

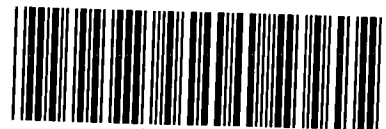
Registration number: 05661425

# Bakkavor China Limited

Annual Report and Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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# **Bakkavor China Limited**

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## **Bakkavor China Limited**

### **Company Information**

<b>Directors</b>	A Gudmundsson B Waldron
<b>Company secretary</b>	A Tagoe-Bannerman
<b>Registered office</b>	Fitzroy Place 5th Floor 8 Mortimer Street London W1T 3JJ
<b>Bankers</b>	Hong Kong & Shanghai Banking Corporation Limited No.1 Queen's Road Central Hong Kong
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

## **Bakkavor China Limited**

### **Directors' Report for the Period from 27 December 2020 to 25 December 2021**

The Directors present their report and the audited Financial Statements for the 52 week period from 27 December 2020 to 25 December 2021 ('2021'). Comparatives are for the 52 week period from 29 December 2019 to 26 December 2020 ('2020').

#### **Matters of strategic importance included within the Strategic Report**

The following items are requirements of a Directors' Report which are fully disclosed within the Strategic Report of this Annual Report:

- Fair review of the business;
- Dividends;
- Principal risks and uncertainties;
- Financial risk management; and
- Future development of the Company.

#### **Principal activity**

The principal activity of Bakkavor China Limited (the 'Company') is that of a holding company which manages investment opportunities in China operating within the Bakkavor Group plc group (the 'Group') and is a 100% owned subsidiary of Bakkavor Limited.

#### **Going concern**

The Directors have reviewed the historical trading performance of the Company and the forecasts through to September 2023.

The Directors, in their detailed consideration of going concern, have reviewed the Company's cash requirements, which they believe are based on prudent interpretations of market data and past experience. The Directors have also considered the Company's cash reserves and its access to the Group's financing arrangements and the level of available liquidity under those arrangements which were renewed on 18 March 2020 for a four-year period, with the majority of the arrangement further extended in March 2022 to March 2026. 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. The Company also has a letter in place from the ultimate parent confirming that additional amounts will be advanced to the Company if needed, and intercompany creditor balances classified as repayable on demand will not be recalled by any fellow group company for at least twelve months from the date of signing of the Financial Statements unless alternative financing arrangements are available. Having taken these factors into account the Directors consider that adequate headroom is available based on the forecasted cash requirements of the business.

Consequently, the Directors consider that the Company has adequate resources to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

#### **Directors of the Company**

The directors, who held office during the period, were as follows:

A Gudmundsson

B Waldron (appointed 27 December 2020)

#### **Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the Directors which have been in force throughout the financial period and remain in force as at the date of this report.

## **Bakkavor China Limited**

### **Directors' Report for the Period from 27 December 2020 to 25 December 2021 (continued)**

#### **Directors' Responsibilities Statement**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the 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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006.

#### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 12 September 2022 and signed on its behalf by:



.....  
B Waldron  
Director

## **Bakkavor China Limited**

### **Strategic Report for the Period from 27 December 2020 to 25 December 2021**

The Directors present their Strategic Report for the period from 27 December 2020 to 25 December 2021.

#### **Section 172 (1) of the Companies Act 2006 (the 'Act') Statement**

The Company's key stakeholder is its immediate parent, Bakkavor Limited. The Company Directors believe that individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act in the decisions taken during the year ended 25 December 2021.

For further information on the Group's engagement with its key stakeholders, please see pages 66-71 of the Bakkavor Group plc 2021 Annual Report and Accounts ("the Group's Annual Report"), which does not form part of this report.

#### **Allotment of shares**

During the year, the Company issued and allotted one ordinary share to its sole shareholder, Bakkavor Limited, in consideration for an equity investment at a premium of £5,351,602 and the Company subscribed for 3,390,000 ordinary shares in Bakkavor Hong Kong Limited, a company in which the Company is the sole shareholder for a total consideration of £5,351,602. The allotment and subscription were carried out as part of, and in order to facilitate a series of inter-group transactions. In reaching their decision to enter into the inter-group transactions, the Directors considered the right to promote the success of the Company for the benefit of its members as a whole and, in doing so, had regard to the specific requirements of s172 of the Act.

For further information on the Group's engagement with its key stakeholders, please see pages 66 to 71 of the Bakkavor Group plc 2021 Annual Report and Accounts.

