

Company Registration No. 01027606

Bakkavor Overseas Holdings Limited

Report and Financial Statements

29 December 2007

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Bakkavor Overseas Holdings Limited

Report and financial statements 2007

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Bakkavor Overseas Holdings Limited

Report and financial statements 2007

Officers and professional advisers

Directors

A Gudmundsson

R Howes (appointed 2 November 2007)

Secretary

J Punnett

Registered Office

5th Floor
3 Sheldon Square
Paddington Central
London
W2 6HY

Bankers

Barclays Bank PLC
10 Hall Place
Spalding
Lincolnshire
PE11 1SR

Auditors

Deloitte & Touche LLP
Chartered Accountants
Birmingham
United Kingdom

Bakkavor Overseas Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 29 December 2007. Comparatives are for the 52 weeks ended 30 December 2006.

Enhanced business review and Principal activities

The company is a wholly owned subsidiary undertaking in the Bakkavor London Limited Group. The company acted as an intermediary holding company during the period.

The directors are satisfied with the results and achievements for the 52 week period to 29 December 2007 and believe that the future prospects of the company are sound.

The profit for the period, after taxation, amounted to £4,432,000 (2006 £2,052,000). Ordinary dividends of £nil (2006 £nil) were paid during the period.

The balance sheet on page 8 of the financial statements shows shareholder's funds amounting to £81,010,000 (2006 £76,578,000). The company's financial position at the period end has moved as a result of investment revenue receivable from group companies and exchange rate fluctuation on those Euro denominated balances. Details of amounts owed by group companies are shown in note 20.

Principal risks and uncertainties

The company's activities expose it to a number of financial risks as follows:

Credit risk

The company has no significant concentration of credit risk.

Liquidity risk

In order to maintain liquidity to ensure the sufficient funds are available for ongoing operations and future developments, the company maintains sufficient cash reserves.

Foreign currency risk

The group's treasury function takes out forward exchange contracts to manage this risk at the group level.

Group risks are discussed in the Bakkavor Group hf Annual Report and Accounts.

Directors

The directors who served throughout the period were as follows:

A Gudmundsson

R Howes (appointed 2 November 2007)

During 2007, the Company entered into indemnity deeds containing "qualifying third party indemnity provisions", as defined in section 309B of the Companies Act 1985, with all directors in respect of certain liabilities which may attach to them in their capacity as directors or former directors of the Company. These indemnity provisions remained effective at the date on which these financial statements were signed.

Bakkavor Overseas Holdings Limited

Directors' report

Auditors

Each of the persons who is a director at the date of approval of these financial statements confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'R Howes', is written over the printed name.

R Howes

Director

14 July 2008

Bakkavor Overseas Holdings Limited

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Bakkavor Overseas Holdings Limited

We have audited the financial statements of Bakkavor Overseas Holdings Limited for the 52 weeks ended 29 December 2007 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the directors' report and other information contained in the financial statements as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Bakkavor Overseas Holdings Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 29 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham
United Kingdom

14 July 2008

Bakkavor Overseas Holdings Limited

Income statement

52 weeks ended 29 December 2007

	Note	52 weeks ended 29 December 2007 £'000	52 weeks ended 30 December 2006 £'000
Administrative expenses		3,456	(491)
Other operating income		-	1,666
Operating profit		3,456	1,175
Investment revenues	4	1,395	1,042
Profit before taxation		4,851	2,217
Tax	5	(419)	(165)
Net profit attributable to equity holders	11	4,432	2,052

All results relate to continuing operations

The accompanying notes are an integral part of this income statement

Statement of changes in equity

52 weeks ended 29 December 2007

	52 weeks ended 29 December 2007 £'000	52 weeks ended 30 December 2006 £'000
Balance at beginning of period	76,578	74,526
Net profit for the period	4,432	2,052
Balance at end of period	81,010	76,578

Equity comprises share capital and retained earnings

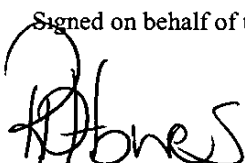
Bakkavor Overseas Holdings Limited

Balance sheet 29 December 2007

	Note	29 December 2007 £'000	30 December 2006 £'000
Non-current assets			
Investments	6	95	95
Current assets			
Trade and other receivables	7	116,901	101,449
Total assets		<u>116,996</u>	<u>101,544</u>
Current liabilities			
Bank overdrafts and loans	8	(1,971)	(1,797)
Trade and other payables	9	(33,596)	(23,004)
Current tax liabilities		(419)	(165)
		<u>(35,986)</u>	<u>(24,966)</u>
Net current assets		<u>80,915</u>	<u>76,483</u>
Net assets		<u>81,010</u>	<u>76,578</u>
Equity			
Share capital	10	30,250	30,250
Retained earnings	11	50,760	46,328
Total equity		<u>81,010</u>	<u>76,578</u>

