's liquidity position remains strong with good headroom against all financial covenants.

IFRS 16 IMPACT

The Group transitioned to IFRS 16 *Leases* with effect from the 30 December 2018 by using the modified retrospective, asset equals liability approach with no restatement of the comparative information. The impact of the change in accounting treatment on the consolidated income statement for 2019 has been to increase operating profit by £0.6 million and to reduce earnings by £1.9 million. In terms of borrowings, the Group recognised £78.8 million of lease liabilities at 28 December 2019 which resulted in statutory net debt of £432.4 million at the end of the period.

RETURN ON INVESTED CAPITAL[1]

The increase in invested capital in 2019 has resulted in a decrease in the Group's Return on Invested Capital[1] ("ROIC") from 11.6% in 2018 to 9.6% in 2019. Excluding expenditure on the Group's Development Projects, ROIC was 11.0% in 2019 (2018: 12.6%). Over the medium term, the Group plans to continue to spend circa 4% per annum of revenues on capital investment. The Group would also expect the key development projects which have required substantial capital expenditure over the past two years to deliver improvements in returns through the latter part of 2020 and into 2021.

PENSIONS

Under the IAS 19 valuation principles that are required to be used for accounting purposes, the Group recognised a surplus of £9.7 million for the UK defined benefit scheme as at 28 December 2019 (2018: deficit of £0.5 million). The movement from a small deficit in the prior year to a surplus is due to an increase in the value of assets combined with the benefits from liability hedging.

The Group and the Trustee agreed in April 2017 the triennial valuation of the UK defined benefit pension scheme as at 31 March 2016. This resulted in a funding shortfall which continues to be paid over an agreed eight-year recovery period ending on 31 March 2024. The recovery contributions over that period amount to £22.5 million, with £2.5 million payable for the year ending 31 March 2020. The next triennial valuation as at 31 March 2019 is ongoing.

DIVIDEND

The Group paid an interim dividend of 2 pence per Ordinary share on 11 October 2019. The Board has decided to suspend the proposed final dividend as originally announced with the Preliminary Results on 27 February 2020. Consequently, the resolution in relation to the declaration of the final dividend will not be put forward at the Company's AGM to be held on 12 June 2020. This will result in a total dividend for financial year 2019 of 2 pence per Ordinary share, compared to 6 pence in the prior year.

PETER GATES
Chief Financial Officer
5 May 2020

[1] Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying' are used as a guide to performance. The definitions and calculations for APMs are set out in Note 38 of the Notes to the Consolidated Financial Statements.

DESIGNED TO HELP US DELIVER AGAINST OUR STRATEGY

Bakkavor's risk management process is designed to help the Group deliver against its strategy, while protecting the interests of key stakeholders and safeguarding assets including its people, finances and reputation.

The Board has overall responsibility for ensuring the effective identification and management of key strategic and emerging risks, and for the review and approval of the ongoing risk management process, including clear policies that outline what can be considered an acceptable level of risk.

Bakkavor maintains a formal Risk Register which is updated regularly and identifies the principal risks faced by the Group and the key mitigating actions used to address them.

The Audit and Risk Committee, delegated by the Board, reviews the effectiveness of the Group's risk management process and internal control system and receives regular reports from management and both Internal and External Auditors. These detail the risks that are relevant to business activity, the effectiveness of internal controls in dealing with these risks and an update on the implementation of any corrective actions that are considered necessary.

The Audit and Risk Committee reports to the Board on the effectiveness of the risk management process.

Day-to-day risk management is led by Senior Management with ownership for individual risks, as identified in the Risk Register, assigned to a member of the Senior Management team. Management of risk is embedded in daily working practices and underpinned by Bakkavor's policies and Code of Conduct and Business Ethics.

Where risks are identified, action plans are developed to mitigate each risk, with clear allocation of responsibilities and timescales for completion. Progress towards implementing these plans is monitored and reported back to the Board through the Audit and Risk Committee, as part of a structured business review.

GOVERNANCE IN ACTION

CASE STUDY: BREXIT

WHY?
The impact of Brexit continues to be an area of focus given the relative scale of our UK business to the Group.

THE RISK
Whilst the short term risk has lessened, there remains a risk that at the end of the transition period EU import tariffs may be introduced, causing food inflation and disruption could occur at the ports of entry. Recently proposed immigration controls could also affect labour availability.

THE WORK OF OUR BOARD AND INTERNAL COMMITTEES
The Brexit Working Group, on behalf of the Board, have kept Brexit mitigations under review during the year including systems development, customer plans, stock levels and staff retention.

OUTCOMES
Following the recognition of Authorised Economic Operator (AEO) status in 2018, the Group has put in place system links with UK and Spanish Customs Authorities and developed a direct portal in our IS system for our EU suppliers to use post Brexit. It recruited and trained staff to take customs clearance 'in house' and since the end of 2019 all imports into the UK from outside the EU have been customs-cleared by our own staff. With this experience the Group is now in a stronger position to take on clearing imports from the EU as well, if necessary, in the future. Bakkavor Iberica in Southern Spain, which sources many of our EU-based raw material imports, has established a secure distribution centre which is now approved by the Spanish authorities to be used for exporting post Brexit.

OUR RISK MANAGEMENT FRAMEWORK

Bakkavor Group's policy is to identify, assess and respond appropriately to all risks. The risk mitigations chosen will be subject to the appetite and tolerance for each risk as determined by the Management Board and approved by the Group Board.

The effectiveness of risk management and the resultant controls are reported quarterly to the Management Board and the Audit and Risk Committee through both the Group Risk Committee and three Regional Risk Committees for appropriate review and challenge. Twice a year the Risk Reports are reviewed by the Group Board.

Management teams escalate new or changing risks to their respective Risk Committees for review.

The Internal Audit team carry out risk-based audits to provide assurance direct to the Audit and Risk Committee of the Group Board.

TOP-DOWN
Oversight and overall responsibility from the Board at a Group level

BAKKAVOR STRATEGY
The process begins with the evaluation of the most significant strategic risks for Bakkavor.

RISK ASSESSMENT
Senior Management regularly assess risks for potential impact.

RISK MITIGATION
Action plans for mitigating significant risks are developed and implemented.

RISK REVIEW PROCESS
The Audit and Risk Committee, delegated by the Board, is responsible for the independent review of the effectiveness of risk management and the internal control system.

RISK ASSESSMENT MAP

Principal risks	Risk trend 2019
1. Food safety and integrity	↓
2. Raw material and input cost inflation	↓
3. Reliance on a small number of key customers	–
4. Labour availability and costs	↑
5. IT systems and cyber risk	–
6. Health and safety	–
7. Recruitment and retention of key employees	↑
8. Strategic growth and change programmes	↑
9. Treasury and pensions	↑
10. Brexit disruption	↓
11. Disruption to Group operations	↑
12. Sustainability	↑
13. Consumer behaviour and demand	↑
14. Competitors	–
15. Legal and regulatory	–

READ MORE ABOUT OUR PRINCIPAL RISKS AND UNCERTAINTIES ON PAGES 58–65

INTERNAL CONTROL SYSTEM

The internal control system provides Senior Management with an ongoing process for risk management. The system can only provide reasonable, and not absolute, assurance, as it is designed to manage rather than eliminate all risks.

Examples of the Bakkavor internal control system are:

Health and safety – The Group promotes a pro-active safety and accident awareness culture and has in place health and safety teams that define standards and monitor compliance with the Group's policies for ensuring workplace safety.

Food safety – The Group aims to deliver food products with the highest levels of safety and integrity. Bakkavor applies food safety procedures when designing and managing all of its sites, including rigorous testing and Hazard Analysis Critical Control Point management systems.

Food quality – The Group maintains strict controls regarding the authenticity, quality and labelling of the products it manufactures and supplies. Bakkavor is subject to regular inspection by food safety and other authorities for compliance with applicable food laws.

IT systems – The Group has a Disaster Recovery Programme in place and strict policies to ensure its IT infrastructure and equipment are sufficiently protected. In addition, Bakkavor has in place an ongoing IT Risk and Security Programme.

Treasury – The Group has a Treasury Policy in place, the main objectives of which are to ensure that appropriate capital resources are available for the maintenance and development of the Group's businesses, and that the financial risk relating to the Group's currency, interest rate and counterparty credit exposure is understood, measured and managed appropriately.

RISK APPETITE

The Group's approach is to minimise exposure to reputational, financial and operational risk, while accepting a risk/reward trade-off in achieving its strategic objectives. As a food-producing business, food safety and integrity are of paramount importance and all practical efforts are made to mitigate risk in this area. In addition, as a large employer, looking after the health and safety of our colleagues is key, and we take all practical precautions to protect people during the time they are on our sites.

The business takes a measured approach to investment to minimise risk exposure. Whilst more recently significant capital expenditure has been invested in the US and China, these are markets within which Bakkavor has operated for many years and we believe represent exciting opportunities for future growth. Therefore, whilst there is an element of risk in all investments, we believe the Company is well placed to minimise exposure.

GOVERNANCE IN ACTION

CASE STUDY: CYBER SECURITY

WHY?

An increasing frequency of cyber-attacks on corporate networks worldwide is well documented.

THE RISK

Our operations could be disrupted, or individuals could gain unauthorised access to sensitive information.

THE WORK OF OUR BOARD AND INTERNAL COMMITTEES

The Audit and Risk Committee has reviewed our approach to cyber security using external specialists.

OUTCOMES

Whilst noting that generally the Group has good controls over attacks to our main network, the risks in this area continue to grow and develop and therefore our preventative measures must in turn remain under constant review. We have recently retained the services of a leading cyber security firm to work with us on further developing our existing cyber security controls. We have also taken out specific insurance cover against cyber attacks for the first time.

OTHER DEVELOPMENTS IN 2019

A Group Risk Committee and three Regional Risk Committees have been established in the UK, China and the US. All meet on a quarterly basis and report to the Management Board and Audit and Risk Committee.

The Group's approach to Risk Appetite has been debated and the Group Board has agreed an appropriate Risk Appetite level for each principal risk.

VIABILITY STATEMENT

In line with Provision C.2.2 of the Governance Code, the Directors have carried out a thorough review of the prospects of the Group and its ability to meet its liabilities through to at least the end of December 2022.

The business operates in a fast-moving sector with a high number of products introduced each year. The Group has to adapt to meet the changing needs of customers and consumers; therefore the Directors have concluded that a three-year time frame is an appropriate period for this assessment, as this is the period over which the Directors can realistically set the strategic plan for the Group.

The Directors have assessed the principal risks to the business and the key mitigating actions used to address them.

This assessment included the potential disruption at the end of the Transition Period following the UK's recent departure from the EU. In addition, as set out on pages 58 to 61 and notwithstanding the high degree of uncertainty involved, the Directors have carried out an assessment of the reasonable but potential impact of the COVID-19 outbreak on the Group's operations. For each of the principal risks, action plans have been developed to mitigate the risk with a clear allocation of responsibilities for mitigation and the timescales for completion.

Whilst all the risks identified, including food safety and integrity, could have an impact on the Group's performance, the specific risks which could potentially impact the Group's financial position include the COVID-19 outbreak, a reduction in sales volumes, the vulnerability of the Group's cost base and margin to fluctuations in the price and availability of raw materials, the impact of higher labour costs and a scarcity of labour.

As part of our annual strategic planning, the Group prepares a detailed financial model which forecasts the consolidated Income Statement, Balance Sheet, Cash Flow, covenant performance and liquidity requirements of the Group for a three-year period. Sensitivity analysis is performed on this model taking account of the potential financial impact of the specific risks outlined above, including the COVID-19 outbreak and the terms of the UK's exit from the European Union. These terms are expected to apply from the end of December 2020.

The majority of the Group's debt facilities in place at the end of 2019 amounting to £410 million were due to mature in June 2021. On 18 March 2020 the Group refinanced these facilities with £455 million of debt facilities that mature in March 2024 on similar terms to those in place at the end of 2019. Under the terms of the facilities agreement the Group has the option to request an extension for the maturity of these facilities through until March 2026 with the request subject to lender approval. In addition, at the end of 2019 the Group had £70 million of other debt facilities, with £25 million maturing in August 2020, £20 million in November 2020 and £25 million in September 2026.

Having taken account of the sensitivity analysis and the availability of adequate financing facilities, the Directors consider that the Group will be able to continue in operation over the three-year period to the end of December 2022.

COVID-19 – RISK SUMMARY

COVID-19 emerged as a major risk to companies in China in January and since then has spread to impact companies all around the world. Each day the situation changes and the Group has put in place a number of actions to mitigate the potential impacts to the business in the three regions in which it operates and across its supply chain. Details of these mitigating actions are explained later in this section.

Unlike many other industries which have been severely impacted recently, such as travel and hospitality, the food manufacturing industry and provision of food remains fundamental to consumers. Fresh food and the convenience of FPF supports the health and wellbeing of consumers and maintaining the continuity and availability of our products is a key priority for both our industry and government. For this reason, our Group has in recent weeks been defined as providing a 'key' or 'essential' service and received protection and in some cases exemption from many of the restrictions placed on individuals and companies in these difficult times.

Given that we manufacture and distribute most of our products every day, the Group is used to accommodating volatile and sometimes unpredictable ordering patterns. With a short shelf-life on most of our raw materials and finished goods, we can only hold limited stocks at any time. We therefore have sophisticated supply chains, with robust planning and scheduling procedures and a range of contingency plans are in place in line with our normal operating plans. This gives us a relatively high degree of flexibility and agility in our operations and has served us well in adapting to the current unprecedented situation.

This section addresses the key risks to each of the Group's three markets: the UK, US and China. We have assessed these risks under three general headings: People management, Supply chain and logistics and Consumer demand. We also list the specific mitigating actions available and consider the potential impact of the COVID-19 crisis on both our financial performance and the Group's liquidity position and our ability to meet our financial obligations as they fall due.

Our scenario planning, as set out below, is based on an assessment of a reasonable downside scenario but, given the scale and fast moving nature of the pandemic it is inevitable that there will remain a high level of uncertainty on the overall impact to the business.

UNITED KINGDOM

In the UK, we have a mature business employing over 17,000 people across 25 sites, providing short shelf-life chilled convenience products to a range of major supermarket retailers. The business operates in four key categories: meals, salads, desserts and pizza & bread.

1. PEOPLE MANAGEMENT

The first risk to our business could be the impact of a shortage of core staff and / or management. Our business is a mix of both highly automated and labour-intensive production, and most sites operate 24/7 and 364 days a year. Should a large number of employees be off work, it is possible we might have to reduce our output to match labour availability. Similarly, if we were to lose a number of key management personnel for a period then it could put additional pressure on our ability to operate efficiently.

Mitigating action

As a business, we are fully committed to ensuring we safeguard the health, safety and wellbeing of all our colleagues in carrying out their work. As a large FPF manufacturer, our established controls for managing both people and food safety within our operations are industry-leading. While our regular handwashing procedures and high levels of good manufacturing practice (GMP) and hygiene ensure a safe working environment, we have also implemented a number of additional controls and enhanced safety measures following the virus outbreak. This has included restricted visitor access, suspending all travel unless deemed business critical, a more rigorous return to work procedure, more frequent cleaning regimes at touchpoints, additional handwashing protocols, adhering to PHE guidelines for social distancing in our offices, rest, changing and ancillary areas, as well as following specific PHE guidance for distancing in food manufacturing businesses. We are taking measures to ensure that these operating procedures are fully understood and are rigorously complied with so that we maintain the highest standards. We continue to audit ourselves against both our standard controls and our enhanced COVID-19 protocols on both an announced and unannounced basis.

We have also actioned and continue to take advice from many sources, including HM Government, Public Health England and the NHS. We are also reviewing information from the Chilled Food Associated (CFA) and The Institute of Grocery Distribution (IGD). In addition to this, we maintain regular dialogue with all employees. We therefore believe that the current practices and the additional new measures recently introduced should lower the risk of a large-scale transfer of the virus between our staff on our premises.

Within our factories we operate a series of shift patterns. This flexible working pattern allows us to move our core staff – those that are well-trained and experienced – between shifts and production areas, as well as between sites. We also operate with a level of agency staff who we can flex up or down depending on our requirements. In the event that the virus does result in a large number of our core staff being temporarily absent for reasons of illness or support for affected relatives, we believe that we would be able to use our remaining employees and agency staff to continue production. In the unlikely event that the shortage became acute, we would concentrate those remaining staff into production of a reduced range of selected products and/or less labour-intensive products. We could also transfer staff between factories where we have several sites within a short distance of each other, for example in Lincolnshire and North London.

In the current situation, which has resulted in a large range of businesses unfortunately having to close, the available pool of agency labour has grown as individuals look for alternative employment.

In the event that we have a number of key managers unavailable, then we will reallocate our managers between multiple sites to cover shortages. If this were for a short period of time, we consider the depth of our Senior Management to be sufficient to continue production across our multiple sites.

We have also received confirmation that our business is classified as critical to the COVID-19 response. This means that all Bakkavor employees are classified as key workers and are therefore entitled to support with childcare and continued education.

Taken together, these factors mean we consider that our employee attendance will continue at an appropriate level such that we can maintain production.

2. SUPPLY CHAIN AND LOGISTICS

A second risk to our business could be an interruption to our raw material supply chain. Due to the short shelf-life of a number of raw materials that we hold in stock, we are used to operating a sophisticated supply chain that ensures we can procure, manufacture and distribute product every day. Our raw materials are sourced from across the world, with approximately 40% from the EU and 15% from other parts of the world. With low stocks held at site, any disruption in the supply of our raw materials could mean we are unable to meet orders for particular products. Furthermore, in the event of broader economic stress in the regions in which our suppliers operate, we could find availability and cost of our key raw materials under pressure.

Mitigating action

As a business, we are highly experienced in problem-solving issues regarding supply chain and logistics. Our procurement function is largely centralised at our Head Office in Spalding, Lincolnshire, with commodity focused specialists. This expertise gives us a deep knowledge of the supply chain, including well-established relationships with individual farmers, growers and suppliers. In addition, we have 'on the ground' presence with colleagues based in China, Spain, Italy and South America, which is a key strength in understanding what is happening within the supply base and within the local area. This includes a dedicated team based in Spain who coordinate the buying of fresh produce globally and the transportation of raw materials from southern Europe to the UK, and a team in China who coordinate the purchase and shipping of raw materials from Chinese suppliers back to the UK. We make limited use of forwarding agents, preferring to rely on our own professionals to ensure the smooth running of what is in effect a just-in-time operating model. This ensures that in the case of difficulties with product availability or transport we are best placed to seek alternative sources or routes.

We also make full use of UK raw materials wherever possible, with approximately 45% of raw materials purchased from the UK, and have a flexible model which allows us to switch suppliers to match seasonal availability, particularly in the spring and summer when UK crops are more readily available. Robust dual-sourcing procedures ensure that we are never completely reliant on one particular supplier and potentially left with no alternatives. With the changing product requirements of our customers, we already have a robust and well established process in place to approve new raw materials and suppliers, and should we need to accelerate this we can work effectively with our customers to ensure the appropriate approvals are obtained.

Where disruption has occurred historically, potentially causing transport delays and additional costs, our commercial teams have worked with our customers to create a practical solution, changing the specification of products if necessary. Our broad range of product offerings also means that we can quickly and easily provide alternative products to our customers.

Following the virus outbreak, we have taken a number of mitigating actions. This has included increasing stock holding across the supply chain, review of alternative and additional suppliers for critical raw materials, implementation of alternative supply options and daily Procurement Leadership Team reviews. We have also maintained very close day-to-day contact with our suppliers and been able to respond with appropriate support for those under particular financial pressures.

3. CONSUMER DEMAND

Finally, since our fresh prepared foods are distributed through retail stores and the retailers' own home-delivery networks, there is a risk that demand for our products could fall if consumers changed their buying preferences and / or our customers decided to limit or change the range of products that they offered in store. This could be as a result of retailers streamlining their operations including supply chain, labour allocation and store processes as well as store closure due to lack of available staff.

Mitigating action

As a large food manufacturing business, we adjust volumes to match demand daily. Whilst each of our 25 sites is dedicated to a particular key food category (meals, salads, pizza & bread or desserts), all are multi-product, most are multi-customer and all are geared to production of the full range of their products every day. This means the sites are operationally flexible and used to accommodating changing priorities. We are also used to supplying the same product at two different sites should it become necessary, because of particularly high short-term promotional volumes for example.

Should demand for particular products fall, then our breadth and range would allow us to provide alternative products to our customers. In the event that volumes were to fall suddenly in a particular category, which impacted a site more broadly, there are a number of mitigating actions that could be taken including use of the Government's Job Retention Scheme to 'Furlough' workers, cutting costs through a reduction of agency staff, changes to shift patterns, delay new product launches, slow or stop the supply of raw materials and review overhead cost saving opportunities. If these reduced volumes held in place over the longer term and indicated a fundamental shift in consumer buying patterns, then it could become necessary to reassess the viability of an individual site.

COVID-19 – RISK SUMMARY

US

In the US, our business employs over 850 people and operates from five sites, producing chilled convenience food for US grocery retailers.

1. PEOPLE MANAGEMENT

The risks to our US business of the impact of a shortage of core staff and / or management are the same as the UK business, and described above.

Mitigating action

The mitigating actions outlined for the UK business can equally apply to the US, with the following additional points of note.

We have also actioned and continue to take advice from many sources including state, federal and county bodies, the US Food and Drug Administration, the US Department of Agriculture and public health organisations.

The food manufacturing sector is classified as a critical infrastructure industry, which means our business is required to continue to operate as usual and our staff are exempt from the 'Stay at Home' orders in place in the states that we operate in.

In the event of an acute shortage of labour, our ability to transfer employees between sites is limited due to the geographical spread of our sites and existing travel restrictions in place. However, following the temporary closure of our Breadeli site, we have moved colleagues over to our nearby meals production facility in Charlotte, North Carolina. There are also actions we could take to reduce the complexity in our product ranges, thereby reducing the reliance on labour.

2. SUPPLY CHAIN AND LOGISTICS

A second risk to our business could be an interruption to our raw material supply chain. Due to the short shelf-life of a number of raw materials that we hold in stock, we are used to operating a sophisticated supply chain that ensures we can manufacture and distribute product every day. Our raw materials are primarily sourced locally in the US, with a small number of products sourced from other parts of the world including Mexico, Chile, Argentina and China. With low stocks held at site, any disruption in the supply of our raw materials could mean we were unable to meet orders for particular products.

Mitigating action

The mitigating actions outlined for the UK business can equally apply to the US, with the following additional points of note.

Our procurement function in the US primarily operates from individual sites, although overall management rests centrally. We source most of our raw materials locally, minimising the risk of disruption through restrictions imposed as a consequence of the outbreak, especially as the food manufacturing sector is classified as a critical infrastructure industry and therefore ensuring it is fully-operational is a key priority for authorities.

3. CONSUMER DEMAND

As outlined in the UK section, there is a risk that consumer demand for our products could fall if consumers were to change their buying preferences and / or our customers were to limit or change the range of products that they offered.

Mitigating action

The mitigating actions outlined for our UK business apply to the US, with the following additional points of note.

Consistent with our UK business, in the US we adjust volumes to match demand on a daily basis. We operate from five sites in the US and our products are supplied to both local and national grocery retailers. While each site is generally dedicated to a particular key food category, all are multi-product, most are multi-customer and are geared to production of the full range of their products every day. This means they are operationally flexible and used to accommodating changing priorities.

In some instances, we can also supply the same product from two different sites should it become necessary, because of supplying both East and West Coast retail stores, as well as particularly high short-term promotional volumes for example. This applies to all key food categories, except for bread, which, until its recent temporary closure, was only produced at our Breadeli site in Charlotte, North Carolina. That site has now been temporarily closed as we are able to draw from our frozen stock which should be sufficient to supply for up to two months.

CHINA

In China, our business employs approximately 2,000 people and operates from nine sites, including one in Hong Kong. It supplies fresh prepared foods and vegetables, mainly to western foodservice customers.

1. PEOPLE MANAGEMENT

The risks to our business in China of the impact of a shortage of core staff and / or management are the same as the UK business.

Mitigating action

The mitigating actions outlined for the UK business apply to China, with the following additional points of note.

We have also actioned and continue to take advice from all relevant Chinese Government authorities, including the Food Safety Administration, Department of Labour and the Tax bureau. In addition to this, we maintain regular dialogue with all employees, many of whom live on-site in company dormitories making it easier for us to ensure that they are maintaining the highest hygiene standards.

Due to our customer base, we are not considered 'critical' to the COVID-19 response but are permitted to continue production.

2. SUPPLY CHAIN AND LOGISTICS

A second risk to our business could be an interruption to our raw material supply chain. As we hold limited stocks of short shelf-life products, we are used to operating a sophisticated supply chain that ensures we can manufacture and distribute product every day. Our raw materials are almost exclusively sourced locally, with very little imported from outside China. With low stocks held at site, any disruption in the supply of our raw materials could mean we were unable to meet orders for particular products.

Mitigating action
The mitigating actions outlined for the UK business apply to China, with the following additional points of note.

As a business, we are extremely experienced in problem-solving issues regarding supply chain and logistics. Our procurement function in China is largely operated out of individual sites, although overall management rests centrally. We source most of our products locally, minimising the risk of disruption through restrictions imposed as a consequence of the outbreak, especially since maintaining a fully operational food industry is a key priority for authorities.

3. CONSUMER DEMAND

As outlined in the UK section, there is a risk that demand for our products could fall if consumers were to change their buying preferences or our customers were to limit or change the range of products that they offered. Our customer base in China is primarily with western foodservice players and therefore they may be unable to keep stores open due to local and / or central government restrictions put in place.

Mitigating action
As a large food manufacturing business, we adjust volumes to match demand daily. We operate through nine sites in China and across a number of categories. All our sites are multi-product, multi-customer and are geared to production of the full range of their products every day. This means they are all extremely flexible and used to changing priorities.

We are also used to supplying the same product at two different sites should it become necessary. An example of this is our existing requirement to supply a consistent product range in a number of regions for existing national customers. In some instances however this might be challenging due to the distances between sites and the short life of our products. If this was the case, we have alternative suppliers that could be used and would work with our customers to obtain the required approvals so we can maintain supply.

SCENARIO PLANNING

Due to the unprecedented nature of the COVID-19 outbreak, the Group has considered how the ongoing crisis could impact on the financial results and overall liquidity position of the business. We have also looked at a range of mitigating actions that could be taken in the short term to protect profits and cash.

The scenario that was envisaged included the following assumptions:

- Sales volumes in the UK being down overall by 10% against our initial expectations for the months of April through to July 2020. We modelled this in detail across the four key categories although a volume reduction for each category has a broadly similar impact on gross profit. Overheads were assumed to be unchanged, but we acknowledge that a reduction in overheads would be a key part of the mitigating actions described below.
- Sales volume and hence gross profit reducing by 33% in the US through the months of April to July 2020.
- In China, a decrease in EBITDA of £9 million over the course of the year.

Based on the above scenario Group EBITDA could be £25 million lower than 2019. The cash impact of these lower trading assumptions was also reflected through to working capital, tax payments and net interest.

As part of its COVID-19 Trading Update on 2 April 2020, the Group committed to a number of important actions to preserve liquidity as set out below:

- A tight control on costs will be maintained, and all non-essential capital investment and discretionary expenditure has been placed on hold.
- We are reviewing capacity across our facilities to better match the current levels of demand and, wherever possible, we will be supporting any impacted colleagues by making use of the Job Retention Scheme (Furlough) introduced by the Government in the UK.
- In addition to the pro-active steps we are taking around cash and investment, the Board has decided to suspend the proposed final dividend. We will review our dividend policy in due course.
- Members of the Board and Management Board have also agreed voluntary reductions in remuneration for the coming three months: the Chairman and Non-executive Directors' have agreed to a 50% reduction in base salaries and fees, while the Group's founders (CEO, Agust Gudmundsson and Non-executive Director, Lydur Gudmundsson) have volunteered not to take a salary in the period. The wider Management Board have also agreed to a voluntary 20% reduction in base salaries.

The Group has £562.5 million of debt facilities currently available with £455 million maturing in March 2024, £25 million in August 2020, £20 million in November 2021, £37.5 million in June 2024, and £25 million in September 2026.

Having considered the potential impact on short-term profitability and taking account of the mitigating actions in respect of capital expenditure and dividends, the Board expects that under the scenario assumptions set out above all financial covenants would be met, including a leverage ratio of c.2.7x at June 2020 and c.2.6x at December 2020 and significant liquidity headroom will continue to be available. Therefore the Board has concluded that the Group would be able to absorb a significant downturn in trading as a consequence of COVID-19 and could therefore continue as a going concern in the period under review.

In 2019, the Group extended its principal risks and uncertainties to include legal and regulatory risks to recognise the wider responsibilities which come with our listed status.

FOOD SAFETY AND INTEGRITY

DESCRIPTION

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

Consumer safety and confidence are vital to our business; any issue that breaches that trust could result in loss or reduction of customer business and also impact our credibility and reputation.

LINK TO STRATEGY

1 2 3

MITIGATING CONTROLS

Stringent food safety policies in place throughout the organisation and use of Hazard Analysis Critical Control Point principles to identify and control food safety risks. Employees trained against documented procedures.

Supply chain food safety and integrity is understood and managed through robust risk assessment and management process.

Food safety audits conducted for new suppliers with regular audits of existing suppliers.

Regular reporting of food safety performance to the Board and immediate reporting of significant issues.

RISK TREND 2019

The level of risk has reduced marginally reflecting effective mitigation in this area and our experience over the last few years.

RAW MATERIAL AND INPUT COST INFLATION

DESCRIPTION

The Group's cost base and margin are vulnerable to fluctuations in the price and availability of raw materials, packaging materials and freight.

Ability to pass on any increases in these costs to customers within a reasonable timeframe is a challenge and failure to do so could impact the Group's profitability and hence its ability to continue to invest in the business.

LINK TO STRATEGY

3

MITIGATING CONTROLS

Central procurement team focused on achieving a balance between price, quality, availability and service levels.

Forward purchasing agreed and price variations passed on where possible. Agreements in place with some customers on recovery of raw material cost impacts.

Continued focus on cost reduction and productivity enhancements.

RISK TREND 2019

The risk has reduced somewhat due to the recent strengthening of Sterling.

RELIANCE ON A SMALL NUMBER OF KEY CUSTOMERS

DESCRIPTION

We work with four of the largest food retailers in the UK and a significant proportion of our revenue is from these customers. In the US we work with a small number of large retailers and in China a small number of large food service customers.

Any major customer loss would have a significant negative impact on our business.

LINK TO STRATEGY

1 3

MITIGATING CONTROLS

Close partnership model in place with customers. In the UK, customer-specific champions and teams manage strategic customer relationships.

Relationships with all grocery retailers beyond the four largest gives breadth of cover. Strong reputation for food safety and quality.

Reputation amongst customers for strong insights and innovation capabilities.

Significant investment in manufacturing facilities and highly complex 'just in time' manufacturing process.

RISK TREND 2019

Customer concentration has remained unchanged.

LINK TO OUR STRATEGIC PRIORITIES

1 LEVERAGING NUMBER ONE POSITION IN THE UK

2 ACCELERATING GROWTH IN HIGH-POTENTIAL INTERNATIONAL MARKETS

3 IMPROVING OPERATIONAL EFFICIENCY

LABOUR AVAILABILITY AND COSTS

DESCRIPTION

Manpower scarcity and higher labour costs could affect the Group's business and future profitability.

The Group competes with other manufacturers for good and reliable employees. The supply of such employees is limited and competition to hire and retain them may result in higher labour costs.

Additionally, in the UK, Brexit presents a risk as historically the Group has employed a material number of people who are citizens of EU countries.

LINK TO STRATEGY

1 2 3

MITIGATING CONTROLS

Specific campaigns and focus groups in place targeting recruitment of future employees and building attractiveness of careers in the food industry.

Initiatives in place to enhance and upgrade factory site facilities to help attract and retain employees.

Central staff dedicated to recruitment and management of staff costs.

Initiatives in place to support employees with Brexit-related concerns.

RISK TREND 2019

The potential medium-term impact from reduced immigration and the retention of existing EU colleagues following Brexit has increased the risk of labour availability in the UK.

IT SYSTEMS AND CYBER RISK

DESCRIPTION

Unauthorised access of the Company's Information Technology ("IT") systems could lead to breaches of data protection and release of market sensitive information.

Any breakdown or failure in the Group's IT infrastructure or the Group's communication networks, including malicious cyber-attacks by third parties, could delay or otherwise impact the Group's day-to-day business.

LINK TO STRATEGY

1 2

MITIGATING CONTROLS

Group Information Systems ("IS") manage access to business data in the UK through strong password protection, role-based access to business systems and policies to ensure appropriate use.

The Group IS department has delivered Disaster Recovery ("DR") processes for all critical systems in the UK.

Group IS has strict policies and actively ensures that the IS infrastructure and equipment in the UK in particular are sufficiently protected against malicious cyber-attacks.

Local teams in the US and China are developing our IS infrastructure capabilities.

RISK TREND 2019

Cyber threats have become more common in the wider economy. The Group has increased investment in this area and transferred some of the risk to insurers so that, overall, the risk has remained the same.

HEALTH AND SAFETY

DESCRIPTION

We understand our duty of care to secure and protect the health and safety ("H&S") of our employees and to reduce the environmental impact of our operations. Failure to maintain the H&S of employees could have a significant reputational impact and also have serious legal consequences.

LINK TO STRATEGY

1 2

MITIGATING CONTROLS

H&S and environmental impacts are managed locally by our teams and by the Group's in-house experts who embed and monitor practices.

Stringent processes are implemented for identifying and managing H&S and environmental risks.

Regular reporting of H&S Key Performance Indicators to the Group Board and immediate reporting of significant issues.

An established culture of employee engagement around accident prevention across the Group.

RISK TREND 2019

The level of risk has remained unchanged.

RECRUITMENT AND RETENTION OF KEY EMPLOYEES

DESCRIPTION

We have a highly experienced management team who are passionate about our business and who are integral to our continued growth and success as a market leader. The loss of any of these personnel, or the Group's inability to recruit new personnel, would have an adverse impact on the Group.

We risk being unable to achieve our strategic growth objectives without the recruitment, development and retention of talented and committed people who understand and respect our values.

LINK TO STRATEGY

1 2 3

MITIGATING CONTROLS

Company values used to recruit, appraise, reward and develop employees.

Ongoing succession planning, commitment to training and bonus schemes in place to retain key personnel and manage staff turnover.

Graduate recruitment and apprenticeship schemes have been expanded.

Training and career development opportunities have been enhanced.

RISK TREND 2019

The risk is marginally higher due to an increased requirement for skilled labour across our international businesses.

STRATEGIC GROWTH AND CHANGE PROGRAMMES

DESCRIPTION

Much of our future growth will be delivered from new factory builds and acquisitions. This adds a level of execution risk to continuing operations.

LINK TO STRATEGY

1 2 3

MITIGATING CONTROLS

Detailed planning and sharing of best practice within the Group minimises risk.

RISK TREND 2019

Increased investment in development projects has increased execution risk.

TREASURY AND PENSIONS

DESCRIPTION

To achieve our growth objectives, we require a strong financial platform.

The Group has significant facilities governed by financing agreements under which we are subject to various financial covenants and undertakings.

Breaching any covenant would impair our ability to maintain existing financing and secure future financing, thereby destabilising the business.

The Group has a closed defined benefit pension plan which is exposed to interest and inflation rates, values of assets and increased life expectancy.

LINK TO STRATEGY

3

MITIGATING CONTROLS

Financial results, projections and covenant performance reviewed regularly.

Open and regular dialogue with our lenders and an active investor engagement programme.

Treasury function operates within framework of strict Group Board-approved policies and procedures.

Active policy of hedging known non-Sterling denominated expenditure both for specific projects and on a rolling basis for material purchases.

The pension scheme has hedges in place for a large portion, but not all, of its risks.

RISK TREND 2019

Debt ratios have worsened somewhat, largely as a result of our acquisition and investment programme.

BREXIT DISRUPTION

DESCRIPTION

It is possible that the way in which the UK leaves the European Union at the end of 2020 will result in disruption at the UK ports leading to increasing costs and availability problems, especially with short-life raw materials, which ultimately might impact sales volumes.

LINK TO STRATEGY

1

MITIGATING CONTROLS

We have recently obtained AEO status which should help us streamline and simplify our import processes.

Customs clearance staff have been recruited and trained to use new systems linked to the Customs Authorities.

Longer-life packaging and raw material stocks will be increased as necessary.

RISK TREND 2019

Recent developments have lessened the probability of disruption in 2020 but it remains a threat after the transition period.

DISRUPTION TO GROUP OPERATIONS

DESCRIPTION

Catastrophic damage to one of our factories by fire, flood or mechanical breakdown as well as disruption due to information systems failure or pandemics.

LINK TO STRATEGY

1 2

MITIGATING CONTROLS

Building and property management protocols are employed and audited in conjunction with our property insurers.

Business continuity plans are in place for each factory site and for many products alternative Bakkavor factories could supply in the event of a major issue.

RISK TREND 2019

COVID-19 has affected our Chinese operations in early 2020 and will affect our operations in the UK and US as it continues to spread.

LINK TO OUR STRATEGIC PRIORITIES

1 **LEVERAGING NUMBER ONE POSITION IN THE UK**

2 **ACCELERATING GROWTH IN HIGH-POTENTIAL INTERNATIONAL MARKETS**

3 **IMPROVING OPERATIONAL EFFICIENCY**

SUSTAINABILITY

DESCRIPTION
To continue with our growth agenda we must ensure that the business is developing in a sustainable way.

LINK TO STRATEGY
1 2 3

MITIGATING CONTROLS
The Board has approved a new Corporate Responsibility Strategy, 'Trusted Partner', and as part of this, we are scaling up our focus and performance monitoring in relation to a number of key areas including carbon, waste, water packaging and responsible sourcing.

RISK TREND 2019
Increased pressure from our customers and consumers to demonstrate strong sustainability performance has increased the risk.

CONSUMER BEHAVIOUR AND DEMAND

DESCRIPTION
Changes in consumer demand due to a serious change in the economy or other consumption factors could impact our plans.

LINK TO STRATEGY
1

MITIGATING CONTROLS
We work closely with our customers to adapt to changing consumer trends.

RISK TREND 2019
A generally soft market and changing demand focus in the UK has increased the Group risk.

COMPETITORS

DESCRIPTION
The Group operates in a highly competitive market.

LINK TO STRATEGY
1 2

MITIGATING CONTROLS
Developing and maintaining strong working relationships with our customers underpinned by high service levels and constant product development and innovation.

RISK TREND 2019
The level of risk has remained unchanged.

LEGAL AND REGULATORY

DESCRIPTION
Bakkavor is subject to a wide range of legislation, regulations and codes of practice covering many aspects of our business including food safety, health & safety, data privacy, competition, ethical business, tax and financial reporting. Failure to comply could impact our reputation and lead to financial penalties.

LINK TO STRATEGY
1 2

MITIGATING CONTROLS
We have well developed food industry processes in place to manage food safety and health & safety issues, including internal and external audits.

Our legal, financial, tax, and environmental teams monitor relevant laws and regulations to ensure compliance.

Our outsourced internal audit team provides assurance on key risks.

In 2020 we are introducing e-learning training for key global policies.

RISK TREND 2019
The risk level remains the same but the increasing focus associated with compliance due to our listed status warrants its inclusion as a principal risk.

Our 2019 Strategic Report, from the inside front cover to page 65, has been reviewed and approved by the Board.

AGUST GUDMUNDSSON
Chief Executive Officer
5 May 2020

SIMON BURKE
CHAIRMAN

Promoting the long-term sustainable success of the Company, generating value for stakeholders and supporting the Management Board in developing the Company's strategies has been, and continues to be, the focus of the Board.

SIMON BURKE
CHAIRMAN

Dear fellow shareholders

I am pleased to present to you Bakkavor Group Plc's Corporate Governance Report for the year ended 28 December 2019. This is our third Annual Report and Accounts following our Initial Public Offering in November 2017.

In my second Corporate Governance Report last year, I looked ahead to further developing our governance processes as the platform from which to manage the business. We have made good progress (as highlighted below) and continue to consolidate our corporate governance framework and align ourselves with best practice.

BOARD COMPOSITION AND ACTIVITIES

In 2019, membership of the Board was unchanged, with Jane Lodge and Patrick Cook each completing their first full year as Non-executive Directors. We have built on the changes made last year and report on that fully on pages 75 to 77. I am delighted to have welcomed Annabel Tagoe-Bannerman as Group General Counsel & Company Secretary. I believe that this is a Board with the skill and experience required to ensure the provision of an appropriate level of strategic support to, as well as focused oversight and constructive challenge of, the Management Board and senior executives.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board considers that the Company has, throughout the year ended 28 December 2019, applied the principles and complied in full with the provisions of the 2016 UK Corporate Governance Code, which is the version of the Code that applies for the year under review. The Company will report on its compliance with the 2018 Code in the 2020 Annual Report and Financial Statements. Set out below are examples of such early compliance. Further, in order to maintain the highest standards of corporate governance, the Board has received regular updates on the revised UK Corporate Governance Code (the"2018 Code"), published by the Financial Reporting Council in July 2018, and has already commenced a programme to implement it by revising its processes and policies in anticipation.

ENGAGEMENT WITH THE WORKFORCE

I was delighted that during 2019 Sue Clark accepted a role as Designated Non-executive Director for engagement with the workforce. Sue met with the Site Employee Forums at the Bakkavor Harrow site in July and the Bakkavor Desserts, Newark site in October. Please see page 13 where we report on how we have engaged with the workforce in 2019.

Sue also attended the Group Employee Forum conference in May and held a Q&A session to introduce her new role to the workforce and to give them the opportunity to share their thoughts.