#### **Fair review of the business and Key Performance Indicators**

As shown in the Company's Profit and Loss Account, the loss for the period, after taxation, amounted to £8,429,000 (2020: profit of £134,000). The Directors do not recommend the payment of a final dividend (2020: £nil).

The Balance Sheet shows shareholders' funds amounting to £65,653,000 (2020: £68,730,000).

During the period ended 25 December 2021, the Company issued one ordinary £1 share to Bakkavor Limited for £5,351,602 which was used to increase the Company's investment in Bakkavor Hong Kong Limited (2020: one ordinary £1 share to Bakkavor Limited for £4,986,473 increasing the Company's investment in Bakkavor Hong Kong Limited).

The Directors consider the factors discussed in the fair review of the business to be the Company's key performance indicators. The key performance indicators of the Group are available on pages 26 to 29 of the Bakkavor Group plc Annual Report 2021.

#### **Principal risks and uncertainties**

The Company is exposed to a number of risks and uncertainties across a range of strategic, operational and financial areas. The Company continually reviews its internal control and risk management processes and is fully aligned with the policies and objectives set by the Board of Directors of Bakkavor Group. For this reason the Company's exposure to risks and uncertainties in strategic, operational and financial areas is limited. These risks are set out below:

#### **Financial risk management**

##### Credit risk

Credit risk refers to the risk of financial loss to the Company if a counterparty defaults on its contractual obligations of the financial assets measured at amortised cost held in the Balance Sheet.

The Company's credit risk is attributable to its trade and other receivables and is not considered to be significant.

## **Bakkavor China Limited**

### **Strategic Report for the Period from 27 December 2020 to 25 December 2021 (continued)**

#### Liquidity risk

Liquidity risk refers to the risk that the Company may not be able to fund the day-to-day running of the business. The Group manages liquidity risk, on behalf of the Company, 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 significant headroom of unused committed bank facilities in a range of maturities at least 12 months beyond the period end.

#### Foreign currency risk

The Company's foreign currency risk arises on cash balances and trade and other payables. The Company does not directly enter into any forward foreign exchange contracts. The Bakkavor Group actively manages the Group's currency risk, operating within the strict framework of Group Board approved policies and procedures.

#### Investment risk

The performance of the operating investments within the Company's investments is subject to distinct operational and market risks which may impact the investment value.

#### **Future development of the Company**

The Directors are satisfied with the Company's results and achievements and believe that the future prospects of the Company are sound.

Approved by the Board on 12 September 2022 and signed on its behalf by:



.....  
B Waldron  
Director

# Independent auditors' report to the members of Bakkavor China Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Bakkavor China Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 25 December 2021 and of its loss for the 52 week period then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 25 December 2021; the Profit and Loss Account and the Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### 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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **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 25 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement, 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Tax legislation, and we 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 financial statements such as 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 fraudulent manipulation of the financial statements (including the risk of override of controls). Audit procedures performed by the engagement team 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;
- Identifying and testing journal entries which could manipulate the financial performance of the business; and
- Review of minutes of meetings of those charged with governance.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

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](http://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 obtained 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Sandeep Dhillon (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
12 September 2022

## Bakkavor China Limited

### Profit and Loss Account for the Period from 27 December 2020 to 25 December 2021

	Note	2021 £ 000	2020 £ 000
Impairment of investments	8	<u>(9,148)</u>	<u>-</u>
Operating (loss)/result		(9,148)	-
Other interest receivable and similar income	4	711	142
Other gains/(losses)	5	<u>8</u>	<u>(8)</u>
(Loss)/profit before tax		(8,429)	134
Tax on (loss)/profit	7	<u>-</u>	<u>-</u>
(Loss)/profit for the period		<u><u>(8,429)</u></u>	<u><u>134</u></u>

The above results were derived from continuing operations.

The Company has no comprehensive income other than the profit above and therefore no separate statement of comprehensive income is presented.