The financial statements were approved by the Board of Directors on 14 July 2008

Signed on behalf of the Board of Directors



R Howes

Director

The accompanying notes are an integral part of this balance sheet

Bakkavor Overseas Holdings Limited

Cash flow statement

52 weeks ended 29 December 2007

	Note	52 weeks ended 29 December 2007 £'000	52 weeks ended 30 December 2006 £'000
Net cash from operating activities	12	3,282	(782)
Financing activities			
Increase in bank overdrafts		174	291
Net cash from financing activities		174	291
Net increase/ (decrease) in cash and cash equivalents		3,456	(491)
Cash and cash equivalents at beginning of period		-	-
Effect of foreign exchange rate changes		(3,456)	491
Cash and cash equivalents at end of period		-	-

Bakkavor Overseas Holdings Limited

Notes to the accounts

52 weeks ended 29 December 2007

1. General information

Bakkavor Overseas Holdings Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Directors' Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7	<i>Financial instruments disclosures</i>
IFRS 8	<i>Operating segments</i>
IAS 23 (Revised)	<i>Borrowing costs</i>
IFRIC 11	<i>IFRS 2 group and treasury share transactions</i>
IFRIC 12	<i>Service concession arrangements</i>
IFRIC 13	<i>Customer loyalty programmes</i>
IFRIC 14	<i>IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company except for additional disclosures on financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

Four Interpretations issued by the International Reporting Interpretations Committee are effective for the current period. These are IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*, IFRIC 8 *Scope of IFRS 2*, IFRIC 9 *Reassessment of Embedded Derivatives*, and IFRIC 10 *Interim Financial Reporting and Impairment*. The adoption of these Interpretations has not led to any changes in the company's accounting policies.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The principal accounting policies adopted are set out below.

The company is exempt from preparing group accounts under s228 of Companies Act 1985 as it is a wholly owned subsidiary of Bakkavor London Limited and is included in the consolidated accounts of that company. Therefore, these financial statements present information about the company and not its group.

Accounting convention

The financial statements are prepared under the historical cost convention.

Bakkavor Overseas Holdings Limited

Notes to the accounts (continued) **52 weeks ended 29 December 2007**

2. Significant accounting policies (continued)

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount

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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company 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 balance sheet 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 equity, in which case the deferred tax is also dealt with in equity

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

Bakkavor Overseas Holdings Limited

Notes to the accounts (continued) **52 weeks ended 29 December 2007**

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Foreign currencies

The financial statements of the company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial statements, the results and financial position of the company are expressed in pounds sterling, which is the functional currency of the Company.

In preparing the financial statements of the company 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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are

Bakkavor Overseas Holdings Limited

Notes to the accounts (continued) 52 weeks ended 29 December 2007

2. Significant accounting policies (continued)

Foreign currencies (continued)

translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

3. Accounting estimates and judgements

Critical accounting judgements and key sources of estimation uncertainty in applying the company's accounting policies

The preparation of the financial statements in conformity with adopted IFRS requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period then ended. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

Estimates are used in the accounting for allowances for uncollectible receivables, impairment, taxes and contingencies. Estimates and assumptions are reviewed periodically and effects of revisions are reflected in the financial statements in the period that an adjustment is determined to be required.

In the process of applying the Company's accounting policies, which are described in note 2, management has not had to make any judgements that have a significant effect on the amounts recognised in the financial statements with the exception of those involving impairment considerations of fixed asset investments held.