NEW GOVERNANCE AND COMPLIANCE PLATFORM

In 2019 the Company launched a new governance and compliance e-learning platform to help promote policies and processes within the organisation enabling the Company to function effectively and efficiently. The initial policy launched on the training and knowledge platform was a revised Anti-Bribery and Business Ethics Policy. This resource has been well received by colleagues in the UK and will be adapted (as appropriate) and promoted within the International businesses in 2020. A copy of our Anti-Bribery and Business Ethics Policy is available to all our employees through the Bakkavor intranet.

OPPORTUNITIES FOR THE WORKFORCE TO RAISE CONCERNS

The Company has also refreshed its Whistleblowing Policy in 2019 and has highlighted, through compliance training and policy updates throughout the Group, the means by which the workforce can raise concerns in confidence. The Board receives an updated Whistleblowing report, which highlights any reports made Group-wide and how these reports are followed up and dealt with at each of its meetings. There is also escalation, if necessary, to the Management Board or Board. I believe this process is working well.

RISK

In the last year, the Board has assessed, on a quarterly basis, the key and emerging risks of the Company. A full description of the principal risks, our procedures for identifying risks and how such risks are mitigated is set out on pages 58 to 65. We have also developed a new risk appetite framework, which is reviewed by the Board on an annual basis. Since the year-end, COVID-19 has emerged as a major risk to companies all around the world. The Group has put in place a number of actions to mitigate the potential impacts to the business. These are explained on pages 58 to 61.

Further information on the Company's approach to risk management can be found on page 54 onwards.

BOARD EVALUATION

In the last quarter of 2019, we undertook an internal evaluation of the Board and its Committees. The results concluded that our Board and Board Committees are functioning appropriately. I am satisfied that our governance structures remain effective and support the business. As would be expected, there were some constructive suggestions and these will be implemented in 2020. Further information on the evaluation is provided on page 79. An externally facilitated Board evaluation is planned for 2020 in accordance with the 2018 Code.

SUCCESSION PLANNING

Over the last few months, the Nomination Committee has reviewed the succession planning for the Non-executive Directors and has recommended a succession plan which has been adopted by the Board.

The Board has also discussed succession arrangements for its executive members and key senior people in the business. In the coming year, the Nomination Committee will focus on reviewing the succession plan for the Management Board and other senior executives of the Company. It will also take on greater oversight of the development of a diverse pipeline for succession.

INCLUSION AND DIVERSITY

The Board places emphasis on inclusion and diversity and supports the Company in its commitment to workplace diversity across all levels and its undertaking to cultivate and foster a culture of inclusion and a feeling of belonging.

The Company recently introduced the Bakkavor Inclusion and Diversity Policy, which has three main objectives: (i) living the Bakkavor Values – Customer Care, Can-Do attitude, Teamwork, Innovation and Getting it Right, Keeping it Right; (ii) building an inclusive and diverse workforce across all levels through our talent acquisition and retention programmes; and (iii) providing opportunity for all to succeed.

In addition, the Board is committed to ensuring that its own composition is diverse (in gender and cognitive terms) and balanced.

LOOKING AHEAD

The governance priorities for 2020 include continued stakeholder engagement, supporting inclusion and diversity at all levels within the Company, monitoring the Company's culture and values and focusing on environmental, social and governance issues. The Board will continue to exercise oversight of the actions being taken by management to mitigate the potential impact of COVID-19 to the business and across its supply chain.

SIMON BURKE
Chairman
5 May 2020

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

During 2019, we complied with all the provisions of the UK Corporate Governance Code 2016 ("2016 Code"), which is the version of the Code that applies for the period under review.

We also sought to implement some of the changes introduced by the UK Corporate Governance Code 2018 ("2018 Code"). The Board will continue to develop its governance and current practices and will report on its compliance with the 2018 Code in our next Annual Report.

Both the 2016 Code and 2018 Code are publicly available on the website of the Financial Reporting Council at www.frc.org.uk.

Our compliance with key areas of the 2016 Code and early adoption of aspects of the 2018 Code are summarised opposite.

THIS REPORT'S KEY FEATURES

Over the next few pages we look at the Board: its role, performance and oversight. We provide detail on Board activities and discussions during the year on pages 75 to 77, the actions arising from these and the progress made against them. We also provide insight on Director independence, effectiveness and our Board evaluation. In line with last year, we have used the key themes of the 2016 Code to articulate the Board's activities during the year:

BOARD LEADERSHIP AND COMPANY PURPOSE

The Board rigorously challenges strategy, performance, responsibility and accountability to ensure that every decision we make is of the highest quality.

The Board is satisfied that the Company's purpose, values, strategy and culture are aligned and promote the long-term success of the Company, generating value to shareholders and other stakeholders.

READ PAGE 73

EFFECTIVENESS

The Board continuously evaluates the balance of skills, experience, diversity, knowledge and independence among the Directors.

READ PAGE 78

ACCOUNTABILITY

All Board decisions are taken within the context of the risks involved. Effective risk management is central to achieving our strategic objectives.

The Board ensures that there is effective engagement with its shareholders and other stakeholders.

READ PAGE 80

REMUNERATION

Having a formal and transparent procedure for developing policy on remuneration for Executive Directors is crucial. Bakkavor's Remuneration Policy aims to attract, retain and motivate by linking reward to performance.

READ PAGE 92

GOVERNANCE SUMMARY

Independence, Accountability and Election: Over half of our Board is comprised of Independent Non-executive Directors and the composition of all Board Committees complies with the 2018 Code. There is clear separation of duties between the Chairman and Chief Executive Officer roles. All the Directors stand for annual re-election by shareholders.

Senior Independent Director: Our Senior Independent Director is Denis Hennequin, who serves as a sounding board for the Chairman and an intermediary for the other Directors and shareholders.

Division of Responsibilities: The Chairman, Simon Burke, leads the Board and is responsible for its overall effectiveness in directing the Company. The results of an internally facilitated Board and Committees' evaluation in 2019 confirm that the Chair facilitates constructive Board relations, there is effective contribution from all the Directors on the Board and the Board receives accurate, timely and clear information.

Skills and Experience: The Board and its Committees are considered to have an appropriate combination of skills, experience and knowledge to direct the Company.

Auditor: Following a competitive audit tender process, PricewaterhouseCoopers LLP ("PwC") was appointed as External Auditor in 2019.

Non-Audit Services Policy: Details on the Non-Audit Services Policy are provided within this report. See page 86.

Internal Audit: Details of the Internal Audit function, as undertaken by KPMG LLP, are provided within this report.

Performance-related Pay: Our reward framework is simple, transparent and designed to support and drive our business strategy. See pages 92 to 111 of the Remuneration Report.

Workforce Engagement: Sue Clark, an Independent Non-executive Director on the Board, was appointed as the Board Employee Representative in the UK during the year to ensure that the 'employee voice' is represented in the boardroom. She communicates with employees in a number of different ways, namely, the employee engagement survey, our annual Management Conference and the Group Employee Forum ("GEF") and Site Employee Forums ("SEFs").

Sue attended the Group Employee Forum conference in May and held a Q&A session to introduce her new role to the workforce and to give them the opportunity to share their thoughts.

Overseas employees in China and the US also have GEF and SEFs, which provide feedback to our HR representative.

Stakeholder Engagement: The Board engages with a wide range of stakeholders and considers the views of, and its effect on, the Company's key stakeholders in Board discussions and decision-making.

Diversity: The Board recognises and places emphasis on the principle of diversity in its widest sense, including gender diversity. For information about the diversity of the Board, please see the chart on page 71 and for the development of Senior Management please see page 44 of the Strategic Report. A new Inclusion and Diversity Policy was developed in 2019 and launched in early 2020. Its three objectives are:

- Living the Bakkavor values
- Building an inclusive and diverse work force across all levels of the organisation
- Providing opportunity for employees to succeed.

See page 41 for a breakdown of the Company's employee data.

Bakkavor also has associated policies such as its Equal Opportunities Policy, Flexible Working Policy and Disciplinary and Grievance Policy. The Inclusion and Diversity Policy and the Company's action in support of it will be regularly reviewed by the Board and the Management Board.

Review of Policies: In line with the Schedule of Matters Reserved for the Board, the Board also reviewed and approved several policies which have been updated to align with the 2018 Code, including the Anti-Bribery and Business Ethics Policy and the Whistleblowing Policy.

OUR GOVERNANCE FRAMEWORK

The Chairman of each Committee reports to the Board on the matters discussed at Committee meetings. Reports from each Board Committee Chair, including information on each Committee's respective composition and activities in the year, can be found in the sections relating to each Committee within this report.

THE BOARD

CHAIRED BY SIMON BURKE

Accountable to shareholders for the long-term sustainable success of the Group. This is achieved through setting out the strategy, monitoring the strategic objectives and providing oversight of the implementation by the management team.

AUDIT AND RISK COMMITTEE

CHAIRED BY JANE LODGE

The Audit and Risk 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, risk management and internal and external audits and controls. The Audit and Risk Committee will normally meet not less than four times a year.

READ PAGE 84

NOMINATION COMMITTEE

CHAIRED BY TODD KRASNOW

The Nomination Committee reviews the structure, size and composition of the Board, ensuring that there is a healthy balance of skills, knowledge, experience and diversity. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive Officer, and other Senior Management. The Nomination Committee will normally meet not less than three times a year.

READ PAGE 82

REMUNERATION COMMITTEE

CHAIRED BY DENIS HENNEQUIN

The Remuneration Committee recommends the Group's policy on Executive remuneration, determines the levels of remuneration for Executive Directors and the Chairman to ensure that these are in line with the long-term interests of the Group, 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.

READ PAGE 92

DISCLOSURE COMMITTEE

CHAIRED BY SIMON BURKE

The Disclosure Committee comprises the Chairman, the Chief Executive Officer, the Chief Financial Officer and the Group General Counsel & Company Secretary. Other Directors, representatives from the Company's brokers, members of the Company's Senior Management and other external advisers may attend meetings in whole or in part, if invited. The Disclosure Committee oversees the Company's compliance with its disclosure obligations.

READ PAGE 73

THE MANAGEMENT BOARD

CHAIRED BY AGUST GUDMUNDSSON

The Management Board implements the strategic objectives set by the Board and delegates to management the detailed planning and implementation of those objectives and policies, in accordance with appropriate risk parameters.

GROUP GENERAL COUNSEL & COMPANY SECRETARY

ANNABEL TAGOE-BANNERMAN

The Company Secretary supports both the Board and Management Board, ensuring good information flows and advising on all corporate governance matters.

GROUP BOARD

AGUST GUDMUNDSSON
Chief Executive Officer

Appointment: Agust is one of the founders of Bakkavor and has served as Chief Executive Officer of Bakkavor since May 2006. He served as Executive Chairman of Bakkavor from 1986, the year the Bakkavor Group was founded, through to May 2006.

Skills and experience: Agust received his education from the College of Ármúli in Reykjavik, Iceland.

External appointments: Agust currently has no external appointments.

SIMON BURKE
Independent Non-executive Chairman

Appointment: Simon has served as a Non-executive Director of Bakkavor since February 2017 and was appointed as Chairman in October 2017.

Skills and experience: Simon is a chartered accountant with over 30 years' experience in the retail and food sectors. Following a decade in financial and advisory roles, he 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, Simon was appointed Chairman and Chief Executive of Hamleys plc where he completed a successful restructuring and subsequent sale of the company in 2003. Simon 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.

External appointments: Simon is a Non-executive Director of the Co-operative Group Limited and also Chairman of The Light Cinemas (Holdings) Limited and Blue Diamond Limited.

PETER GATES
Chief Financial Officer

Appointment: Peter joined Bakkavor in 2010 as Chief Financial Officer and was appointed to the Board in 2017.

Skills and experience: Prior to joining Bakkavor, he was Group Treasurer at Avis Europe plc. As a chartered accountant, Peter has responsibility for Finance as well as Treasury, Tax, Legal, Communications and Information Technology. Peter holds a Bachelor of Science degree from Southampton University.

External appointments: Peter currently has no external appointments.

TODD KRASNOW
NC RC
Independent Non-executive Director

Appointment: Todd has served as a Non-executive Director of Bakkavor since January 2016. He is the Chairman of the Nomination Committee.

Skills and experience: Todd holds a Bachelor's degree from Cornell University and an MBA from Harvard Business School and was previously a senior executive at a multinational corporation, and a senior executive in several other corporations, with extensive experience in the retail and consumer services sectors.

External appointments: Todd currently serves on the boards of C&S Wholesale Grocers and Ecentria, Inc. He has also served on the boards of a number of companies in the past, including Tileshop, On Force, Inc., Piedmont Limited and Carbonite.

JANE LODGE
AC
Independent Non-executive Director

Appointment: Jane has served as a Non-executive Director of Bakkavor since April 2018 and is the Chairman of the Audit and Risk Committee.

Skills and experience: Jane spent 25 years at Deloitte & Touche LLP, the audit, tax, consulting, enterprise risk and financial advisory services provider, progressing to a Senior Audit Partner working for major corporates. She served as the first female Partner to sit on the Deloitte UK Board, overseeing management strategy, acquisitions, performance against plan and admission of new partners. She was also the manufacturing and industry lead Partner, providing best practice and insights across the Deloitte businesses of tax, auditing, consulting, and corporate finance. Jane left Deloitte in 2011 to build a non-executive portfolio.

External appointments: Jane is currently a Non-executive Director and Chair of the Audit Committees of Costain plc and DCC Plc.

DENIS HENNEQUIN
AC NC RC
Independent Non-executive Director

Appointment: Denis has served as a Non-executive Director of Bakkavor since February 2017 and is the Chairman of the Remuneration Committee.

Skills and experience: Denis 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, securing its market-leading position. Denis was appointed Chairman and Chief Executive Officer 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.

External appointments: Denis is currently a Non-executive Director of Eurostar International Limited and a founding partner of investment fund French Food Capital. He is also a Non-executive Director of Pret A Manger and Kellydeli and is the Chairman of PICARD Company Limited.

BOARD COMMITTEES

AC AUDIT AND RISK COMMITTEE READ PAGE 84
NC NOMINATION COMMITTEE READ PAGE 82
RC REMUNERATION COMMITTEE READ PAGE 92

SUE CLARK

AC NC RC

Independent Non-executive Director

Appointment: Sue has served as a Non-executive Director of Bakkavor since October 2017.

Skills and experience: Sue holds a Master of Business Administration from Heriot Watt University and a Bachelor of Science from Manchester University. She was formerly Managing Director of SABMiller Europe from 2012 to 2016, where she returned the region to growth. Sue was a member of the SABMiller executive team from 2003 that built the business into a top five FTSE company and was involved in major corporate transactions and business transformations, particularly in the Americas, Africa and Asia.

External appointments: Sue is currently the Senior Independent Director at Imperial Brands plc, and a Non-executive Director on the boards of AkzoNobel, Tulchan Communications LLP and Britvic plc. Sue also chairs the Remuneration Committees of both Imperial Brands and Britvic plc.

Board Employee Representative: Sue Clark was appointed as Bakkavor Board Employee Representative for engagement with the workforce.

LYDUR GUDMUNDSSON

NC

Non-independent Non-executive Director

Appointment: Lydur is one of the founders of Bakkavor. He served as Chief Executive Officer from 1986 to 2006 and Non-executive Chairman from 2006 to 2017. He served as Chairman of Exista from 2006 to 2010.

Skills and experience: Lydur has unique expertise and insight into the Company's business as a founder of the Bakkavor Group. He received his education from the Commercial College of Iceland.

External appointments: Lydur currently has no external appointments.

PATRICK L. COOK

Non-independent Non-executive Director

Appointment: Patrick Cook has served as a Non-executive Director of the Bakkavor Group since July 2018.

Skills and experience: Patrick received his education from Vanderbilt University in Tennessee, United States and is a senior investment professional with significant direct investing experience in food companies.

External appointments: Patrick is currently Managing Director at the Baupost Group. He is also a member of the Boards of DRS Acquisition LLC and Surfaces Southeast Holdco, LLC.

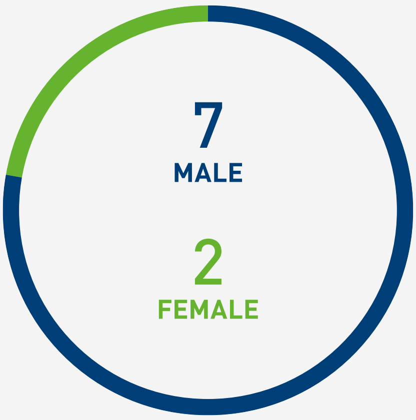
ANNABEL TAGOE-BANNERMAN

Group General Counsel & Company Secretary

Appointment: Annabel joined Bakkavor as Group General Counsel & Company Secretary in June 2019.

Skills and experience: Annabel has held senior legal positions in a number of companies including Britvic plc and Ladbrokes plc. She was the Group General Counsel and an Executive Committee member at Ladbrokes plc. She trained and began her career in private practice in the City of London at the multinational law firm SJ Berwin LLP. Annabel obtained her post-graduate law degree at The University of Law, UK and qualified as a solicitor (England and Wales) in March 2005. She is also a Chartered Company Secretary (ACIS). Annabel is an alumna of London Business School.

GENDER DIVERSITY
Number of Directors



LENGTH OF TENURE
Number of Directors[1]

[1] Since the Company's listing on the London Stock Exchange in October 2017.

MANAGEMENT BOARD

The Management Board implements the strategic objectives set by the Board and delegates the detailed planning and implementation of those objectives and policies to management, in accordance with appropriate risk parameters.

AGUST GUDMUNDSSON
Chief Executive Officer

See Board profile on page 70

PETER GATES
Chief Financial Officer

See Board profile on page 70

MIKE EDWARDS
Chief Operating Officer, UK

Mike joined Bakkavor in 2001 from Heinz. During his career at Bakkavor he has held a number of senior roles and was appointed UK Chief Operating Officer in 2014. Mike has overall responsibility for the UK operations.

BEN WALDRON
President, Bakkavor US

Ben joined Bakkavor in 2012 from Ernst & Young LLP. He initially joined as Group Financial Controller before taking on the role of Head of Strategic Development. Ben has overall responsibility for the US operations.

EINAR GUSTAFSSON
Managing Director, Bakkavor China

Einar joined Bakkavor in 2005. During his career at Bakkavor, Einar has held responsibility for the overall management and development of Bakkavor's operations in mainland China and Hong Kong. Prior to joining, Einar was at Deloitte LLP.

DONNA-MARIA LEE
Group Human Resources Director

Donna-Maria Lee joined Bakkavor Group plc in September 2018. Donna-Maria has worked within manufacturing, consumer and corporate functions for over 25 years. Prior to joining Bakkavor, she was Senior Vice President, Global HR, Burberry plc. In this role Donna-Maria was accountable for the overall HR strategy, people and change agenda.

BOARD LEADERSHIP AND COMPANY PURPOSE

THE ROLE AND RESPONSIBILITIES OF THE BOARD

THE ROLE AND RESPONSIBILITIES OF THE BOARD

The Board provides effective and entrepreneurial leadership of Bakkavor by setting the purpose and strategic direction of the Group and overseeing management's implementation of the strategy.

It is collectively responsible for promoting the long-term success of the Group through the creation and delivery of sustainable stakeholder value. In exercising this responsibility, the Board takes into account the needs of all relevant stakeholders and its contribution to wider society.

The Board sets the Company's purpose, values and strategy and is also responsible for assessing, monitoring and promoting the Company's culture and ensuring that this is closely aligned with its strategy. All Directors act with integrity and lead by example to promote the desired culture. Moreover, the Board endeavours to ensure that workforce policies and practices are in line with the Company's values and support its long-term sustainable success.

It is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge, experience and resources in place to meet its objectives and perform its role effectively. The Board is provided with timely and comprehensive information to enable it to discharge its responsibilities, to encourage strategic debate and to facilitate robust, informed and timely decision-making. The Board also receives regular presentations from key Group heads of functions and updates from the Chair of each Committee.

Subject to company law and the Articles of Association, the Directors may exercise all of the powers of the Company and delegate their power and discretion to Committees. Decisions reserved for the Board include approval of strategic plans and annual budgets, acquisitions, audited accounts, appointment of additional Directors. Its work also includes engagement with shareholders and stakeholders.

The powers of the Directors are set out in the Schedule of Matters Reserved for the Board. This is available for review on the Bakkavor website at www.bakkavor.com/investors/governance.

THE MANAGEMENT BOARD

The Board is supported by the Management Board, which implements the purpose, values and strategic objectives set by the Board. It determines investment policies and delegates the detailed planning and implementation of those objectives and policies to Senior Management (being the senior executives within the tier below the Management Board) in accordance with appropriate risk parameters

The Management Board monitors compliance with policies and achievement against objectives by holding Senior Management accountable for its activities through monthly and quarterly performance reporting and budget updates.

The responsibilities delegated to the Management Board cover the following areas:

- Preparing strategic proposals, corporate plans and budgets
- Executing the strategy agreed upon by the Board
- Executing actions in relation to key Board decisions such as investments, mergers and acquisitions
- Establishing a system of internal control and risk management
- Monitoring performance and evaluation of health and safety
- Engagement with stakeholders, including workforce engagement
- Review and approval of revised policies prior to approval by the Board, such as the Anti-Bribery and Business Ethics Policy, Inclusion and Diversity Policy, Whistleblowing Policy and the Charity and Political Donations Policy.

COMMITTEES

The Board has established three Board Committees: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. All three Committees comprise only Non-executive Directors and each Committee has agreed Terms of Reference which are available on our website at www.bakkavor.com/investors/governance.

These Committees assist with the detailed oversight of Bakkavor's financial reporting, risk management and internal and external audit work, establishing the Remuneration Policy and overseeing its implementation, and building appropriate succession and contingency plans for the Directors and Senior Management, including overseeing workforce engagement, and establishing a diverse pipeline of talent for both the Board and Senior Management positions.

The Board has also established a Disclosure Committee which comprises the Chairman, Chief Executive Officer, Chief Financial Officer and Group General Counsel & Company Secretary. The Disclosure Committee oversees the Company's compliance with its disclosure obligations under the Market Abuse Regulation.

The Board and its Committees renewed their Terms of Reference and Matters Reserved for the Board in 2019.

CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. Directors are required to disclose both the nature and extent of any potential or actual conflicts with the interests of the Company.

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts that may arise and to impose such conditions or limitations as it sees fit. During the year, any potential conflicts were considered and assessed by the Board and approved where appropriate.

KEY ROLES AND RESPONSIBILITIES

Chairman	The Chairman, Simon Burke, is responsible for leading the Board and creating the right conditions to ensure the Board's effectiveness in all aspects of its role, including its membership and that of its Committees. The Chairman sets the Board's agenda, in consultation with the Chief Executive Officer and the Group General Counsel & Company Secretary, taking full account of Board members' issues and concerns and the need to allow sufficient time for robust and constructive discussion and challenge. He is responsible for encouraging and facilitating active engagement by all Directors, drawing on their skills, knowledge and experience. The Chairman is also responsible for promoting effective communication between the Board, Senior Management, shareholders and other major stakeholders. The Chairman has a close working relationship with the Chief Executive Officer and the Group General Counsel & Company Secretary to ensure that the strategies and actions agreed by the Board are implemented. At least annually, the Chairman meets with the Non-executive Directors without the Executive Directors present to discuss, amongst other matters, the performance of Executive Directors, the Board as a whole, the Committees and the interaction between the Executive and Non-executive Directors.
Chief Executive Officer	The Chief Executive Officer ("CEO"), Agust Gudmundsson, has specific responsibility for recommending the Group's strategy to the Board and for implementing the strategy once approved. In undertaking such responsibilities, the CEO takes advice from and is provided with support by the Management Board and his Senior Management team. Together with the Chief Financial Officer, the Chief Executive Officer monitors the Group's operating and financial results and directs the day-to-day business of the Group. The CEO is also responsible for the recruitment and development of the Group's Senior Management team below Board level.
Chief Financial Officer	The Chief Financial Officer ("CFO"), Peter Gates, is responsible for the financial reporting of the Group, monitoring the Group's operating and financial results and management of the Group's internal financial risk management and financial control systems. He supports the CEO in implementing the Group's strategy and, in relation to the financial and operational performance of the Group, is also responsible for the Group Treasury, Tax, Legal, Corporate Affairs, Risk, and Information systems.
Non-executive Directors	The role of the Non-executive Directors is to offer guidance and advice to the Board as a whole and the Executive Directors in particular, drawing on their wide experience across many industries. They also provide scrutiny, constructive challenge and oversight of the Executive Directors and Senior Management.
Senior Independent Director	Denis Hennequin is the Senior Independent Non-executive Director and in this capacity he acts as a sounding board for the Chairman. He serves as a trusted intermediary for the other Directors when necessary. He is also available to shareholders if they are unable to resolve any concerns through communication with the Chairman, CEO or other Executive Directors, or when shareholders prefer to speak directly to him. He is responsible for evaluating the performance of the Chairman on behalf of the other Directors.
Group General Counsel & Company Secretary	The Group General Counsel & Company Secretary, Annabel Tagoe-Bannerman, supports and works closely with the Chairman, the CEO and the Board Committee Chairs in setting agendas for meetings of the Board and its Committees. She supports the accurate, timely and clear flow of information to and from the Board and its Committees, and between Directors and Senior Management. The Group General Counsel & Company Secretary advises the Board on corporate governance issues, and is responsible for administering Bakkavor's Share Dealing Code and organising the AGM.

KEY BOARD ACTIVITIES IN 2019

The next few pages describe the Board's activities during the year under review. Whilst not being an exhaustive list, it provides an indication of the factors affecting our stakeholders which are considered as part of those discussions.

For each Board and Committee meeting, a tailored agenda is agreed beforehand by the Chairman, Committee Chair, CFO (as appropriate) and Group General Counsel & Company Secretary.

A typical meeting will comprise reports from the CEO and the CFO and, on invitation, the Chief Operating Officer, UK ("COO"), on current trading and financial performance. Further, there will be two or three deep-dives into areas of strategic importance.

STRATEGY AND COMPANY PERFORMANCE

UK

- Discussed and agreed the forward-looking strategic priorities for the UK, including new business opportunities and key investment projects
- Completed the acquisition of Blueberry Foods (now Bakkavor Desserts Leicester); the integration of Blueberry Foods was commenced and is on track
- Evolved the UK operational structure to incorporate a more customer-focused leadership team
- Undertook an extensive supplier business review with one of our major customers to secure further business

INTERNATIONAL – US

- Discussed and agreed the forward-looking strategic priorities in the US including new business opportunities and important expansion projects
- Refocused our business and simplified our offer by exiting certain low-margin businesses, freeing up resources and improving performance
- Undertook two major projects at our site in Carson, California to repurpose the factory for ready meal production, as well as introducing a new process for hummus production
- Remained focused on ramping up production at our new sites and optimising performance across our footprint, by leveraging our UK operational expertise, making targeted investments and maintaining strict financial discipline
- Commenced production of premium artisan bread at our new site in Charlotte, North Carolina
- Supported the launch of new fresh food offers at two grocers and expanded our category offer for a strategic customer

INTERNATIONAL – CHINA

- Discussed and agreed the forward-looking strategic priorities in China including new business opportunities and important expansion projects
- Opened our new state-of-the-art site in Shanghai in January 2019
- Supported the ramping-up of production at our factories in Taicang and Chengdu, with volumes growing in line with our plan
- Continued to grow and strengthen our relationship with our existing customers through new product development and expansion of our core offering with new product categories
- Oversaw the development of our retail offer through both own label and branded products across existing categories

FINANCIAL UPDATES

- Reviewed financial Key Performance Indicators ("KPIs") and introduced further non-financial KPIs
- Oversaw the agreement of certain debt facilities in addition to the Group's main banking facilities
- Reviewed the Group's cash flow position and the Group's Dividend Policy in the context of the wider market and the Group's agreed capital allocation priorities
- Reviewed and agreed the payment of an interim dividend of 2 pence per share in line with the Group's current Dividend Policy
- Discussed the balance sheet strategy, capital efficiency and leverage position of the Group
- Reviewed financial performance in the UK and international markets
- Received updates on performance against the prior year and against the budget
- Approved the 2020 budget
- Carried out a comprehensive review of the fresh prepared food ("FPF") market, environment and impact on consumers and customers
- Reviewed Group Treasury management

GOVERNANCE AND LEGAL

GOVERNANCE

- Considered the implications of the UK 2018 Governance Code ("2018 Code") to ensure good governance, adopted certain aspects of the 2018 Code early and resolved to implement the 2018 Code for the 2020 financial year
- Reviewed the Board and Management Board composition, diversity and succession plans
- Discussed and approved the Non-executive Directors' succession plan
- Launched new e-learning governance and compliance platform
- Approved and implemented new Board policies, including Anti-Bribery and Business Ethics, Whistleblowing, Inclusion and Diversity and the Charity and Political Donations Policies
- Undertook an internal evaluation of the Board's and individual Directors' effectiveness and considered the output and recommendations from the Board's effectiveness evaluation as described on page 79
- Led by the Senior Independent Director, undertook an evaluation of the performance of the Chairman
- Approved the Annual Report and Accounts and the half-year results, going concern and longer-term Viability Statement, Notice of AGM and the Modern Slavery Statement
- Reviewed the roles of the Board Committees in light of the changes proposed by the 2018 Code and approved Terms of Reference for each of the Committees together with the Schedule of Matters Reserved for the Board. These can be reviewed on the Bakkavor website at www.bakkavor.com/investors/governance
- Received governance updates and ongoing training on relevant matters throughout the year in light of the changes of the 2018 Code and updates on Directors' duties under the Companies Act 2006
- Visits undertaken to our Harrow and Newark sites, enabling Directors to gain in-depth knowledge about the opportunities and challenges for the Group's operations

SHAREHOLDER AND INVESTOR ENGAGEMENT

- Held discussions with Investor Relations, including the receipt of feedback following investor roadshows and presentations/ updates from the Company's brokers
- Encouraged engagement with investors and other stakeholders
- Held three investor roadshow events across London and Dublin and attended a number of investor conferences throughout the year
- Hosted two investor site visits and one analyst event at UK sites
- Held over 100 one-to-one investor meetings and analyst calls
- Engaged with individual shareholders at the AGM

RISK

- Reviewed the principal key risks to the Group and agreed the Group risk appetite for each of the principal risks
- Reviewed the potential impact of Brexit on the business
- Received monthly technical updates from the UK, US and China concerning health and safety, food safety and whistleblowing
- Introduced a wider, risk-based, internal audit scope, providing assurance on management controls in addition to the existing financial controls audits. The internal audit programme is managed by KPMG LLP
- Considered risk appetite in connection with major capital proposals and transformation projects. Proposals are supported by detailed analysis to ensure the risks associated with each project are fully understood
- Discussed the impact of cyber risk and approved insurance cover
- Further developed the 'bottom up' aspects of the Group risk assessment process
- Encouraged additional mitigation of the risk involved with rising labour costs and increasing concerns about availability of lower skilled labour
- Continued Brexit planning as the EU negotiations progressed

WORKFORCE / COLLEAGUE ENGAGEMENT

- With regard to engagement with our employees and recognising the employee voice, considered feedback from our employee engagement survey and actions undertaken to recruit and develop talent within the business. See pages 43 to 46 of the Strategic Report

REMUNERATION

- Determined remuneration arrangements for the Chairman, Executive Directors and Senior Management
- Reviewed workforce remuneration and related policies, taking into account the alignment of incentives and rewards with culture, when setting the policy for Executive Director remuneration

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

- Reviewed and approved a Corporate Responsibility Strategy, which is built around three focus areas that represent the business's value chain: (i) responsible sourcing in the supply chain, (ii) sustainability and innovation in the Company's operations; and (iii) engagement and wellbeing in our workplaces and communities. The CSR strategy was developed and approved in November 2019 and launched in January 2020
- Approved CSR governance and management, which will be covered by three broad workstreams: (i) governance, data analysis and reporting, data collection and reporting up to Board level; (ii) strategy emanating from customer and business context right up to Management Board and then to Board; and (iii) strategy implementation
- Hosted our annual 'Fun Weekend' in Spalding, Lincolnshire, in July for employees and the local community, which raised over £25,000 for charity
- Announced two new three-year charity partnerships, with FareShare and Action Against Hunger
- Further details of our Corporate Responsibility Framework, and our Corporate Responsibility Strategy for 2020 and the reporting responsibilities are set out in pages 31 to 49 of the Strategic Report

CUSTOMERS & SUPPLIERS

- Evolved our UK operational structure to incorporate a more customer focused leadership team
- Undertook an extensive supplier business review with one of our major customers to secure further business
- Alongside many of our customers, we committed to adopt the United Nations Sustainable Development Goal 12.3 "to halve food waste across the supply chain by 2030"
- Collaborated with suppliers and invested significant time and effort in key areas such as Responsible Sourcing and Brexit-related planning. In the area of Responsible Sourcing, we worked collaboratively with suppliers in areas such as human rights, raw material integrity and the environment and sustainability, all with the aim of further improving security of supply and resilience in our supply chain. With regard to Brexit, extensive work was carried out with EU suppliers, particularly around stock management and inbound supply chain planning. We also developed new systems and processes, all with the aim of de-risking our business to disruption in the event of a "no deal" Brexit

KEY PRIORITIES FOR THE BOARD IN 2020

- Continuing to foster relationships and engaging with stakeholders, including employees, suppliers, customers and the community
- Aligning culture and values with Company strategy
- Aligning employee engagement and talent pipeline development
- Succession planning for Senior Management
- Focusing on the Corporate Social Responsibility Framework and its implementation
- Tracking returns on investments and spend on capital
- Oversight of actions being taken by management to mitigate the potential impact of COVID-19 to the business and across its supply chain

BOARD AND COMMITTEE MEETING ATTENDANCE

In 2019, the Board held eight scheduled meetings.

Each Director commits to dedicating an appropriate amount of time to their duties during the financial year, and it is expected that the Non-executive Directors will meet the time commitment reasonably expected of them, pursuant to their letters of appointment.

Where Directors are unable to attend meetings, they are encouraged to give the Chairman their views in advance on the matters to be discussed.

	Board	Annual General Meeting
Total number of meetings in 2019	8	1

	Scheduled meetings eligible to attend	Scheduled meetings attended	Annual General Meeting
Executive Directors			
Agust Gudmundsson	8	7[1]	1
Peter Gates	8	8	1
Non-executive Directors			
Simon Burke	8	8	1
Sue Clark	8	8	1
Patrick Cook	8	8	1
Lydur Gudmundsson	8	6[2]	0
Denis Hennequin	8	8	1
Todd Krasnow	8	7[3]	1
Jane Lodge	8	8	1

1 Agust Gudmundsson did not attend the Board meeting on 23 January 2019 due to his needing to travel to the US business. Agust received the meeting materials electronically.

2 Lydur Gudmundsson did not attend the Board meetings on 4 April and 23 May and AGM 2019. Lydur received the meeting materials electronically.

3 Todd Krasnow did not attend the Board meeting on 16 October 2019. Todd received the meeting materials electronically.

DIVISION OF RESPONSIBILITIES

The Board currently comprises a Non-executive Chairman who was independent on appointment, two Executive Directors, two Non-independent Non-executive Directors and four Independent Non-executive Directors, supported by the Group General Counsel & Company Secretary. There is an appropriate combination of Executive Directors and Non-executive Directors such that no individual or small group of individuals can dominate the Board's decision-making.

The Board operates a clear division of responsibilities between the Chairman and the Chief Executive Officer. Bakkavor is considered to be compliant with the 2018 Code in this respect, which requires that at least half of the Board, excluding the Chairman, should comprise Non-executive Directors who are determined by the Board to be independent.

The independence of the Non-executive Directors was considered by the Board as part of the annual Board effectiveness review. In determining whether they remain independent, the Board considered factors such as length of tenure and relationships or circumstances which are likely to affect or appear to affect a Director's judgement. The Board considers that all of the Independent Non-executive Directors remained independent in character and judgement and there are no relationships that might prejudice this independence.

EFFECTIVENESS

COMPOSITION, SUCCESSION AND EVALUATION

COMPOSITION

It is a core feature of good corporate governance that the Board and its Committees have an appropriate balance of skills, experience, independence and knowledge to enable the effective discharge of their duties and responsibilities.

In light of the current and future needs of the Board, part of the role of the Chairman and the Nomination Committee is to maintain a balance of skills and expertise on the Board and to make recommendations to the Board where changes are required to maintain that balance. The Board considers that the skills, experience and backgrounds of the Directors are sufficiently relevant and complementary to allow oversight, challenge and review of Bakkavor's progress in achieving its corporate goals.

A summary of the experience and background of each Director is set out on pages 70 to 71.

It is Bakkavor's policy, in line with the UK Corporate Governance Code, that proposed appointments to the Board follow an open and transparent recruitment process and that candidates are assessed on merit against objective criteria.

BOARD

First name	Surname	Job title	Gender
Agust	Gudmundsson	CEO	Male
Denis	Hennequin	NED	Male
Jane	Lodge	NED	Female
Lydur	Gudmundsson	NED	Male
Patrick	Cook	NED	Male
Peter	Gates	CFO	Male
Simon	Burke	Chairman	Male
Sue	Clark	NED	Female
Todd	Krasnow	NED	Male

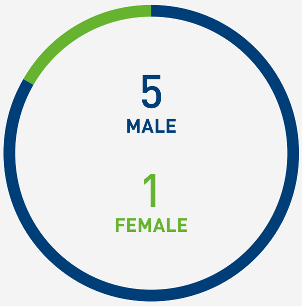
MANAGEMENT BOARD

First name	Surname	Job title	Gender
Agust	Gudmundsson	CEO	Male
Ben	Waldron	President, Bakkavor USA	Male
Donna-Maria	Lee	Group Human Resources Director	Female
Einar	Gustafsson	Managing Director, Bakkavor China	Male
Peter	Gates	CFO	Male
Mike	Edwards	COO, UK	Male

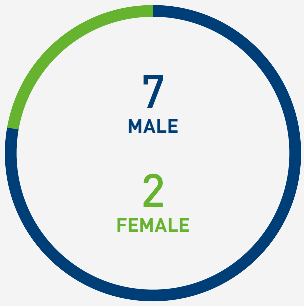
GROUP AND MANAGEMENT BOARD BY GENDER

	2019 Management Board	2019 Board
Female	1	2
Male	5	7

MANAGEMENT BOARD BY GENDER



BOARD BY GENDER



SUCCESSION PLANNING AND APPOINTMENTS TO THE BOARD

Succession planning will ensure that Executives with the necessary skills, knowledge and expertise are in place to deliver Bakkavor's strategy, and that the Board has the right balance of individuals to be able to discharge its responsibilities. The Board reviews Senior Management performance and actively seeks to ensure these employees are mentored. The Board regularly reviews its own composition and conducts an annual evaluation of the Board and its Committees.

INDUCTIONS

Following appointment, each Director receives a comprehensive and formal induction to familiarise them with their duties and Bakkavor's business operations and risk and governance arrangements. The induction programme, which is co-ordinated by the Group HR Director and the Group General Counsel & Company Secretary, includes briefings on industry and regulatory matters relating to Bakkavor, site visits, and face-to-face meetings with Senior Management and different teams within the business.

ONGOING PROFESSIONAL DEVELOPMENT

In order to facilitate greater awareness and understanding of Bakkavor's business and the environment in which it operates, all Directors are given regular updates on changes and developments in the business. Over the course of the year, Directors will continually update and refresh their skills and knowledge, and seek independent professional advice when required.

The Board received presentations throughout the year from various departments within the business on key topics including human resources, legal, audit, risk and compliance, food safety, health and safety, sustainability, corporate governance and corporate finance.

ANNUAL RE-ELECTION OF THE BOARD

The rules governing the appointment and replacement of Directors can be found in the Articles of Association, the Code, the Companies Act 2006 and related legislation. Under the terms of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board.

All Directors are subject to annual re-election. The Board should set out in the papers accompanying the resolutions to elect each Director the specific reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success.

In compliance with the 2018 Code, all Directors will retire and offer themselves for re-election on an annual basis. At our second AGM, held on 23 May 2019, each Director offered himself or herself for election or re-election as a Director. All Directors will retire at the 2020 AGM and offer themselves for re-election.

SHAREHOLDER AND STAKEHOLDER ENGAGEMENT

It is the role of the Board to promote the long-term sustainable success of the Company and to ensure that its obligations to its shareholders and other stakeholders are met. Therefore, the Group gives priority to effective communication with stakeholders and shareholders and has a comprehensive programme in place to facilitate this each year. Further information is available on pages 12 to 13.

SHAREHOLDERS

In order to ensure that the members of the Board develop an understanding of the views of shareholders, there is regular dialogue with institutional investors and shareholders and there are presentations by Senior Management, with investor roadshows being held around the time of the Group's year-end and half-year results announcements. Bakkavor also responds to ad hoc requests from shareholders.

Throughout the year, the Chairman, Chief Executive Officer, Senior Independent Director, Chief Financial Officer and Head of Corporate Affairs met with Bakkavor's largest institutional shareholders and market analysts to discuss governance developments (including the Remuneration Policy), business strategy and financial performance.

OTHER STAKEHOLDERS

Consumers are at the heart of what we do: our deep understanding of the food choices they make enables us to create innovative products for our customers that set us apart from our competitors.

Focus on our customer service and continuously creating food that is both commercially successful and meets consumer demand drives our business and generates value for our stakeholders.

We engage with our stakeholders through:

- Partnering with our customers to develop a diverse, innovative and on-trend product range that drives consumer demand
- Collaborating with our suppliers to promote customer service and food safety excellence, so that we all benefit from growth and innovation
- Offering open communication with our investors, explaining our strategy and performance at regular intervals
- Providing an engaging learning environment and rewards to attract and retain our colleagues
- Investing in our communities, working collaboratively to promote the sustainable growth of the food industry

BOARD EVALUATION

The Board's evaluation of its own performance provides an opportunity to consider ways of identifying greater efficiencies, maximising strengths and highlighting areas for further development.

The Board, under the guidance of the Chairman and Company Secretary, undertook a formal and rigorous annual evaluation of its performance, and that of its Committees and individual Directors during the year, by means of an online questionnaire.