# Bakkavor China Limited

## Statement of Changes in Equity for the Period from 27 December 2020 to 25 December 2021

	Note	Called up share capital £ 000	Share premium £ 000	Profit and Loss Account £ 000	Total £ 000
At 29 December 2019		4	80,962	(17,356)	63,610
Profit for the period		-	-	134	134
New share capital subscribed		-	4,986	-	4,986
At 26 December 2020	10, 11	<u>4</u>	<u>85,948</u>	<u>(17,222)</u>	<u>68,730</u>
	Note	Called up share capital £ 000	Share premium £ 000	Profit and Loss Account £ 000	Total £ 000
At 27 December 2020		4	85,948	(17,222)	68,730
Loss for the period		-	-	(8,429)	(8,429)
New share capital subscribed		-	5,352	-	5,352
At 25 December 2021	10, 11	<u>4</u>	<u>91,300</u>	<u>(25,651)</u>	<u>65,653</u>

**Bakkavor China Limited****(Registration number: 05661425)****Balance Sheet as at 25 December 2021**

		25 December 2021 £ 000	26 December 2020 £ 000
	Note		
<b>Fixed assets</b>			
Investments in subsidiaries	8	58,273	62,069
Investments in associates	8	<u>6,110</u>	<u>6,110</u>
		64,383	68,179
<b>Current assets</b>			
Cash at bank and in hand		<u>1,342</u>	<u>623</u>
<b>Total assets</b>		<u>65,725</u>	<u>68,802</u>
<b>Creditors: Amounts falling due within one year</b>	9	<u>(72)</u>	<u>(72)</u>
<b>Net current assets</b>		<u>1,270</u>	<u>551</u>
<b>Net assets</b>		<u>65,653</u>	<u>68,730</u>
<b>Capital and reserves</b>			
Called up share capital	10	4	4
Share premium account	11	91,300	85,948
Profit and Loss Account		<u>(25,651)</u>	<u>(17,222)</u>
<b>Total Shareholders' funds</b>		<u>65,653</u>	<u>68,730</u>

The Financial Statements were approved by the Board on 12 September 2022 and signed on its behalf by:



.....  
B Waldron  
Director

## **Bakkavor China Limited**

### **Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021**

#### **1 General information**

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom and registered in England and Wales. The Company's registered office address can be found on page 1.

The principal activity of the Company is that of a holding company which manages investment opportunities in China. The Company operates within the Bakkavor Group plc group (the 'Group') and is a 100% owned subsidiary of Bakkavor Limited.

#### **New standards, interpretations and amendments effective**

In the current period, the Company has adopted the following Standards and Interpretations.

IFRS 17 Insurance Contracts

Amendments to IFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021

Amendments to IAS 1 Presentation of financial statements' on classification of liabilities

Annual Improvements to IFRS Standards 2018-2020 Cycle

Narrow scope amendments to IFRS 3, IAS 16 and IAS 37

Narrow scope amendments to IAS 1, IAS 8 and IFRS Practice statement 2

The Directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the Financial Statements of the Company.

The Company has elected to early adopt amendments to IFRS 9, IAS 39, IFRS 7 Interest Rate Benchmark Reform Phase 2 and IFRS 16 - COVID-19 Related Rent Concessions as issued in August 2020. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships and financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **Basis of preparation**

These Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101. As permitted under section 390 (3) of the Companies Act 2006, the Company has taken the option to end its financial period on the Saturday of or immediately before 31 December, as this is not more than 7 days before the end of the period dated 31 December. Where the fiscal year 2021 is quoted in these Financial Statements this relates to the 52 week period ended 25 December 2021. The fiscal year 2020 relates to the 52 week period ended 26 December 2020.

The Financial Statements have been prepared on the historical cost basis and are presented in the currency of the primary economic environment in which the Company operates. For the purpose of the Financial Statements, the results and financial position are expressed in Pounds Sterling, which is the functional currency of the Company.

## **Bakkavor China Limited**

### **Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Summary of disclosure exemptions**

As permitted by Financial Reporting Standard 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, share based payments, presentation of a third balance sheet for retrospective restatements and related party transactions. Where relevant, equivalent disclosures have been given in the group Financial Statements of Bakkavor Group plc. The group Financial Statements of Bakkavor Group plc are available to the public and can be obtained as set out in Note 14.

##### **Going concern**

The Directors have reviewed the historical trading performance of the Company and the forecasts through to September 2023, to assess the level of finance required by the Company. The going concern basis has been adopted in preparing these Financial Statements. Reference should be made to the Directors' Report for the Directors' consideration of going concern.

##### **Exemption from preparing group accounts**

The Financial Statements contain information about Bakkavor China Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the Consolidated Financial Statements of Bakkavor Group plc, a company incorporated in the United Kingdom.

##### **Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

##### **Tax**

The tax expense for the period comprises current tax. Tax is recognised in the Profit and Loss Account, except that an amount attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

## **Bakkavor China Limited**

### **Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### Payments for intragroup transfer of tax losses

Where the Company surrenders tax losses to or receives tax losses from another Group company, an amount of compensation is received from or paid to that respective Group company ('group relief payments'). Group policy is to ensure that the surrendering company is reimbursed for tax losses at the prevailing UK corporate tax rate.