4. Investment revenues

	52 weeks ended 29 December 2007 £'000	52 weeks ended 30 December 2006 £'000
Interest receivable from group undertakings	1,395	1,042

Bakkavor Overseas Holdings Limited

Notes to the accounts (continued) 52 weeks ended 29 December 2007

5. Tax

	52 weeks ended 29 December 2007 £'000	52 weeks ended 30 December 2006 £'000
Current tax		
UK corporation tax	419	165
Total current tax	<u>419</u>	<u>165</u>

The charge for the period can be reconciled to the profit per the income statement as follows

	52 weeks ended 29 December 2007		52 weeks ended 30 December 2006	
	£'000	%	£'000	%
Profit before tax	<u>4,851</u>	<u>100</u>	<u>2,217</u>	<u>100</u>
Tax at the UK corporation tax rate of 30% (2006 30%)	1,455	30	665	30
Tax effect of income that is not taxable in determining taxable profit	<u>(1,036)</u>	<u>(21)</u>	<u>(500)</u>	<u>(23)</u>
Tax expense and effective tax rate for the period	<u>419</u>	<u>9</u>	<u>165</u>	<u>7</u>

The key factor that may affect future tax charges is changes to tax legislation. With effect from 1 April 2008 the full rate of corporation tax decreased from 30% to 28%.

Bakkavor Overseas Holdings Limited

Notes to the accounts (continued) 52 weeks ended 29 December 2007

6. Investments

	£'000
Shares in group undertakings	
Cost	
At beginning and end of the period	7,000
Impairment	
At beginning and end of the period	(6,905)
Net Book Value	
At 30 December 2006 and 29 December 2007	95

7. Other financial assets

Trade and other receivables

	29 December 2007 £'000	30 December 2006 £'000
Amounts receivable from related parties	116,901	101,449

The directors consider that the carrying amount of trade and other receivables approximates their fair value

Credit risk

The company's only financial asset is receivables from related parties

Bakkavor Overseas Holdings Limited

Notes to the accounts (continued) 52 weeks ended 29 December 2007

8. Financial liabilities

Bank overdraft

	29 December 2007 £'000	30 December 2006 £'000
Bank overdrafts	(1,971)	(1,797)

The bank overdraft is repayable on demand and is denominated in sterling. There is no interest rate risk as no interest is payable on this overdraft by the company as it forms part of the group pooling arrangement. The directors of the company consider the carrying value of the loan to be equivalent to fair value. All amounts are due within one period.

	2007 %	2006 %
The weighted average interest rates paid by the group were as follows		
Bank overdrafts	6.64	5.89

9. Other financial liabilities

Trade and other payables

	29 December 2007 £'000	30 December 2006 £'000
Amounts owed to group undertakings	33,596	23,004

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

10. Share capital

	29 December 2007 £'000	30 December 2006 £'000
Authorised		
Ordinary shares of £1 each	75,000	75,000
Allotted, called-up and fully paid		
	29 December 2007 No	30 December 2006 No
	£'000	£'000
Ordinary shares of £1 each	30,250,237	30,250,237

Bakkavor Overseas Holdings Limited

Notes to the accounts (continued) 52 weeks ended 29 December 2007

11. Retained earnings

	£'000
Balance at 1 January 2006	44,276
Net profit for the period	2,052
	<hr/>
Balance at 30 December 2006	46,328
Net profit for the period	4,432
	<hr/>
Balance at 29 December 2007	<u>50,760</u>

12. Notes to the cash flow statement

	52 weeks ended 29 December 2007 £'000	52 weeks ended 30 December 2006 £'000
Operating profit	3,456	1,175
	<hr/>	<hr/>
Operating cash flows before movements in working capital	3,456	1,175
Increase in receivables	(10,601)	(1,404)
Increase/ (decrease) in payables	10,592	(253)
	<hr/>	<hr/>
Cash generated by operations	3,447	(482)
Income taxes paid	(165)	(300)
	<hr/>	<hr/>
Net cash from operating activities	<u>3,282</u>	<u>(782)</u>

Bakkavor Overseas Holdings Limited

Notes to the accounts (continued) 52 weeks ended 29 December 2007

13. Related party transactions

Transactions

During the period, the company entered into the following transactions with related parties

	Sale of goods		Purchase of goods		Amounts owed to related parties		Amounts owed by related parties	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Group companies	-	-	-	-	33,596	23,044	116,901	101,449

All transactions during the period represent funding payments and recharges

14. Controlling party

The company's ultimate parent company and ultimate controlling party is Bakkavör Group hf, a company registered in Iceland. The largest group in which the results of the company are consolidated is that headed by Bakkavör Group hf. It has included the company in its Group financial statements, copies of which are available from Hamraborg, 200 Kopavoger, Iceland.

The directors consider Bakkavor Limited to be the immediate parent company.