The evaluation considered a range of factors including Board composition, the balance of skills and experience of Board members, independence of the Board, Board diversity, the Board agenda and relations between the Executive and Non-executive Directors.

The Chairman met with the other Non-executive Directors without the Executive Directors present twice in 2019. The Executive Directors' performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive Officer, except in the case of his own performance review. The Committees of the Board followed a similar process in assessing their effectiveness during the year.

The results of the review were considered by the Company Secretary and the Chairman and presented to the Board. A number of key actions were identified following the evaluation, as set out below.

The Board Committees were also reviewed and were found to be operating well in terms of effectiveness and decision-making. The Chairman is highly regarded and considered to exhibit a leadership style which promotes effective decision-making and constructive debate and ensures the Board works as a team.

Having considered the findings of the review, the Board has agreed an action plan for the year ahead so as to be compliant with the 2018 Code by the end of 2020. It was satisfied that the Board operated effectively in 2019 and there were no areas of concern.

Recommendations arising from the 2019 review	Agreed actions for 2020
Review the annual Board and Committee meetings calendar.	The meetings calendar to be adjusted to have fewer meetings of longer duration, to allow for pertinent matters to be considered in greater depth. This would be reviewed annually in line with the business and regulatory demands. The Nomination Committee meetings will be increased to three per annum to note the additional responsibilities under the 2018 Code.
Improve Non-executive Directors' visibility around the business and carry out site visits through the course of the year.	Site visits for Non-executive Directors to overseas factories to be scheduled during the year. Site visits to UK factories would continue.
Review the Board papers to ensure greater consistency and ensure Board members have sufficient time to review the papers in advance of meetings.	The Group General Counsel & Company Secretary will work with colleagues on guidance to ensure greater consistency of Board papers and will ensure they are circulated in a timely manner.
Review of the Board agenda.	There are several standard Board agenda items for every meeting, but these are revised (where necessary) to ensure sufficient time for presentations from the business and management.
Increase focus on Board and Senior Management succession planning and talent development.	The Board will continue to include an in-depth discussion on succession planning for the Management Board and Senior Management on the Board agenda during the year.

GOVERNANCE OBJECTIVES

Following the recommendations arising from the 2018 review, all the objectives for 2019 were satisfied except for a Board overseas site visit. This is being considered for later this year.

Site visits by the Board were made to the Harrow Pizza factory in June 2019 and Bakkavor's Desserts factory in Newark in October 2019. These visits provided an opportunity to interact with local management and gain an in-depth knowledge of the Group's operations. In addition, succession planning for Non-executive Directors was put in place. Further, the Nomination Committee will, this year, focus on reviewing the succession plan for the Management Board and other senior executives of the Company.

ACCOUNTABILITY

AUDIT, RISK AND INTERNAL CONTROL

INTERNAL AND EXTERNAL AUDIT

The Strategic Report from page 10 describes the business model and strategy and how Bakkavor generates and preserves value over the long term and delivers its strategic objectives.

The Audit and Risk Committee comprising three Independent Non-executive Directors, chaired by Jane Lodge, met four times in 2019. PwC was appointed as the External Auditor with effect from the beginning of the 2019 financial year and KPMG was appointed as the Internal Auditor with effect from the beginning of the 2019 financial year. The Audit and Risk Committee report is set out in pages 84 to 91.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established procedures:

- To manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives
- For ensuring the maintenance of the Group's risk management and internal control systems and reviewing them annually

The framework under which risk is managed in the business is supported by a system of internal controls designed to embed the effective management of the key business risks throughout the Group. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Through reports from the Audit and Risk Committee, the Board regularly reviews and monitors the Group's risk management and internal control systems and the effectiveness with which it manages the principal risks faced by the Group.

The Directors confirm that the Board has carried out a robust assessment of the key and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. The risks to which the Group is exposed and the framework under which risk is managed and investigated, and its system of internal control, is outlined in the Risk Management section on pages 54 to 56 and in the Viability Statement on page 57.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Group's financial reporting process has been designed to provide assurance regarding the reliability of the financial reporting and preparation of its Financial Statements, including Consolidated Financial Statements, for external purposes in accordance with International Financial Reporting Standards ("IFRS"). The annual review of the effectiveness of the Group's system of internal controls included reviews of systems and controls relating to the financial reporting process.

Internal controls over financial reporting include procedures and policies that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Group
- Provide reasonable assurance that transactions are recorded as necessary to allow the preparation of Financial Statements and that receipts and expenditures are being made only in accordance with authorisations of management and Directors
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of Group assets that could have a material effect on the Group's financial and operational controls and compliance with laws and regulations

AGM

Bakkavor's AGM provides the Board with the opportunity to communicate with private and institutional investors, with time being set aside at the meeting for shareholders to ask questions.

At the AGM, the Chairman provides a brief summary of the Company's activities during the previous year. All resolutions at the 2019 AGM were passed. As recommended by the UK Corporate Governance Code, all resolutions were voted on separately and the final voting results, which included all votes cast for, against and withheld, were released to the London Stock Exchange as soon as practicable after the meeting.

Our next AGM will be held on 12 June 2020. Full details are contained in the Notice of Meeting available on our website and, where applicable, posted with this Annual Report.

POWERS FOR THE COMPANY ISSUING OR BUYING BACK SHARES

Under the Articles, the Board has general and unconditional authority for each prescribed period to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company in accordance with s551 of the Act.

The Company was given authority at the 2019 AGM to make market purchases of up to 10% of its issued share capital as permitted under the Articles. The Company made no purchases of its own Ordinary shares during the year ended 28 December 2019 and up to the date of this report.

This standard authority is renewable annually; the Directors will seek to renew this authority at the 2020 AGM.

A special resolution will be proposed to renew the Directors' authority to repurchase the Company's shares within certain limits and as permitted by the Articles at 2020 AGM.

MAJOR INTERESTS IN SHARES

The Group has been notified in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTRs"), or was otherwise aware, that the following held, or were beneficially interested in, 3% or more of Bakkavor's issued Ordinary shares. There were no other interests in shares notified between 28 December 2019 and 5 May 2020, being the last practicable date.

	28 December 2019		Date of publication of Annual Report	
Name	Number of Ordinary shares	% of voting rights	Number of Ordinary shares	% of voting rights
Carrion Enterprises Limited (corporate holding structure of Agust Gudmundsson)	142,103,505	24.52	142,103,505	24.52
Umbriel Venture Limited (corporate holding structure of Lydur Gudmundsson)	142,103,505	24.52	142,103,505	24.52
BP-PE5 L.L.C. (corporate holding structure of the Baupost Group)	143,832,928	24.8	143,832,928	24.8

ARTICLES OF ASSOCIATION

The Articles of Association ("Articles") specify the internal regulation of the Company and lay down and define the responsibilities of the Directors, the kind of business to be undertaken and the rights of shareholders. Copies are available from the Company's website at www.bakkavor.com.

The Articles may only be amended by special resolution of the shareholders.

REMUNERATION

The responsibility for determining remuneration arrangements for the Chairman and Executive Directors has been delegated to the Remuneration Committee. Information on the Remuneration Committee and the Directors' Remuneration Report and Remuneration Policy can be found on pages 92 to 111.

CHAIRMAN'S OVERVIEW

TODD KRASNOW
CHAIR, NOMINATION COMMITTEE

COMMITTEE MEMBERSHIP

The Committee comprises three Independent Non-executive Directors, and one Non-independent Non-executive Director, who together bring a diverse and complementary range of backgrounds, personal attributes and experience to discharge the Committee's duties effectively. The skills and experience of the Committee members are set out on pages 70 to 71.

MEETINGS DURING THE YEAR

The Committee held two meetings during the year, and details of individual attendance at the meetings are set out below.

COMMITTEE MEETINGS AND MEMBERSHIP

Member	Member since	Scheduled meetings eligible to attend	Scheduled meetings attended
Todd Krasnow (Chair)	20 October 2017	2	2
Sue Clark	20 October 2017	2	2
Lydur Gudmundsson[1]	20 October 2017	2	1[1]
Denis Hennequin	20 October 2017	2	2

[1] Lydur Gudmundsson did not attend the Nomination Committee meeting on 20 February 2019.

The Committee considers that the membership of the Committee is well balanced in terms of skills, knowledge, effectiveness, experience and independence.

MAIN ACTIVITIES DURING THE YEAR

APPOINTMENT OF GROUP GENERAL COUNSEL & COMPANY SECRETARY

During the year, Annabel Tagoe-Bannerman took over from Simon Witham on 21 June 2019 as Group General Counsel & Company Secretary.

The Nomination Committee has the key role of leading the process for appointments, ensuring plans are in place for orderly succession and overseeing the development of a diverse pipeline for succession.

As Chairman of the Nomination Committee (the "Committee"), I am pleased to outline below the responsibilities of the Committee and how the Committee has carried these out during 2019.

ROLE OF THE NOMINATION COMMITTEE

The principal roles and responsibilities of the Committee include:

- Reviewing the composition, structure and size of the Board and Board Committees to ensure that they are appropriately balanced in terms of skills, knowledge, diversity and experience
- Leading the process for appointments and ensuring that there is a formal, rigorous and transparent procedure for the appointment of new Directors and Senior Management
- Identifying, and nominating for approval by the Board, suitable candidates to fill Board vacancies as and when they arise
- Keeping under review the leadership needs of the Group, with a view to ensuring the continued ability of the organisation to compete effectively in its marketplace
- Reviewing Directors' potential conflicts of interest and independence
- Overseeing succession planning at Board and Senior Management level
- Conducting an annual evaluation of the Board to consider its composition and diversity, and how effectively members are working together to achieve strategic objectives
- Overseeing the development of a policy on Inclusion and Diversity, its objectives and linkage to the Company strategy, and monitoring its implementation
- Overseeing the development of a diverse pipeline for succession, taking into account the skills and expertise required by the Company
- Monitoring the gender balance of staff in senior management positions and their direct reports
- Monitoring governance developments which will affect the Group, so as to be in line with best practice

Further details of responsibilities are set out in the Committee's Terms of Reference on the Company's website at www.bakkavor.com/investors/governance.

BOARD DIVERSITY

As a business, we are committed to maintaining a diverse and inclusive workforce at all levels across the Company. The way in which we do this is set out in our Equal Opportunities Policy, our Code of Conduct and our new Inclusion and Diversity Policy.

The Directors recognise the importance of diversity and understand the significant benefits that come with having a diverse Board. The Board believes that diversity is a wider issue than race and gender, and includes variations in experience, skills, personal attributes and background. We refer you to our second gender pay report, which identifies the areas on which we focus. Further details can be found on page 45.

The Committee will continue to appoint on merit, based on the skills and experience required for the proper discharge of responsibilities as a member of the Board, while considering gender and other forms of diversity when reviewing the Board's composition.

ADVISERS

During the year, whilst no new Director appointments were made, Annabel Tagoe-Bannerman was appointed Group General Counsel & Company Secretary from 21 June 2019. Korn Ferry was engaged to conduct the search process.

For appointments to the Board, the Committee uses executive search firms who have signed up to a voluntary Code of Conduct setting out the key principles of best practice in the recruitment process.

BOARD EVALUATION

The Committee regards the annual Board evaluation process as an important means of reviewing the composition, skills, effectiveness and structure of the Board. Full details of the Board evaluation process and the resulting action plan are set out on page 79.

The Committee is satisfied that the Board operated effectively in 2019 and noted that there were no areas of concern. There were a few areas requiring more attention which the Board will be focusing on in 2020. These include Inclusion and Diversity and the continued development of the talent pipeline.

The Company will arrange for an external facilitator to evaluate the Board in 2020, in line with the requirements of the 2018 Code.

NOMINATION COMMITTEE EVALUATION

The Committee carried out an internally facilitated review of its performance as part of the overall Board evaluation in 2019 and its outcomes were discussed by the Committee. It concluded that the Committee continued to fulfil its duties effectively.

During the year, the Committee undertook an annual review of its Terms of Reference and the updates required to align with the 2018 Code. The revised Terms of Reference can be found on the Bakkavor website at www.bakkavor.com/investors.

INCLUSION AND DIVERSITY

The Committee is committed to succession planning for the Board and Senior Management to ensure the right mix of skills and experience is retained. There have been progressive discussions about talent management, succession planning and diversity of the Board during the year.

The Inclusion and Diversity Policy was developed in 2019 and launched to all employees in early 2020. Its three objectives are:

- Living the Bakkavor values
- Building an inclusive and diverse workforce across all levels of the organisation
- Providing opportunity for employees to succeed

Further work has been undertaken during the year by the Committee, specifically around contingency and succession planning for Non-executive Directors and Senior Management.

The number of meetings scheduled for 2020 onwards has been increased from two to a minimum of three per year. This is to ensure there is sufficient time to properly carry out the additional duties of the Committee under the 2018 Code.

TODD KRASNOW
Chair, Nomination Committee
5 May 2020

CHAIRMAN'S OVERVIEW

JANE LODGE
CHAIR, AUDIT AND RISK COMMITTEE

COMMITTEE MEMBERSHIP

The Committee comprises three Independent Non-executive Directors, namely Denis Hennequin, Sue Clark and myself as Chair. Together we provide the range of financial and commercial expertise necessary for the Committee to meet its responsibilities in a robust and independent manner. Detailed information on the experience, skills and qualifications of all the Committee members can be found on pages 70 to 71. The Board is satisfied that, with my 25 years at Deloitte LLP, I have significant financial experience in the UK listed environment, and the necessary qualifications, skills and experience to fulfil my role as Audit and Risk Committee Chair.

MEETINGS DURING THE YEAR

COMMITTEE MEETINGS AND MEMBERSHIP

Member	Member since	Scheduled meetings eligible to attend	Scheduled meetings attended
Jane Lodge (Chair)	3 April 2018	4	4
Denis Hennequin	20 October 2017	4	4
Sue Clark	20 October 2017	4	4

Only Committee members have the right to attend meetings, but the Chief Financial Officer, the Group Financial Controller, the Head of Risk, the Internal Auditor (KPMG) and the External Auditor (PwC) are invited to attend meetings of the Committee as the Committee feels appropriate.

The Committee also meets privately, without management present, and receives regular updates from other business areas at several of its meetings. It reviews other additional matters when considered necessary.

The Committee has four scheduled meetings a year and will also meet ad hoc when required.

The Audit and Risk Committee's remit covers accounting and financial reporting, internal controls, reviewing the performance of internal audits, overseeing the relationship with the External Auditor and reviewing the performance of its activities. During the year, the Committee oversaw the transition from Deloitte LLP to PricewaterhouseCoopers LLP ("PwC") as the Company's External Auditor.

I am pleased to present the report of the Audit and Risk Committee (the "Committee") for the period ended 28 December 2019. This report describes the Committee's responsibilities and key activities over the year.

ROLE OF THE COMMITTEE

The Committee provides an independent overview of the effectiveness of the Group's internal financial control systems, financial reporting processes and risk management. Its principal responsibilities are:

- Monitoring and reviewing the effectiveness of the Group's Internal Audit activities
- Reviewing Bakkavor's Financial Statements, including annual and half-year results and announcements, and reporting to the Board on significant financial reporting issues and judgements
- Monitoring and reviewing and, where appropriate, making recommendations to the Board on the adequacy and effectiveness of Bakkavor's internal control and risk management systems
- Ensuring a robust assessment is conducted of the principal risks facing Bakkavor, including those that would threaten its business model, future performance, solvency or liquidity, and ensuring an understanding of the risk appetite of the Company
- Reviewing in detail the identified risks, the actions taken to minimise risks, the policies in force and the other sources of assurance upon which reliance is placed to mitigate risk
- Reviewing the content of the Annual Report and Accounts and advising the Board whether it is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Company's performance, business model and strategy
- Recommending to the Board, for approval by shareholders, the appointment, reappointment or removal of the External Auditor; including the agreement of the terms of engagement at the start of each audit, the audit scope and the External Audit fee

- Reviewing the effectiveness and objectivity of the External Audit and the External Auditors' independence, including consideration of fees, audit scope and terms of engagement and the provision of non-audit services
- Monitoring the effectiveness of Bakkavor's Whistleblowing Policy and the anti-bribery and business ethics procedures
- Advising the Board on the assessment of the viability of the Company

The Committee's Terms of Reference are available on the Bakkavor website at www.bakkavor.com/investor/governance.

HOW THE COMMITTEE OPERATES

To ensure the Committee discharges its responsibilities appropriately, an annual calendar, linked to the Committee's Terms of Reference and covering key events in the financial reporting cycle, is approved by the Committee.

Following each Committee meeting, I report to the Board on the activities of the Committee and make recommendations to the Board as appropriate.

The Committee discharges its responsibilities through a series of scheduled meetings during the year, the agendas for which include risk assessment and management processes, the programme of Internal Audit and assurance work, in-depth discussions on key financial and other risk areas, and work related to events in the financial calendar of the Company and the programme of External Audit work.

AUDIT AND RISK COMMITTEE EVALUATION

The Committee carried out an internal evaluation of its own performance, which was also considered as part of the overall Board evaluation, as described on page 79. The findings concluded that the Committee has a good understanding of the business model and the risks of the Company and was fulfilling its duties effectively.

ACTIVITIES DURING THE YEAR

EXTERNAL AUDIT

The Committee has primary responsibility for overseeing the relationship with, and the performance of, the External Auditor. This includes making the recommendation on the appointment, reappointment and removal of the External Auditor, assessing its independence on an ongoing basis and negotiating the audit fee.

Following a full audit tender process carried out during 2018, Deloitte LLP ("Deloitte") was replaced by PwC as the External Auditor of Bakkavor for the statutory audit of the Company for the financial year ended 28 December 2019 and subsequent years. To ensure a smooth transition PwC observed Deloitte on the audit of the Company for the period ended 29 December 2018 and has taken responsibility for the audit with effect from the beginning of the 2019 financial year, including the review of the Company's interim Financial Statements for the six months ended 29 June 2019.

The current External Audit partner is Arif Ahmad who has held this role since the beginning of 2019.

EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

During the year, an assessment of the quality and effectiveness of the External Audit process was undertaken. The primary purpose of this assessment was to gain assurance that the External Auditor had conducted a comprehensive, appropriate and effective audit. Through a constructive, honest and open dialogue with the External Auditor about its performance, the objectives of the process were to assess each phase of the audit process against a quality framework and discuss with the External Auditor what areas had worked well and what could be improved.

The findings of the assessment were discussed at a Committee meeting, with the Committee concluding that the audit process was robust, challenging and appropriately targeted to focus on the key areas of audit risk.

EXTERNAL AUDIT

In June 2019, PwC provided the Committee with its plan for the review of the Company's interim Financial Statements for the six months ended 29 June 2019. The plan set out PwC's view of the key risk areas and its review process. The Committee reviewed, and where appropriate, challenged the basis of the review plan before agreeing the proposed approach and scope of the review.

At the Committee's November 2019 meeting, PwC prepared and presented its audit plan for the year ending 28 December 2019. The audit plan summarised PwC's audit approach, including materiality and an assessment of the significant and elevated risks relevant to the audit, an update on developments in corporate reporting which are relevant to the Company, confirmation of its independence, and responsibilities in relation to fraud. PwC's primary responsibility is to form an independent audit opinion on the Financial Statements of Bakkavor Group plc. Furthermore, it has the fundamental objective of providing robust assurance on financial reporting for shareholders, the Board and management.

FINANCIAL REPORTING COUNCIL

On 8 October 2019, the Financial Reporting Council ("FRC") wrote to the Company requesting further information on how the Company had satisfied certain reporting requirements in respect of the Company's Annual Report and Accounts for the period ended 29 December 2018. Such a review is normal practice as the FRC reviews a number of annual reports during the reporting season. The Company responded to the FRC with the required clarifications and took the opportunity to review the process for ensuring completeness of disclosure, especially in relation to items which are not material but would be of benefit to users of the Annual Report.

On 5 December 2019, the FRC confirmed to the Company that the matter was closed. The Company committed to enhance disclosures in certain areas of the Annual Report in response to the FRC but noted that this did not result in any change to reported profit or net assets.

The Company recognises that the FRC's review is based on the 2018 Annual Report and Accounts and that the FRC does not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions which have been executed.

FRC AUDIT QUALITY REVIEW

The FRC is the UK's independent regulator responsible for promoting transparency and integrity in business, and its responsibilities include the monitoring of audits of public interest entities, and certain other entities, performed by firms registered to conduct statutory audits in the UK.

This monitoring is performed by the FRC's Audit Quality Review ("AQR") team, which periodically undertakes thematic inspections that focus on particular aspects of audit across a sample of audits and firms. The AQR team will select individual audits to inspect and take account of a number of factors, including the assessed risk in relation to the entity and particular sectors that they may wish to focus on.

On 31 January 2020, the AQR team communicated to the Company that the work within the scope of their review was assessed as requiring limited improvements. The AQR identified issues relating to aspects of audit work over revenue and impairment of goodwill and other assets in the International cash generating unit ("CGU"). However, the AQR had no issues to report in relation to the other areas reviewed.

The FRC provides no assurance that the Annual Report and Accounts are correct in all material respects; its role is not to verify the information provided but to consider compliance with reporting requirements.

As part of its review, the Committee considered the findings of the review undertaken by the FRC's AQR team of Deloitte's audit of the Group Financial Statements for the year ended 29 December 2018, which the AQR had selected as part of their 2019/20 annual inspection of audit firms. The focus of the review was to identify areas where improvements were required rather than highlighting areas where work was performed at or above the expected level. The Committee received a copy of the findings and discussed these with Deloitte. The Committee confirmed that no significant areas for improvement were identified within the report and that there was nothing within the report which might have a bearing on the External Auditors' appointment.

A full copy of the review was discussed with the External Auditor at a pre-Audit and Risk Committee meeting, before discussion with the wider Committee.

The FRC's review was on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

NON-AUDIT FEES

Non-audit services are provided in accordance with the Group's policy and in light of the External Auditors' detailed understanding of the Group and expertise in relevant areas. Non-audit services provided in 2019 mainly comprised transaction due diligence services in relation to the Company's acquisition of Blueberry Foods in June 2019, further details of which can be found in Note 30 to the Consolidated Financial Statements.

Going forward and in light of new regulations, the Company will not ask the External Auditor to provide any non-audit services, other than access to PwC's online technical portal.

INTERNAL AUDIT

Internal Audit services have been outsourced to KPMG LLP ("KPMG") but with overall responsibility and direction for the Group's Internal Audit activity being retained by the Head of Risk, who reports to the Audit and Risk Committee. The Internal Audit activity provides assurance over the effectiveness of key internal controls, as identified as part of the risk assessment process. The activity reports to the Head of Risk throughout the year, to the Committee at least four times a year, and to the Board at least twice a year.

KPMG was appointed as the Internal Auditor to support the Company with effect from the beginning of the 2019 financial year.

At the Committee's November meeting, KPMG prepared and presented the draft of the Internal Audit Plan for 2020 ("IA Plan"). The proposed plan represents the second year of the three-year assurance plan that KPMG put in place on its appointment as the Company's Internal Auditor. The plan places greater emphasis on audits against principal risks, taking into account the process and governance arrangements which exist across the Bakkavor Group (in the UK, US and China), whilst incorporating data-enabled analytics in the approach. The IA Plan will be a mixture of full systems audits, in-flight reviews and high-level limited-scope reviews, as agreed with the Committee.

RISK AND INTERNAL CONTROLS

During the year, we continued to enhance our risk management and internal control framework, particularly around the focus of risk discussions both at operating company and Board level. In order to support the Board's robust assessment of the principal risks, the Committee reviewed the Group Risk Register to identify the top risks faced by the Group and discussed the quantification of these risks and mitigating actions. It has been important for the Committee to gain a good understanding of the risks and emerging risks for the Group and our industry, in addition to the measures being taken to address potential areas of vulnerability. The Committee has challenged both Internal Audit and Senior Management on the effectiveness of the controls in place and it is satisfied that measures are being taken to minimise the Group's vulnerability to these risks.

Information security ("IS") risks have been a key area of focus for the Committee during the year. Considerable time has also been spent discussing cyber security risks, with a growing focus on the handling of the personal data we hold on our customers and colleagues, which the Committee recognises is an evolving and complex risk area for many businesses.

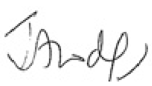
The following table sets out the reporting issues the Committee considered during the year, and how the Committee discharged its responsibilities:

Reporting issue	Role of the Committee	Conclusion/action taken
Principal risks and viability		
The Directors are required to make a statement in the Annual Report as to the longer-term viability of the Group.	The Committee evaluated a report from management that set out the view of the Group's longer-term viability.	Taking the management assessment into account, the Committee agreed to recommend the Viability Statement to the Board for approval. For further information on the Viability Statement see page 57.
Fair, balanced and understandable reporting		
The Group is required to ensure that its external reporting is fair, balanced and understandable.	At the request of the Board, the Committee assessed, through discussion with, and the challenge of, Senior Management, whether disclosures in the Group's published Financial Statements were fair, balanced and understandable. It received papers on key judgement areas that set out management's accounting treatment, and also sought and obtained confirmation from the Chief Financial Officer and his team that they considered the disclosures to be fair, balanced and understandable. It then discussed this evaluation with the External Auditor, which took this into account when conducting its audit. It also established through reports from Senior Management that there were no indications of fraud relating to financial reporting matters.	Having assessed the available information and the assurances provided by management, the Committee concluded that the processes underlying the preparation of the Group's published Financial Statements were appropriate in ensuring that those statements were fair, balanced and understandable.
Risk management and internal control		
The Committee is required to assist the Board in the annual review of the effectiveness of the Company's risk management process and internal control systems.	The Committee received a report and assessment of those risks that might threaten the Group's business model, future performance or liquidity. It considered and challenged management on the overall effectiveness of the risk management process and internal control systems. The Committee reviewed the relevant disclosures within the Accountability section of the Corporate Governance Report which can be found on page 80 of the Annual Report.	As stated in the Annual Report, the Committee agreed to recommend to the Board statements relating to the effectiveness of the risk management process and internal control systems.
Whistleblowing		
The Committee considered the adequacy of the Group's arrangements by which employees may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters.	The Committee reviewed revisions to the Group's Whistleblowing Policy.	There are several confidential modes for employees and third parties to communicate any improprieties in matters of financial reporting or other areas. Moreover, whistleblowing is monitored by the Board at each Board meeting. The Whistleblowing Policy is reviewed annually, and a refreshed policy was rolled out in December 2019.

Reporting issue	Role of the Committee	Conclusion/action taken
Anti-Bribery and Business Ethics Policy		
The Committee considered the adequacy of the Group's arrangements with regard to its anti-bribery and corruption and business ethics processes.	The Committee reviewed the revisions to the Anti-Bribery and Business Ethics Policy which applies across the Group.	The revised Anti-Bribery and Business Ethics policy includes an Entertainment Policy. The Committee concluded that the revised Anti-Bribery and Business Ethics Policy was considered to be adequate. A new governance and compliance e-learning platform was launched in 2019 in the UK for staff. The training will be undertaken annually.
Internal Audit		
The Committee is required to oversee the performance, resourcing and effectiveness of the Internal Audit activity.	The Company's Internal Audit services are outsourced to an external provider. The external provider has the skills and experience required to carry out Internal Audit reviews across the Company's operational business units, however overall responsibility and direction is retained by the Head of Risk. The Committee reviewed the effectiveness of the Group's Internal Audit activity in the overall context of the Group's internal controls and risk management systems. It reviewed and assessed the risk-based Internal Audit plan. It reviewed and monitored management's responsiveness to the findings and recommendations of the Internal Audit activity. The Committee received all Internal Audit reports and, in addition, receives summary reports on the results of the work of the Internal Audit activity on a periodic basis.	The Committee reviewed the effectiveness of the Internal Audit activity and approved the risk-based Internal Audit plan. The Committee is actively engaged in strengthening the Internal Audit activity and extending its scope during 2020. KPMG was appointed to provide Internal Audit services effective from January 2019 onwards, but the overall responsibility remains with the Head of Risk.
Oversight of External Auditor		
The Committee is required to oversee the work and performance of PwC as the External Auditor, including the maintenance of audit quality during the period.	The Committee met with the key members of the PwC audit team to discuss the 2019 audit plan and agree areas of focus. It assessed regular reports from PwC on the progress of the 2019 audit and any material issues identified, including management override of controls, fraud in revenue recognition and the ongoing national minimum wage inquiry. It reviewed and debated the draft audit opinion for the 2019 year-end. The Committee was also briefed by PwC on critical accounting estimates, where significant judgement is needed. The Committee undertook a thorough assessment of the quality and effectiveness of PwC as External Auditor and, following this review, the Committee was satisfied that the External Audit had provided appropriate focus on those areas identified by the Committee as key risk areas to be considered.	The Committee approved the audit plan and the main areas of focus, including valuation of customer deduction accruals, impairment reviews for goodwill and intangible assets, the recoverability of US deferred tax assets and presentation of exceptional items in the Group's Consolidated Income Statement. The Committee reviewed and discussed with PwC its Audit and Risk Committee report on the 2019 Financial Statements which highlighted any matters arising from the audit work undertaken by the External Auditor.

Reporting issue	Role of the Committee	Conclusion/action taken
Cyber security risks		
To assess the risk to the Group of unauthorised access to the Company's IT systems.	The Committee reviewed the cyber security threats to the business and the processes in place to deal with any internal security breaches. A cyber security update was provided to the Committee by the new Group Information Systems Director.	A leading advisory firm was appointed to provide a situation assessment of the cyber security position and the level of risk based on the Bakkavor environment. A new National Institute of Standards and Technology Standard Framework has been put in place to ensure that the Company is in a position to identify, protect against, detect, respond to and recover from any cyber risks. A new Group Information Systems Director was appointed in 2019 and will be providing regular updates to the Committee and the Board on cyber security. The Company has also obtained cyber security insurance with effect from the beginning of 2020.
Audit and audit-related fees		
To approve audit and audit-related fees, which include those for the statutory audit of the Group and its subsidiaries.	During the year, the Committee reviewed and approved a recommendation from management on the Company's audit and audit-related fees payable to the Company's new External Auditor, PwC.	The Committee considers the 2019 audit fees to be in line with those expected for a listed company of this type given the complexities of the business, the external reporting requirements and recent regulatory developments that require external auditors to exercise greater independence and rigour in the provision of their services and in the setting of their fees.
Non-audit fees		
To prevent the objectivity and independence of the External Auditor becoming compromised, the Committee has a formal policy governing the engagement of the External Auditor to provide non-audit services. The policy is reviewed on an annual basis and this year the Committee reviewed the Group's policy governing non-audit work against details of regulations on the statutory audit of public interest entities. The Group has reviewed its internal process on the engagement of auditors and review of non-audit services to ensure that its policy remains in line with new regulation.	The Committee reviewed and approved all arrangements for non-audit services to be provided by the External Auditor. The Committee ensured that firms other than the External Auditor had been considered, following a competitive tender process, for the provision of a wide range of services. The Committee ensured there were no exceptions to fee limits and that the approval process operated in accordance with the policy during the year.	During the year, non-audit fees of £181,000 were paid to PwC, as disclosed in Note 6 to the Consolidated Financial Statements. £180,000 was for transaction services provided in relation to the Group's acquisition of Blueberry Foods. This work was carried out by a specialist team not linked to the audit team. In addition, £1,000 was paid for access to PwC's online technical portal. Going forward and in light of new regulations, the Committee will not ask the External Auditor to provide any non-audit services other than access to PwC's online technical portal.
Issues that were considered most significant in preparing the Annual Report and Financial Statements:		
• Impairment of goodwill and intangible assets		
As at 28 December 2019, the Group had significant amounts of goodwill and intangible assets that are subject to an annual impairment review under IFRS.	The Committee reviewed a paper prepared by management that set out the basis and assumptions for the annual impairment review. The paper set out the determination of cash-generating units ("CGUs"), the cash flow forecast used and the discount rate to be applied for the purpose of the value-in-use calculation.	The impairment review indicated that no impairment provisions were required for the year ended 28 December 2019. The Committee reviewed and approved the associated disclosure in the Financial Statements.

Reporting issue	Role of the Committee	Conclusion/action taken
• Customer deduction accruals		
The Group has arrangements in place with its customers to provide volume-related rebates, and is required to make estimates in determining the value and timing of accruals for these customer deductions due in respect of sales.	The Committee reviewed a paper prepared by management that set out the rationale for the calculation and timing of the accruals held under these arrangements at 28 December 2019. The paper included a summary of the key agreements in place and the level of accruals held across the business.	The Committee challenged management on the logic that had been applied to determine the level of accruals held under these arrangements at 28 December 2019. The Committee acknowledged that this was a highly subjective area that required a significant level of estimates to be made, but concurred with the rationale applied by management to determine the value of these accruals.
• Recoverability of US deferred tax assets		
The Group has recognised a significant deferred tax asset of £15.9 million in respect of US tax losses that are expected to be utilised in future financial years when the US business generates taxable profits. The recoverability of these assets is based on the future profitability of the US business and this is considered to be subjective.	The Committee reviewed a paper prepared by the Group Tax Director, which set out the key assumptions as to why the deferred tax asset is considered recoverable and over what period.	The Committee challenged management on the period over which US tax losses are expected to be utilised. This is a subjective area, however the Committee concurred with management's view that the US business is expected to be profitable and will utilise the tax losses available.
• Presentation of exceptional items in the Consolidated Income Statement		
The Group recognises a significant amount of exceptional items in its Consolidated Income Statement. The recognition of these items as exceptional is considered to be subjective.	The Committee reviewed the schedule of exceptional items and the rationale for why the relevant items were considered to be exceptional.	The Committee reviewed the disclosure of exceptional items in the Consolidated Income Statement and concurred with management's presentation of those items.
• National Minimum Wage		
The Group has had a National Living Wage inquiry ongoing since July 2017, and this has been disclosed as a contingent liability since a liability is considered possible at this stage.	Management has appointed an independent expert adviser to deal with the ongoing inquiry. The Committee reviewed a paper prepared by the independent expert that sets out the current status of the inquiry.	The Committee challenged management on the view that the liability is only possible at this stage. Having assessed the range of potential outcomes the Committee concurred with management's view that any possible amounts payable are unlikely to be material and agreed with the disclosures made.
• COVID-19 impact		
The COVID-19 outbreak early in 2020 has the potential to impact the Group's operations in the UK, US and China in terms of people, supply chain and logistics and consumer demand. The impacts could potentially effect the Group's ability to continue as a going concern unless the appropriate mitigating actions are taken on a timely basis.	Management has assessed the potential financial impact of COVID-19 on the operations in each region of the business. Management has put operational plans in place including mitigating actions across the business to manage through this difficult period and ensure the safety of its people whilst continuing to maintain production. Updated forecasts have been prepared across the Group which reflects management's latest views of the expected impact together with the benefits from actions taken to preserve cash through this period with the appropriate sensitivity analysis being carried out on these forecasts. Management has prepared a paper that conclude that the forecasts indicate that the Group is expected to continue to comply with the financial covenants in its financing agreement and maintain significant liquidity headroom for the foreseeable future and that therefore, in their view, COVID-19 does not impact the Group's ability to continue as a going concern.	The Committee reviewed the paper prepared by management which include updated forecasts, and in particular the liquidity headroom available and the headroom on financial covenants. The Committee reviewed both the actions taken to date by management and those available should trading later in 2020 be below the latest forecasts prepared by management. Having carried out their review the Committee concurred with managements view that whilst there is still a level of uncertainty about the impact of COVID-19 they do not consider this effects the Group's ability to continue as a going concern.



JANE LODGE
Chair, Audit and Risk Committee
5 May 2020

CHAIRMAN'S OVERVIEW

DENIS HENNEQUIN
CHAIR, REMUNERATION COMMITTEE

As Chair of the Remuneration Committee, I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the year ended 28 December 2019.

THE COMMITTEE

The Committee is chaired by Denis Hennequin and its other members are Sue Clark and Todd Krasnow. It met four times during 2019.

The Committee considered the following items during the period:

- Agreeing Executive Director base salary levels, effective from 1 January 2019
- Reviewing performance against the 2018 annual bonus targets and determining the payout
- Determining the measures and setting performance targets for the 2019 annual bonus
- Agreeing the award levels, measures and performance targets for the 2019 LTIP awards
- Consideration of developments in market trends, good practice, the updated investor and proxy agency guidance and the impact of the UK Corporate Governance Code on remuneration
- An update from Sue Clark, Bakkavor's Non-executive Director tasked with bringing employee views to the Board, on remuneration matters raised

MEETINGS ATTENDED

Member	Member since	Scheduled meetings eligible to attend	Scheduled meetings attended
Denis Hennequin (Committee Chair)	20 October 2017	4	4
Sue Clark	20 October 2017	4	4
Todd Krasnow	20 October 2017	4	4

THIS REPORT IS SPLIT INTO THREE SECTIONS:

- This Annual Statement summarising the work of the Committee during the year and our approach to remuneration
- The Directors' Remuneration Policy, which details Bakkavor's Remuneration Policy, which was approved by shareholders at the 2018 AGM
- The Annual Report on Remuneration, which sets out both the remuneration arrangements and incentive outcomes for the year under review and how the Committee intends to implement the Remuneration Policy in 2020.

As this is the final year of the 2018 Remuneration Policy there will only be one remuneration-related vote at the 2020 AGM, being the advisory vote on the Directors' Remuneration Report excluding the Policy (i.e. the Annual Statement and Annual Report on Remuneration).

REMUNERATION IN 2019

By way of context, this was another solid year for Bakkavor in which we delivered further growth, increased market share, and strengthened our operations both in the UK and internationally, whilst reporting performance in line with expectations.

In respect of remuneration paid for 2019:

- As disclosed in last year's report, base salaries were increased by 2.5% in line with the general workforce, and increased from 1 January 2019 (Agust Gudmundsson's salary was increased to £768,750 while Peter Gates' salary was increased to £478,675)
- The annual bonus was based 40% on Adjusted EBITDA targets, 20% on revenue, 20% on free cash flow and 20% on employee engagement measured through staff turnover. Performance during the year resulted in bonus becoming payable under each measure. However, the Adjusted EBITDA of £153.5 million delivered in 2019 was no higher than that of last year (£153.5 million) and in light of this it was determined that no bonus would become payable in respect of the financial elements (Adjusted EBITDA, revenue and free cash flow). The non-financial element of employee turnover was met in part, achieving 15.5% of the maximum 20% for this element. Therefore, bonuses of 12.4% and 19.4% of salary became payable to the CEO and CFO. One-third of the bonus will be deferred under the terms of the Remuneration Policy. In response to recent market developments as a result of the COVID-19 pandemic, the grant of the deferred bonus award has been delayed until later in the year. The Committee considers the annual bonus outcomes were reflective of performance during the year.

AT A GLANCE SUMMARY

WHAT OUR EXECUTIVE DIRECTORS EARNED DURING 2019

The following table provides a summary of total remuneration for 2019 and the prior year. Further details are set out in the Annual Report on Remuneration on page 101.

AGUST GUDMUNDSSON

TOTAL REMUNERATION
987

£000	2019	2018
● Base salary	**769**	750
● Benefits	**8**	1
● Bonus	**95**	–
○ LTIP	**–**	–
● Pension entitlements	**115**	113
○ Other	**–**	–
TOTAL	**987**	864

PETER GATES

TOTAL REMUNERATION
680

£000	2019	2018
● Base salary	**479**	467
● Benefits	**12**	12
● Bonus	**93**	–
○ LTIP	**–**	–
● Pension entitlements	**96**	93
○ Other	**–**	–
TOTAL	**680**	572

LTIP AWARDS VESTING

Peter Gates received long-term incentive awards in the form of share options when Bakkavor was in private ownership, prior to the listing of the Company in November 2017, and half of these awards will vest in April 2020.

2019 ANNUAL BONUS

Metrics	Weighting	% outcome
Group Adjusted EBITDA (post bonus provision)	40%	0%
Revenue	20%	0%
Free cash flow	20%	0%
Employee turnover	20%	15.5%
Total (% of max)	100%	**15.5%**

Despite the Adjusted EBITDA, revenue and free cash flow measures meeting the threshold, as Adjusted EBITDA in 2019 was no higher than last year's (£153.5 million), no bonus was payable for performance against the three financial elements.

The employee turnover element was above threshold but below the maximum target, resulting in a payment of 15.5% out of a maximum of 20% for this element. Overall therefore, Executive Directors earned bonuses of 15.5% of their maximum entitlement. One-third of this will be deferred under the terms of our Remuneration Policy.

HOW OUR EXECUTIVE DIRECTORS WILL BE PAID IN 2020

A summary of how the Committee intends to operate the Remuneration Policy for 2020 is as follows:

Component	Agust Gudmundsson	Peter Gates
Base salary (2.5% increase from 1 January 2020)	788	491
Pension (% of salary)	15%	20%
Annual bonus maximum (% of salary)	80%	125%
LTIP award (% of salary)	n/a[1]	150%
Shareholding guidelines (% of salary)	200%	200%

[1] The CEO does not participate in the LTIP.

- Prior to the Company's listing, the CFO received pre-IPO LTIP awards in July 2017 structured as share options with an exercise price of 76.4 pence. Half of these awards, which were based on an EBITDA measure, have lapsed. The remainder, which were conditional on a successful IPO, are due to vest in April 2020.

In line with the new reporting regulations, we set out our CEO pay ratio calculations on pages 109-110.

APPLICATION OF REMUNERATION POLICY FOR 2020

The Remuneration Committee intends to operate the Remuneration Policy for Executive Directors for 2020 on a similar basis to 2019. This is as follows:

- Executive Directors' basic salaries were increased from 1 January 2020 by 2.5%, in line with the budgeted general salaried workforce increase. In response to the impact of COVID-19, members of the Board and Management Board have since agreed voluntary reductions to their salaries and fees. The Group's founders (CEO, Agust Gudmundsson and Non-executive Director, Lydur Gudmundsson) have volunteered not to take a salary or fee during the three month period starting 1 April 2020. The CFO and wider Management Board have agreed a 20% salary reduction and the Chairman and other Non-executive Directors have agreed to a 50% reduction in fees over the period.
- No changes were made in respect of current Executive Director pension contributions. However, the Remuneration Committee is aware of the current investor sentiment on pensions and, ahead of our 2021 Policy, has decided that any new Executive Directors appointed to the Board will have a contribution in line with the workforce level of 3% of salary. We will consider our policy on existing executive pensions ahead of the binding Remuneration Policy vote in 2021
- Annual bonus provision will remain at 80% of salary for the Chief Executive Officer and 125% of salary for the Chief Financial Officer. The Committee reviewed the annual bonus measures and has decided to simplify the scheme by using one financial measure (Adjusted EBIT) instead of the three used in 2019 – Adjusted EBITDA, free cash flow and revenue. The Committee felt Adjusted EBIT was a better measure than Adjusted EBITDA, given the high level of capital expenditure and the need to take into account the cost of this spend, and the fact that Adjusted EBIT will be a KPI in 2020. Therefore, 75% will be based on Adjusted EBIT for the Group and 25% will continue to be based on employee engagement measured through employee turnover. The same bonus criteria cascade down to the broader workforce and may be based on Group and/or regional performance. As per the current Policy one-third of any bonus earned by Executive Directors will be deferred for three years with vesting conditional upon continued employment. Any deferral for the Chief Executive Officer will continue to be in the form of a cash-based award (given his significant shareholding), whereas any deferral for the Chief Financial Officer will be in shares
- It was expected that LTIP awards will be granted in 2020 at 150% of salary for the Chief Financial Officer (the Chief Executive Officer does not participate in the LTIP). Given the market volatility caused by COVID-19, the Remuneration Committee has decided to delay the award until later in the year and will consider the award level and performance measures at the time of grant. Full details will be set out in the RNS statement relating to the grant. To the extent that awards vest, a two-year post-vesting holding period will apply to awards granted to Executive Directors. The UK Corporate Governance Code asks for the Remuneration Committee to have a formal policy for post-employment shareholding requirements encompassing both vested and unvested share awards. It is our policy that, for good leavers, LTIP awards will vest on their normal date, be tested for performance and be pro-rated. Such vested awards would normally be subject to a two-year holding period

The Remuneration Committee regularly receives updates on developments in good practice and will consider what changes may be required as part of a review of Directors' remuneration in 2020, for formal approval by shareholders in 2021.

SHAREHOLDER FEEDBACK

The Committee was pleased to note the very high levels of shareholder support for the 2019 advisory vote on our Remuneration Report and the binding vote on the Remuneration Policy, which was approved a year earlier in 2018. With our three-year Policy expiring in 2021, the Committee intends to carry out a review of Directors' remuneration and will consult with shareholders to ensure their views are taken into account.

If you have any comments or feedback on this report or our policy more generally, then please let me know through the Group General Counsel & Company Secretary.

I look forward to receiving your support at the 2020 AGM.

DENIS HENNEQUIN
Chair, Remuneration Committee
5 May 2020

REMUNERATION POLICY

This part of the Directors' Remuneration Report sets out the Remuneration Policy ("the Policy") for the Group and has been prepared in accordance with Schedule 8: The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 and the UK Listing Authority's Listing Rules. The Policy was developed taking into account the principles of the 2018 UK Corporate Governance Code and the voting guidelines of major UK institutional investor bodies.

The Policy was approved by shareholders in a binding vote at the 2018 AGM on 23 May 2018 and operates for three years from the date of approval. The Policy that was approved, with minor updates where appropriate (e.g. remuneration scenario charts) is set out below.

KEY CONSIDERATIONS WHEN DETERMINING THE REMUNERATION POLICY

The Remuneration Committee designed the Policy with the following aims in mind. The Policy should:

- Attract, retain and motivate high-calibre Senior Management and focus them on the delivery of the Group's strategic and business objectives
- Be competitive against appropriate market benchmarks with the scope to earn above-market rewards for strong performance
- Be simple and understandable, both internally and externally
- Achieve the appropriate consistency of the approach across the Senior Management population
- Take due account of good governance and promote the long-term success of the Group

In seeking to achieve the above objectives, the Committee is mindful of the views of a broad range of stakeholders in the business and accordingly takes account of a number of factors when setting remuneration, including market conditions, pay and benefits in relevant comparator organisations, terms and conditions of employment across the Group, the Group's risk appetite, the expectations of institutional shareholders and feedback from shareholders and other stakeholders.

SHAREHOLDER VIEWS

The Board is committed to open dialogue with shareholders and intends to engage directly with them and their representative bodies when considering any significant changes to our remuneration arrangements. The Remuneration Committee will consider shareholder feedback received following each AGM, as well as any additional feedback and guidance received from time to time. This feedback will be considered by the Committee as it develops the Company's remuneration framework and practices going forward. Assisted by its independent adviser, the Remuneration Committee also actively monitors developments in the expectations of institutional investors and their representative bodies.

EMPLOYMENT CONDITIONS

The Committee is regularly updated throughout the year on pay and conditions applying to Group employees, including any significant changes to employment conditions.

Whilst the Committee does not currently consult directly with employees regarding its policy for Directors, it has considered the new provisions in the UK Corporate Governance Code 2018. As a result, it has formalised a number of existing, and will be introducing a number of new, initiatives to ensure that the 'employee voice' is heard in the boardroom.

The Policy for Executive Directors, which is set out over the following pages, supports the business needs of the Company, ensuring it promotes long-term success whilst enabling it to attract, retain and motivate senior executives of a high calibre. The Committee is satisfied that the Policy supports the Company's strategy of growing long-term shareholder value and appropriately balances fixed and variable remuneration. With a high proportion of reward delivered in the form of equity (for Executives other than the current Chief Executive Officer), this ensures that Executives have a strong alignment with shareholders through the Company's share price.

REMUNERATION POLICY TABLE

The table below sets out, for each element of pay, a summary of how remuneration is structured since listing and how it supports the Company's strategy.

EXECUTIVE DIRECTORS

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary			
To recruit and retain executives of the highest calibre who are capable of delivering the Group's strategic objectives, reflecting each individual's experience and role within the Group. Base salary is designed to provide an appropriate level of fixed income to avoid an over-reliance on variable pay elements that could encourage excessive risk-taking.	Salaries are normally reviewed annually and changes are generally effective from the start of the financial year. The annual salary review of Executive Directors takes a range of factors into consideration, including: • Business performance • Salary increases awarded to the overall employee population • Skills and experience of the individual over time • Scope of the individual's responsibilities • Changes in the size and complexity of the Group • Market competitiveness assessed by periodic benchmarking • The underlying rate of inflation	Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions and the approach to employee pay throughout the organisation. Base salary increases are awarded at the discretion of the Committee; however, salary increases will normally be no greater than the general increase awarded to the wider workforce, in percentage of salary terms. Percentage increases beyond those granted to the wider workforce may be awarded in certain circumstances, such as when there is a change in the individual's role or responsibility or where there has been a fundamental change in the scale or nature of the Company. In addition, a higher increase may be made where an individual had been appointed to a new role at below-market salary while gaining experience. Subsequent demonstration of strong performance may result in a salary increase that is higher than for the wider workforce.	Executive Directors' performance is a factor considered when determining salaries. No recovery or withholding provisions apply.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Benefits			
Benefits in kind offered to Executive Directors are provided to assist with retention and recruitment.	The Company aims to offer benefits that are in line with typical market practice. The main benefits currently provided include: • Family private medical insurance • Life assurance • Income protection • Health screening • Company car / car allowance • Travel insurance Under certain circumstances, the Group may offer relocation allowances or assistance. Expatriate benefits may be offered where required. Travel and any reasonable business-related expenses (including tax thereon) may be reimbursed on a gross-of-tax basis. Executive Directors may become eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	The value of each benefit is not predetermined and is typically based upon the cost to the Group.	Not performance-related. No recovery or withholding provisions apply other than if relocation costs are provided. A proportion of any relocation costs may be recovered where a Director leaves the employment of the Group within a specified time period after appointment or date of relocation.
Pensions			
The Group aims to provide a contribution towards life in retirement.	Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a salary supplement in lieu of pension benefits, or a mixture of both.	Up to 15% of base salary per annum contribution for the current Chief Executive Officer and 20% of base salary per annum contribution for the current Chief Financial Officer. The 2018 Remuneration Policy has been updated to reflect good practice. From 2020, a maximum 3% of salary contribution applies to new Directors, including internal appointments.	Not performance-related. No recovery or withholding provisions apply.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Short-Term Incentive Plan "STIP" or annual bonus			
The annual bonus scheme rewards the achievement of stretching objectives that support the Group's corporate goals and delivery of the business strategy. Delivery of a proportion in deferred bonus shares provides a retention element and alignment with shareholders.	Bonuses are determined based on measures and targets that are agreed by the Committee at the start of each financial year. Two-thirds of the annual bonus will be payable in cash, typically in March following the end of the financial year. Up to one-third of the bonus is compulsorily deferred in shares (or cash in the case of the current Chief Executive Officer) for three years under the Deferred Annual Bonus Plan. At the discretion of the Committee, participants may also be entitled to receive the value of dividends paid between grant and vesting on vested shares. The payment may be in cash or shares and may assume dividend reinvestment.	The maximum annual bonus opportunity is 150% of salary for Executive Directors. The current Chief Executive Officer's bonus opportunity is lower, at 80% of his base salary. The normal maximum for the current Chief Financial Officer is 125% of salary, although this may be increased in line with the maximum 150% of salary limit.	Performance measures are determined by the Committee each year and may vary to ensure that they promote the Company's long-term business strategy and shareholder value. The majority of the annual bonus outcome will be based on financial measures. This may be a single measure, such as profit, or a mix of measures as determined by the Committee. Personal objectives and / or strategic KPIs may also be chosen. Where a sliding scale of targets applies, up to 20% of that element may be payable for threshold performance. The bonus measures are reviewed annually and the Committee has the discretion to vary the mix of measures or to introduce new measures taking into account the strategic focus of the Company at the time. The Committee may alter the bonus outcome if it considers that the payout is inconsistent with the Company's overall performance, taking account of any factors it considers relevant. This will help to ensure that the payout reflects overall Company performance during the period. The Committee will consult with leading investors if appropriate before any exercise of its discretion to increase the bonus outcome. Bonus payments, including deferred bonus awards, are subject to recovery and withholding provisions (see 'Recovery and withholding' in the 'Notes to the policy table' on page 101 for further detail).

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Long-Term Incentive Plan ("LTIP")			
The LTIP is designed to incentivise the successful execution of business strategy over the longer term and provide long-term retention. It facilitates share ownership to provide further alignment with shareholders.	Awards will typically be granted annually to Executive Directors in the form of nil or nominal cost options that vest according to performance conditions normally measured over three financial years. Awards are subject to an additional post-vesting holding period, which requires awards to be retained for a period of two years from the end of the vesting period, except for shares sold to pay personal tax upon vesting/exercise. At the discretion of the Committee, participants may also be entitled to receive the value of dividends paid between grant and vesting (or, if applicable, between grant and the earlier to occur of the expiry of any holding period and the exercise of an award) on vested shares. The payment may be in cash or shares and may assume dividend reinvestment. The current Chief Executive Officer will not participate in the LTIP.	The individual plan limit is 200% of base salary in any financial year. The award policy for the current Chief Financial Officer is set at 150% of base salary, although the Committee has the discretion to make an award of up to 200% of base salary.	Performance is normally measured over no less than three financial years. Awards will be subject to the achievement of stretching targets designed to incentivise performance in support of the Group's strategy and business objectives. LTIP awards will normally be subject to relative TSR and earnings per share growth targets. However, the Committee has the flexibility to vary the mix of measures or to introduce new measures for future awards, taking into account business priorities at the time of grant. For TSR and financial measures, no more than 25% of each element may vest for threshold performance. The Committee may alter the vesting outcome if it considers that the level of vesting is inconsistent with the Company's overall performance, taking account of any factors it considers relevant. This will help to ensure that vesting reflects overall Company performance during the period. The Committee would seek to consult with leading investors if appropriate before any exercise of its discretion to increase the vesting outcome. Awards are subject to recovery and withholding provisions (see 'Recovery and withholding' in the Notes to the policy table on page 101 for further detail).
All-employee share schemes			
Encourage employee share ownership and therefore increase alignment with shareholders.	The Company may, from time to time, operate tax-approved share plans (such as the HMRC-approved Save As You Earn Option Plan and Share Incentive Plan) for which Executive Directors could be eligible.	The schemes are subject to the limits set by HMRC from time to time.	Not performance-related. No recovery or withholding provisions apply.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Share ownership guidelines			
Encourage Executive Directors to build a meaningful shareholding in the Group so as to further align their interests with those of shareholders.	Executive Directors are required to retain at least half of any share awards vesting as shares (after the sale of any shares to settle tax due) until they have reached the required level of holding. Only shares owned outright by the Executive Director or a connected person are included. Shares or share options which are subject to a performance condition are not included. Deferred shares and options which are vested but unexercised are also not included.	Executive Directors are required to build and retain a shareholding in Bakkavor equivalent to at least 200% of their base salary.	Not performance-related.
Chairman and Non-executive Directors' fees			
To attract Non-executive Directors who have a broad range of experience and skills. To provide the Group with access to independent judgement on issues of strategy, performance, resources and standards of conduct.	Non-executive Directors may receive fees paid monthly in cash, which consist of an annual basic fee. They may also receive additional fees for additional responsibilities. The Chairman's fee is reviewed annually by the Committee (without the Chairman present). Fee levels for the Non-executive Directors are determined by the Company Chairman and Executive Directors. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-executive Directors, the Board may pay extra fees to recognise that additional workload. Non-executives ordinarily do not participate in any pension, bonus or share incentive plans. Travel, accommodation and other business-related expenses incurred in carrying out a Non-executive role will be paid by the Company including, if relevant, any 'gross-up' for tax. As was disclosed in the prospectus prepared on Admission, Lydur Gudmundsson is currently employed to provide consulting services to the Group for an annual fee. He receives medical cover for the benefit of his family in the UK.	When reviewing fee levels, account is taken of market movements in the fees of Non-executive Directors, Board Committee responsibilities and ongoing time commitments. Actual fee levels are disclosed in the Annual Report on Remuneration for the relevant financial year.	Not performance-related. No recovery or withholding provisions apply.

NOTES TO THE POLICY TABLE

RECOVERY AND WITHHOLDING

Awards under the Annual Bonus Plan, the Deferred Annual Bonus Plan and the Long-Term Incentive Plan are subject to recovery and withholding provisions which permit the Committee, at its discretion, to reduce the size of any future bonus or share award granted to the employee, to reduce the size of any granted but unvested share award held by the employee, or to require the employee to make a cash payment to the Company. The circumstances in which the Company may apply the recovery and withholding provisions are the discovery of a material misstatement of financial results, a miscalculation or error in assessing any condition (including any performance condition) applying to the award, or in the event of serious misconduct committed by the employee.

In respect of cash bonus payments under the Annual Bonus Plan, the recovery and withholding provisions apply for one year from the date of payment of the bonus (or, if later, the date of publication of the Company's financial results for the year following the relevant year over which the bonus was earned).

In respect of share awards under the Deferred Annual Bonus Plan and the Long-Term Incentive Plan, the recovery and withholding provisions apply up until the third anniversary of the date on which the relevant award vests, although the Committee may extend this period for a further two years if there is an ongoing investigation into the circumstances of any event that, if determined to have occurred, would permit the Committee to operate the recovery and withholding provisions.

PERFORMANCE CONDITIONS

The choice of performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of key financial targets and individual and / or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

The targets for the bonus scheme for the forthcoming year will be set out in general terms, subject to limitations with regard to commercial sensitivity. The full details of the targets will be disclosed in the Directors' Remuneration Report when they are in the public domain, usually following the end of the relevant financial year.

The choice of the performance conditions applicable to the LTIP awards will be aligned with the Company's objective of delivering superior levels of long-term value to shareholders. The Committee has retained flexibility on the measures which will be used for future award cycles to ensure that the measures are fully aligned with the strategy prevailing at the time the awards are granted. Notwithstanding this, the Committee would, if appropriate, seek to consult with major shareholders in advance of any material change to the choice or weighting of the LTIP performance measures.

The Committee will review the calibration of targets applicable to the annual bonus and the LTIP annually to ensure they remain appropriate and sufficiently challenging, taking the Company's strategic objectives and the interests of shareholders into account.

DIFFERENCES IN REMUNERATION POLICY BETWEEN EXECUTIVE DIRECTORS AND OTHER EMPLOYEES

The overall approach to reward for employees across the workforce is a key reference point when setting the remuneration of the Executive Directors. When reviewing the salaries of the Executive Directors, the Committee pays close attention to pay and employment conditions across the wider workforce and in normal circumstances the increase for Executive Directors will be no higher than the average increase for the general workforce.

The key difference between the remuneration of Executive Directors and that of our other employees is that, overall, at senior levels, remuneration is increasingly long term and 'at risk', with an emphasis on performance-related pay linked to business performance, and share-based remuneration. This ensures that remuneration at senior levels will increase or decrease in line with business performance and provides alignment between the interests of Executive Directors and shareholders. In particular, long-term incentives are provided only to the most senior executives, as they are reserved for those considered to have the greatest potential to influence overall levels of performance.

COMMITTEE DISCRETION IN OPERATION OF VARIABLE PAY SCHEMES

The Committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to shareholder approval (Long-Term Incentive Plan and Deferred Share Bonus Plan) or to approval by the Board (annual performance bonus scheme). These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Remuneration Policy is fair, both to the individual Director and to shareholders. The Committee also has discretion to set components of remuneration within a range, from time to time. The extent of such discretion is set out in the relevant rules, the maximum opportunity or the performance metrics section of the Policy table above. To ensure the efficient administration of the variable incentive plans outlined above, the Committee will apply certain operational discretions.

These include the following:

- Selecting the participants in the plans on an annual basis
- Determining the timing of grants of awards and/or payments
- Determining the quantum of awards and/or payments (within the limits set out in the Policy table)
- Determining the choice and adjustment of performance measures and targets for each incentive plan in accordance with the Policy set out above and the rules of each plan
- Determining the extent of vesting based on the assessment of performance, and discretion relating to measurement of performance in certain circumstances such as a change of control or reconstruction
- Whether malus and clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which it shall be applied
- Making appropriate adjustments as required in certain circumstances, for instance changes in capital structure

- Determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment
- Undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and other incentive schemes, where applicable, from year to year

If an event occurs which results in the Annual Bonus Plan or LTIP performance conditions and / or targets being deemed no longer appropriate (e.g. material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. Any use of the above discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

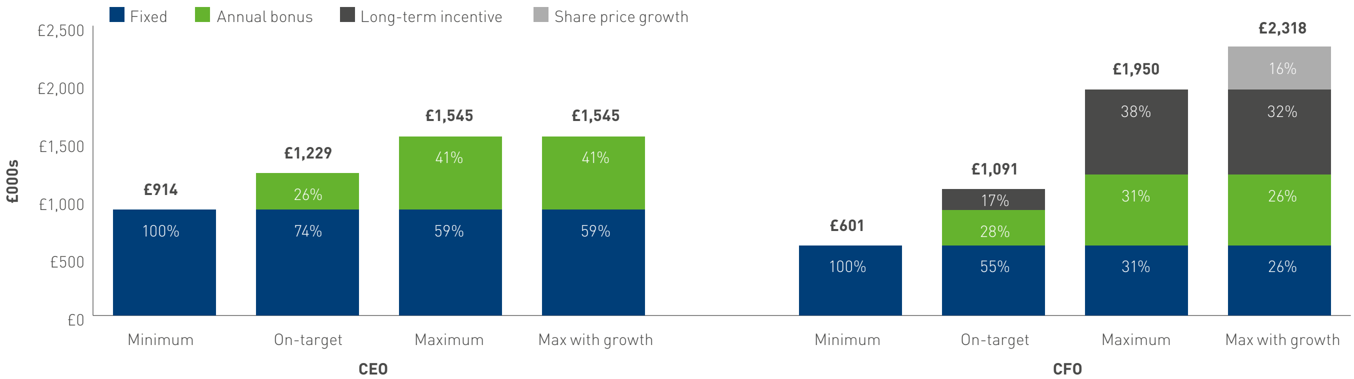
LEGACY ARRANGEMENTS

For the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the listing of the Company in November 2017 that have either been disclosed to shareholders in the prospectus or formed part of the pre-IPO Remuneration Policy. The Committee may also approve payments outside this Remuneration Policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) promotion to the Board.

All historic awards that were granted in connection with or prior to listing, but which remain outstanding, remain eligible to vest based on their original award terms.

REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

The charts below show an estimate of the 2020 remuneration package for each Executive Director under three assumed performance scenarios. These scenarios are based upon the Remuneration Policy set out above.



The scenarios used in the graphs above are defined as follows:

	Below target	Target	Maximum	Maximum with share price growth
Base salary[1]	As at 1 January 2020	As at 1 January 2020	As at 1 January 2020	As at 1 January 2020
Benefits	Estimated value for 2020	Estimated value for 2020	Estimated value for 2020	Estimated value for 2020
Pension	CEO: 15% of salary CFO: 20% of salary	CEO: 15% of salary CFO: 20% of salary	CEO: 15% of salary CFO: 20% of salary	CEO: 15% of salary CFO: 20% of salary
Bonus	0% of maximum	50% of maximum	100% of maximum CEO: 80% of salary CFO: 125% of salary	As per maximum
LTIP (CFO only)	0% of maximum	25% of maximum	100% of maximum CFO: 150% of salary	As per maximum but in addition a 50% share price increase over 3 years is assumed

[1] No account has been taken of the impact of the voluntary reduction in base salaries as set out in the Annual Statement.

OTHER REMUNERATION POLICIES

REMUNERATION FOR NEW APPOINTMENTS

Where it is necessary to appoint or replace an Executive Director, the Committee's approach when considering the overall remuneration arrangements in the recruitment of a new Executive Director is to take account of the calibre, expertise and responsibilities of the individual, his or her remuneration package in their prior role, and market rates. Remuneration will be in line with our Policy and the Committee will not pay more than is necessary to facilitate recruitment.

The remuneration package for a new Executive Director will be set in accordance with the terms of the Company's approved Remuneration Policy in force at the time of appointment. Further details are provided below:

Salary	The Committee will set a base salary appropriate to the calibre, experience and responsibilities of the new appointee. In arriving at a salary, the Committee may take into account, amongst other things, the market rate for the role and internal relativities. The Committee has the flexibility to set the salary of a new Executive Director at a lower level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance. In exceptional circumstances, the Committee has the ability to set the salary of a new Executive Director at a rate higher than the market level to reflect the criticality of the role and the experience and performance of the individual.
Benefits	Benefits will be consistent with the principles of the Policy set out on page 95. The Company may award certain additional benefits and other allowances including, but not limited to, those to assist with relocation support, temporary living and transportation expenses, educational costs for children and tax equalisation to allow flexibility in employing an overseas national.
Pension benefits	A maximum pension contribution of 3% of salary may be payable for external appointments. Any new Executive Director based outside the UK will be eligible to participate in pension or pension allowance, insurance and other benefit programmes in line with local practice.
Annual bonus	The maximum bonus opportunity is 150% of base salary.
Long-Term Incentive Plan	The maximum opportunity is 200% of base salary. This may be used on recruitment and on an ongoing basis, if appropriate.
Replacement awards	In addition to the above, the Committee may offer additional cash and/or share-based elements in order to 'buy out' remuneration relinquished on leaving a former employer. In the event that such a buyout is necessary to secure the services of an Executive Director, the structure of any award or payment will mirror, as far as is possible, the arrangements in place at the incoming Executive Director's previous employer. Any share awards made in this regard may have no performance conditions, or different performance conditions, or a shorter vesting period compared with the Company's existing plans, as appropriate. Shareholders will be informed of any buyout arrangements at the time of the Executive Director's appointment.
Notice periods	Notice periods shall be up to 12 months.

Depending on the timing and responsibilities of the appointment, it may be necessary to set different annual bonus / LTIP performance measures and targets from those applicable to other Executive Directors.

The terms of appointment for a Non-executive Director would be in accordance with the Remuneration Policy for Non-executive Directors as set out in the policy table.

TERMINATION AND LOSS-OF-OFFICE PAYMENTS

The Group's policy on remuneration for Executive Directors who leave the Group is consistent with general market practice and is set out on page 95. The Committee will exercise its discretion when determining amounts that should be paid to leavers, taking into account the facts and circumstances of each case.

It is the Company's policy that the period of notice for Executive Directors will not normally exceed 12 months and, accordingly, the employment contracts of the Executive Directors are terminable on 12 months' notice by either party. In the event of an Executive Director's departure, a payment in lieu of notice may be payable. The Company may pay the value of the Executive Director's base salary together with accrued holiday entitlement.

The Company is unequivocally against rewards for failure; the circumstances of any departure, including the individual's performance, would be taken into account in every case. Statutory redundancy payments may be made, as appropriate. Service agreements may be terminated without notice and without payment in lieu of notice in certain circumstances, such as gross misconduct. The Company may require the Executive Director to work during their notice period or may choose to place the individual on garden leave; for example, to ensure the protection of the Company's and shareholders' interests where the Executive Director has access to commercially sensitive information.

Except in the case of gross misconduct or resignation, the Company may at its absolute discretion reimburse for reasonable professional fees relating to the termination of employment and, where an Executive Director has been required to relocate, to pay reasonable repatriation costs, including possible tax exposure costs.

Ordinarily, Executive Directors have no entitlement to a bonus payment in the event they cease to be employed by the Group or are under notice of termination of employment at the date that their bonus would otherwise be paid. However, they may be considered for a bonus payment by the Committee in 'good leaver' circumstances (i.e. death, injury, disability, retirement, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee). Any such bonus payment would ordinarily be subject to a pro-rata reduction based on the period worked in the relevant year, and there would be no requirement for any portion of such bonus payment to be deferred into an award over shares under the Deferred Annual Bonus Plan.

In the event of an Executive Director's departure, any outstanding share awards will be treated in accordance with the plan rules as follows:

Deferred Annual Bonus Plan ("DABP")	As a general rule, a DABP award will lapse upon a participant ceasing to hold employment or ceasing to be a Director within the Group (where relevant). In the event of a participant's death, injury, disability, retirement, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, awards will not be forfeited but will instead normally vest in full on the original 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. In exceptional circumstances, the Remuneration Committee may allow the awards to vest on cessation of the participant's employment.
Long-Term Incentive Plan	As a general rule, an LTIP award will lapse upon a participant ceasing to hold employment or ceasing to be a Director within the Group (where relevant). However, if the participant ceases to be an employee or a Director within the Group because of their death, injury, disability, retirement, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, then their award will vest on the date when it would have vested if they had not so ceased. The extent to which an award will vest in these situations will depend upon two factors: • The extent to which the performance conditions (if any) have been satisfied at that time • 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: • The performance conditions measured at that time • Pro-rating by reference to the time of cessation as described above Such treatment shall also apply in the case of death.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

In accordance with long-established policy, all Executive Directors have rolling service agreements which may be terminated in accordance with the terms of these agreements. Directors' service agreements are kept for inspection by shareholders at the Company's registered office.

Name	Date of joining Bakkavor	Date of service contract	Notice period
Agust Gudmundsson	1 August 1986 (founder)	18 December 2011, as amended by a variation letter dated 2 October 2017	12 months either party
Peter Gates	9 November 2010	2 October 2017	12 months either party

POLICY ON EXTERNAL APPOINTMENTS

The Board believes that it may be beneficial to the Group for executives to hold non-executive directorships outside the Group. Any such appointments are subject to approval by the Board and the Director may retain any fees received at the discretion of the Board. Neither Executive Director currently holds any external non-executive directorships.

NON-EXECUTIVE DIRECTORS' TERMS OF ENGAGEMENT

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 nine years in total. In any event, each appointment is terminable by either party on one month's written notice. All Non-executive Directors are subject to annual re-election at each AGM. The dates of appointment of each of the Non-executive Directors serving at the date of this report are summarised in the table below.

Non-executive Director	Date of joining Bakkavor	Date of contract or date of appointment
Simon Burke (Chairman)	1 December 2016	20 October 2017
Sue Clark	20 October 2017	20 October 2017
Patrick Cook	12 July 2018	12 July 2018
Lydur Gudmundsson	1 August 1986 (founder)	20 October 2017
Denis Hennequin	20 October 2016	20 October 2017
Todd Krasnow	22 January 2016	20 October 2017
Jane Lodge	3 April 2018	3 April 2018

The Chairman, in consultation with the Executive Directors, is responsible for proposing changes to the Non-executive Directors' fees. The Remuneration Committee is responsible for proposing changes to the Chairman's fees.

In proposing such fees, account is also taken of the time commitments of the Group's Non-executive Directors. The decision on fee changes is taken by the Board as a whole. Individual Non-executive Directors do not take part in discussions in relation to their own remuneration.

ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and Rule 9.8.6 of the Listing Rules. The Annual Statement and Annual Report on Remuneration will be put to a single advisory shareholder vote at the AGM on 12 June 2020.

REPORT OF THE REMUNERATION COMMITTEE ("THE COMMITTEE")

COMMITTEE MEMBERSHIP

Chair	Denis Hennequin
Members	Sue Clark, Todd Krasnow

The Committee is formally constituted and operates on written Terms of Reference which are available at www.bakkavor.com.

The biographies of the Committee members are set out on pages 70 to 71.

Members of management including the Chief Executive Officer, the Chief Financial Officer, the Group HR Director and the Head of Reward and Engagement are invited to attend meetings where appropriate. The Group HR Director is the secretary to the Committee. Attendees are not involved in any decisions and are not present for any discussions regarding their own remuneration. The Company Chairman may attend meetings but is not present when his own remuneration arrangements are being decided.

MEETING ATTENDANCE FOR THE YEAR ENDED 28 DECEMBER 2019

The Committee met four times during the year.

	Attendance
Denis Hennequin (Committee Chair)	4 out of 4
Sue Clark	4 out of 4
Todd Krasnow	4 out of 4

INDEPENDENT ADVISERS

The Committee takes account of information from both internal and independent sources, including FIT Remuneration Consultants LLP ("FIT") which acts as the Committee's independent adviser. FIT was appointed during 2018 by the Remuneration Committee as a result of a tender process and advised the Committee on all aspects of senior executive remuneration, including remuneration trends and corporate governance best practice.

FIT is a founder member of the Remuneration Consultants' Group and complies with its Code of Conduct, which sets out guidelines to ensure that its advice is independent and free of undue influence. The Committee reviews the performance and independence of its advisers on an annual basis. Bakkavor incurred fees of £40,600 excluding VAT during 2019 relating to Remuneration Committee advice. FIT billed on a time and materials basis and did not provide any other services to Bakkavor during 2019.

SINGLE TOTAL FIGURE OF DIRECTORS' REMUNERATION – YEAR ENDED 28 DECEMBER 2019 (AUDITED)

The total remuneration of the individual Directors who served during the financial year is shown below.

£000s		Base salary	Benefits	Pension	Total fixed remuneration	Bonus	LTIP	Total variable remuneration	**Total remuneration**
Executive Directors									
Agust Gudmundsson [1]	**2019**	**769**	**8**	**115**	**892**	**95**	**–**	**95**	**987**
	2018	750	1	113	864	–	–	–	864
Peter Gates	**2019**	**479**	**12**	**96**	**587**	**93**	**–**	**93**	**680**
	2018	467	12	93	572	–	–	–	572
Non-executive Directors									
Simon Burke (Chairman)	**2019**	**200**	**–**	**–**	**200**	**–**	**–**	**–**	**200**
	2018	200	–	–	200	–	–	–	200
Robert Berlin [2]	**2019**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	2018	–	–	–	–	–	–	–	–
Sue Clark	**2019**	**70**	**–**	**–**	**70**	**–**	**–**	**–**	**70**
	2018	70	–	–	70	–	–	–	70
Patrick Cook [3]	**2019**	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**0**
	2018	0	–	–	–	–	–	–	0
Lydur Gudmundsson [4]	**2019**	**265**	**4**	**–**	**269**	**–**	**–**	**–**	**269**
	2018	274	1	–	275	–	–	–	275
Denis Hennequin	**2019**	**70**	**–**	**–**	**70**	**–**	**–**	**–**	**70**
	2018	70	–	–	70	–	–	–	70
Todd Krasnow [5]	**2019**	**100**	**8**	**–**	**108**	**–**	**–**	**–**	**108**
	2018	100	–	–	100	–	–	–	100
Jane Lodge [6]	**2019**	**70**	**–**	**–**	**70**	**–**	**–**	**–**	**70**
	2018	52	–	–	52	–	–	–	52
Total	**2019**	**2,023**	**32**	**211**	**2,266**	**188**	**–**	**188**	**2,454**
	2018	1,983	14	206	2,203	–	–	–	2,203

Notes to the remuneration table:

1 For Executive Directors, taxable benefits comprise car allowance (CFO only) and private medical cover. Lydur Gudmundsson is also entitled to medical cover in the UK for the benefit of his family. Agust Gudmundsson received additional benefits in the year to the value of £6,965.

2 Robert Berlin received no fee for his services and left his post on 11 July 2018.

3 Patrick Cook joined the Board on 12 July 2018, replacing Robert Berlin, and receives no fee for his services.

4 Lydur Gudmundsson's Non-executive Director base fee is £70,000 p.a. 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.U., and a service agreement between Bakkavor Iberica S.L.U. and Bakkavor Holdings Limited, Lydur Gudmundsson will continue to be employed to provide consulting services to the Group for a fee of €230,000 per annum. The exchange rate used to convert to GBP for the above table is £1:€1.18 (2018: £1:€1.13). Lydur Gudmundsson received additional benefits in the year to the value of £3,687.

5 Todd Krasnow's taxable benefits include travel and accommodation-related expenses which have been grossed up for tax.

6 Jane Lodge joined the Board on 3 April 2018.

2019 ANNUAL BONUS (AUDITED)

In 2019, employees were eligible for an annual bonus, subject to meeting performance objectives established at the beginning of the financial year by reference to suitably challenging corporate goals over the 12-month period. In 2019, the annual bonus targets and performance-related outcomes were as follows:

Metrics	Weighting	Threshold (0%)	Target (50%)	Maximum (100%)	Actual performance	% outcome
Group Adjusted EBITDA (post bonus provision)	40%	£150m	n/a	£160m	£153.5m	0%
Revenue	20%	£1,875m	n/a	£1,992m	£1,886m	0%
Free cash flow	20%	£44m	n/a	£54m	£51.1m	0%
Employee turnover*	20%	n/a	22.1%	19.9%	20.9%	15.5%
Total (% of max)						**15.5%**

* Employee turnover starts to earn at target performance, for which 50% of this element becomes payable. No bonus is capable of being earned below target performance. For other elements, a threshold level applies.

While Company performance against all measures resulted in each of the metrics being partially met, no bonus was payable against the three financial measures due to insufficient year-on-year progress in EBITDA. Therefore, bonus is only payable against the employee turnover measure.

The resulting annual bonus awards were as follows:

	Maximum bonus potential (% of salary)	Bonus award (% of the maximum)	Bonus award (% of salary)	Total bonus award	Amount paid in cash	Amount to be deferred	Normal deferral currency where relevant
Agust Gudmundsson	80%	15.5%	12.4%	£95k	£63k	£32k	Cash
Peter Gates	125%	15.5%	19.4%	£93k	£62k	£31k	Shares

The Remuneration Committee believes that the bonus outcome is a fair reflection of performance during the year and therefore has not applied any discretion when determining the outcome.

LONG-TERM INCENTIVE PLAN

AWARDS WITH PERFORMANCE PERIODS ENDING IN THE YEAR (AUDITED)

There were no LTIP awards granted after Bakkavor's listing that were capable of vesting based on performance relating to the year ending December 2019.

However, as disclosed in the Listing Prospectus, when Bakkavor was a private company, Peter Gates received 1,222,515 pre-IPO LTIP awards in 2017 structured in the form of share options with a 76.4 pence per share exercise price that are capable of vesting following the publication of the Company's audited financial results for the 2019 financial year. These awards were subject to continued service and the satisfaction of the two conditions set out below:

- 50% vests in April 2020 provided a liquidity event (i.e. IPO or Company sale) has occurred since the date of grant
- Provided that condition 1 above has been met, a further 25% vests in April 2020 if EBITDA for financial year 2019 is at least £175 million and a further 25% vests on a sliding scale for EBITDA of between £175 million and £190 million

The first condition was achieved but the EBITDA targets were not met and therefore 50% of these awards will vest. Based on the share price of £1.40 as at 28 December 2019, the gain on the 611,258 awards that will vest on 1 April 2020 is £388,760.

AWARDS GRANTED IN 2019 (AUDITED)

The following awards, structured as nil-cost options, were made under the LTIP in 2019 (the Chief Executive Officer does not participate in the LTIP):

	Date of grant	Basis of award (% of salary)	Face value of awards at grant	Number of shares under award	Date of vesting
Peter Gates	9 April 2019	150%	£718,013[1]	579,509	9 April 2022

[1] Based on the five-day average share price of £1.2388 to 8 April 2019.

These awards vest in 2022 subject to performance relating to (i) Adjusted earnings per share targets as to 50% of the award, and (ii) Relative total shareholder return targets as to the remaining 50% of the award. The details of these targets are shown in the tables below:

Adjusted EPS for 2021 (50% of award)	Portion of award vesting
Below 16.5 pence	0%
16.5 pence	25%
16.5 pence to 18.6 pence	Pro-rata on straight-line basis between 25% and 100%
18.6 pence	100%

Relative TSR[1] from January 2019 to December 2021 (50% of award)	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Pro-rata on straight-line basis between 25% and 100%
Upper quartile	100%

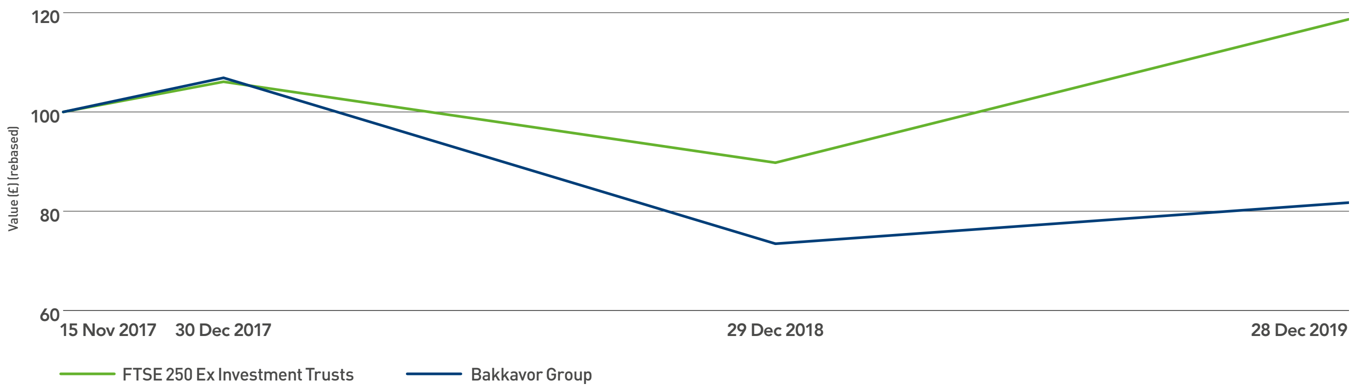
TSR is measured from January 2019 to December 2021 against the following companies: Associated British Foods, A.G Barr, Booker Group, Britvic, Coca-Cola HBC AG, Compass Group, Cranswick, Dairy Crest Group, Devro, Diageo, Domino's Pizza Group, DP Eurasia, EI Group[1], Fuller, Greencore Group, Greene King, Greggs, Hilton Food Group, JD Wetherspoon, J Sainsbury, Marston's, McColl's Retail, Mitchells & Butlers, Morrisons, Ocado Group, Premier Foods, PureCircle, Restaurant Group, SSP Group, Stock Spirits Group, Tate & Lyle, Tesco, Unilever and Whitbread.

1 It should be noted that Stonegate is in the process of purchasing EI Group and is addressing concerns raised by the Competition and Markets Authority.

TOTAL SHAREHOLDER RETURN ("TSR")

The chart below shows the Company's TSR performance compared with that of the FTSE 250 Index (excluding investment trusts) over the period from the date of the Company's Admission to the London Stock Exchange to 28 December 2019. The FTSE 250 Index is considered by the Board to be the most appropriate broad equity index comparator for Bakkavor.

TSR is defined as the return on investment obtained from holding a company's shares over a period. It includes dividends paid, the change in the capital value of the shares and any other payments made to or by shareholders within the period.



Source: Datastream (Thomson Reuters)

OUTSTANDING LTIP AWARDS

Details of all outstanding share awards made to the Chief Financial Officer (the Chief Executive Officer does not participate in the LTIP) are set out below:

	Award type	Ex. price	Grant date	Interest at December 2018	Awards granted in year	Awards lapsed in year	Awards vested in year	Interest at December 2019	Date of vesting / exercise period
Peter Gates	Pre-IPO LTIP	£0.764	3 July 2017	1,222,515	–	–	–	1,222,515	See note 1
	LTIP	£0	9 April 2018	399,372	–	–	–	399,372	
	LTIP	£0	9 April 2019	–	579,509	–	–	579,509	See note 2

1 As set out on page 93 611,258 of Peter Gates' 1,222,515 awards will vest in April 2020.

2 See LTIPs granted in 2019 section above.

PAYMENTS TO FORMER DIRECTORS AND FOR LOSS OF OFFICE (AUDITED)

No payments were made to former Directors of the Company or in relation to loss of office during the year.

EXTERNAL DIRECTORSHIPS

Neither of the Executive Directors currently hold non-executive directorships at any companies outside the Bakkavor Group.

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)

The share interests of each Director as at 28 December 2019 (together with interests held by connected persons) are set out in the table below. As a direct link between executive remuneration and the interests of shareholders, the Committee has implemented shareholding guidelines for Executive Directors and key senior employees. The guidelines require that Executive Directors build up and maintain an interest in the Ordinary shares of the Company that is 200% of their annual base salary, and retain half of any vested deferred bonus and Long-Term Incentive Plan awards (net of any taxes due) until this guideline is met.

Shareholdings for Directors who have held office during the year ended 28 December 2019 are set out as a percentage of salary or fees in the table below. During the period from 28 December 2019 to the publication of this report, there have been no changes in the Directors' share interests, with the exception of Lydur Gudmundsson, as detailed in the footnote below, and none of the other Directors hold any loans against their shares or otherwise use their shares as collateral.

	28 December 2019	29 December 2018	Beneficially owned shares: Value of owned shares as a % of salary	Beneficially owned shares: 200% of salary shareholding guideline met?	Unvested shares subject to performance conditions
Executive Directors					
Agust Gudmundsson	**142,103,505**	145,333,130	26,434%[1]	Yes	–
Peter Gates	**nil**	nil	0%	No	2,201,396
Non-executive Directors					
Simon Burke (Chairman)	**50,000**	50,000	n/a	-	-
Robert Berlin	**nil**	nil	n/a	–	–
Sue Clark	**nil**	nil	n/a	–	–
Patrick Cook	**nil**	nil	n/a	–	–
Lydur Gudmundsson	**142,103,505**[2]	145,333,130	n/a	–	–
Denis Hennequin	**nil**	nil	n/a	–	–
Todd Krasnow	**nil**	nil	n/a	–	–
Jane Lodge	**nil**	nil	n/a	–	–

1 Calculation based on share price of £1.43 as at 28 December 2019.

2 As notified to the market on 11 April 2019, Umbriel Ventures Limited, the corporate holding structure and Person Closely Associated with Lydur Gudmundsson, entered into a Security Interest Agreement (the "Agreement") with HSBC Bank plc, Guernsey Branch (the "Bank") on 10 April 2019 granting a pledge in favour of the Bank over 130,000,000 Ordinary shares in the Company as security in connection with the Agreement. Lydur Gudmundsson remains the beneficial owner of the 130,000,000 shares subject to the pledge and retains control of the voting rights attached to such shares. Therefore, Lydur's total interests in the voting rights of the Company are 142,103,505 Ordinary shares of 2 pence each.

ALIGNING PAY WITH PERFORMANCE

The total remuneration figures for the Chief Executive Officer in 2019 and 2018 are shown in the table below, along with the value of bonuses paid, and Long-Term Incentive Plan vesting, as a percentage of the maximum opportunity.

	2019	2018	2017
Total remuneration (£000)	**£987**	£864	£1,063
Actual bonus (% of the maximum)	**12.4%**	0%	34%
LTIP vesting (% of the maximum)	**n/a**	n/a	n/a

No LTIP awards were eligible to vest over the period. The Chief Executive Officer does not participate in any share award schemes.

PERCENTAGE CHANGE IN REMUNERATION

The table below shows the percentage change in salary, benefits and annual bonus earned between the year ended 29 December 2018 and the year ended 28 December 2019 for the Chief Executive Officer compared to the average earnings of all of the Group's other UK employees. The Committee chose the Group's UK employees for pay comparison with the Chief Executive Officer as the most meaningful comparator group.

	CEO	Company average
Salary	2.5%	2.5%
Benefits	581%[1]	n/a
Annual bonus	n/a	n/a

Given the makeup of our c.20,000 workforce, the majority of UK employees do not participate in an annual bonus scheme or receive benefits and therefore it is not possible to make any meaningful comparison on the percentage change in annual bonus or benefits.

1 The CEO received additional benefits in the year to the value of £6,965.

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table shows the Company's actual spend on pay for all Group employees relative to dividends:

	2018	2019	% increase
Staff costs	£489.5m	**£522.0m**	7.6%
Dividends[1]	£11.6m	**£34.8m**	200%

1 Final 2018 dividend of £23.2m paid on 29 May 2019 and interim dividend of £11.6m paid on 11 October 2019. The 2018 figure was for an interim dividend only.

CEO PAY RATIO

In line with the new reporting regulations, set out below is the ratio of Group CEO pay compared to the pay of UK full-time equivalent employees for the financial year ended 28 December 2019. We expect the pay ratio to vary from year to year, driven largely by the annual bonus outcome for the Group CEO, which will significantly outweigh any other changes in pay at Bakkavor. The pay ratios are calculated using Option B for the CEO and UK employees. The CEO single total figure remuneration of £987k is given in the table above.

FY ended 28 December 2019	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
	Option B	56:1	39:1	36:1

Bakkavor has calculated the pay ratio using Option B alongside its gender pay data, as it involved the simplest method of calculation, given our large number of employees. Total remuneration for all UK full-time equivalent employees of the Company on 28 December 2019 has been calculated in accordance with the Option B methodology. Set out in the table below is the base salary and total pay and benefits for each of the percentiles.

£	25th percentile	Median	75th percentile
Salary	£17,217	£22,347	£25,452
Total pay and benefits	£17,734	£25,469	£27,587

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2019

ANNUAL BASE SALARY

Base salaries for the Executive Directors, effective 1 January 2020, are set out below:

	Base salary 2019	Base salary 2020	% increase
Agust Gudmundsson	**£768,750**	**£787,969**	**2.5%**
Peter Gates	**£478,675**	**£490,642**	**2.5%**

Salary increases for the CEO and CFO are aligned to the budgeted salary increase for the salaried employees in 2020. Since the changes to salaries were agreed, the company has been impacted by COVID-19. In light of this the CEO and CFO have agreed voluntary reductions to their salaries. For the three-month period starting 1 April 2020, the CEO will not take a salary and the CFO's will be reduced by 20%.

BENEFITS AND PENSION

No changes are proposed to the provision of pension and benefits for current Executive Directors in 2020. Executive Directors will continue to receive benefits that include family private medical insurance, life assurance, income protection, health screening and Company car/car allowances. In line with the Policy, the Executive Directors will continue to receive a cash allowance in lieu of pension equal to 15% per annum for the Chief Executive Officer and 20% of base salary per annum for the Chief Financial Officer.

Any new Executive Directors appointed to the Board would be in line with the general workforce contribution rate of 3% of salary.

BONUS

The 2020 annual bonus maximum, as a percentage of base salary, is as follows:

Agust Gudmundsson	80% of salary
Peter Gates	125% of salary

As mentioned in the Annual Statement, for 2020 the annual bonus for the Executive Directors has been simplified and will comprise two measures, set out below, which are both Key Performance Indicators of the business.

- Adjusted EBIT for the Group (75%)
- Employee engagement measured through staff turnover (25%)

The Committee felt that Adjusted EBIT was a more appropriate profit measure than EBITDA, as it takes into account the cost of the recent higher level of capital expenditure spend and will be a Group KPI for 2020.

It is not possible to disclose specific targets in advance, as this would give a clear indication of the Group's business objectives, which are commercially sensitive. However, full details of the targets and performance against them will be disclosed in next year's Annual Report.

Awards for financial measures will be subject to an underlying performance override, enabling them to be scaled back to reflect the Group's underlying performance as well as malus and clawback.

In line with the Remuneration Policy, one-third of any bonus earned will be deferred for three years, conditional upon continued employment. Deferral for the Chief Executive Officer will be in cash (given his current shareholding), whereas the Chief Financial Officer's deferral will be in shares.

LONG-TERM INCENTIVE PLAN

The Committee had intended to grant awards of nil-cost options under the Long-Term Incentive Plan in April 2020 to the Chief Financial Officer, in line with the Policy set out in this report. Given the sudden impact of COVID-19, the Remuneration Committee decided to delay the grant of the award until later in the year. Full details of the grant including the measures and targets will be set out in the RNS announcement at the time of making the award. Reflecting his founder status and his current shareholding, the current Chief Executive Officer does not participate in the Long-Term Incentive Plan.

Awards will be subject to a two-year holding period following the three-year performance period as well as malus and clawback. In addition, before an award vests the Committee must be satisfied that the underlying performance of the Group is satisfactory. The Committee believes that having a performance override is an important feature of the plan, as it mitigates the risk of unwarranted vesting outcomes.

NON-EXECUTIVE DIRECTORS' FEES FOR 2020

Fees for the Non-executive Directors and Chairman have increased by 2.5% and are as follows:

	Fee
Chairman	£205,000
Base Non-executive Director fee	£71,750

Notes:

Todd Krasnow's annual fee is increased by 2.5% to £102,500 p.a.

Patrick Cook does not receive any fees for his role as Non-executive Director.

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.U., and a service agreement between Bakkavor Iberica S.L.U. and Bakkavor Holdings Limited, Lydur Gudmundsson is 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.

No additional fee is payable to any Non-executive Directors for additional responsibilities such as serving on a Committee of the Board. Each Non-executive Director is also entitled to reimbursement of reasonable expenses, including transatlantic travel expenses.

Following the impact of COVID-19 on the business the Chairman and the Non-executive Directors have voluntarily agreed to a 50% reduction to their fees for 3 months. During this time, Lydur Gudmundsson has agreed to waive his full fee.

SHAREHOLDER VOTING

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Company seeks to understand the reasons for any such vote and will report any actions in response to it. The following table sets out actual voting at the AGM on 23 May 2019 in respect of the Directors' Remuneration Report for the year ended 29 December 2018:

	Remuneration Report	
	Total number of votes	% of votes cast
For	544,463,976	99.72%
Against	1,549,279	0.28%
Total votes cast (excluding withheld votes)	**546,013,255**	**100.0%**
Total votes withheld	467	0.00%
Total votes cast (including withheld votes)	**546,013,722**	**100.00%**

On behalf of the Board

DENIS HENNEQUIN
Chair, Remuneration Committee
5 May 2020

DIRECTORS' REPORT

The Directors present their report, together with the Audited Group Financial Statements, for the year ended 28 December 2019.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company produces and markets fresh prepared food in the United Kingdom, the United States of America and China. The Company employs approximately 20,000 employees worldwide and is headquartered in London, UK.

DIRECTORS' REPORT CONTENT

The Strategic Report, the Corporate Governance Report and the Directors' Remuneration Report are all incorporated by reference into this Directors' Report and should be read as part of this report.

REGISTERED OFFICE

Bakkavor Group plc is incorporated as a public limited company and is registered in England with the registered number 10986940. Bakkavor Group plc's registered office is Fitzroy Place, 5th Floor, 8 Mortimer Street, London, W1T 3JJ. Our registrars are Equiniti Limited, located at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

CORPORATE GOVERNANCE STATEMENT

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTRs") Rule 7, a requirement exists for a corporate governance statement to be included in this Directors' Report. The corporate governance statement, explaining how the Group complies with the Governance Code, is set out on page 68. A description of the composition and operation of the Board and its Committees is set out on pages 69 to 72.

The Group has complied throughout the accounting period with the 2016 Code and adopts some key elements of the 2018 Code published in 2018. The Group intends to comply with the 2018 Code in our next Annual Report.

STRATEGIC REPORT

Section 414A of the Companies Act 2006 ("the Act") requires the Directors to present a Strategic Report in the Annual Report and Financial Statements. This information can be found on pages 2 to 65.

MANAGEMENT REPORT

For the purposes of DTR Rules 4.1.5R (2) and 4.1.8, the Directors' Report and the Strategic Report on pages 2 to 65 comprise the Management Report.

DISCLOSURES

This Directors' Corporate Governance Report fulfils the requirements of the Directors' Report for the purposes of the Act. The Strategic Report can be found on pages 2 to 65, and encompasses our corporate social responsibility report.

In line with the Regulations which implement the European Union Accounting Directive (SI 2015/980), a complete list of the Group's subsidiaries has been included on pages 177 to 178 to comply with section 409 of the Act.

We have chosen, in accordance with the Act, to include certain information in our Strategic Report or Financial Statements that would otherwise be required to be disclosed in the Directors' Report. These are as follows:

	Page
Important events since the financial year end	180
Likely future developments in the business	14
Research and development	144
Use of financial instruments	158
Employee engagement	41
Greenhouse gas emissions	38
Risk management	54
Details of subsidiaries	177

LISTING RULE 9.8.4R DISCLOSURES

In accordance with Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, the table below sets out the location of the following sections/information within the Annual Report and Accounts:

Listing rule 9.8.4	Required disclosure	Page reference
(1)	Interest capitalised and tax relief	Note 9 to the Financial Statements
(2)	Publication of unaudited financial information	Not applicable
(3)	Details of long-term incentive schemes	Note 33 to the Financial Statements and Directors' Remuneration Report on pages 92 to 111
(4)	Waiver of emoluments by a Director	Directors' Remuneration Report on pages 92 to 111
(5)	Waiver of future emoluments by a Director	Not applicable
(6)	Non pre-emptive issues of equity for cash	Not applicable
(7)	Non pre-emptive issues of equity for cash by major subsidiary undertakings	Not applicable
(8)	Parent participation in a placing by a listed subsidiary	Not applicable
(9)	Contracts of significance involving a Director	Page 114 of Directors' Report
(10)	Provision of services by a controlling shareholder	Page 114 of Directors' Report
(11)	Shareholder waivers of dividends	Not applicable
(12)	Shareholder waivers of future dividends	Not applicable
(13)	Agreements with controlling shareholders	Page 114 of Directors' Report

RESULTS

The results for the year ended 28 December 2019 are set out in the Financial Statements on page 125.

DIVIDEND

The Group's profit for the financial year, after taxation, amounts to £36.9 million (2018: £67.2 million). An interim dividend of 2 pence per Ordinary share was paid on 11 October 2019.

Due to the impact of COVID-19 on the business as a post balance sheet event and the pro-active steps currently being taken around cash and investment, the Board has decided to suspend the proposed final dividend as originally announced with the Preliminary Results on 27 February 2020. Consequently, the resolution in relation to the declaration of the final dividend will not be put forward at the AGM to be held on 12 June 2020. The Board will review dividend policy in due course.

DIRECTORS' INSURANCE AND INDEMNITIES

Bakkavor has made qualifying third-party provisions (as defined in the Act) for the benefit of its Directors. These provisions were in force throughout the year and remain at the date of this Annual Report. In accordance with the Articles, and to the extent permitted by law, Bakkavor may indemnify its Directors out of its own funds to cover liabilities arising as a result of their office.

Bakkavor holds Directors' and officers' liability insurance cover for any claim brought against Directors or officers for wrongful acts in connection with their positions, but the cover does not extend to claims arising from dishonesty or fraud.

APPOINTMENT AND RETIREMENT OF DIRECTORS

The rules governing the appointment and replacement of Directors can be found in the Articles, the 2018 Code, the Act and related legislation. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board.

At the AGM, all Directors will offer themselves for re-election to the Board. All Directors' biographies are set out on pages 70 to 71.

SERVICE CONTRACTS

The Company's policy regarding Directors' service contracts and appointment terms is to take account of market practice and to ensure that notice periods are not excessive.

No Director has a service contract with a notice period in excess of one year.

DIRECTORS' SHARE INTERESTS

The share interests of the Directors at 28 December 2019 and as at the date of the publication of this report are:

Name	Number of shares	% of voting rights	Number of shares	% of voting rights
Simon Burke	50,000	0.01%	50,000	0.01%
Agust Gudmundsson	142,103,505	24.52%	142,103,505	24.52%
Lydur Gudmundsson	142,103,505	24.52%	142,103,505	24.52%

During the period between 29 December 2018 and 28 December 2019, Carrion Enterprises Limited, a corporate holding structure of Agust Gudmundsson, sold 3,229,625 shares. Umbriel Ventures Limited, a corporate holding structure of Lydur Gudmundsson, sold 3,229,625 shares. There were no further changes in the year.

BOARD OF DIRECTORS

The Directors of the Company during the year are set out below and Directors' biographies are set out on pages 70 to 71 of this report. Subject to company law and the Articles, the Directors may exercise all of the powers of the Company and delegate their power and discretion to committees.

The powers of the Directors are set out in the Schedule of Matters Reserved to the Board, which is available on the Bakkavor website at www.bakkavor.com/investors/governance.

CURRENT DIRECTORS EXCEPT AS NOTED

Name	Role	Appointed
Simon Burke	Chairman	20 October 2017
Sue Clark	Independent Non-executive Director	20 October 2017
Patrick Cook	Non-independent Non-executive Director	12 July 2018
Peter Gates	Chief Financial Officer	20 October 2017
Agust Gudmundsson	Chief Executive Officer	28 September 2017
Lydur Gudmundsson	Non-independent Non-executive Director	20 October 2017
Denis Hennequin	Independent Non-executive Director	20 October 2017
Todd Krasnow	Independent Non-executive Director	20 October 2017
Jane Lodge	Independent Non-executive Director	3 April 2018

Subject to applicable law, the Articles and any directions given by special resolution, the business of the Company will be managed by the Board, which may exercise all powers of the Company.

SHARE CAPITAL AND CAPITAL STRUCTURE

The Company's issued share capital as at 28 December 2019 comprised a single class of share divided into Ordinary shares of 2 pence each. At the date of publication the Company's issued share capital comprised 579,425,585 Ordinary shares. Details of the Company's issued share capital are also shown in Note 28 to the Consolidated Financial Statements.

Details of employee share schemes are set out in Note 33 to the Consolidated Financial Statements.

RESTRICTIONS ATTACHING TO SHARES

The Company has a single class of share which carries no right to fixed income. Each share is non-redeemable, carries equal voting rights and ranks equally for dividends and capital distributions, whether on a winding up or otherwise.

There are no specific restrictions on the size of a holding nor on the transfer of Ordinary shares, which are both governed by the general provisions of the Articles and prevailing legislation.

The Company is not aware of any agreements between shareholders that may restrict the transfer or exercise of voting rights.

POWERS FOR THE COMPANY ISSUING OR BUYING BACK SHARES

Under the Articles, the Board has general and unconditional authority for each prescribed period to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company in accordance with section 551 of the Act.

The Company was given authority at the 2019 AGM to make market purchases of up to 10% of its issued share capital as permitted under the Articles. The Company made no purchases of its own Ordinary shares during the year ended 28 December 2019 and up to the date of this report.

This standard authority is renewable annually; the Directors will seek to renew this authority at the AGM to be held on 12 June 2020.

A special resolution will be proposed to renew the Directors' authority to repurchase the Company's shares within certain limits and as permitted by the Articles at the AGM to be held on 12 June 2020.

SIGNIFICANT AGREEMENTS AND RELATIONSHIP CHANGE OF CONTROL

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, property lease arrangements and employee share plans. None of these are considered to be significant (except as explained below) in terms of their likely impact on the business of the Group as a whole.

The agreement that governs the Company's Term Loan and Revolving Credit Facilities ("Facilities Agreement") provides that, on a change of control, any lender may on notice cancel its commitments under the Facilities Agreement. In the event of a takeover, the exercise by the lenders under the Facilities Agreement of the right to cancel could have a significant impact on the business of the Group, as the outstanding amounts thereunder would become immediately due and payable.

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

CONTROLLING SHAREHOLDERS

The aggregate shareholding in the Company of Carrion Enterprises Limited (the corporate holding structure of Agust Gudmundsson), Umbriel Ventures Limited (the corporate structure of Lydur Gudmundsson) and their concert party group (the "controlling shareholders") is 50.15%. The Company is party to a relationship agreement with Carrion Enterprises Limited, Umbriel Ventures Limited, the trustee(s) of The A.G. Trust (which owns 100% of Carrion Enterprises Limited) and the trustee(s) of The L.G. Trust (which owns 100% of Umbriel Ventures Limited). Lixaner Co Limited (an entity which is a concert party of Carrion Enterprises Limited and Umbriel Ventures Limited following its acquisition of Shares in the Company on 23 May 2019) executed a Deed of Adherence to the relationship agreement on 15 April 2020 and is duly bound by its terms.

This agreement regulates the relationship between the Company and the controlling shareholders as required by the Listing Rules, including Listing Rule 9.2.2AR(2)(a) and Listing Rule 6.1.4DR. In accordance with the requirements of Listing Rule 9.8.4R(14), the Board confirms that: (i) the Company has complied with the independence provisions set out in the relationship agreement during the period under review; and (ii) so far as the Company is aware, the controlling shareholders complied with the independence provisions set out in the relationship agreement during the period under review.

See the table on page 81 for details of the major shareholders in the Company.

RELATIONS WITH SHAREHOLDERS

The Board supports the aims of the 2016 Code and the UK Stewardship Code to promote engagement and interaction between listed companies and their major shareholders.

The Board welcomes the opportunity for investors and shareholders to engage directly with the Chairman and Senior Independent Director and also with the Chief Executive Officer and Chief Financial Officer. An appropriate range of investor relations events following the publication of the full-year and half-year results has been scheduled in 2020.

ANNUAL GENERAL MEETING

The AGM will be held on 12 June 2020 at Fitzroy Place, 5th Floor, 8 Mortimer Street, London, W1T 3JJ at 10.00am.

Full details of the resolutions to be proposed at the AGM as well as shareholders' rights with respect to attendance, participation in the meeting and the process for submission of proxy votes in advance of the meeting, are set out in the Notice of AGM.

Additional information for shareholders can be found on the Bakkavor website at www.bakkavor.com.

EMPLOYEES WITH DISABILITIES

Applications for employment by prospective employees with disabilities are given full and fair consideration having regard to candidates' aptitudes and abilities. On occasions where existing employees develop a disability, every effort is made to ensure that their employment with the Group continues and any reasonable adjustments are made. Appropriate training is also provided.

It is the policy of the Group that the training, career development and promotion of employees with disabilities should, as far as possible, be the same as that of our other employees. For further information, see page 44.

EMPLOYEE ENGAGEMENT

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees, and on the various factors affecting the performance of the Group. It does this through a formal process of employee forums, where representatives meet annually with the Chief Executive Officer to review business performance.

The Group also works closely with union representatives on recognised sites. To build on this further Sue Clark, an Independent Non-executive Director on the Board, has taken on a new role as our Designated Non-executive Director to engage with employees.

Sue has a real passion for employee engagement and will help to ensure that the 'employee voice' is represented in the boardroom. In taking on this additional responsibility, and in order to give Sue greater insight, she has been involved in the review of our recent employee engagement survey in September 2019, as well as attending two meetings with the Group Employee Forum and a Site Employee Forum.

Employee feedback is sought on a regular basis via the employee engagement survey and this is used to develop site- specific action plans. Briefing processes take place at each site and are supported by the Company magazine, "Just Made", which includes highlights of the Group's latest published financial results. For further information, see page 13.

ENGAGEMENT WITH SUPPLIERS AND CUSTOMERS

For details on how we have engaged with suppliers and customers, see page 12.

CHARITABLE DONATIONS

Bakkavor supports its chosen charities, Action Against Hunger and FareShare. In addition, our employees raise money at each factory site for local causes of their choice.

Bakkavor continues to promote economic and social wellbeing in all of its locations. It is active in supporting local community projects and initiatives, including supporting a number of local schools and investing in young talent. For further information, see page 46.

POLITICAL DONATIONS

No political donations were made during the financial year.

GOING CONCERN

Bakkavor's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 2 to 65. The financial position of the Company, its cash flows, liquidity position and borrowing facilities, as well as the Company's objectives, policies and processes for managing capital, are described on pages 140 to 145 and in Note 27. Financial risk management objectives and exposures to credit risk and liquidity risk are described in Note 27. The Directors consider that the Company's business activities and financial resources ensure that it is well placed to manage its business risks successfully. The Directors are satisfied that:

- The Company's activities are sustainable for the foreseeable future, and that the business is a going concern
- It is appropriate to continue to adopt a going concern basis in the preparation of the financial statements

Please see Principal Risks and Uncertainties on pages 58 to 65 and Note 2 of the Financial Statements for further detail including the potential impact of COVID-19 on the business.

VIABILITY STATEMENT

In line with the 2016 Code, the Directors have carried out a rigorous review of the prospects of the current business, and its ability to meet its liabilities through to at least the end of December 2022. For further information see page 57 and the subsequent events mentioned below.

DIRECTORS' STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditor in connection with preparing its report, of which the Auditor is unaware. Each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's Auditor is aware of that information. This confirmation is given pursuant to s418 of the Act and should be interpreted in accordance with and subject to these provisions.

SUBSEQUENT EVENTS

Please refer to Note 36 to the Group Financial Statements.

On 18 March 2020 the Group completed a refinancing of its core debt facilities amounting to £410 million through a new term loan and revolving credit facility totalling £455 million. The new facilities are due to mature in March 2024, with an option to extend the tenor by a further two years subject to lender approval.

The impact of COVID-19 on the business is a non-adjusting post balance sheet event. Please see the risk section for an update on the impact of COVID-19 on the business.

The Directors' Report was approved by the Board on 5 May 2020.

By order of the Board

ANNABEL TAGOE-BANNERMAN
Group General Counsel & Company Secretary
Bakkavor Group plc
Company no. 10986940
5 May 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable IFRSs, as adopted by the European Union, have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company. These records must also enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance – Board section, confirm that, to the best of their knowledge:

- The Company Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company
- The Group Financial Statements, which have been prepared in accordance with IFRSs, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The Strategic Report includes a fair review of the development and performance of the business, and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

AGUST GUDMUNDSSON
Chief Executive Officer
5 May 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAKKAVOR GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

IN OUR OPINION:

- Bakkavor Group plc's Group Financial Statements and Company financial statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 28 December 2019, and of the Group's profit and cash flows for the 52 week period (the "period") then ended;
- The Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union;
- The Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and Parent Company statements of financial position as at 28 December 2019; the consolidated income statement and consolidated statement of comprehensive income and expense, the consolidated statement of cash flows, and the consolidated and Parent Company statements of changes in equity for the 52 week period then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

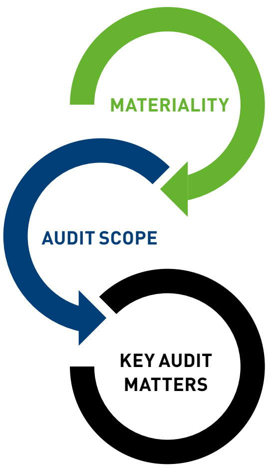
Other than those disclosed in Note 6 to the Financial Statements, we have provided no non-audit services to the Group or the Company in the period from 30 December 2018 to 28 December 2019.

OUR AUDIT APPROACH

CONTEXT

This is our first year as auditors of the Group.

OVERVIEW



- Overall Group materiality: £4.1 million, based on 5% of a three-year average of underlying profit before tax.
- Overall Company materiality: £3.6 million, based on 1% of net assets.

- Audit of the complete financial information of eight components, and specified procedures over a further seven components.
- Audit coverage over 68% of Group revenue and 69% of underlying profit before tax.
- Group audit team visited all UK component sites and three sites in the US.
- Full scope audit of the Company.

- Completeness, accuracy and cut-off of customer deduction accruals.
- Risk of impairment of goodwill and intangible assets.
- Valuation of deferred tax assets relating to the US.
- Classification of exceptional items.
- Possible impact from national minimum wage enquiry.
- Going concern consideration relating to COVID-19.

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Based on our understanding of the Group/industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, pensions legislation, UK tax legislation and breaches of health and safety including food safety. We then considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the preparation of the Financial Statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates.

The Group engagement team shared this risk assessment with the component auditors, so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Group's whistleblowing helpline, and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to calculation of customer deduction accruals and impairment of goodwill and intangible fixed assets (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above, and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matters relating to the Group	How our audit addressed the key audit matter
Completeness, accuracy and cut-off of customer deduction accruals Refer to the Accounting policies in Note 2 of the Consolidated Financial Statements. The Group has commercial arrangements in place which provide incentives to customers in the form of volume-related rebates, marketing and promotional funding, discounts, lump sum incentives or royalty payments ("customer deductions"). As described in the accounting policies, these are treated as a reduction in revenue. The complexity of customer deductions depends on the specifics of each arrangement. Some arrangements relating to specific products or promotions are simple and do not involve judgement, whereas other arrangements may cover multiple manufacturing sites, multiple products or span period ends and these are more complex and sometimes require judgement in estimation of the liability arising. The complexity is based on how likely it is that the criteria set out in the arrangement will be met. Often arrangements are not co-terminus with the Group's year end date. We focused on this area because complexity gives rise to management judgement and estimation in the accounting for these accruals. Estimation is required in assessing the expected level of rebates for the agreement period, which then drives the year end accrual. Expected levels of rebates are driven by the forecast sales volumes and ongoing negotiations with the Group's customers. Management judgement is required when assessing if unclaimed historic accruals are no longer required.	At the planning stage of the audit, we assessed the design and implementation of controls over the customer deduction process. We understood the accounting policies for treatment of customer deduction accruals. Following our review and discussions with management, revenue has been restated for the classification of realisation of commercial contracts in the Income Statement, as set out in Note 2. We retrospectively reviewed management's historical accuracy of accruals recorded in the previous year by comparison to the amounts subsequently settled during the current year. We assessed the completeness, accuracy and cut-off of accruals made in the period: • We performed risk assessment analytics by reviewing the rebate expense as a percentage of revenue by customer. We also performed gross margin analysis year on year, which could be indicative of inaccurate accruals. • We obtained management's schedule of customer deduction accruals which analyses the opening accrual to closing accrual with reference to amounts utilised, amounts accrued in the period and amounts released. We verified the mathematical accuracy of the schedule. • We selected a sample of new accruals recorded in the period and agreed to contracts or correspondence with the customer to determine if the accrual had been accurately calculated using the terms and conditions of the relevant arrangement. We also verified the sales value or volume to which the accrual related to test for completeness and cut off and recomputed the accrual. • We selected a sample of accruals utilised in the period by agreeing to debit notes and payments/settlements made with the customer. • We selected a sample of accruals released in the period to verify that they met the Group's accounting policy regarding passage of time. • In order to test for completeness, we performed sample testing of payments/settlements made or debit notes received for a period of time subsequent to the year end date. • We substantively tested cut-off of revenue transactions, which underpin the values/volumes of sales for customer deduction calculations. We also assessed the disclosures of the arrangement in the financial statements. We found no exceptions as a result of our testing.

Key audit matters relating to the Group	How our audit addressed the key audit matter
Risk of impairment of goodwill and intangible assets Refer to the Accounting policies in Note 2; and Note 13 of the Consolidated Financial Statements. The Group has goodwill of £651.2m (2018: £650.2m), as set out in Note 13 to the Financial Statements. The cash-generating unit grouping ("CGU grouping") with the lowest level of headroom in the impairment test was International (US only). At 28 December 2019 the Group recognised goodwill of £47.2 million and other assets of £61.0 million in relation to this CGU grouping. Further details are included in Note 13. We focused on this area as management judgement is required to establish the recoverable amount of the goodwill in the value in use models. This includes judgement around the cash flow forecasts, discount rate and long-term growth rate. These items are all subjective and susceptible to management bias and execution risk and could lead to an impairment charge if incorrect. The US CGU is currently experiencing significant growth, which further increases the level of judgement inherent in the forecasts which underpin the impairment assessment.	At the planning stage of the audit, we assessed the design and implementation of controls over the impairment review process. • We obtained the impairment model prepared by management and tested the technical and arithmetic accuracy to ensure that they had been prepared in line with the guidance provided in IAS 36. • We used internal valuation experts to determine whether management's discount rate was appropriate. • We used internal valuation exerts to determine if long-term growth rates used in the impairment model were consistent with external sources of evidence. • We assessed the short-term forecasts used in the model. This included, but was not limited to: agreeing forecasts to Board approved plans where available, assessing the revenue growth rates, assessing margin assumptions and capex forecasts, reviewing management's historic accuracy of forecasting, and understanding customer growth plans. The Group audit partner toured the facilities and met with plant management to challenge the forecasts at the following locations: – Carson, California; – Charlotte, North Carolina; and – San Antonio, Texas. • We performed sensitivity analysis by reducing cash inflows and increasing the discount rate to understand the impact that possible changes could have. We concluded that while no impairment charge is required, the US CGU was sensitive to reasonably possible changes in assumption and therefore we also assessed and concurred with the disclosures relating to this in the Financial Statements.
Valuation of deferred tax assets relating to the US Refer to the Accounting policies in Note 2 and Note 23 of the Consolidated Financial Statements. Deferred tax assets have been recognised, relating to losses arising in the US business. The recoverability of losses is contingent upon generation of taxable profits in the future against which the losses will be utilised. We focused on this area as management judgement is required to establish if sufficient taxable profits are forecast to occur. The forecasts are subjective and susceptible to management bias and execution risk. The US CGU is currently experiencing significant growth, which further increases the level of judgement inherent in the forecasts.	At the planning stage of the audit, we assessed the design and implementation of controls over the recognition and assessment of recoverability of the deferred tax assets. • We obtained the forecasts for the US business which underpin management's assessment of the recoverability of the deferred tax assets. • We assessed the short-term forecasts used in the model. Specifically, we agreed forecasts to Board-approved plans where available, assessed the revenue growth rates and margin assumptions with reference to historic performance, management's historic accuracy of forecasts, detailed budgetary plans and customer growth plans. The Group audit partner toured the facilities. • We recomputed the forecast available taxable profits and compared to the deferred tax assets recognised. We concluded that the forecasts for the US business supported the valuation of the deferred tax asset recognised.

Key audit matters relating to the Group	How our audit addressed the key audit matter
Classification of exceptional items Refer to the Accounting policies in Note 2 and Note 7 of the Consolidated Financial Statements. The Financial Statements include a number of items that are disclosed as exceptional in nature. These total £20.3 million (2018: 21.9 million) before tax. We focused on this area because the classification as exceptional items requires judgement to identify such items. Incorrect classification of these items could lead to misinterpretation of the financial results.	We assessed the appropriateness of the Group's accounting policy and whether those items disclosed as exceptional are consistent with the accounting policy and the approach taken in previous accounting periods. In relation to the exceptional items recorded in the year: • For costs relating to US disruption, we toured the facilities affected to verify explanations provided by management around re-purposing manufacturing facilities. • For costs relating to UK disruption, we reviewed the customer contract to which the disruption related. • We agreed a sample of costs incurred to supporting evidence to verify the accuracy of the cost and its exceptional nature. Evidence included third party invoices, redundancy payments, allocation of dedicated internal staff time and analysis of operating inefficiencies. • For asset impairments recorded, we verified the book values to accounting records and confirmed that the related facilities had been closed. Following our review and discussion with management at the half year, management changed its disclosure to only include those items considered as exceptional in the consolidated income statement, with a further adjusting Alternative Profit Measure being disclosed in the notes to the Financial Statements to include other items not considered to be exceptional, but which Management did not include in its assessment of underlying profit. We found the Group's accounting policy to be appropriate and, following the change noted above, the classification of items to be consistent with the accounting policy.
Possible impact from National Minimum Wage enquiry Refer to the Accounting policies in Note 2 and Note 32 of the Consolidated Financial Statements. The Group is currently subject to a National Minimum Wage enquiry by HMRC. The Directors consider that there is a possible financial impact from the enquiry, but given the stage of the enquiry and associated uncertainty, have determined that they are not able to reliably quantify the potential financial impact. As such, a contingent liability note has been included in the financial statements but no provision has been made.	We have reviewed correspondence between the Group and HMRC regarding the enquiry. We have reviewed correspondence with the Group's external experts to understand the possible range of outcomes including likely time period under review, legal precedent, and the impact of financial penalties. Using our internal experts, we have assessed management's calculation of a range of possible outcomes including whether any financial penalties may become due. We have recomputed a probability based liability in order to assess if this could be material and concluded that it was not.

Key audit matters relating to the Group	How our audit addressed the key audit matter
Going concern consideration for COVID-19 Management and the Board have considered the potential impact of the non-adjusting post balance sheet events that have been caused by the global pandemic of COVID-19 on the current and future operations of the business. In doing so, management has had particular focus on the company's ability to continue as a going concern. As a result of the impact of COVID-19 on the freshly prepared food sector, the wider economy and the company's share price, management, the Board, and the Audit and Risk Committee have spent a large amount of time to fully consider the implications for Bakkavor. As such, we have determined that management's consideration of the potential impact of COVID-19 on going concern to be a key audit matter.	In assessing management's consideration of the potential impact of COVID-19, we have undertaken the following procedures: • We obtained management's paper that supports the Board's assessment and conclusions with respect to the disclosures provided around going concern and viability; • We discussed with management the impact assessments applied in the going concern review so we could understand and challenge the rationale for those assumptions, using our knowledge of the business, the sector and wider commentary available from key customers; • We reviewed monthly trading results to February 2020, and weekly trading results thereafter for 2020 year to date, and compared to management's original budget and revised forecasts, and considered the impact of these actual results on the future forecast period; • We understood the mitigating actions taken by management, including suspending the dividend payment and furlough of some employees; • We reviewed management's sensitivity scenario, which also includes further potential mitigating actions available to confirm they are within management's control. We challenged management to run further downside scenarios in order to assess the possible impact; • We assessed the availability of liquid resources under different scenarios modelled by management, and the associated covenant tests applied; • We have also assessed additional downside sensitivities and considered the impact on covenants and liquidity headroom. Based on the information available at the time of the directors' approval of the financial statements, we consider the scenarios to be reasonable and that preparation of the financial statements on a going concern basis remains appropriate, whilst noting that the impact of COVID-19 on future sales and other inputs is difficult to quantify with certainty.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured according to manufacturing sites, each of which is a component and which maintains certain accounting records and controls. The Group Financial Statements are a consolidation of reporting units, comprising the manufacturing sites and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each reporting component. No single reporting component was determined to be significant due to its size or risk profile.

All audit work was performed by the Group audit team with the exception of China. Under our instruction, we used our PwC network firm in China to perform specified procedures over Chinese components, as they are familiar with the local laws and regulations in this territory. The Group audit team was in contact, at each stage of the audit, with the component audit team through regular written communication alongside detailed instructions issued by the Group audit team.

Accordingly, we identified eight UK components which, in our view, required a full audit of their complete financial information in order to ensure that sufficient appropriate audit evidence was obtained. We also identified a US component and five Chinese components and the Inbound Logistics component to which specific audit procedures were performed to ensure that we had sufficient audit coverage over financial statement line items.

The Group consolidation, Financial Statement disclosures and a number of centralised functions were audited by the Group audit team at the head office. These included, but were not limited to, central procedures over exceptional items, pensions, taxation, fair value adjustments relating to acquisitions, and goodwill and intangible asset impairment assessments.

We also performed Group level analytical procedures on all of the remaining out of scope reporting units to identify whether any further audit evidence was needed. This resulted in no extra testing.

This audit work resulted in coverage over 68% of Group revenues and 69% of underlying profit before tax.

The Group audit team visited all in scope UK components. The Group audit team, including the Group audit partner, visited three US component sites.

The Company was also subject to a full scope audit by the Group audit team.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual Financial Statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£4.1 million.	£3.6 million.
How we determined it	5% of a three-year average of underlying profit before tax.	1% of net assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, underlying profit before tax is a key measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. A three-year average is used due to fluctuations in underlying profit before tax, which do not represent changes in the overall size of the business.	We believe that net assets is an appropriate benchmark for a non-trading holding company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £3.0 million and £0.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £200,000 (Group audit) (2018: £240,000) and £180,000 (Company audit) (2018: £240,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 28 December 2019 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 115 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

- The Directors' explanation on page 115 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 116, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 88-91 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

DIRECTORS' REMUNERATION

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework, and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- The Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 23 May 2019 to audit the Financial Statements for the year ended 28 December 2019 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

ARIF AHMAD (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
5 May 2020

CONSOLIDATED INCOME STATEMENT
52 WEEKS ENDED 28 DECEMBER 2019

£ million	Notes	52 weeks ended 28 December 2019 Underlying activities	Exceptional items[1]	Total	Restated[2] 52 weeks ended 29 December 2018 Underlying activities	Exceptional items[1]	Total
Continuing operations							
Revenue	4,5	**1,885.9**	**–**	**1,885.9**	1,857.2	–	1,857.2
Cost of sales		**(1,375.0)**	**(1.6)**	**(1,376.6)**	(1,370.6)	–	(1,370.6)
Gross profit		**510.9**	**(1.6)**	**509.3**	486.6	–	486.6
Distribution costs		**(77.1)**	**–**	**(77.1)**	(77.2)	–	(77.2)
Other administrative costs		**(344.6)**	**(18.7)**	**(363.3)**	(298.1)	(21.5)	(319.6)
Loss on disposal of subsidiary	29	**–**	**–**	**–**	–	(4.6)	(4.6)
Share of results of associates after tax	17	**0.5**	**–**	**0.5**	0.4	–	0.4
Operating profit/(loss)		**89.7**	**(20.3)**	**69.4**	111.7	(26.1)	85.6
Finance costs	9	**(18.7)**	**–**	**(18.7)**	(13.2)	–	(13.2)
Other gains and (losses)	10	**(6.9)**	**–**	**(6.9)**	1.3	4.2	5.5
Profit/(loss) before tax		**64.1**	**(20.3)**	**43.8**	99.8	(21.9)	77.9
Tax (charge)/credit	11	**(10.9)**	**4.0**	**(6.9)**	(14.9)	4.2	(10.7)
Profit/(loss) for the period attributable to equity holder of the Parent Company	6	**53.2**	**(16.3)**	**36.9**	84.9	(17.7)	67.2
Earnings per share							
Basic	12			**6.4p**			11.6p
Diluted	12			**6.3p**			11.5p

[1] The Group presents its income statement with three columns. The Directors consider that the underlying activities results better represent the ongoing operations and key metrics of the Group. Details of exceptional items can be found in Note 7 and include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs, disruption costs, pre-commissioning and start-up losses for new manufacturing facilities, impairment of assets, disposals of subsidiaries and associates and fair value adjustments. In addition, the Group uses further alternative performance measures which can be found in Note 38.

[2] See Note 2 for details of the restatement.

The Notes to the accounts form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

52 WEEKS ENDED 29 DECEMBER 2019

£ million	Notes	52 weeks ended 28 December 2019	52 weeks ended 29 December 2018
Profit for the period		**36.9**	67.2
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	34	**8.3**	(6.3)
Tax relating to components of other comprehensive income/(expense)	11	**(1.4)**	1.0
		6.9	(5.3)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(6.8)**	7.7
		(6.8)	7.7
Total other comprehensive income		**0.1**	2.4
Total comprehensive income		**37.0**	69.6

The Notes to the accounts form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 DECEMBER 2019

£ million	Notes	28 December 2019	29 December 2018
Non-current assets			
Goodwill	13	**651.2**	650.2
Other intangible assets	14	**2.7**	3.0
Property, plant and equipment	15	**553.7**	426.9
Interests in associates and other investments	17	**12.6**	12.6
Deferred tax asset	23	**27.2**	19.6
Retirement benefit asset	34	**9.7**	–
Derivative financial instruments	22	**–**	0.2
		1,257.1	1,112.5
Current assets			
Inventories	18	**64.4**	62.8
Trade and other receivables	19	**131.7**	142.7
Cash and cash equivalents	20	**25.9**	12.4
Derivative financial instruments	22	**–**	1.9
		222.0	219.8
Total assets		**1,479.1**	1,332.3
Current liabilities			
Trade and other payables	25	**(390.4)**	(392.0)
Current tax liabilities		**(3.9)**	(6.5)
Borrowings	21	**(36.7)**	(5.0)
Lease liabilities	24	**(11.8)**	(1.6)
Provisions	26	**(5.9)**	(3.3)
Derivative financial instruments	22	**(3.3)**	–
		(452.0)	(408.4)
Non-current liabilities			
Trade and other payables	25	**(0.6)**	(2.3)
Borrowings	21	**(340.5)**	(308.5)
Lease liabilities	24	**(69.3)**	(3.9)
Provisions	26	**(14.4)**	(15.0)
Derivative financial instruments	22	**(0.2)**	–
Deferred tax liabilities	23	**(28.5)**	(24.3)
Retirement benefit obligation	34	**–**	(0.5)
		(453.5)	(354.5)
Total liabilities		**(905.5)**	(762.9)
Net assets		**573.6**	569.4
Equity			
Share capital	28	**11.6**	11.6
Merger reserve	28	**(130.9)**	(130.9)
Translation reserve	28	**27.0**	33.8
Retained earnings		**665.9**	654.9
Total equity		**573.6**	569.4

The Financial Statements of Bakkavor Group plc and the accompanying notes, which form an integral part of the Consolidated Financial Statements, were approved by the Board of Directors on 5 May 2020. They were signed on behalf of the Board of Directors by:

A GUDMUNDSSON
CHIEF EXECUTIVE OFFICER

P GATES
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
52 WEEKS ENDED 28 DECEMBER 2019

	Equity attributable to owners of the parent					
£ million	Share capital	Share premium	Merger reserve	Translation reserve	Retained earnings	Total equity
Balance at 31 December 2017	11.6	366.1	(130.9)	26.1	237.2	**510.1**
Profit for the period	–	–	–	–	67.2	**67.2**
Other comprehensive income/(expense) for the period	–	–	–	7.7	(5.3)	**2.4**
Total comprehensive income for the period	–	–	–	7.7	61.9	**69.6**
Cancellation of share premium account (Note 28)	–	(366.1)	–	–	366.1	**–**
Dividends paid (Note 28)	–	–	–	–	(11.6)	**(11.6)**
Credit for share-based payments (Note 33)	–	–	–	–	1.5	**1.5**
Deferred tax on share schemes	–	–	–	–	(0.2)	**(0.2)**
Balance at 29 December 2018	11.6	–	(130.9)	33.8	654.9	**569.4**
Profit for the period	–	–	–	–	36.9	**36.9**
Other comprehensive (expense)/income for the period	–	–	–	(6.8)	6.9	**0.1**
Total comprehensive (expense)/income for the period	–	–	–	(6.8)	43.8	**37.0**
Dividends paid (Note 28)	–	–	–	–	(34.8)	**(34.8)**
Credit for share-based payments (Note 33)	–	–	–	–	1.9	**1.9**
Deferred tax on share schemes	–	–	–	–	0.1	**0.1**
Balance at 28 December 2019	**11.6**	**–**	**(130.9)**	**27.0**	**665.9**	**573.6**

The Notes to the accounts form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

52 WEEKS ENDED 28 DECEMBER 2019

£ million	Notes	52 weeks ended 28 December 2019	52 weeks ended 29 December 2018
Net cash generated from operating activities	31	**114.0**	99.1
Investing activities:			
Dividends received from associates		**0.2**	0.7
Purchases of property, plant and equipment		**(98.9)**	(112.7)
Proceeds on disposal of property, plant and equipment		**1.1**	–
Acquisition of subsidiary	30	**(16.8)**	(8.5)
Disposal of subsidiary net of cash disposed of	29	**–**	(3.2)
Net cash used in investing activities		**(114.4)**	(123.7)
Financing activities:			
Dividends paid	28	**(34.8)**	(11.6)
Increase in borrowings		**62.2**	28.7
Payment of lease liabilities (2018: Payment of finance lease liabilities)		**(12.9)**	(1.1)
Net cash generated from financing activities		**14.5**	16.0
Net increase/(decrease) in cash and cash equivalents		**14.1**	(8.6)
Cash and cash equivalents at beginning of period		**12.4**	20.9
Effect of foreign exchange rate changes		**(0.6)**	0.1
Cash and cash equivalents at end of period		**25.9**	12.4

The Notes to the accounts form an integral part of the Consolidated Financial Statements.

1. GENERAL INFORMATION

Bakkavor Group plc is a public limited company incorporated and domiciled in England, United Kingdom (Company number: 10986940, registered office: Fitzroy Place 5th Floor, 8 Mortimer Street, London, W1T 3JJ). The Company's Ordinary shares are traded on the London Stock Exchange.

The principal activities of the Company and its subsidiaries (the "Group") comprise the preparation and marketing of fresh prepared food and the marketing and distribution of fresh produce. These activities are undertaken in the UK, US and China and products are primarily sold through high-street supermarkets.

In the current period, the Group has adopted the following Standards and Interpretations.

New or revised standards:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

Amendments:

IFRS 9	Prepayment Features with Negative Compensation
IFRS 15	Clarifications to IFRS 15 *Revenue from Contracts with Customers*

The impact of these Standards on the Financial Statements of the Group is discussed below.

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

New or revised standards:

IFRS 17	Insurance Contracts

Amendments:

IAS 1 and IAS 8	Definition of material
IFRS 3	Definition of a business
IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture
Framework	Revised Conceptual Framework for Financial Reporting
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long-term Interests in Associates and Joint Ventures
Various	Annual Improvements to IFRS Standards 2015-2017 Cycle
	IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*
IAS 19	Plan Amendment, Curtailment or Settlement

The Directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the Financial Statements of the Group.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and liabilities. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and has been completed in a number of stages, with the final version issued by the IASB in July 2014. IFRS 9 introduces new rules for hedge accounting and a new impairment model for financial assets. A complete review and assessment of IFRS 9 has been conducted with the conclusion that there is no material impact on net assets or retained earnings. On transition the Group has used the modified retrospective approach. No significant judgements had to be made in applying this standard.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. The standard provides a simplified approach as a practical expedient in assessing impairment of trade receivables, which the Group has adopted on transition. The Group's assessment was that no material adjustment was required to its trade receivables impairment provision as at 29 December 2018.

The hedge accounting requirements under IFRS 9 are optional. The Group did not apply the hedge accounting rules of IAS 39 and will also not apply those of IFRS 9. There is therefore no impact on the reported figures.

1. GENERAL INFORMATION (CONTINUED)

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 *Revenue from Contracts with Customers* specifies how and when an IFRS reporter recognises revenue, as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The application of this standard resulted in a change to the Group policy with respect to variable consideration, which is now recognised only when it is highly probable a significant reversal in the cumulative amount of revenue will not occur. On transition this was a full retrospective application but no retrospective adjustments were required. No significant judgements had to be made in applying this standard.

Under IFRS 15, an entity recognises revenue when, or as, a performance obligation is satisfied i.e. when control of the goods or services underlying the performance obligation is transferred to the customer. The introduction of IFRS 15 has not changed when the Group recognises revenue from that when applying the previous standard IAS 18 *Revenue*. The Group's revenue contracts typically include one performance obligation (delivery of the goods) with the performance obligation satisfied at a point in time when the control passes to the customer, which is deemed to be when the goods are received by the customer. The Group's goods are fresh prepared food and fresh produce. When the Group has satisfied its performance obligations, the customer will make payment in line with agreed payment terms. The Group does not expect to have any contracts where the period between transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for the time value of money.

Many of the Group's revenue contracts include an element of variable consideration, such as customer deductions for rebate arrangements or other incentives to customers. The arrangements can take the form of volume rebates, marketing fund contributions or promotional fund contributions. The Group recognises revenue net of such customer deductions in the period in which the arrangement applies only when it is highly probable a significant reversal in the cumulative amount of revenue will not occur. Volume based rebates are calculated on the Group's estimate of rebates expected to be paid to customers using the 'most likely amount' in line with IFRS 15 requirements, whereas fixed rebates are accounted for as a reduction in revenue over the life of the contract. For goods returned, the Group will recognise an obligation and reduce revenue accordingly at the time of notification.

IFRS 16 LEASES

IFRS 16 *Leases* introduces new or amended requirements with respect to lease accounting. IFRS 16 is effective for periods beginning on or after 1 January 2019, but the Group has chosen to early adopt the standard. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low-value assets. On transition the Group has used the 'modified retrospective, asset equals liability' approach. IFRS 16 has been applied by the Group from the start of the period by measuring the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The Group has not restated comparatives for the 52 weeks ended 29 December 2018 as permitted under the specific transitional provisions in the standard.

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered into or modified before 30 December 2018. The Group has also used the practical expedient of applying a single discount rate to a portfolio of similar leases (paragraph 10).

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 30 December 2018.

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Applying IFRS 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments. Future lease payments are discounted at the Group's weighted average incremental borrowing rate;
- Use the lease term specified in the contract. Where there are termination options in the contract it is assumed that these will not be exercised, and when there are extension options the Group assumes that these will be exercised;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement; and
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets* and any impairment is provided for by writing down the asset value. This replaces the previous requirement to recognise a provision for onerous lease contracts. In applying IFRS 16 for the first time, the Group used the practical expedient permitted by the standard to rely on previous assessments on whether leases are onerous as an alternative to performing an impairment review. The onerous leases amounted to £2.4 million at 30 December 2018.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis over the lease term as permitted by IFRS 16 paragraph 6. This expense is presented within other expenses in the consolidated income statement.

In the statement of cash flows, the Group as a lessee will classify:

- Cash payments for the principal portion of the lease liability within financing activities;
- Cash payments for the interest portion of the lease liability, applying the requirements in IAS 7 *Statement of Cash Flows* for interest paid; and
- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

FORMER FINANCE LEASES

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change does not have a material effect on the Group's Consolidated Financial Statements.

IMPACT ON THE FINANCIAL STATEMENTS

The following tables summarise the impact of adopting IFRS 16 on the consolidated income statement for the 52 weeks ended 28 December 2019, the consolidated statement of financial position as at 28 December 2019 and the consolidated statement of cash flows for the 52 weeks ended 28 December 2019.

CONSOLIDATED INCOME STATEMENT

£ million	Excluding IFRS 16 adjustments	IFRS 16 adjustments	As reported
Continuing operations			
Revenue	1,885.9	–	1,885.9
Cost of sales	(1,376.6)	–	(1,376.6)
Gross profit	509.3	–	509.3
Distribution costs	(77.1)	–	(77.1)
Other administrative costs	(363.9)	0.6	(363.3)
Share of results of associates after tax	0.5	–	0.5
Operating profit	68.8	0.6	69.4
Finance costs	(15.9)	(2.8)	(18.7)
Other gains and (losses)	(6.9)	–	(6.9)
Profit/(loss) before tax	46.0	(2.2)	43.8
Tax	(7.2)	0.3	(6.9)
Profit/(loss) for the period attributable to equity holders of the Parent Company	38.8	(1.9)	36.9
Earnings per share – basic	6.7p	(0.3p)	6.4p
Earnings per share – diluted	6.7p	(0.4p)	6.3p

In addition, there is a £2.4 million post-tax exceptional charge relating to the impairment of the right-of-use asset recognised in the now closed UK restaurant business.

1. GENERAL INFORMATION (CONTINUED)

IFRS 16 LEASES (CONTINUED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

£ million	Excluding IFRS 16 adjustments	IFRS 16 adjustments	As reported
Non-current assets			
Property, plant and equipment	480.3	73.4	553.7
All other non-current assets	703.4	–	703.4
	1,183.7	73.4	1,257.1
Current assets			
Trade and other receivables	132.4	(0.7)	131.7
All other current assets	90.3	–	90.3
	222.7	(0.7)	222.0
Total assets	1,406.4	72.7	1,479.1
Current liabilities			
Trade and other payables	(391.2)	0.8	(390.4)
Current tax liabilities	(4.8)	0.9	(3.9)
Borrowings including lease liabilities	(38.1)	(10.4)	(48.5)
Provisions	(6.0)	0.1	(5.9)
Derivative financial instruments	(3.3)	–	(3.3)
	(443.4)	(8.6)	(452.0)
Non-current liabilities			
Trade and other payables	(0.6)	–	(0.6)
Borrowings including lease liabilities	(341.4)	(68.4)	(409.8)
Provisions	(14.4)	–	(14.4)
Derivative financial instruments	(0.2)	–	(0.2)
Deferred tax liabilities	(28.5)	–	(28.5)
	(385.1)	(68.4)	(453.5)
Total liabilities	(828.5)	(77.0)	(905.5)
Net assets	577.9	(4.3)	573.6

CONSOLIDATED STATEMENT OF CASH FLOWS

£ million	Excluding IFRS 16 adjustments	IFRS 16 adjustments	As reported
Operating profit	68.8	0.6	69.4
Depreciation of property, plant and equipment	47.4	12.3	59.7
Net impact of all other operating cash flows before movements in working capital	5.6	–	5.6
Operating cash flows before movements in working capital	121.8	12.9	134.7
Movements in working capital	10.2	1.2	11.4
Cash generated by operations	132.0	14.1	146.1
Income taxes paid	(14.0)	–	(14.0)
Interest paid	(15.3)	(2.8)	(18.1)
Net cash generated from operating activities	102.7	11.3	114.0
Investing activities			
Net cash used in investing activities	(114.4)	–	(114.4)
Financing activities			
Payment of lease liabilities	(1.6)	(11.3)	(12.9)
Net impact of all other financing activities	27.4	–	27.4
Net cash generated from financing activities	25.8	(11.3)	14.5
Net increase in cash	14.1	–	14.1

At the transition date of 30 December 2018, the impact of IFRS 16 was:

£ million	IFRS 16 adjustments
Total assets increase at transition date	80.2
Total liabilities increase at transition date	(80.2)

The following table reconciles the operating lease commitments as at 29 December 2018 as shown in Note 34 of the Group's 2018 Annual Report to the lease liability at the transition date:

£ million	IFRS 16 adjustments
Operating lease commitments disclosed at 29 December 2018	96.5
Discounted using the incremental borrowing rate at 30 December 2018	85.6
Add: finance lease liabilities recognised at 29 December 2018	5.5
Less: low-value and short-term leases not recognised as a liability	(2.9)
Lease liability recognised as at 30 December 2018	88.2
Of which are:	
Current lease liabilities	12.5
Non-current lease liabilities	75.7
	88.2

The weighted average incremental borrowing rate applied to the lease liabilities at transition was 3.5%.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee and with the Companies Act 2006, as applicable to companies reporting under IFRS. The Financial Statements have also been prepared in accordance with IFRSs adopted by the European Union.

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

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments (which are stated at fair value) and the valuation of the retirement benefit asset/obligation.

Certain costs for the procurement business have been reclassified to correctly present them as an offset against revenue for the 52 weeks ended 29 December 2018 to conform with the current year presentation. This has the impact of reducing revenue and cost of sales by £3.6 million for the 52 weeks ended 29 December 2018. In addition, revenue has been restated to correctly present the impact of the finalisation of certain commercial arrangements. This resulted in a restatement to increase revenue and cost of sales by £5.6 million in the 52 weeks ended 29 December 2018. There is no impact to profit, basic or diluted earnings per share, cash flows or the statement of financial position as a result of these restatements.

The principal accounting policies adopted are set out below and have been applied consistently other than those described in Note 1.

GOING CONCERN

The Directors have reviewed the historical trading performance of the Group and the forecasts through to April 2021.

The Directors, in their detailed consideration of going concern, have reviewed the Group's future revenue projections and cash requirements, which they believe are based on prudent interpretations of market data and past experience. The Directors have also considered the Group's level of available liquidity under its financing facilities which were renewed on 18 March 2020 for a four-year period. The Directors have carried out a robust assessment of the potential implications from both the current COVID-19 outbreak and the terms of the UK's exit from the European Union at the end of 2020. Having taken these factors into account the Directors consider that adequate headroom is available based on the forecasted cash requirements of the business. At the date of this report, the Group has complied in all respects with the terms of its borrowing agreements, including its financial covenants, and forecasts to continue to do so.

Consequently, the Directors consider that the Company and 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 Financial Statements.

BASIS OF CONSOLIDATION

The Group Financial Statements comprise the Financial Statements of the parent undertaking and its subsidiary undertakings, together with the Group's share of the results of associated undertakings comprising a 52 or 53-week period ending on the Saturday nearest to 31 December. Where the fiscal year 2019 is quoted in these Financial Statements this relates to the 52-week period ended 28 December 2019. The fiscal year 2018 relates to the 52-week period ended 29 December 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSIDIARIES

Subsidiary undertakings are included in the Group Financial Statements from the date on which control is achieved and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved when the Group is exposed, or has 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 Group 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 Group.

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 remeasured 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 'Investments in associates' note below.

INVESTMENTS IN ASSOCIATES

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

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

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

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

REVENUE RECOGNITION

The Group sells fresh prepared foods and fresh produce, and revenue is recognised as the performance obligation to deliver goods to customers is satisfied and is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligation. Revenue on the sale of goods is recognised when control of the goods has passed to the buyer upon delivery to the customer and represents the value of sales to customers net of customer deductions and discounts, VAT and other sales-related taxes. The Group recognises revenue net of customer deductions and discounts in the period in which the arrangement applies only when it is highly probable a significant reversal in the cumulative amount of revenue will not occur. When the Group has satisfied its performance obligations, the customer will make payment in line with agreed payment terms. The Group does not expect to have any contracts where the period between transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for the time value of money. For goods returned, the Group will recognise an obligation and reduce revenue accordingly at the time of notification.

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

From the start of this period, the Group has adopted IFRS 16 *Leases* and the impact of this new standard, and the transition policy the Group has adopted, is explained in Note 1.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 30 December 2018.

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Applying IFRS 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments. Future lease payments are discounted at the Group's weighted average incremental borrowing rate;
- Use the lease term specified in the contract. Where there are termination options in the contract it is assumed that these will not be exercised and when there are extension options the Group assumes that these will be exercised;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement; and
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets* and any impairment is provided for by writing down the asset value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis over the lease term as permitted by IFRS 16 paragraph 6. This expense is presented within other expenses in the consolidated income statement.

In the statement of cash flows, the Group as a lessee will classify:

- Cash payments for the principal portion of the lease liability within financing activities;
- Cash payments for the interest portion of the lease liability, applying the requirements in IAS 7 *Statement of Cash Flows* for interest paid; and
- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

FOREIGN CURRENCY

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

In preparing the Financial Statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on 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 Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the annual average rate, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates 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 and updated products. Expenditure on research and development, where development costs do not meet the recognition criteria of IAS 38, 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 material items that are significant in nature, non-recurring and are important to users in understanding the business, including restructuring costs, disruption costs, pre-commissioning and start-up losses for new manufacturing facilities, impairment of assets, disposals of subsidiaries and associates, one-off finance costs relating to redemptions and other refinancing activities and fair value adjustments.

OPERATING PROFIT

Operating profit is stated after charging exceptional items, 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 PENSION 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 costs 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 the income statement 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.

SHARE-BASED PAYMENTS

An expense is to be recognised for goods or services acquired in a share-based transaction when the goods are obtained or the service received. The credit will be booked as either a liability or equity, depending on the type of share-based payment.

Equity-settled share-based payment transactions are transactions where Group shares are issued as consideration for goods or services. They are measured in the income statement at the fair value of the equity instrument granted at the date of grant with the corresponding amount booked to equity. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value calculation should reflect market-based performance conditions. The total expense will be reduced by estimates of options that will not vest (due to leavers or not meeting non-market-based performance criteria). Estimates of non-vesting are to be recalculated at each measurement date. For grants of equity instruments with market conditions, the entity shall recognise the goods and services from a counterparty who satisfies other vesting conditions, regardless of whether that market condition is satisfied.

When options are exercised, the share-based payment charge recognised in equity is transferred to share capital or share premium on the issue of new shares, or if the shares are purchased from the market to retained earnings to the extent it exceeds the cash paid.

Cash-settled share-based payment transactions arise where the Group pays a cash amount calculated by reference to the price of Group shares as consideration. The fair value of cash-settled options are calculated in line with the equity settled guidance, but are revalued at each reporting date until the liability is settled. Any changes in fair value are recognised in the income statement for the period. The liability is extinguished on exercise.

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.

Tax returns are prepared to adhere to tax rules and regulations and with all transactions being fully disclosed to the tax authorities. However, the complex nature of tax sometimes means that the legislation is open to interpretation. In such cases, judgement is required to quantify the tax liability to be reflected in the Financial Statements. If there is a reasonable possibility that tax authorities may take a different view from the position taken in the filed returns then this will be reflected in the Financial Statements in the form of a tax provision. In such cases, this provision will represent the full amount of any potential liability until the matter is agreed with the tax authorities.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)
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.

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 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

Depreciation is charged to Other administrative costs in the income statement.

Assets purchased through a lease agreement are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Right-of-use assets are depreciated over the term of the relevant lease.

Reviews of the estimated remaining useful lives 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.

CAPITALISED BORROWING COSTS
Borrowing costs incurred in financing the construction of qualifying assets such as property, plant and equipment are capitalised up to the date at which the relevant asset is substantially complete. Borrowing costs are calculated using the Group's weighted average cost of borrowing during the period of capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

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

CLASSIFICATION

From 30 December 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- Those to be measured at amortised cost.

For assets measured at fair value, gains and losses are recorded either in profit or loss or in OCI.

MEASUREMENT

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement depends on the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Impairment losses are presented as a separate line item in the income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Any fair value movement is recognised in the income statement and presented net within other gains and (losses) in the period in which it arises.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The Group classifies its trade receivable balances dependent on its objectives with respect to the collection of contractual cash flows. The Group operates non-recourse debtor factoring arrangements with four of its significant customers. Receivables generated from goods sold to these customers are subsequently measured at fair value through the income statement, as the objective of management is to sell the receivables (Held to sell business model). All other trade receivables are held with the objective of collecting the contractual cash flows, and so these are measured subsequently at amortised cost using the effective interest method (Held to collect business model).

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The Group does not apply hedge accounting, and therefore changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and included in other gains and (losses).

IMPAIRMENT

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of sales before 28 December 2019 or 29 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables and contract assets are presented in other administrative costs within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group's previous accounting policy for impairment of financial assets is set out below:

Financial assets, other than those at FVPL, are assessed for indications 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

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, and 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 uncollectable, 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.

FINANCIAL LIABILITIES

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

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 FVPL. The effective interest method is a method of both calculating the amortised cost of a debt instrument and 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.

FAIR VALUE MEASUREMENT

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 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.

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. Where a lease contract is onerous, the onerous provision is calculated as the costs of meeting the obligations under the contract excluding lease rentals that are included as part of the lease liability.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the amount of the obligation cannot be measured reliably. A contingent liability is disclosed in the Notes to the Financial Statements and is not recognised when the possibility of an outflow is more than remote. 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 Financial Statements and include the application of judgement, which is fundamental to the compilation of a set of Financial Statements:

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

There are no critical judgements to be disclosed.

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 workforce. Details of the principal actuarial assumptions used in calculating the recognised asset/liability for the defined benefit plan, and the sensitivity of reported amounts to changes in those assumptions, are given in Note 34.

IMPAIRMENT OF GOODWILL

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, significant assumptions are required and any changes to assumptions may lead to impairment charges being recognised. This critical judgement only applies to the International CGU. The Group has considered the impact of the assumptions used in the International CGU calculations and has conducted sensitivity analysis on the impairment test of the International CGU carrying value. See Note 13 for further details.

RECOGNITION OF DEFERRED TAX ASSET

Deferred tax assets have been recognised in respect of tax losses. Such assets depend on the extent to which tax losses are expected to be used against taxable profits in future periods. Management are therefore required to make forecasts of profits and to calculate if and when existing tax losses could be used. These forecasts take account of many factors including tax legislation and whether past losses are likely to recur. The Group performed its assessment of the use of the tax losses at 28 December 2019 and, based on expected profits and the fact that tax losses can be carried forward without time limit, concluded that the losses could be recognised in full as deferred tax assets. More details are in Note 11.

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 whether 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. Where there are ongoing negotiations with customers over the level of deduction, the Group makes its best estimate of the outcome based on a range of factors, including the latest negotiation position, past history and economic factors such as price inflation or deflation. As there is some judgement involved in the estimation of accruals, the Group has conducted a sensitivity analysis and a movement equivalent to 0.5% of revenue would result in a credit or debit to the Consolidated income Statement of £9.4 million (2018: £9.3 million).

4. SEGMENTAL INFORMATION

The chief operating decision-maker ("CODM") 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 in the US and China.

The Group manages the performance of its businesses through the use of 'Adjusted EBITDA', as defined in Note 38.

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 Group considers that the US and China businesses are one single operating segment and not two separate ones, as they meet the criteria as set out in IFRS 8 paragraph 5. In particular, the Group's management accounts show the information on which the CODM bases strategic decisions, with the majority of the key information split between the UK and International segments. In addition, key decisions on allocating resources, such as capital expenditure, are made on a UK/International basis.

The following table provides an analysis of the Group's segmental information for the period to 28 December 2019:

£ million	UK	International	Un-allocated	Total
Revenue	1,652.5	233.4	–	1,885.9
Adjusted EBITDA pre IFRS 16 (Note 38)	147.1	6.4	–	153.5
IFRS 16 impact	10.2	2.7	–	12.9
Adjusted EBITDA post IFRS 16 (Note 38)	157.3	9.1	–	166.4
Depreciation pre IFRS 16	(39.1)	(8.3)	–	(47.4)
Depreciation – IFRS 16 impact	(9.7)	(2.6)	–	(12.3)
Amortisation	(0.1)	(0.4)	–	(0.5)
Exceptional items (Note 7)	(17.5)	(2.8)	–	(20.3)
Start-up losses for new sites	–	(15.5)	–	(15.5)
Share scheme charges	(1.9)	–	–	(1.9)
Profit/(loss) on disposal of property, plant and equipment	0.6	(0.2)	–	0.4
Share of results of associates	–	0.5	–	0.5
Operating profit/(loss)	89.6	(20.2)	–	69.4
Finance costs				(18.7)
Other gains and (losses)				(6.9)
Profit before tax				43.8
Tax				(6.9)
Profit for the period				36.9
Other segment information:				
Capital additions	77.2	22.5	–	99.7
Interests in associates	–	12.5	–	12.5
Total assets	1,213.2	240.0	25.9	1,479.1
Non-current assets	1,038.2	182.0	–	1,220.2

All of the Group's revenue is derived from the sale of goods in 2019. There were no inter-segment revenues. The un-allocated assets of £25.9 million relate to cash and cash equivalents which cannot be readily allocated because of the Group cash-pooling arrangements that are in place to provide funds to businesses across the Group. Non-current assets exclude the deferred tax asset and the retirement benefit asset.

The following table provides an analysis of the Group's segmental information for the period to 29 December 2018:

£ million	UK	International	Un-allocated	Total
Revenue as previously reported	1,653.6	201.6	–	1,855.2
Restatement (Note 2)	2.0	–	–	2.0
Revenue restated	1,655.6	201.6	–	1,857.2
Adjusted EBITDA (Note 38)	147.7	5.8	–	153.5
Depreciation	(35.1)	(4.8)	–	(39.9)
Amortisation	–	(0.4)	–	(0.4)
Exceptional items (Note 7)	(11.1)	(15.0)	–	(26.1)
Share scheme charges	(1.5)	–	–	(1.5)
Loss on disposal of property, plant and equipment	(0.2)	(0.2)	–	(0.4)
Share of results of associates	–	0.4	–	0.4
Operating profit/(loss)	99.8	(14.2)	–	85.6
Finance costs				(13.2)
Other gains and (losses)				5.5
Profit before tax				77.9
Tax				(10.7)
Profit for the period				67.2

Other segment information:				
Capital additions	66.3	52.8	–	119.1
Interests in associates	–	12.5	–	12.5
Total assets	1,098.9	218.9	14.5	1,332.3
Non-current assets (excluding deferred tax)	929.8	162.9	0.2	1,092.9

All of the Group's revenue is derived from the sale of goods in 2018. There were no inter-segment revenues. The un-allocated amount of £14.5 million in total assets relates to cash and cash equivalents of £12.4 million which cannot be readily allocated because of the Group cash-pooling arrangements that are in place to provide funds to businesses across the Group, and £2.1 million that relates to derivative financial instruments. The un-allocated amount of £0.2 million in non-current assets relates to derivative financial instruments.

MAJOR CUSTOMERS

In 2019, the Group's four largest customers accounted for 76.0% (2018: 76.2%) of 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 a significant amount of the Group's revenue and are all in the UK segment. The percentage of Group revenue from these customers is as follows:

	2019	2018
Customer A	**32.3%**	30.2%
Customer B	**22.7%**	25.0%
Customer C	**10.9%**	11.5%
Customer D	**10.1%**	9.5%

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives all revenue from the sale of goods in the following geographic locations:

£ million	2019	Restated 2018
Continuing operations		
UK	**1,652.5**	1,655.6
US	**130.6**	112.9
China	**102.8**	88.7
	1,885.9	1,857.2

The International segment is formed by the US and China operations.

Upon completion of a customer order, the terms of the order allow 30 to 75 days for payment, dependent on the customer contract. The Group has in place trade receivable factoring arrangements. These are non-recourse arrangements which were applicable to 68.4% (2018: 69.2%) of the Group's total sales. These arrangements allow the Group to choose to factor the receivable from day 5 of the completion of the contract.

6. OPERATING PROFIT FOR THE PERIOD

Operating profit for the period has been arrived at after charging/(crediting):

£ million	2019	Restated[1] 2018
Continuing operations		
Depreciation of property, plant and equipment:		
• Owned	**46.4**	39.0
• Leased	**13.3**	0.9
Research and development costs	**7.3**	7.7
Cost of inventory recognised as an expense	**877.3**	885.5
Write-down of inventories recognised as a (credit)/expense	**(0.4)**	1.0
Amortisation of intangible assets	**0.5**	0.4
Exceptional items (Note 7)	**20.3**	26.1
(Profit)/loss on disposal of property, plant and equipment	**(0.4)**	0.4
Share scheme charges (Note 33)	**1.9**	1.5
Foreign exchange gains (Note 10)	**(0.4)**	(0.2)
Staff costs (Note 8)	**522.0**	489.5

[1] Staff costs have been restated for 2018. See Note 8 for details of the restatement.

The analysis of the Auditors' remuneration is as follows:

£ million	2019	2018
The audit of the Company's Consolidated Financial Statements	**0.1**	0.1
The audit of the Company's subsidiaries pursuant to legislation	**0.5**	0.4
Total audit fees	**0.6**	0.5
Taxation compliance services	**–**	0.1
Other transaction services	**0.2**	–
Total non-audit fees	**0.2**	0.1

Tax services for 2018 relate to overseas employment tax work under the derogation provisions for non-audit services.

All Auditors' remuneration in 2019 relates to work performed by PricewaterhouseCoopers LLP (2018: Deloitte LLP).

7. EXCEPTIONAL ITEMS

The Group's financial performance is analysed in two ways; underlying performance (which does not include exceptional items) and exceptional items that are material and not expected to reoccur. The Directors consider that the underlying activities results better represent the ongoing operations and key metrics of the Group.

Exceptional items includes material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs, disruption costs, pre-commissioning and start-up losses for new manufacturing facilities, impairment of assets, disposals of subsidiaries and associates and fair value adjustments:

£ million	2019	2018
Continuing operations		
New site costs	**–**	12.4
Disruption costs	**6.6**	2.6
GMP equalisation	**–**	2.6
Restructuring costs, impairment and onerous lease provision	**13.7**	5.2
Gain on bargain purchase	**–**	(1.3)
Loss on disposal of subsidiary (Note 29)	**–**	4.6
Operating profit	**20.3**	26.1
Release of other payable (Note 10)	**–**	(4.2)
Profit before tax	**20.3**	21.9
Tax on exceptional items	**(4.0)**	(4.2)
Profit after tax	**16.3**	17.7

2019

The Group incurred £20.3 million of net costs presented as exceptional items in 2019 of which £6.6 million related to disruption costs; £2.8 million as our factory in California was repurposed for ready meal manufacturing and changes to the hummus production process; and £3.8 million in the UK, as the business prepared for the launch of significant new products later in Q3 2019. In addition, the Group incurred £13.7 million of restructuring and impairment costs in the UK. Of this, £7.7 million related to the closure of a meals business in Lincolnshire, comprising cash closure costs of £4.2 million and plant and equipment asset impairments of £3.5 million. A further charge of £4.3 million has been recognised for the closure of the Group's non-core UK fast casual restaurant business. The remaining £1.7 million is primarily for redundancy costs following changes to our commercial and marketing structure.

2018

The Group incurred £21.9 million of exceptional costs in 2018 of which £12.4 million related to the initial start-up and pre-commissioning of new factories in the US and China, and £2.6 million for disruption costs as the existing factory in California was repurposed for ready meal manufacturing. In addition, an onerous lease provision of £1.7 million was made in respect of the Group's non-core UK fast casual restaurant business, and there was a charge of £2.6 million in respect of meeting the change in Guaranteed Minimum Pension ("GMP") for the defined benefit pension scheme which came into force from October 2018. The Group also incurred an impairment charge of £3.5 million in the year in respect of tangible fixed assets, as the relevant assets no longer had any future value to the Group, recorded a gain of £1.3 million on the acquisition of Haydens Bakery in September 2018 and a loss of £4.6 million on the disposal of Anglia Crown in July 2018. In addition, 2018 includes a gain of £4.2 million on the release of an amount in other payables that was held at fair value in respect of a potential liability for a disputed historical claim which has not materialised and was time-barred.

8. STAFF COSTS

The average monthly number of employees (including Executive Directors) during the period was:

	2019 Number	2018 Number
Continuing operations		
Production	**16,759**	16,706
Management and administration	**2,424**	2,183
Sales and distribution	**922**	953
	20,105	19,842

Their aggregate remuneration comprised:

£ million	2019	Restated[1] 2018
Continuing operations		
Wages and salaries	**456.9**	429.1
Social security and other costs	**53.1**	48.9
Other pension costs (Note 34)	**12.0**	11.5
	522.0	489.5

[1] Wages and salaries have been restated for 2018 to include £2.8 million of employee costs that had been previously classified as overheads within distribution costs. In addition, social security and other costs for 2018 have been restated to include £1.6 million of staff benefits that were previously excluded from staff costs.

Details of the emoluments paid to Directors are included on page 106 of the Directors' Remuneration Report and in Note 35.

9. FINANCE COSTS

£ million	2019	2018
Continuing operations		
Interest on borrowings	**16.6**	14.1
Interest on lease liabilities (2018: Interest on finance leases)	**3.0**	0.2
Unwinding of discount on provisions (Note 26)	**0.2**	0.4
Total interest expense	**19.8**	14.7
Less: amounts included in the cost of qualifying assets	**(1.1)**	(1.5)
	18.7	13.2

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.0% (2018: 2.8%) to expenditure on such assets. Interest on lease liabilities for the 52 weeks ended 28 December 2019 includes a £2.8 million charge following the application of IFRS 16.

Amounts included in the cost of qualifying assets have been capitalised under IAS 23 and are therefore subject to deferred tax; the deferred tax charge to income was £0.1 million (2018: £0.3 million).

10. OTHER GAINS AND (LOSSES)

£ million	2019	2018
Continuing operations		
Foreign exchange gains	**0.4**	0.2
Change in the fair value of derivative financial instruments	**(7.3)**	1.1
Release of other payable	**–**	4.2
	(6.9)	5.5

Other gains and (losses) for 2018 includes a gain of £4.2 million on the release of an amount in other payables that was held at fair value in respect of a potential liability for a disputed historical claim which has not materialised and is now time-barred. This has been classified as an exceptional item in the consolidated income statement.

11. TAX

£ million	2019	2018
Continuing operations		
Current tax:		
Current period	**12.5**	16.8
Prior period adjustment	**(0.2)**	1.5
Total current tax charge	**12.3**	18.3
Deferred tax:		
Deferred tax relating to the origination and reversal of temporary differences in the period	**(5.5)**	(3.0)
Deferred tax relating to changes in tax rates	**(0.3)**	(0.2)
Prior period adjustment	**0.7**	–
Benefit arising from previously unrecognised temporary differences of a prior period	**(0.8)**	(4.6)
Unrecognised tax loss originating in the current period	**0.5**	0.2
Total deferred tax credit (Note 23)	**(5.4)**	(7.6)
Tax charge for the period	**6.9**	10.7

UK corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group tax charge for the period was £6.9 million (2018: £10.7 million). The £6.9 million charge represents an effective tax rate of 15.8% (2018: 13.7%) on profit before tax of £43.8 million (2018: £77.9 million). Most of the Group's profits were earned in the UK, where the statutory tax rate was 19% for 2019 (2018: 19%).

The main reason for the lower effective rate was because of the increased recognition of deferred tax assets in respect of losses in overseas subsidiaries. These are only recognised to the extent that the losses are expected to be used against future profits. A deferred tax asset has been recognised in respect of tax losses in the US. This asset amounts to £15.9 million (2018: £9.1 million). Such tax losses are an asset because they can be used to offset future taxable profits and thereby reduce future tax payments.

The tax losses arise mainly because of high levels of capital expenditure incurred in recent years. This relates to the construction of new and upgraded production facilities in the US, the costs of which are largely tax deductible in the year in which they are incurred. It is expected that such levels of expenditure will not recur in future and forecasts indicate that there will be sufficient taxable profits in the US to utilise all the losses within the next nine years.

Tax losses in the US can be carried forward without time limit. This means that if the actual profits turn out to be less than predicted then the losses could still be used but over a period longer than nine years. For example, if actual profits are 10% less than forecast then the losses would be used over 10 years. A reduction of 50% would mean the losses being used over 15 years. The use of the tax losses in the US against future US profits has been identified by the Group as a key source of estimation uncertainty. This is discussed further in Note 3.

Overseas tax rates which are different from the UK rate do not have a material impact on the tax charge and it is expected that this will continue to be the case in future. This is particularly so now that the US federal rate is 21%, which is close to the UK statutory rate of 19%.

Excluding exceptional items and other adjusting items the effective tax rate was 17.5% (see Note 38).

The charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	2019 £ million	2019 %	2018 £ million	2018 %
Profit before tax:	**43.8**	**100.0**	77.9	100.0
Tax charge at the UK corporation tax rate of 19% (2018: 19%)	**8.3**	**19.0**	14.8	19.0
Non-taxable income	**(0.5)**	**(1.1)**	(0.5)	(0.6)
Adjustment in respect of prior periods	**0.5**	**1.1**	1.5	1.9
Tax effect of losses carried forward not recognised	**0.5**	**1.1**	0.2	0.3
Unprovided deferred tax assets now recognised	**(0.8)**	**(1.8)**	(4.6)	(5.9)
Overseas taxes at different rates	**(0.8)**	**(1.8)**	(0.5)	(0.7)
Deferred tax change in rate	**(0.3)**	**(0.7)**	(0.2)	(0.3)
Tax charge and effective tax rate for the period	**6.9**	**15.8**	10.7	13.7

In 2019, the tax risk provision was £nil (2018: £nil) because it is considered unlikely that the tax authorities will take a different approach to any material calculations of tax liability. There are currently no open disputes with any tax authorities in any of the countries in which we operate.

It is anticipated that the effective tax rate in the medium term will be slightly lower than the UK corporation tax rate of 19% because overseas tax losses are being recognised at a rate higher than 19%. The rate for 2020 is expected to be between 18% and 19%.

We continue to believe that Bakkavor will be unaffected by tax legislation aimed at combatting international tax avoidance. Such legislation has arisen as a result of measures introduced by the OECD known as the "BEPS" project (Base Erosion / Profit Shifting). Although Bakkavor is a multinational company, it does not engage in any of the activities targeted by that legislation.

In addition to the amount charged to the consolidated income statement, a £1.4 million charge (2018: £1.0 million credit) relating to tax on the defined benefit pension scheme actuarial surplus has been recognised directly in other comprehensive income. Also, a deferred tax credit of £0.1 million (2018: £0.2 million charge) has been recognised in equity in relation to share schemes under IFRS 2.

Deferred tax has been calculated at the tax rate applicable for the period in which the temporary differences are expected to reverse. The Finance Act 2016 provided for the UK corporation tax to be reduced from 19% to 17% with effect from April 2020. The Financial Statements have therefore been prepared on the basis that UK temporary differences will reverse at 17%. However, it is expected that this change may now not occur, and legislation may be introduced to maintain the rate at 19%. If this happens then the tax charge for 2019 and deferred tax liability at 28 December 2019 would be £2.2 million higher.

12. 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.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares.

The calculation of the basic and diluted earnings per share is based on the following data:

EARNINGS

£ million	2019	2018
Profit attributable to equity shareholders of the Company	**36.9**	67.2

NUMBER OF SHARES

'000	2019	2018
Weighted average number of Ordinary shares	**579,426**	579,426
Effect of potentially dilutive Ordinary shares	**3,922**	2,993
Weighted average number of Ordinary shares including dilution	**583,348**	582,419

	2019	2018
Basic earnings per share	**6.4p**	11.6p
Diluted earnings per share	**6.3p**	11.5p

The Group calculates Adjusted basic earnings per Ordinary share and details of this can be found in Note 38, Alternative performance measures.

13. GOODWILL

£ million	
Cost	
At 31 December 2017	699.7
Exchange differences	3.2
At 29 December 2018	702.9
Acquired on acquisition of subsidiary (Note 30)	2.5
Exchange differences	(2.2)
At 28 December 2019	**703.2**
Accumulated impairment losses	
At 31 December 2017	(52.5)
Exchange differences	(0.2)
At 29 December 2018	(52.7)
Exchange differences	0.7
At 28 December 2019	**(52.0)**
Carrying amount	
At 28 December 2019	**651.2**
At 29 December 2018	650.2

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. The carrying value of goodwill has been allocated to CGU groupings as follows:

£ million	28 December 2019	29 December 2018
UK	**604.0**	601.5
International	**47.2**	48.7
	651.2	650.2

The International CGU grouping relates to the US business.

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 period (2018: £nil).

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 of 8.0% (2018: 8.3%) for the UK and 8.1% (2018: 9.2%) for the International CGU grouping.
- Growth rates: The revenue growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group has prepared cash flow forecasts derived from the most recent financial budget approved by management for the next three years, as determined by the business units, and extrapolated cash flows for the following two years based on an estimated revenue growth rate ranging from 3% to 10% whilst maintaining margins at the 2022 budget levels, to provide a five-year forecast. Cash flows are then extrapolated using a perpetuity growth rate of 1.5% (2018: 1.7%) for the UK and 1.6% (2018: 1.7%) for the International CGU grouping.

The headroom for each CGU based on the impairment review is as follows:

£ million	UK	International
Headroom of impairment test based on management assumptions	465.8	73.6

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. The assumptions used, and the impact of sensitivities on these assumptions for the International CGU, which has lower levels of headroom, are shown below:

- The pre-tax discount rate for the International CGU grouping is 8.1%. If the pre-tax discount rate for the International CGU were to be increased by 0.5% from 8.1% to 8.6% then the headroom would be reduced to £58.0 million. An increase to the pre-tax discount rate from 8.1% to 11.3% would result in no headroom.
- The perpetuity growth rate included in the International CGU future cash flows is 1.6%. If the perpetuity growth rate was to decrease to 0.6% it would still leave headroom of £46.0 million.
- A key sensitivity for the Group is Adjusted EBITDA, whether through the loss of revenue or from lower gross margins. If Adjusted EBITDA over the five-year forecast period were to be reduced by 10.0% in the International CGU then this would result in the headroom being reduced to £45.9 million.

14. OTHER INTANGIBLE ASSETS

£ million	Customer relationships	Customer contracts	Total
Cost			
At 31 December 2017	88.1	1.6	89.7
Acquired on acquisition of subsidiary	0.7	–	0.7
Disposals	(0.2)	(1.6)	(1.8)
Exchange differences	0.4	–	0.4
At 29 December 2018	89.0	–	89.0
Acquired on acquisition of subsidiary (Note 30)	0.2	–	0.2
Exchange differences	(0.1)	–	(0.1)
At 28 December 2019	**89.1**	**–**	**89.1**
Accumulated amortisation and impairment			
At 31 December 2017	(85.5)	(1.6)	(87.1)
Charge for the period	(0.4)	–	(0.4)
Disposals	0.2	1.6	1.8
Exchange differences	(0.3)	–	(0.3)
At 29 December 2018	(86.0)	–	(86.0)
Charge for the period	(0.5)	–	(0.5)
Exchange differences	0.1	–	0.1
At 28 December 2019	**(86.4)**	**–**	**(86.4)**
Carrying amount			
At 28 December 2019	**2.7**	**–**	**2.7**
At 29 December 2018	3.0	–	3.0

15. PROPERTY, PLANT AND EQUIPMENT

£ million	Restated[1] Land and buildings	Plant and machinery	Fixtures and equipment	Total
Cost				
At 31 December 2017	227.0	409.0	69.0	705.0
Additions	41.8	63.3	14.0	119.1
Acquisition of subsidiary	8.1	0.7	2.3	11.1
Disposals	(0.3)	(7.1)	(1.5)	(8.9)
Disposal of subsidiary	(3.8)	(2.7)	(0.4)	(6.9)
Exchange differences	2.5	2.2	0.3	5.0
At 29 December 2018	275.3	465.4	83.7	824.4
Recognised on application of IFRS 16	76.0	4.2	–	80.2
Additions	23.6	62.0	14.1	99.7
Acquisition of subsidiary (Note 30)	10.3	7.3	–	17.6
Disposals	(2.8)	(7.3)	(5.5)	(15.6)
Exchange differences	(2.7)	(2.8)	(0.5)	(6.0)
At 28 December 2019	**379.7**	**528.8**	**91.8**	**1,000.3**
Accumulated depreciation and impairment				
At 31 December 2017	(114.9)	(204.3)	(48.3)	(367.5)
Charge for the period	(5.9)	(27.9)	(6.1)	(39.9)
Impairment	–	(2.1)	(1.4)	(3.5)
Disposals	0.3	6.5	1.5	8.3
Disposal of subsidiary	3.6	2.7	0.4	6.7
Exchange differences	(0.5)	(0.9)	(0.2)	(1.6)
At 29 December 2018	(117.4)	(226.0)	(54.1)	(397.5)
Charge for the period	(17.2)	(33.4)	(9.1)	(59.7)
Impairment	(2.4)	(3.2)	(0.4)	(6.0)
Disposals	2.4	7.1	5.5	15.0
Exchange differences	0.5	0.8	0.3	1.6
At 28 December 2019	**(134.1)**	**(254.7)**	**(57.8)**	**(446.6)**
Carrying amount				
At 28 December 2019	**245.6**	**274.1**	**34.0**	**553.7**
At 29 December 2018	157.9	239.4	29.6	426.9

[1] The cost and accumulated depreciation and impairment at 30 December 2017 has been restated to align assets to their correct classifications.

Cost restatement:

- As at 30 December 2017, land and buildings cost has increased by £26.8 million, plant and machinery cost has reduced by £28.1 million and fixtures and equipment cost has reduced by £6.0 million.
- The plant and machinery 2018 cost reclassification of £6.9 million has been included in the balance as at 30 December 2017.
- The cost as at 29 December 2018 has therefore been restated as follows: land and buildings cost has increased by £26.8 million, plant and machinery has reduced by £21.2 million and fixtures and equipment has reduced by £6.0 million.

Accumulated depreciation and impairment restatements:

- As at 30 December 2017, land and buildings accumulated depreciation has increased by £7.9 million, plant and machinery accumulated depreciation has reduced by £14.8 million and fixtures and equipment accumulated depreciation has reduced by £0.4 million.
- The plant and machinery 2018 depreciation reclassification of £6.9 million has been included in the balance as at 30 December 2017.
- The accumulated depreciation and impairment as at 29 December 2018 has therefore been restated as follows: land and buildings has increased by £7.9 million, plant and machinery has reduced by £7.9 million and fixtures and equipment has reduced by £0.4 million.

The Group has split the net book value of property, plant and equipment relating to leases between amounts previously recognised as finance leases under IAS 17 and amounts recognised as right-of-use assets under IFRS 16. This allows management to review performance excluding IFRS 16, as set out in Note 38, Alternative Performance Measures.

The carrying value of the Group's plant and machinery includes an amount of £4.0 million (2018: £4.5 million) in respect of assets held under leases previously recognised as finance leases.

The carrying value of the Group's land and buildings and plant and machinery includes an amount of £73.4 million (2018: nil) in respect of assets held under IFRS 16 *Leases*. Further details of these leases are disclosed in Note 24.

The carrying value of the Group's plant and machinery includes an amount of £0.8 million (2018: £nil) in respect of assets held as security under the Asset Finance Facility. Further details of this facility are disclosed in Note 21.

At 28 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £8.8 million (2018: £13.2 million).

The carrying value of the Group's property, plant and equipment includes an amount of £9.6 million (2018: £75.2 million) in respect of assets under the course of construction for the Group's development projects. In addition, there is a total of £4.9 million (2018: £8.3 million) of other assets that are under the course of construction. Assets under the course of construction are not depreciated until they are brought into use.

During 2019, the Group has impaired £2.4 million (2018: £nil) of land and buildings, £3.2 million (2018: £2.1 million) of plant and machinery and £0.4 million (2018: £1.4 million) of fixtures and equipment. These impairments are included within Other administrative costs as exceptional items (Note 7). The impairments were all in the UK sector.

The £2.4 million (2018: £nil) impairment of land and buildings arose from fully writing down the right-of-use assets held by a Group business which has ceased trading.

The £3.2 million (2018: £2.1 million) impairment of plant and machinery and £0.4 million (2018: £nil) impairment of fixtures and fittings arose from site restructurings, which resulted in redundant, non-moveable, specialist assets which have been assessed as having £nil value in use and are not saleable due to their specialist nature. In 2018 there was a £1.4 million impairment of fixtures and equipment that arose from fully impairing the assets of a subsidiary which is expected to generate operating losses for the foreseeable future. The impairments were determined by comparing the carrying values of the assets with their recoverable amount being the higher of the asset's fair value less costs of disposal and its value in use.

16. SUBSIDIARIES

The Group consists of a Parent Company, Bakkavor Group plc, incorporated in the UK, and a number of subsidiaries and associates held directly and indirectly by Bakkavor Group plc. Note 5 to the Company's separate Financial Statements provides details of the interests in subsidiaries.

Haydens Bakery Limited, a subsidiary which was acquired during 2018 (Note 30), has a different accounting reference date to the Group, being 30 June. Included in these Consolidated Financial Statements are the results for 30 December 2018 to 29 June 2019 (2018: 6 September 2018 to 29 December 2018) and these results will be included in Haydens Bakery Limited's Financial Statements to 30 June 2019. The trade and assets of Haydens Bakery Limited were hived across to Bakkavor Foods Limited on 29 June 2019 and are now included in that Company's financial statements.

This subsidiary has a different accounting date to the Group due to the 2018 acquisition being completed relatively close to the Group's period end. The subsidiary's accounting reference date was extended to 30 June 2019 to capture all trade prior to the hive across and will be shortened to 31 December to align with the Group in due course.

17. INTERESTS IN ASSOCIATES AND OTHER INVESTMENTS

Details of the associated undertakings of the Group at 28 December 2019 were as follows:

	Place of registration and operation	Principal activity	Proportion of Ordinary shares 2019	Proportion of Ordinary shares 2018	Method of accounting
Name of associate					
La Rose Noire Limited	Hong Kong	Producer of bakery and pastry products	**45%**	45%	Equity
Patisserie et Chocolat Limited	Hong Kong	Producer of bakery and pastry products	**45%**	–	Equity

The following tables summarise the financial information of the Group's material associate, La Rose Noire Limited, as included in its own financial statements:

ASSOCIATE'S INCOME STATEMENT

£ million	2019	2018
Revenue	**17.6**	16.4
Profit before taxation	**0.8**	1.1
Taxation	**(0.1)**	(0.2)
Profit after taxation	**0.7**	0.9
Group's share of profit after taxation (45%)	**0.3**	0.4

17. INTERESTS IN ASSOCIATES AND OTHER INVESTMENTS (CONTINUED)

ASSOCIATE'S STATEMENT OF FINANCIAL POSITION

£ million	28 December 2019	29 December 2018
Non-current assets	**1.7**	2.1
Current assets	**5.5**	5.2
Current liabilities	**(1.4)**	(1.5)
Net assets	**5.8**	5.8
Group's share of net assets (45%)	**2.6**	2.6
Goodwill on acquisition	**9.7**	9.9
Carrying amount of associate at end of period	**12.3**	12.5

CARRYING AMOUNT OF ASSOCIATE

£ million	28 December 2019	29 December 2018
At beginning of period	**12.5**	12.0
Share of profit after taxation of associate	**0.3**	0.4
Exchange differences	**(0.3)**	0.8
Dividends received	**(0.2)**	(0.7)
At end of period	**12.3**	12.5

The following table summarises the carrying amount of the Group's immaterial associate, Patisserie et Chocolat Limited:

£ million	28 December 2019	29 December 2018
Associates that are not individually material		
At beginning of period	**–**	–
Share of profit after tax	**0.2**	–
Exchange differences	**–**	–
Dividend payment	**–**	–
At end of period	**0.2**	–

Other investments amount to £0.1 million at 28 December 2019 (29 December 2018: £0.1 million).

18. INVENTORIES

£ million	28 December 2019	29 December 2018
Raw materials and packaging	**55.5**	54.6
Work-in-progress	**2.2**	1.8
Finished goods	**6.7**	6.4
	64.4	62.8

19. TRADE AND OTHER RECEIVABLES

£ million	28 December 2019	29 December 2018
Amounts receivable from trade customers	**107.3**	115.3
Expected credit loss	**(1.6)**	(2.0)
Net amounts receivable from trade customers	**105.7**	113.3
Other receivables	**15.4**	18.8
Prepayments	**10.6**	10.6
	131.7	142.7

During the period, the Group has continued to operate trade receivable factoring arrangements. These are non-recourse arrangements and therefore amounts are de-recognised from trade receivables. At 28 December 2019 £134 million was drawn under factoring facilities, an increase of £8 million compared to 29 December 2018 representing cash collected before it was contractually due from the customer. As at 28 December 2019, the Group's amounts receivable from trade customers includes £49.4 million (2018: £50.2 million), which could be factored under the non-recourse trade receivable factoring arrangement.

The average credit period taken on sales of goods is 19 days (2018: 21 days). An expected credit loss allowance has been made for estimated irrecoverable amounts from the sale of goods of £1.6 million (2018: £2.0 million). Expected credit loss allowances against receivables are made on a specific basis based on objective evidence and previous default experience as well as with reference to assumptions about the risk of default and expected future loss rates. 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, while assumptions about the risk of default remain unchanged.

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 net trade receivables from customers:

£ million	28 December 2019	29 December 2018
Not past due	**93.6**	99.7
Past due by 1 – 30 days	**10.3**	11.3
Past due by 31 – 60 days	**1.2**	2.0
Past due by 61 – 90 days	**0.6**	0.3
Past due by more than 90 days	**–**	–
	105.7	113.3

There was no impact from trade receivables renegotiated in 2019 that would have otherwise been past due or impaired (2018: no impact).

The four major customers of the Group, representing 76.0% (2018: 76.2%) 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 amount of trade receivables represents the expected recoverable amount and there is no further credit risk exposure.

The following table is an analysis of the movement of the expected credit loss for the Group's trade receivables:

£ million	28 December 2019	29 December 2018
Balance at beginning of the period	**(2.0)**	(1.5)
Allowances recognised against receivables	**(0.8)**	(0.7)
Amounts written off as uncollectible during the period	**0.8**	–
Amounts recovered during the period	**0.4**	0.2
Allowance reversed	**–**	0.1
Recognised from acquisition of subsidiary	**–**	(0.1)
Balance at end of the period	**(1.6)**	(2.0)

20. CASH AND CASH EQUIVALENTS

£ million	28 December 2019	29 December 2018
Cash and cash equivalents	**25.9**	12.4

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.

21. BORROWINGS

The interest rates and currency profile of the Group's borrowings at 28 December 2019 were as follows:

£ million	Currency	Facility amount £ million	Amount drawn down at year end £ million	Interest rate	Non-utilisation fee	Maturity date
Term Loan A	GBP	210.0	210.0	Libor plus a margin of 2.25%	N/A	June 2021
Term Loan B	GBP	37.5	37.5	Libor plus a margin of 4.00%	N/A	June 2024
Term Loan	GBP	20.0	20.0	Libor plus a margin of 1.90%	N/A	Nov 2020
Revolving Credit Facility (RCF)	GBP	200.0	95.0[1]	Libor plus a margin of 2.25%	0.74%	June 2021
Revolving Credit Facility (RCF)	GBP	25.0	15.0[1]	Libor plus a margin of 2.25%	0.74%	Aug 2020
Asset Finance Facility	GBP	25.0	0.9	Fixed interest rate of 2.74%	N/A	Aug 2026
Total		517.5				

[1] A further £3.6 million has been drawn down in RCF ancillary facilities at the year end.

The Group's total banking facilities amount to £492.5 million (2018: £447.5 million) comprising (i) a £267.5 million term loan (2018: £247.5 million term loan), split £210.0 million and £37.5 million maturing in June 2021 and June 2024 respectively with a new facility of £20 million added in the period which matures in November 2020 and (ii) £225.0 million Revolving Credit Facilities ("RCF") (2018: £200.0 million RCF), which includes an overdraft and money market facility of £16.5 million (2018: £16.5 million) and further ancillary facilities of £6.3 million (2018: £8.7 million). In 2018, in addition to these committed facilities, the Group had access to an uncommitted multi-currency money market loan facility amounting to €35.0 million. The bank facilities are unsecured.

21. BORROWINGS (CONTINUED)

The Asset Finance Facility is a £25.0 million facility which can be drawn against up to August 2020. At 28 December 2019 £0.9 million has been drawn and is being repaid on a monthly basis over a period of seven years with an interest rate of 2.74%. The interest rate is fixed for the period of the loan at the prevailing rate on commencement of the loan.

£ million	28 December 2019	29 December 2018
Bank overdrafts	**–**	3.7
Bank loans	**377.2**	309.8
	377.2	313.5
Borrowings repayable as follows:		
On demand or within one year	**36.7**	5.0
In the second year	**303.1**	–
In the third to fifth years inclusive	**37.0**	271.9
Over five years	**0.4**	36.6
	377.2	313.5
Analysed as:		
Amount due for settlement within 12 months (shown within current liabilities)	**36.7**	5.0
Amount due for settlement after 12 months	**340.5**	308.5
	377.2	313.5

As at 28 December 2019 and 29 December 2018, all of the Group's borrowings were denominated in Sterling.

	28 December 2019 %	29 December 2018 %
The weighted average interest rates paid were as follows:		
Bank loans and overdrafts	**3.16**	3.20

The Group had a £75.0 million notional principal interest rate cap that matured in October 2019. Apart from the Asset Finance Facility, interest on the Group's term loan 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	28 December 2019	29 December 2018
Fair value of the Group's borrowings	**378.4**	316.2

Net debt is the net of cash and cash equivalents, prepaid fees to be amortised over the term of outstanding borrowings, outstanding borrowings, interest accrued on borrowings and lease liabilities and is as follows:

£ million	28 December 2019	29 December 2018
Analysis of net debt		
Cash and cash equivalents	**25.9**	12.4
Borrowings	**(35.1)**	(3.7)
Interest accrual	**(1.6)**	(1.3)
Lease liabilities	**(11.8)**	(1.6)
Debt due within one year	**(48.5)**	(6.6)
Borrowings	**(343.3)**	(312.5)
Unamortised fees	**2.8**	4.0
Lease liabilities	**(69.3)**	(3.9)
Debt due after one year	**(409.8)**	(312.4)
Group net debt	**(432.4)**	(306.6)

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

£ million	**28 December 2019**	29 December 2018
Foreign currency contracts	**–**	0.2
Included in non-current assets	**–**	0.2
Interest rate contracts	**–**	0.1
Foreign currency contracts	**–**	1.8
Included in current assets	**–**	1.9
Foreign currency contracts	**(3.3)**	–
Included in current liabilities	**(3.3)**	–
Foreign currency contracts	**(0.2)**	–
Included in non-current liabilities	**(0.2)**	–
Total	**(3.5)**	2.1

Further details of derivative financial instruments are provided in Note 27.

23. 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	IAS 23 capitalised interest	Fair value gains	Intangibles	Provisions	Retirement benefit obligations	Share scheme	Overseas tax losses and accrued interest	Total
At 31 December 2017	(16.5)	–	(0.2)	–	0.7	(0.9)	0.3	3.2	(13.4)
(Charge)/credit to income – continuing operations	(6.6)	(0.3)	(0.2)	–	0.3	–	0.3	14.1	7.6
Arising on acquisition	–	–	–	(0.1)	–	–	–	–	(0.1)
Exchange differences	(0.4)	–	–	–	–	–	–	0.8	0.4
Credit/(charge) to equity	–	–	–	–	–	1.0	(0.2)	–	0.8
At 29 December 2018	(23.5)	(0.3)	(0.4)	(0.1)	1.0	0.1	0.4	18.1	(4.7)
(Charge)/credit to income – continuing operations	(3.1)	(0.1)	1.1	–	(0.6)	(0.3)	0.3	8.1	5.4
Exchange differences	0.2	–	–	–	–	–	–	(0.9)	(0.7)
(Charge)/credit to equity	–	–	–	–	–	(1.4)	0.1	–	(1.3)
At 28 December 2019	**(26.4)**	**(0.4)**	**0.7**	**(0.1)**	**0.4**	**(1.6)**	**0.8**	**25.3**	**(1.3)**

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

£ million	**28 December 2019**	29 December 2018
Deferred tax asset	**27.2**	19.6
Deferred tax liabilities	**(28.5)**	(24.3)
	(1.3)	(4.7)

At the statement of financial position date, the Group had unrecognised tax losses of £8.5 million (2018: £29.5 million) available for offset against future taxable profits. All £8.5 million will expire after five years if unused. Deferred tax assets are only recognised on the losses carried forward to the extent that it is 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.

24. LEASES

The Group leases assets including land and buildings and plant and machinery that are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below.

Comparative amounts for 2018 represent amounts recognised under IAS 17.

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT RELATING TO LEASES

The Group has split the net book value of property, plant and equipment relating to leases between amounts previously recognised as finance leases under IAS 17 and amounts recognised as right-of-use assets under IFRS 16. This allows management to review performance excluding IFRS 16, as set out in Note 38, Alternative Performance Measures.

£ million	28 December 2019
Net book value of leased property, plant and equipment excluding right-of-use assets	**4.0**
Net book value of right-of-use assets	**73.4**
	77.4

NET BOOK VALUE OF RIGHT-OF-USE ASSETS

£ million	Land and buildings	Plant and machinery	Total
Balance at 30 December 2018	76.0	4.2	80.2
Additions	1.0	0.9	1.9
Acquisition of subsidiary	6.0	0.3	6.3
Depreciation charge	(9.7)	(2.6)	(12.3)
Impairment for the period	(2.4)	–	(2.4)
Exchange differences	(0.3)	–	(0.3)
At 28 December 2019	**70.6**	**2.8**	**73.4**

LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
£ million	28 December 2019	29 December 2018	28 December 2019	29 December 2018
Amounts payable under leases:				
Within one year	**14.2**	1.7	**11.8**	1.6
In the second to fifth years inclusive	**34.1**	3.7	**27.6**	3.5
Over five years	**57.0**	0.4	**41.7**	0.4
	105.3	5.8	**81.1**	5.5
Less: future finance charges	**(24.2)**	(0.3)		
Present value of lease obligations	**81.1**	5.5	**81.1**	5.5
Analysed as:				
Amount due for settlement within 12 months (shown within current liabilities)			**11.8**	1.6
Amount due for settlement after 12 months			**69.3**	3.9
			81.1	5.5

The 2018 figures are the amounts recognised under IAS 17 and the increase in the amounts in 2019 is due to the adoption of IFRS 16.

The weighted average lease term outstanding is 15.5 years (2018: 4.3 years). For 2019, the weighted average incremental borrowing rate was 3.47% (2018: 3.80%). 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 Group's lease obligations are secured by the lessors' rights over the leased assets.

AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

£ million	2019	2018
Interest on lease liabilities	**3.0**	0.2
Expenses relating to low-value leases	**1.2**	–
Expenses relating to short-term leases	**0.6**	–
IAS 17 operating lease charge	**–**	12.0
	4.8	12.2

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS

£ million	2019	2018
Total cash outflow for leases	**12.9**	1.1

25. TRADE AND OTHER PAYABLES

£ million	28 December 2019	Restated[1] 29 December 2018
Trade payables	**244.4**	232.6
Other taxation	**2.4**	2.0
Other payables	**23.9**	23.5
Accruals and deferred income	**120.3**	136.2
	391.0	394.3
Less: amounts due after one year		
Other payables	**–**	(0.4)
Accruals and deferred income	**(0.6)**	(1.9)
	(0.6)	(2.3)
Trade and other payables due within one year	**390.4**	392.0

[1] Deferred income has been reclassified from a line item on the consolidated statement of financial position to be included with trade and other payables.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 58 days (2018: 55 days). No interest is incurred against trade payables.

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

During the period, the Group set up an arrangement to provide financing for the Group's suppliers. This is a voluntary programme that potentially gives suppliers earlier access to cash. At 28 December 2019, trade payables amounting to £18.7 million (2018: £nil) were subject to these arrangements. These balances are classified as trade payables, and the related payments as cash flows from operating activities, since the original obligation to the supplier remains and has not been replaced with a new obligation to the bank.

Other payables include the Group's liabilities in respect of payroll taxes.

26. PROVISIONS

£ million	Onerous leases	Dilapidation provisions	Legal provisions	Restructuring provisions	Total
At 31 December 2017	1.2	16.5	–	–	17.7
Utilisation of provision	(1.0)	(0.8)	–	–	(1.8)
Additional provision in the year	2.2	0.2	–	–	2.4
On acquisition of subsidiary	–	0.6	–	–	0.6
On disposal of subsidiary	–	(1.0)	–	–	(1.0)
Unwinding of discount	–	0.4	–	–	0.4
At 29 December 2018	2.4	15.9	–	–	18.3
Included in current liabilities	0.4	2.9	–	–	3.3
Included in non-current liabilities	2.0	13.0	–	–	15.0
At 29 December 2018	2.4	15.9	–	–	18.3
Reversed by IFRS 16	(1.3)	–	–	–	(1.3)
Reclassified from accruals	–	–	1.8	–	1.8
Utilisation of provision	(0.9)	(0.1)	(0.2)	–	(1.2)
Additional provision in the year	1.7	–	1.1	0.8	3.6
Release of provision	–	(0.1)	(1.0)	–	(1.1)
Unwinding of discount	–	0.2	–	–	0.2
At 28 December 2019	**1.9**	**15.9**	**1.7**	**0.8**	**20.3**
Included in current liabilities	**0.6**	**3.2**	**1.7**	**0.4**	**5.9**
Included in non-current liabilities	**1.3**	**12.7**	**–**	**0.4**	**14.4**

26. PROVISIONS (CONTINUED)

Onerous lease provisions brought forward relate to the Group's vacant properties. The element of the provision which relates to lease rentals has now been recognised as an IFRS 16 right-of-use asset. This related to £1.3 million of the brought forward provision, with the remaining brought forward provision being for non-rental property costs. During the year an onerous lease provision of £1.7 million was made in respect of the Group's non-core UK fast casual restaurant business, which has three property leases. This business ceased trading in January 2020; the onerous provision has been calculated as the discounted total expected costs for occupying the property (including rates and service charges, but excluding lease rentals) through to the break clause for each of the three properties. The provisions will be utilised over the term of the individual leases to which they relate.

Dilapidation provisions relate to 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, which range from 2 to 32 years.

The legal provision is assessed by utilising Group experience, legal advice and other commercial factors to reasonably estimate present obligations across the Group. These obligations are varied and depend on future events which are by their nature uncertain. The Group has taken this uncertainty into account and considers the provision to be reasonable in the circumstances.

Restructuring provisions relate to the closure costs in respect of the Group's non-core UK fast casual restaurant business. A provision of £0.8 million has been recognised and represents the total expected costs for the closure of the business.

27. 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 21, 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 of less than 50%. This 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	**28 December 2019**	29 December 2018
Debt (excluding IFRS 16 lease liabilities)	**379.5**	319.0
Cash and cash equivalents	**(25.9)**	(12.4)
Net debt	**353.6**	306.6
Equity	**573.6**	569.4
Net debt to net debt plus equity	**38.1%**	35.0%

Debt is defined as long and short-term borrowings, as disclosed in Note 21 and lease liabilities payable in Note 24 (excluding IFRS 16 lease liabilities of £78.8 million at 28 December 2019).

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	28 December 2019	29 December 2018
Financial assets		
Fair value through profit and loss:		
Trade receivables	**49.4**	50.2
Derivative financial instruments	**–**	2.1
Loans and receivables at amortised cost:		
Trade receivables	**56.3**	63.1
Other receivables	**15.4**	18.8
Cash and cash equivalents	**25.9**	12.4
	147.0	146.6

£ million	28 December 2019	29 December 2018
Financial liabilities		
Fair value through profit and loss:		
Derivative financial instruments	**3.5**	–
Other financial liabilities at amortised cost:		
Trade payables	**244.4**	232.6
Other payables	**23.9**	23.5
Accruals	**118.9**	133.6
Borrowings	**377.2**	313.5
Lease liabilities	**81.1**	5.5
	849.0	708.7

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 and other payables 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 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 lease liabilities 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 caps to mitigate the risk of rising interest rates; and
- Forward foreign exchange contracts to hedge the exchange rate risk arising on purchases in foreign currencies.

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

27. FINANCIAL INSTRUMENTS (CONTINUED)

FOREIGN CURRENCY RISK MANAGEMENT

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

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

During the 52-week period to 28 December 2019, the Euro weakened against Sterling by 5.6%, with the closing rate at €1.1714 compared with €1.1093 at the prior period end. The average rate for the 52-week period to 28 December 2019 was €1.1414, a 1.0% weakening of the Euro versus the prior period.

In the same period, the US dollar weakened against Sterling by 3.1%, with the closing rate at $1.3090 compared with $1.2696 at the prior period end. The average rate for the 52-week period to 28 December 2019 was $1.2776, a 4.2% strengthening of the US dollar versus the prior period.

The net foreign exchange impact on profit from transactions is a gain of £0.4 million (2018: gain of £0.2 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, as it 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/equity where Sterling strengthens 10% against the relevant currency.

	Profit or (loss) 10% strengthening in currency		Profit or (loss) 10% weakening in currency	
£ million	**28 December 2019**	29 December 2018	**28 December 2019**	29 December 2018
Euro	**(5.2)**	(7.5)	**6.4**	9.2
USD	**(1.2)**	(1.3)	**1.5**	1.6
HKD	**(0.2)**	(0.1)	**0.2**	0.2
RMB	**(0.7)**	(0.6)	**0.9**	0.7

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 purchase transactions and minimise the exposure generated.

The following table details Sterling foreign currency contracts outstanding as at 28 December 2019:

	Foreign currency (million)		Average exchange rate		Contract value (£ million)		Fair value (£ million)	
Outstanding contracts	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Net Euros:								
3 months or less	**30.5**	30.0	**1.11**	1.11	**27.3**	27.0	**(1.3)**	0.2
3 to 6 months	**27.7**	39.6	**1.11**	1.10	**24.5**	35.4	**(0.8)**	0.6
6 to 12 months	**27.7**	39.1	**1.12**	1.11	**24.6**	35.1	**(0.8)**	0.5
Over 12 months	**9.3**	12.2	**1.12**	1.11	**8.2**	10.9	**(0.2)**	0.2
Net US dollars:								
3 months or less	**5.1**	6.0	**1.26**	1.33	**4.0**	4.5	**(0.1)**	0.2
3 to 6 months	**6.6**	7.2	**1.27**	1.31	**5.1**	5.5	**(0.1)**	0.1
6 to 12 months	**9.2**	10.0	**1.27**	1.32	**7.2**	7.6	**(0.2)**	0.2
Over 12 months	**2.0**	0.6	**1.30**	1.30	**1.5**	0.4	**–**	–
Net Chinese Renminbi:								
3 months or less	**3.0**	–	**9.14**	–	**0.3**	–	**–**	–
3 to 6 months	**–**	–	**–**	–	**–**	–	**–**	–
6 to 12 months	**–**	–	**–**	–	**–**	–	**–**	–
Over 12 months	**–**	–	**–**	–	**–**	–	**–**	–
					102.7	126.4	**(3.5)**	2.0

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, none (2018: 24.0%) of the Group's borrowings were covered by an interest rate cap. 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, as these are management's assessment of reasonably possible changes in interest rates.

£ million	(Loss)/profit 28 December 2019	(Loss)/profit 29 December 2018
Effects of 100 basis points increase in interest rate	**(3.8)**	(2.4)
Effects of 100 basis points decrease in interest rate	**3.8**	3.0

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

INTEREST RATE CAP

The Group previously entered into an interest rate cap agreement. This was 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 contracts outstanding as at 28 December 2019:

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2019 %	2018 %	**2019 £ million**	2018 £ million	**2019 £ million**	2018 £ million
Interest rate caps						
6 to 12 months	**–**	0.75	**–**	75.0	**–**	0.1

The interest rate cap settled on a quarterly basis. The Group received payment if the three-month Libor rate exceeded 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 76% (2018: 76.2%) 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.

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

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 committed bank facilities. The Group's current bank facilities comprise a £247.5 million term loan (2018: £247.5 million) and a £200.0 million RCF facility (2018: £200.0 million), through a bank syndicate. Coöperatieve Rabobank U.A. is the syndicate agent of this facility and it manages the syndicate and participation with other counterparties. In addition, the Group had an additional term loan of £20 million (2018: £nil) and an RCF of £25 million (2018: £nil) in place at 28 December 2019.

In 2018, in addition to the committed facilities, the Group had access to an uncommitted multi-currency money market line facility amounting to £31.6 million (€35 million).

27. FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK MANAGEMENT (CONTINUED)

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region of origin was:

£ million	28 December 2019	29 December 2018
UK	**99.4**	107.5
US	**7.8**	9.0
China	**13.9**	15.6
	121.1	132.1

The expected credit losses on trade receivables are calculated locally by financial teams. These allowances are based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions with regards to customer credit ratings, credit risk characteristics and the days past due based on the Group's history and existing market conditions. Generally, the expected credit loss becomes 100% of the trade receivable once it is past due by 91 days; as at 28 December 2019 there were £1.4 million (2018: £1.7 million) of trade receivables past due by 91 days. This figure has been included in the expected credit loss of £1.6 million (2018: £2.0 million).

COMMODITY RISK MANAGEMENT

The Group acquires substantial quantities of raw materials for its operations. The Group is therefore 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. It also frequently tenders to benchmark market prices. In general, requirements are managed using contracts for periods of between three to twelve months forward. The Group also manages any local currency exposure in line with agreed contracts. As at 28 December 2019, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £126.6 million (2018: £129.3 million).

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 funding is available for the Group's day-to-day needs. The Group maintains reasonable headroom of unused committed bank facilities in a range of maturities at least 12 months beyond the period end. As at 28 December 2019, the Group has undrawn borrowing facilities available totalling £132.8 million (2018: £122.6 million). Please see Note 21 for further information regarding the Group's borrowings.

MATURITY PROFILE OF FINANCIAL LIABILITIES

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

£ million	28 December 2019	29 December 2018
Non-derivatives due within one year:		
Trade payables	**244.4**	232.6
Other payables	**23.9**	23.1
Accruals	**118.9**	133.6
Borrowings	**49.6**	14.9
Lease liabilities	**14.2**	1.6
Total non-derivatives due within one year	**451.0**	405.8
Non-derivatives due in the second to fifth years inclusive:		
Other payables	**–**	0.4
Borrowings	**354.3**	294.3
Lease liabilities	**34.1**	3.5
Total non-derivatives due in the second to fifth years	**388.4**	298.2
Non-derivatives due after five years:		
Borrowings	**0.4**	38.4
Lease liabilities	**57.0**	0.4
Total non-derivatives due after five years	**57.4**	38.8

The weighted average interest rates for the Group's borrowings are found in Note 21 and in Note 24 for lease liabilities.

£ million	28 December 2019	29 December 2018
Derivatives due within one year:		
Derivative financial instruments due within one year	**3.3**	–
Derivatives due in the second to fifth years inclusive:		
Derivative financial instruments due in the second to fifth years	**0.2**	–

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	2019	2018
Finance costs		
On financial liabilities held at amortised cost	**(18.7)**	(13.2)
Changes in fair values recognised in Other gains and (losses)		
On financial liabilities held at fair value through profit and loss	**(7.3)**	5.3

28. SHARE CAPITAL AND RESERVES

SHARE CAPITAL

£ million	28 December 2019	29 December 2018
Issued and fully paid:		
579,425,585 (2018: 579,425,585) Ordinary shares of £0.02 each	**11.6**	11.6

All Ordinary shares of £0.02 each are non-redeemable, and carry equal voting rights and rank for dividends and capital distributions, whether on a winding up or otherwise.

On 5 October 2018, the Company paid an interim dividend for the period ended 29 December 2018 of 2 pence per share to each of the Ordinary shareholders totalling £11,588,512. A final dividend of 4 pence per share was approved for the period ended 29 December 2018 totalling £23,177,023. This final dividend was paid to Ordinary shareholders on 29 May 2019.

On 10 September 2019, the Company declared an interim dividend for the period ended 28 December 2019 of 2 pence per share to each of the Ordinary shareholders totalling £11,588,512. This interim dividend was paid to Ordinary shareholders on 11 October 2019.

The Board has decided that no resolution relating to the declaration of a final dividend for the period ended 28 December 2019 will be proposed to shareholders at the Annual General Meeting to be held on 12 June 2020.

SHARE PREMIUM

The share premium represents amounts received in excess of the nominal value of shares issued, net of the direct costs associated with issuing those shares.

£ million	
Balance at 31 December 2017	366.1
Cancellation of share premium account	(366.1)
Balance at 29 December 2018 and 28 December 2019	**–**

On 27 March 2018, the Company cancelled its share premium account of £366.1 million resulting in a corresponding increase in retained earnings.

MERGER RESERVE

In 2007, a corporate reorganisation was completed to establish Bakkavor Holdings Limited as an intermediate holding company of the Group. This was accounted for using the principles of merger accounting.

In 2017, the merger reserve was debited by £185.8 million as a result of the acquisition of Bakkavor Holdings Limited and the elimination of the historical capital reserve which related to the previous group structure.

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.

29. DISPOSALS

2019
There were no disposals in the period.

2018
DISPOSAL OF SUBSIDIARY
On 2 July 2018, the Group disposed of its interest in Anglia Crown Limited. The transaction resulted in a loss on disposal of £4.6 million being recorded in the consolidated income statement as an exceptional item. Deferred consideration of £0.7 million will be settled in cash by the Group on 2 July 2020.

30. ACQUISITIONS

2019
On 12 June 2019, the Group completed the acquisition of 100% of the issued share capital of Blueberry Foods from Samworth Brothers Limited for a total consideration of £16.8 million. The consideration comprised £3.0 million in cash and assumed borrowings of £13.8 million that were repaid immediately.

Blueberry Foods is a desserts business that operates from a custom-built facility in Leicestershire. The primary reason for the acquisition was to increase the breadth and depth of the Group's desserts range.

The amounts recognised in respect of the fair value of the identifiable assets and liabilities assumed are as set out in the table below:

£ million	12 June 2019
Other intangible assets	0.2
Property, plant and equipment	17.6
Inventories	1.0
Trade and other receivables	6.5
Trade and other payables	(4.7)
Lease liabilities	(6.3)
Net identifiable assets acquired	**14.3**
Goodwill	2.5
Total cash consideration for share capital and assumed borrowings repaid	**16.8**

Net cash outflow arising on acquisition was:

£ million	12 June 2019
Cash consideration for share capital	3.0
Immediate repayment of amounts owed to previous owner	13.8
Cash outflow on acquisition of business	**16.8**

Acquisition-related costs of £0.7 million were incurred and are included in Other administrative costs in the consolidated income statement.

The results of Blueberry Foods have been consolidated in the Group's consolidated income statement from 12 June 2019 and contributed £31.0 million of revenue and a loss of £0.5 million to the Group's profit for the period.

If the acquisition of Blueberry Foods had been completed on the first day of the financial year, Group revenues for the period would have been £1,908.7 million and Group profit would have been £36.8 million.

The Trade and other receivables amount is net of £0.1 million of expected credit losses.

The principal factors contributing to the recognition of goodwill on the acquisition of Blueberry Foods is the expected realisation of future growth potential with new and existing customers, the synergies that can be achieved with the existing Bakkavor Desserts business and the skilled workforce that is being acquired. The goodwill is not deductible for tax purposes. The Other intangible assets of £0.2 million are in respect of customer relationships with two key customers.

There are no contingent liabilities to be disclosed.

2018
On 6 September 2018, the Group completed the acquisition of 100% of the issued share capital of Haydens Bakery Limited from Real Good Food plc for a total consideration of £11.4 million. The consideration comprised £0.5 million in cash, and assumed borrowings of £8.5 million that were repaid immediately and £2.4 million of existing finance leases. The Group was able to negotiate a purchase price within the seller's required range, which led to a gain on bargain purchase of £1.3 million. Acquisition-related costs (included in Other administrative expenses) amounted to £0.3 million.

31. NOTES TO THE STATEMENT OF CASH FLOWS

£ million	2019	2018
Operating profit	**69.4**	85.6
Adjustments for:		
Share of results of associates	**(0.5)**	(0.4)
Depreciation of property, plant and equipment	**59.7**	39.9
Amortisation of intangible assets	**0.5**	0.4
(Profit)/loss on disposal of property, plant and equipment	**(0.4)**	0.4
Loss on disposal of subsidiary (Note 29)	**–**	4.6
Gain on bargain purchase (Note 30)	**–**	(1.3)
Impairment of assets	**6.0**	3.5
Share scheme charges	**1.9**	1.5
Net retirement benefits charge less contributions	**(1.9)**	(2.9)
Operating cash flows before movements in working capital	**134.7**	131.3
Increase in inventories	**(0.6)**	(7.4)
Decrease in receivables	**15.5**	5.8
Decrease in payables	**(6.9)**	(3.3)
Increase in provisions	**3.4**	0.5
Cash generated by operations	**146.1**	126.9
Income taxes paid	**(14.0)**	(14.7)
Interest paid	**(18.1)**	(13.1)
Net cash generated from operating activities	**114.0**	99.1

ANALYSIS OF CHANGES IN NET DEBT

£ million	30 December 2018	Recognised on adoption of IFRS 16	Cash flow	Lease additions	Exchange movements	Other non-cash movements	28 December 2019
Borrowings	(313.5)	–	(62.2)	–	–	(1.5)	**(377.2)**
Lease liabilities	(5.5)	(82.7)	12.9	(8.5)	0.4	2.3	**(81.1)**
Total liabilities from financing activities	(319.0)	(82.7)	(49.3)	(8.5)	0.4	0.8	**(458.3)**
Cash and cash equivalents	12.4	–	14.1	–	(0.6)	–	**25.9**
Net debt*	(306.6)	(82.7)	(35.2)	(8.5)	(0.2)	0.8	**(432.4)**

* Includes accrued interest at 28 December 2019 of £1.6 million (2018: £1.3 million) and prepaid bank fees of £2.8 million (2018: £4.0 million). The movement in these balances in the period of £1.5 million is shown in the table above as 'Other non-cash movements' in Borrowings. The £2.3 million other non-cash movement relating to lease liabilities is mainly due to the early termination of a lease.

32. CONTINGENT LIABILITIES AND COMMITMENTS

The Group may from time to time, and in the normal course of business, be subject to claims from customers and counterparties. The Group regularly reviews all of these claims to determine any possible financial loss to the Group. No provision was considered necessary in the Consolidated Financial Statements. In addition, there are a number of legal claims or potential claims against the Group, please see Note 26 for further details about legal provisions. The Group is currently subject to a National Living Wage enquiry, which has been ongoing since July 2017. Whilst the Directors consider that there is a possible obligation that is not considered remote, the Group anticipates any potential financial impact to be immaterial.

The Group has the following amounts of letters of credit issued:

£ million	28 December 2019	29 December 2018
Letters of credit	**2.5**	2.9

As at 28 December 2019, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £126.6 million (2018: £129.3 million).

33. SHARE-BASED PAYMENTS

The Company has a share option scheme for selected employees of the Group. Options granted under the scheme are exercisable at a discount to the estimated price of the Company's shares on the date of grant. Options expire if they remain unexercised after a period of 10 years from the date of grant. Options may be forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year were as follows:

	Number of share options		Weighted average exercise price	
	28 December 2019	29 December 2018	**28 December 2019**	29 December 2018
Outstanding at the beginning of the period	**11,724,097**	9,178,785	**£0.52**	£0.68
Granted during the period	**3,992,846**	2,842,686	**–**	–
Forfeited during the period	**(480,355)**	(297,374)	**£0.07**	£0.47
Outstanding at the end of the period	**15,236,588**	11,724,097	**£0.40**	£0.52
Exercisable at the end of the period	**–**	–	**–**	–

The options outstanding at 28 December 2019 had a weighted average exercise price of £0.40 (2018: £0.52), and a weighted average remaining contractual life of 8.1 years (2018: 8.7 years).

Range of exercise prices for the share options:

	Number of share options		Weighted average exercise price	
	28 December 2019	29 December 2018	**28 December 2019**	29 December 2018
£nil	**6,284,361**	2,727,237	**–**	–
£0.01 – £1.00	**8,952,227**	8,996,860	**£0.68**	£0.68
Outstanding at the end of the period	**15,236,588**	11,724,097	**£0.40**	£0.52
Exercisable at the end of the period	**–**	–	**–**	–

In 2019, 3,992,846 options were granted on 9 April 2019. The options had the following performance conditions for vesting:

1. 314,156 vest provided that the individual is an employee in April 2022.
2. Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's TSR national rank versus a bespoke peer group of 34 companies at 25 December 2021 is at the median level. This increases up to 50% of the remaining options based on a sliding scale if the Group's TSR rank at 25 December 2021 is at the upper quartile level.
3. Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's Adjusted EPS for the 2021 financial year is 16.5 pence, with up to a further 50% of the remaining options vesting on a sliding scale if the Group's Adjusted EPS is between 16.5 pence and 18.6 pence for that year.

In 2018, 2,842,686 options were granted on 9 April 2018. The options had the following performance conditions for vesting:

1. 216,976 vest provided that the individual is an employee in April 2021.
2. Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's TSR national rank versus a bespoke peer group of 34 companies at 26 December 2020 is at the median level. This increases up to 50% of the remaining options based on a sliding scale if the Group's TSR rank at 26 December 2020 is at the upper quartile level.
3. Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's Adjusted EPS for the 2020 financial year is 16.5 pence, with up to a further 50% of the remaining options vesting on a sliding scale if the Group's Adjusted EPS is between 16.5 pence and 18.6 pence for that year.

In 2017, options were granted on 3 July 2017 and 20 October 2017. The options granted on 3 July 2017 have two performance conditions for vesting:

1. 50% vest provided that the individual is an employee in April 2020 and a liquidity event, i.e. a public listing or company sale, has occurred by that date.
2. Provided that the first condition is met, a further 25% vest if Group Adjusted EBITDA for the 2019 financial year is £175.0 million, with up to a further 25% vesting on a sliding scale if Group Adjusted EBITDA is between £175.0 million and £190.0 million for that year.

The options granted on 20 October 2017 have no performance conditions other than the employee needs to be employed by the business at the vesting date.

The aggregate of the estimated fair values of the options granted in 2019 is £21.3 million (2018: £16.7 million).

Date of grant	Number of options originally granted	Contractual life remaining (years)	Share price at date of grant	Expected volatility	Expected life remaining (years)	Risk-free rate	Expected dividend yield	Fair value per option
3 July 2017	8,178,785	7.5	£1.44	38.2%	0.3	0.87%	2.75%	£0.65
20 October 2017	600,000	7.8	£1.44	37.5%	0.3	0.47%	2.75%	£1.34
20 October 2017	400,000	7.8	£1.44	37.7%	2.3	0.56%	2.75%	£1.26
9 April 2018	1,312,855	8.3	£1.78	24.5%	1.3	0.91%	0.00%	£0.94
9 April 2018	1,312,855	8.3	£1.78	23.5%	1.3	1.17%	0.00%	£1.78
9 April 2018	216,976	8.3	£1.78	N/A	1.3	N/A	0.00%	£1.78
9 April 2019	1,839,345	9.3	£1.33	31.0%	2.3	0.69%	0.00%	£0.59
9 April 2019	1,839,345	9.3	£1.33	31.0%	2.3	0.69%	0.00%	£1.33
9 April 2019	314,156	9.3	£1.33	31.0%	2.3	0.69%	0.00%	£1.33

The Group has used the Monte Carlo model to value its share awards. The exercise price used in the model for share options granted in 2019 is £nil (2018: £nil).

The expected volatility is a measure of the amount by which a share price is expected to fluctuate during the period. It is typically calculated based on statistical analysis of daily share prices over the length of the award period. Bakkavor Group plc listed in November 2017 and as such this information is not available. Instead, the expected volatility has been based on the average volatility of a peer group of companies, which are of a similar size and operate in a similar market to Bakkavor Group plc.

The Group recognised total expenses of £1.9 million (2018: £1.5 million) related to equity-settled share-based payment transactions in the period.

34. 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 Bakkavor Pension Scheme, which is a funded defined benefit scheme that 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	2019	2018
UK defined contribution scheme net charge	**11.1**	8.3
UK defined benefit scheme net charge	**0.9**	3.2[1]
Total charge	**12.0**	11.5

[1] This includes a charge of £2.6 million in respect of Guaranteed Minimum Pension ("GMP") equalisation and has been shown as an exceptional item within Other administrative costs in the consolidated income statement.

DEFINED CONTRIBUTION SCHEMES

The total cost charged to income of £11.1 million (2018: £8.3 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. Included in accruals was £2.3 million at the period end for the defined contribution schemes gross contributions (2018: £1.6 million).

DEFINED BENEFIT SCHEMES

An actuarial valuation of Scheme assets and the present value of the defined benefit obligation for funding purposes is being carried out as at 31 March 2019. Initial results from this valuation were updated for IAS 19 *Employee Benefits* purposes to 28 December 2019 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:

	28 December 2019	29 December 2018
Future pension increases (majority of liabilities)	**2.85%**	3.10%
Discount rate applied to Scheme liabilities	**1.80%**	2.65%
Inflation assumption (CPI)	**2.10%**	2.25%

34. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The 2019 mortality table is based on scheme-specific postcode-fitted SAPS 3 tables with a 107% multiplier for male members and a 110% multiplier for female members. Future improvements are in line with the CMI core 2018 improvements model with an initial addition to improvements of 0.5% p.a. and a 1.25% p.a. long-term trend from 2013 onwards, giving life expectancies as follows:

	Males' expected future lifetime 2019	Males' expected future lifetime 2018	**Females' expected future lifetime 2019**	Females' expected future lifetime 2018
Member aged 45	**41.0**	41.8	**43.6**	44.2
Member aged 65	**21.6**	22.3	**23.7**	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 £46.9 million/increase £62.4 million
Rate of inflation	Increase/decrease by 0.5%	Increase £17.9 million/decrease £19.4 million
Life expectancy	Members assumed to be one year younger than their actual age	Increase £10.6 million

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

£ million	**2019**	2018
Net interest on net defined benefit asset/liability	**–**	(0.2)
Administration costs incurred during the period	**0.9**	0.8
GMP equalisation	**–**	2.6
Total charge	**0.9**	3.2

All of the charges for each period presented have been included in total administrative expenses. The actuarial gain of £8.3 million (2018: £6.3 million loss) has been reported in other comprehensive income.

The actual return on Scheme assets was an increase of £40.6 million (2018: £11.0 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	**28 December 2019**	29 December 2018
Fair value of Scheme assets	**274.1**	241.4
Present value of defined benefit obligations	**(264.4)**	(241.9)
Scheme surplus/(deficit)	**9.7**	(0.5)
Related deferred taxation (liability)/asset (Note 23)	**(1.6)**	0.1
	8.1	(0.4)

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.

The Scheme surplus in 2019 is recognised in accordance with IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*, as the Scheme's terms and conditions allow the Group to have an unconditional right to a refund of contributions when economic benefits are available.

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

£ million	**28 December 2019**	29 December 2018
Opening balance	**(241.9)**	(260.6)
Interest cost on the DBO	**(6.3)**	(6.0)
Benefits paid from Scheme assets	**9.8**	16.4
Actuarial loss – experience	**(1.5)**	–
Actuarial gain – demographic assumptions	**8.0**	–
Actuarial (loss)/gain – financial assumptions	**(32.5)**	10.9
Past service cost – plan amendments	**–**	(2.6)
Closing balance	**(264.4)**	(241.9)

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

£ million	28 December 2019	29 December 2018
Opening balance	**241.4**	265.8
Interest income on Scheme assets	**6.3**	6.2
Return on Scheme assets greater/(less) than discount rate	**34.3**	(17.2)
Contributions from the sponsoring companies	**2.8**	3.8
Benefits paid from Scheme assets	**(9.8)**	(16.4)
Administrative costs paid	**(0.9)**	(0.8)
Closing balance	**274.1**	241.4

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

	Fair value of assets	
£ million	28 December 2019	29 December 2018
Structured UK equity	**4.9**	1.8
Overseas equity	**50.4**	29.4
High yield bonds	**17.7**	10.0
Corporate bonds	**5.2**	13.6
Government bonds	**150.4**	125.4
Cash	**15.1**	22.9
Other	**30.4**	38.3
	274.1	241.4

The fair values of the majority of the equity and bonds have been determined as level 2 instruments under IFRS 7 *Financial Instruments: Disclosures*, except for most of the Index-linked government bonds, which have quoted prices in active markets and are classed as level 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 four 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 Scheme-specific funding requirements, as outlined in UK legislation. The most recent Scheme-specific funding valuation at 31 March 2019 is currently in progress.

The Group and the Trustee work closely 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 investing broadly 60% in growth-seeking assets and 40% in bonds, although the proportions can vary significantly in order to allow for advanced liability hedging techniques, opportunistic allocation of assets and the 'structured equity' component of the strategy increases the notional allocation to return-seeking assets to 95%. 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 19 years.

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 2019, a small augmentation of c. £12,000 was made in respect of this benefit (2018: £5,000).

34. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The current deficit reduction contributions were agreed between the Group and the Trustee 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 ended 31 March 2019 and £2.5 million per annum in subsequent years until 31 March 2024. £2.8 million was paid in the period to 28 December 2019 (2018: £3.8 million).

The actual amount of employer contributions expected to be paid to the Scheme during 2020 is £2.5 million.

35. RELATED PARTY TRANSACTIONS

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

TRADING TRANSACTIONS

During the period, Group companies did not enter into any transactions with related parties who are not members of the Group.

SHARE TRANSACTIONS

See Note 37 for details of share transactions by two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson.

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 for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2019			2018		
£ million	**Directors**	**Senior management**	**Total**	Directors	Senior Management	Total
Short-term employee benefits	**2.4**	**2.4**	**4.8**	2.2	2.3	4.5
Post-employment benefits[1]	**–**	**–**	**–**	–	0.1	0.1
Share-based payments[2]	**0.2**	**1.0**	**1.2**	0.2	0.7	0.9
	2.6	**3.4**	**6.0**	2.4	3.1	5.5

[1] The Directors' post-employment benefits show contributions made to pension schemes, the pension entitlements disclosed in the Directors' Remuneration Report on page 106 included cash contributions paid in lieu of pension contributions.

[2] This is the income statement charge for the year which represents the fair value of the share-based payments to the Directors and Senior Management. Details of the share-based payments are set out in Note 33.

The highest paid Director received aggregate remuneration (including pension entitlements) of £1.0 million (2018: £0.9 million).

For the period ended 28 December 2019, one Director (2018: one Director) received share options. No Directors (2018: no Directors) exercised share options during the period.

36. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 18 March 2020 the Group completed a refinancing of its core debt facilities amounting to £410 million through a new term loan and Revolving Credit Facility totalling £455 million. The new facilities are due to mature in March 2024, with an option to extend the tenure by a further two years subject to lender approval.

The impact of the COVID-19 outbreak for the business is considered to be a non-adjusting post balance sheet event. For the potential impact on the business of COVID-19 please see Principal Risks and Uncertainties on page 58.

37. CONTROLLING PARTY

These Financial Statements are the largest consolidated Group Financial Statements in which the Company has been included.

Two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson, hold shares in the Company through their beneficial ownership of Carrion Enterprises Limited and Umbriel Ventures Limited. On 23 May 2019, Carrion Enterprises Limited and Umbriel Ventures Limited each sold 3,229,625 Ordinary shares to Lixaner Co Limited, a company owned and controlled by Sigurdur Valtysson, who runs the family office for Agust and Lydur Gudmundsson. Following the transaction, Lixaner Co Limited holds 6,459,250 Ordinary shares (representing 1.11% of the issued share capital of the Company), and Carrion Enterprises Limited and Umbriel Ventures Limited each hold 142,103,505 Ordinary shares (representing 24.52% of the issued share capital of the Company).

Given the close relationship between the parties, Sigurdur Valtysson is to be considered as acting in concert with Agust and Lydur Gudmundsson for the purposes of the definition in the Takeover Code, and the parties are controlling shareholders of the Company. The aggregate shareholding in the Company of Carrion Enterprises Limited and Umbriel Ventures Limited and their concert party group following the sale of shares to Lixaner Co Limited remained unchanged at 290,666,260 Ordinary shares (representing 50.16% of the issued share capital of the Company).

38. ALTERNATIVE PERFORMANCE MEASURES

The Group uses various non-IFRS financial measures to help evaluate growth trends, assess operational performance and monitor cash performance. The Directors consider that these measures enable investors to understand the ongoing operations of the business. They are used by management to monitor financial performance as it is considered to aid comparability of the financial performance of the Group from year to year.

LIKE-FOR-LIKE (LFL) REVENUE

The Group defines LFL revenue as revenue from continuing operations adjusted for the revenue generated from businesses closed or sold in the current and prior year, revenue generated from businesses acquired in the current period and the effect of foreign currency movements. The Directors believe LFL revenue is a key metric of the Group's revenue growth trend, as it allows for a more meaningful comparison of trends from period to period.

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

£ million	2019	2018	Change %
Statutory revenue as reported	**1,885.9**	1,855.2	
Restatement (Note 2)	**–**	2.0	
Statutory revenue restated	**1,885.9**	1,857.2	1.5%
Revenue from acquisitions	**(71.3)**	(12.4)	
Revenue from closed and sold businesses	**(21.4)**	(86.9)	
Effect of currency movements	**(6.0)**	–	
Like-for-like revenue	**1,787.2**	1,757.9	1.7%

The following table provides the information used to calculate LFL revenue for the UK segment.

£ million	2019	2018	Change %
Statutory revenue	**1,652.5**	1,653.6	
Restatement (Note 2)	**–**	2.0	
Statutory revenue restated	**1,652.5**	1,655.6	(0.2%)
Revenue from acquisitions	**(71.3)**	(12.4)	
Revenue from closed and sold businesses	**(21.4)**	(86.9)	
Like-for-like revenue	**1,559.8**	1,556.3	0.2%

The following table provides the information used to calculate LFL revenue for the International segment.

£ million	2019	2018	Change %
Statutory revenue	**233.4**	201.6	15.8%
Effect of currency movements	**(6.0)**	–	
Like-for-like revenue	**227.4**	201.6	12.8%

ADJUSTED EBITDA AND ADJUSTED OPERATING PROFIT

The Group manages the performance of its businesses through the use of 'Adjusted EBITDA' and 'Adjusted Operating Profit', as these measures exclude the impact of items that hinder comparison of profitability year-on-year. EBITDA is generally defined as operating profit/(loss) before depreciation and amortisation. In calculating Adjusted EBITDA and Adjusted Operating Profit, we exclude restructuring costs, asset impairments, and those additional charges or credits that are considered significant or one-off in nature. In addition, for Adjusted EBITDA we exclude the share of results of associates after tax and share scheme charges, as this is a non-cash amount.

38. ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

ADJUSTED EBITDA AND ADJUSTED OPERATING PROFIT (CONTINUED)

The following table sets out a reconciliation from the Group's Operating profit to Adjusted EBITDA.

£ million	2019	2018
Operating profit	**69.4**	85.6
Depreciation	**59.7**	39.9
Amortisation	**0.5**	0.4
EBITDA	**129.6**	125.9
Exceptional items (Note 7)	**20.3**	26.1
Start-up losses for new sites	**15.5**	–
Share scheme charges	**1.9**	1.5
(Profit)/loss on disposal of property, plant and equipment	**(0.4)**	0.4
Share of results of associates after tax	**(0.5)**	(0.4)
Adjusted EBITDA post IFRS 16	**166.4**	153.5
Less IFRS 16 impact	**(12.9)**	–
Adjusted EBITDA pre IFRS 16	**153.5**	153.5

Adjusted EBITDA by segment is reconciled to operating profit in Note 4.

The following table provides a reconciliation from Operating profit to Adjusted Operating profit.

£ million	2019	2018
Operating profit	**69.4**	85.6
Exceptional items (Note 7)	**20.3**	26.1
Start-up losses for new sites	**15.5**	–
Adjusted Operating profit	**105.2**	111.7

OPERATIONAL NET DEBT AND LEVERAGE

Operational net debt excludes the impact of non-cash items on the Group's net debt. The Directors use this measure, as it reflects actual net borrowings at the relevant reporting date and is most comparable with the Group's free cash flow. The following table sets out the reconciliation from the Group's net debt to the Group's operational net debt.

£ million	28 December 2019	29 December 2018
Group net debt	**(432.4)**	(306.6)
Unamortised fees	**(2.8)**	(4.0)
Interest accrual	**1.6**	1.3
Lease liabilities recognised under IFRS 16	**78.8**	–
Group operational net debt	**(354.8)**	(309.3)
Adjusted EBITDA	**153.5**	153.5
Leverage (Operational net debt/Adjusted EBITDA)	**2.3**	2.0

FREE CASH FLOW

The Group defines free cash flow as the amount of cash generated by the Group after meeting all of its obligations for interest, tax and pensions, and after purchases of property, plant and equipment (excluding development projects), lease liability capital payments under IFRS 16, but before payments of refinancing fees and other exceptional or significant non-recurring cash flows. Free cash flow has benefitted from non-recourse factoring of receivables as set out in Note 19 and the extension of payment terms for certain suppliers as described in Note 25. The Directors view free cash flow as a key liquidity measure, and the purpose of presenting free cash flow is to indicate the underlying 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.

£ million	2019	2018
Net cash generated from operating activities	**114.0**	99.1
Dividends received from associates	**0.2**	0.7
Purchases of property, plant and equipment	**(98.9)**	(112.7)
Purchases of property, plant and equipment relating to development projects	**17.5**	52.1
Proceeds on disposal of property, plant and equipment	**1.1**	–
Cash impact of exceptional items	**13.0**	15.9
Cash impact of start-up losses for new sites	**15.5**	–
IFRS 16 capital element of lease liability payments	**(11.3)**	–
Free cash flow	**51.1**	55.1

ADJUSTED EARNINGS PER SHARE

The Group calculates Adjusted basic earnings per Ordinary share by dividing Adjusted earnings by the weighted average number of Ordinary shares in issue during the year. Adjusted earnings is calculated as profit attributable to equity holders of the Company adjusted to exclude exceptional items as presented in the consolidated income statement, start-up losses for new sites, the impact of the introduction of IFRS 16 and the change in value of derivative financial instruments. The Directors use this measure as it tracks the underlying profitability of the Group and enables comparison with the Group's peer companies. The following table reconciles profit attributable to equity shareholders of the Company to Adjusted earnings.

£ million	2019	Restated[1] 2018
Profit attributable to equity shareholders of the Company	**36.9**	67.2
Exceptional items (Note 7)	**20.3**	21.9
Start-up losses for new sites	**15.5**	–
Impact of IFRS 16	**2.2**	–
Change in fair value of derivative financial instruments	**7.3**	(1.1)
Tax on the above items	**(8.7)**	(4.0)
Adjusted earnings used for the adjusted earnings per share calculation	**73.5**	84.0
Add back: Tax on underlying activities	**15.6**	14.7
Adjusted profit before tax	**89.1**	98.7
Effective tax rate on underlying activities		
(Tax on underlying activities/Adjusted profit before tax)	**17.5%**	14.9%

[1] The adjusted earnings used for the adjusted earnings per share calculation in 2018 has been restated to exclude the post tax impact of the change in the fair value of derivative financial instruments.

NUMBER OF SHARES

'000	2019	2018
Weighted average number of Ordinary shares	**579,426**	579,426
Effect of dilutive Ordinary shares	**3,922**	2,993
Weighted average number of diluted Ordinary shares	**583,348**	582,419

	2019	2018
Continuing operations		
Adjusted basic earnings per share	**12.7p**	14.5p
Adjusted diluted earnings per share	**12.6p**	14.4p

38. ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

RETURN ON INVESTED CAPITAL (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 and profit on disposal of subsidiaries less tax at the Group's effective tax rate. Invested capital is defined as total assets less total liabilities excluding net debt at the period end, pension assets and liabilities (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 the simple average of invested capital at the beginning of the period and the end of the period.

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 help analysts, investors and stakeholders to evaluate the Group's profitability and the efficiency with which its invested capital is employed.

The following table sets out the calculations of adjusted operating profit after tax and invested capital used in the calculation of ROIC.

£ million	2019	2018
Operating profit	**69.4**	85.6
Exceptional items (Note 7)	**20.3**	26.1
Start-up losses for new sites	**15.5**	–
Adjusted operating profit	**105.2**	111.7
Taxation at the underlying effective rate	**(18.4)**	(16.6)
Adjusted operating profit after tax	**86.8**	95.1
Invested capital		
Total assets	**1,479.1**	1,332.3
Total liabilities	**(905.5)**	(762.9)
Less property, plant and equipment recognised under IFRS 16	**(73.4)**	–
Net debt at period end	**432.4**	306.6
Derivatives not designated as hedges	**3.5**	(2.1)
Retirement benefit scheme (surplus)/deficit	**(9.7)**	0.5
Deferred tax liability/(asset) on retirement benefit scheme	**1.6**	(0.1)
Invested capital	**928.0**	874.3
Average invested capital for ROIC calculation	**901.1**	822.9
ROIC (%)	**9.6%**	11.6%

ROIC EXCLUDING DEVELOPMENT PROJECTS

£ million	2019	2018
Adjusted operating profit	**105.2**	111.7
Depreciation on development projects	**4.2**	2.5
Adjusted operating profit excluding development projects	**109.4**	114.2
Taxation at the underlying effective rate	**(19.1)**	(17.0)
Adjusted operating profit after tax excluding development projects	**90.3**	97.2
Invested capital	**928.0**	874.3
Development projects	**(92.7)**	(75.2)
Invested capital excluding development projects	**835.3**	799.1
Average invested capital excluding development projects	**817.2**	773.8
ROIC excluding development projects (%)	**11.0%**	12.6%

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 28 DECEMBER 2019

£ million	Notes	28 December 2019	29 December 2018
Non-current assets			
Investment in subsidiaries	4	**309.5**	309.5
Current assets			
Amounts due from other Group companies	6	**47.2**	79.1
Deferred tax assets		**0.8**	0.4
		48.0	79.5
Net assets		**357.5**	389.0
Equity			
Share capital	7	**11.6**	11.6
Merger reserve	7	**23.8**	23.8
Retained earnings		**322.1**	353.6
Total equity		**357.5**	389.0

In accordance with the exemptions allowed by Section 408 of Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The profit for the period was £1.3 million (2018: £2.3 million profit).

The Financial Statements of Bakkavor Group plc, company number 10986940, and the accompanying Notes, which form an integral part of the Company Financial Statements, were approved by the Board of Directors on 5 May 2020. They were signed on behalf of the Board of Directors by:

A GUDMUNDSSON
CHIEF EXECUTIVE OFFICER

P GATES
CHIEF FINANCIAL OFFICER

COMPANY STATEMENT OF CHANGES IN EQUITY
52 WEEKS ENDED 28 DECEMBER 2019

£ million	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
Balance at 31 December 2017	11.6	366.1	23.8	(4.5)	**397.0**
Cancellation of share premium account (Note 7)	–	(366.1)	–	366.1	**–**
Dividends paid (Note 7)	–	–	–	(11.6)	**(11.6)**
Credit for share-based payments	–	–	–	1.5	**1.5**
Deferred tax on share schemes	–	–	–	(0.2)	**(0.2)**
Profit for the period	–	–	–	2.3	**2.3**
At 29 December 2018	11.6	–	23.8	353.6	**389.0**
Dividends paid (Note 7)	–	–	–	(34.8)	**(34.8)**
Credit for share-based payments	–	–	–	1.9	**1.9**
Deferred tax on share schemes	–	–	–	0.1	**0.1**
Profit for the period	–	–	–	1.3	**1.3**
At 28 December 2019	**11.6**	**–**	**23.8**	**322.1**	**357.5**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2019

1. GENERAL INFORMATION

The Company was incorporated as a public limited company on 28 September 2017. On 9 October 2017, the Company's name was changed from Diamond Newco plc to Bakkavor Group plc.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company Financial Statements have been prepared in accordance with the Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and the Companies Act 2006 and under the historical cost convention.

The Company Financial Statements are prepared on the going concern basis as set out in Note 2 to the Consolidated Financial Statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirement of IFRS 7 Financial Instruments: Disclosures';
- The requirements of paragraphs 91-99 of IFRS 12 *Fair Value Measurement*;
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - Paragraph 79(a) (iv) of IAS 1; and
  - Paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;
- The requirement of IAS 7 *Statement of Cash Flows*;
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group; and
- The requirements of paragraphs 134(d) – 134(f) and 135(c) – 135(e) of IAS 36 *Impairment of Assets*.

The preparation of Financial Statements in conformity with FRS 101 did not require the use of any critical accounting estimates or any significant areas of judgement.

The principal accounting policies adopted are the same as those set out in Note 2 to the Consolidated Financial Statements except as set out below.

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

Amounts due from other Group companies are initially recognised at fair value and subsequently carried at amortised cost net of allowance for expected credit losses. An allowance is made when there is objective evidence that the Company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. The Company's amounts due from other Group companies at 28 December 2019 amounted to £47.2 million (2018: £79.1 million). None of these balances include an allowance for expected credit losses and all amounts are expected to be recoverable in full.

3. EMPLOYEES', DIRECTORS' AND AUDITORS' REMUNERATION

Fees payable to the Company's Auditor in respect of the audit of the Company's Financial Statements for the periods ended 28 December 2019 and 29 December 2018 have been borne by fellow Group company Bakkavor Foods Limited. The Company has no employees and payments to Directors for the periods ended 28 December 2019 and 29 December 2018 have been borne by fellow Group company Bakkavor Foods Limited.

4. INVESTMENTS IN SUBSIDIARIES

£ million	Investment in Group companies
Balance at 29 December 2018 and 28 December 2019	**309.5**

5. SUBSIDIARIES

As at 28 December 2019, Bakkavor Group plc held investments in the share capital of the following companies:

Name	Place of registration and operation	Principal activity	% of voting shares
Directly held investments:			
Bakkavor Holdings Limited[1]	UK	Holding company	100%
Indirectly held investments:			
Bakkavor Finance (2) Limited[1]	UK	Holding company	100%
Bakkavor (London) Limited[1]	UK	Holding company	100%
Bakkavor Finance Limited[2]	UK	Customer invoicing and financing of receivables	100%
Bakkavor Finance ehf[3]	Iceland	Holding company	100%
Bakkavor Limited[1]	UK	Holding company	100%
Bakkavor USA Inc[4]	USA	Holding company	100%
Bakkavor USA Limited[1]	UK	Holding company	100%
Bakkavor Foods USA Inc[4]	USA	Manufacture of custom and private label savoury and bakery products	100%
Bakkavor Foods Holdings LLC[4]	USA	Holding company	100%
Bakkavor China Limited[1]	UK	Holding company	100%
Creative Food Group Limited[5]	Hong Kong	Production and manufacture of salad products	100%
Bakkavor Hong Kong Limited[5]	Hong Kong	Preparation and marketing of fresh prepared foods	100%
Bakkavor China Holdings Limited[5]	Hong Kong	Holding company	100%
Wuhan Bakkavor Food Company Limited[6]	China	Production and manufacture of salad products	100%
Wuhan Bakkavor Agricultural Product Processing Company Limited[23]	China	Production and manufacture of salad products	100%
Jiangsu Creative Agriculture Produce Development Company Limited[7]	China	Production and manufacture of salad products	100%
Shaanxi Bakkavor Food Company Limited[8]	China	Production and manufacture of salad products	100%
Shanghai Creative Food Company Limited[9]	China	Production and manufacture of salad products	100%
Beijing Bakkavor Food Company Limited[10]	China	Production and manufacture of salad products	100%
Guangzhou Bakkavor Food Company Limited[11]	China	Production and manufacture of salad products	100%
Bakkavor (Shanghai) Management Company Limited[12]	China	Holding company	100%
Shaanxi Bakkavor Agriculture Processing Company Limited[13]	China	Production and manufacture of salad products	100%
Fujian Bakkavor Food Company Limited[14]	China	Production and manufacture of salad products	100%
Bakkavor (Taicang) Baking Company Limited[15]	China	Production and manufacture of bakery products	100%
Chengdu Bakkavor Foods Company Limited[16]	China	Production and manufacture of salad products	100%
Geest Corporation Inc[17]	USA	Dormant holding company	100%
Bakkavor Foods Limited[1]	UK	Preparation and marketing of fresh prepared foods	100%
Bakkavor Desserts Leicester Limited[1]	UK	Production and manufacture of dessert products	100%
Bakkavor Estates Limited[2]	UK	Property management	100%
Bakkavor Pension Trustees Limited[1] *	UK	Pension trustee holding company	100%
Bakkavor European Marketing BV[18]	Netherlands	Holding company	100%
NV Bakkavor Belgium BV[19]	Belgium	Non-trading	100%
Bakkavor Australia Pty Limited[20]	Australia	Holding company	100%
BV Restaurant Group Limited[1]	UK	Production and distribution of fresh prepared foods	100%
Bakkavor Iberica S.L.U.[21]	Spain	Distribution	100%
Bakkavor Central Finance Limited[2]	UK	Customer invoicing and financing of receivables	100%
Bakkavor Dormant Holdings Limited[1]	UK	Holding company	100%
Dormant companies			
Bakkavor Finance (1) Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Finance (3) Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Acquisitions (2008) Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Invest Limited[1]	UK	Dormant non-trading company	100%
Bakkavor (Acquisitions) Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Asia Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Overseas Holdings Limited[1] *	UK	Dormant non-trading company	100%

Name	Place of registration and operation	Principal activity	% of voting shares
BV Foodservice Limited[1]	UK	Dormant non-trading company	100%
Haydens Bakery Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Fresh Cook Limited[1]	UK	Dormant non-trading company	100%
English Village Salads Limited[1]	UK	Dormant non-trading company	100%
Notsallow 256 Limited[1] *	UK	Dormant non-trading company	100%
Kent Salads Limited[1] *	UK	Dormant non-trading company	100%
Laurens Patisseries Limited[1] *	UK	Dormant non-trading company	100%
Hitchen Foods Limited[1] *	UK	Dormant non-trading company	100%
Bakkavor Brothers Limited[1] *	UK	Dormant non-trading company	100%
Cucina Sano Limited[1] *	UK	Dormant non-trading company	100%
Butterdean Products Limited[1] *	UK	Dormant non-trading company	100%
Exotic Farm Prepared Limited[1] *	UK	Dormant non-trading company	100%
Exotic Farm Produce Limited[1] *	UK	Dormant non-trading company	100%
Associate companies			
La Rose Noire Limited[22]	Hong Kong	Operation of bakery and food and beverage outlets	45%
Patisserie et Chocolat Limited[22]	Hong Kong	Operation of bakery and food and beverage outlets	45%

1 The registered address of all these companies is Fitzroy Place, 5th Floor, 8 Mortimer Street, London, England, W1T 3JJ.

2 The registered address of these companies is West Marsh Road, Spalding, Lincolnshire, England, PE11 2BB.

3 The registered address of this company is Thorvaldsensstræti 6, 6th floor, 101 Reykjavík, Iceland.

4 The registered address of these companies is 18201 Central Avenue, Carson, California, 90746 USA.

5 The registered address of these Companies is Units 1902-1912, 19/F., Eight Commercial Tower, No 8 Sun Yip Street, Chai Wan, Hong Kong.

6 The registered address of this company is Mujiajing ZhangDuHu Farm, Xinzhou District, Wuhan, China.

7 The registered address of this company is Agricultural Development Area, Changle Town, Haimen City, Jiangsu Province, China.

8 The registered address of this company is Qinghua Keji Garden, Middle of Shiji Road, Xianyang City, Shanxi Province, China.

9 The registered address of this company is No. 279 Jiaqian Road, Nanxiang Developing Area, Jiading District, Shanghai, China.

10 The registered address of this company is South Xitai Road, Da Sun Gezhuang Town, Shunyi District, Beijing, China.

11 The registered address of this company is No. 55 Banyutang Road, High Tech Development Area, Guangzhou, China.

12 The registered address of this company is Room 01, 3A Floor, Number 16 Lane 1977, Jinshajiang Road, Putuo District, Shanghai, China.

13 The registered address of this company is No.424, Building 4, Chongwen tower scenic area (phase I), Jinghe new town, Xixian new district, Shaanxi province

14 The registered address of this company is Jiulong Industry Park of Hua An Economic Development Zone, China.

15 The registered address of this company is Taicang City, No 29 Qingdao East Road, China.

16 The registered address of this company is Rong Tai Road, Cross-Striats Science & Technology Industry Development Park, Wenjiang District, Chengdu, China.

17 The registered address of this company is 251 Little Falls Drive, Wilmington, Delware, 19808, USA. This company has been dissolved after the statement of financial position date.

18 The registered address of this company is Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.

19 The registered address of this company is Lammerdries-Zuid 16F, 2250 Olen, Belgium.

20 The registered address of this company is Henry Davis York, 44 Martin Place, Sydney, NSW 2000, Australia.

21 The registered address of this company is Calle Cartagena 57, 1º D Torre Pacheco, Murcia CP 30700, Spain.

22 The registered address of these companies is 2/F Corporation Square 8 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong. La Rose Noire and Patisserie et Chocolat Limited are associate companies of the Bakkavor Group.

23 The registered address of this company is Room 706, 7th floor, No. 1 Entrepreneurship service center, Hanshi No. 1 road, Honggang village, Wuhan yangluo economic development zone

* These companies are UK dormant companies who file dormant accounts which are exempt from audit by virtue of s479A of Companies Act 2006

6. FINANCIAL INSTRUMENTS

FOREIGN CURRENCY RISK

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

INTEREST RATE RISK MANAGEMENT

The Company has an intercompany loan receivable that has a fixed rate of interest. There are no further interest-bearing balances and therefore the Company is not exposed to any interest rate risk.

CATEGORIES OF FINANCIAL INSTRUMENTS

£ million	28 December 2019	29 December 2018
Financial assets		
Loans and receivables at amortised cost:		
Amounts due from other Group companies	**47.2**	79.1

7. SHARE CAPITAL AND RESERVES

SHARE CAPITAL

£ million	28 December 2019	29 December 2018
Issued and fully paid:		
579,425,585 (2018: 579,425,585) Ordinary shares of £0.02 each	**11.6**	11.6

All Ordinary shares of £0.02 each are non-redeemable, and carry equal voting rights and rank for dividends and capital distributions, whether on a winding up or otherwise.

On 5 October 2018, the Company paid an interim dividend for the period ended 29 December 2018 of 2 pence per share to each of the Ordinary shareholders totalling £11,588,512. A final dividend of 4 pence per share was approved for the period ended 29 December 2018 totalling £23,177,023. This final dividend was paid to Ordinary shareholders on 29 May 2019.

On 10 September 2019, the Company declared an interim dividend for the period ended 28 December 2019 of 2 pence per share to each of the Ordinary shareholders totalling £11,588,512. This interim dividend was paid to Ordinary shareholders on 11 October 2019.

The Board has decided that no resolution relating to the declaration of a final dividend for the period ended 28 December 2019 will be proposed to shareholders at the Annual General Meeting to be held on 12 June 2020.

SHARE PREMIUM

The share premium represents amounts received in excess of the nominal value of shares issued, net of the direct costs associated with issuing those shares.

£ million	
Balance at 31 December 2017	366.1
Cancellation of share premium account	(366.1)
Balance at 29 December 2018 and 28 December 2019	**–**

On 27 March 2018, the Company cancelled its share premium account of £366.1 million, resulting in a corresponding increase in retained earnings.

MERGER RESERVE

The merger reserve was created as a result of the acquisition of Bakkavor Holdings Limited and represents the difference between the carrying values of the net assets of Bakkavor Holdings Limited and the value of the share capital and share premium arising on the share for share exchange that resulted in Bakkavor Group plc acquiring Bakkavor Holdings Limited.

8. RELATED PARTY TRANSACTIONS

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

£ million	28 December 2019	29 December 2018
Amounts due from other Group companies	**47.2**	79.1

Amounts due from other Group companies relate to corporate loans of £47.2 million (2018: £79.1 million) due from Bakkavor Finance (2) Limited.

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

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

Amounts due from Bakkavor Finance (2) Limited carry interest of 3.4% (2018: 3.4%) per annum charged on the outstanding corporate loan balances.

9. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no significant events after the statement of financial position date to report.

10. CONTROLLING PARTY

Two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson, hold shares in the Company through their beneficial ownership of Carrion Enterprises Limited and Umbriel Ventures Limited. On 23 May 2019, Carrion Enterprises Limited and Umbriel Ventures Limited each sold 3,229,625 Ordinary shares to Lixaner Co Limited, a company owned and controlled by Sigurdur Valtysson, who runs the family office for Agust and Lydur Gudmundsson. Following the transaction, Lixaner Co Limited holds 6,459,250 Ordinary shares (representing 1.11% of the issued share capital of the Company), and Carrion Enterprises Limited and Umbriel Ventures Limited each hold 142,103,505 Ordinary shares (representing 24.52% of the issued share capital of the Company).

Given the close relationship between the parties, Sigurdur Valtysson is to be considered as acting in concert with Agust and Lydur Gudmundsson for the purposes of the definition in the Takeover Code, and the parties are controlling shareholders of the Company. The aggregate shareholding in the company of Carrion Enterprises Limited and Umbriel Ventures Limited and their concert party group following the sale of shares to Lixaner Co Limited remained unchanged at 290,666,260 Ordinary shares (representing 50.16% of the issued share capital of the Company). These Financial Statements are the largest consolidated Group Financial Statements in which the Company has been included.

ADVISERS AND REGISTERED OFFICE

GENERAL COUNSEL & COMPANY SECRETARY
Annabel Tagoe-Bannerman (appointed 21 June 2019)

REGISTERED OFFICE
Fitzroy Place 5th Floor
8 Mortimer Street
London
W1T 3JJ

COMPANY NUMBER
10986940

REGISTRAR
Equiniti Limited
Aspect House
Spencer Road
Lancing
BN99 6DA

BANKERS
Barclays Bank PLC
Multinational Corporates
One Churchill Place
London
E14 5HP

AUDITOR
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

BROKERS
Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
London
E14 5LB

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

SOLICITORS
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London
EC4Y 1HS

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

FSC® – The Forest Stewardship Council® runs a global certification system that ensures timber produced in certified forests has been traced from the tree to the end user. The FSC® certification claim can only be used by certified printers.

This report is available at: www.bakkavor.com

Designed and produced by three thirty studio
www.threethirty.studio

VIEW AND DOWNLOAD OUR ANNUAL REPORT AT
BAKKAVOR.COM

Bakkavor @Bakkavor

BAKKAVOR GROUP
Fitzroy Place 5th Floor, 8 Mortimer Street, London, W1T 3JJ
Bakkavor Group plc. Company No: 10986940