##### **Investments in subsidiaries**

Investments in subsidiaries are included at cost less provision for impairment where necessary. An impairment loss is recognised in the Profit and Loss Account when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows.

If in a subsequent period, the amount of 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 Profit and Loss Account.

##### Subsidiaries

A subsidiary is an entity over which the Company has control. Control exists when the Company has the power directly, or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

##### Associates

An investment in an associate is an entity over which the Company 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.

Investments in associates are recognised in the statement of financial position at cost less any impairment in the value of individual investments.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call 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.



## **Bakkavor China Limited**

### **Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial assets**

###### Classification

The Company 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 the Profit and Loss Account or in OCI.

###### Recognition and measurement

At initial recognition, the Company 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 the Profit and Loss Account.

###### Impairment

The Company 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.

##### **Financial liabilities**

###### Classification

Financial liabilities held by the Company are classified as other financial liabilities at amortised cost.

###### Recognition and measurement

At initial recognition, the Company measures financial liabilities at their 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.

##### **Share capital**

Ordinary shares are classified as equity.

##### **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 Company or the amount of the obligation cannot be measured reliably. A contingent liability is not recognised but it is disclosed in the Notes to the Financial Statements. When an outflow becomes probable, it is recognised as a provision.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

The following were areas of particular significance to the Company's Financial Statements and include the application of judgement, which is fundamental to the compilation of the Financial Statements.

##### **Investments - key source of estimation uncertainty**

The Company evaluated whether there were any potential impairment or impairment reversal indicators present at 25 December 2021 and concluded that is not the case.

## Bakkavor China Limited

### Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)

#### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

The recoverable amounts of the investments are determined based on the higher of net realisable value and value in use calculations, which require the use of estimates. The key estimates that can impact the value in use calculations are changes to the growth rates applied to derive a five-year forecast, or a movement in the discount rate applied to the future cash flows. These are key estimates as they are subjective in nature and a significant assumption is required and any changes to assumptions may lead to impairment charges being recognised.

At 25 December 2021, investments in subsidiaries have a carrying value of £58,273,000 (2020: £62,069,000).

There are no areas in which the application of critical accounting judgements has been considered necessary in the compilation of these Financial Statements.

#### 4 Other interest receivable and similar income

	2021	2020
	£ 000	£ 000
Dividend income from associates	<u>711</u>	<u>142</u>

#### 5 Other gains/(losses)

The analysis of the Company's other gains and (losses) for the period is as follows:

	2021	2020
	£ 000	£ 000
Foreign currency gains/(losses)	<u>8</u>	<u>(8)</u>

#### 6 Directors', Employees and auditors' remuneration

The Directors have received no emoluments for their services to the Company in either financial period presented and were paid through Bakkavor Foods Limited. The Directors are considered to be the key management personnel of the Company.

The Company had two employees (including directors) for the period ended 25 December 2021 (2020: three).

Fees of £15,000 (2020: £5,000) payable to the Company's auditors in respect of the statutory audit of the Company's Financial Statements for the period ended 25 December 2021 have been borne by Bakkavor Foods Limited.

No non-audit fees were charged to the Company for the period ended 25 December 2021 (2020: £nil).

#### 7 Tax on profit

There was no tax charged or credited in the Profit and Loss Account in the current or prior period.

Corporation tax is calculated at 19% (2020: 19%) of the estimated result for the period. The tax for the period is reconciled to the Profit and Loss Account as follows:

## Bakkavor China Limited

### Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)

#### 7 Tax on profit (continued)

	2021 £ 000	2020 £ 000
(Loss)/profit before tax	<u>(8,429)</u>	<u>134</u>
Corporation tax at standard rate	(1,602)	25
Effect of income exempt from taxation	(137)	(27)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	1,739	-
Group relief surrendered	<u>-</u>	<u>2</u>
Total tax	<u>-</u>	<u>-</u>

The Government announced on 3 March 2021, and substantively enacted on 24 May 2021, that the UK corporation tax rate will increase to 25% effective from 1 April 2023. Deferred tax assets and liabilities are valued at 25% at the Balance Sheet date, up from 19% at 26 December 2020.

## Bakkavor China Limited

### Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)

#### 8 Investments

Subsidiaries	£ 000
<b>Cost</b>	
At 29 December 2019	73,336
Additions	4,986
At 26 December 2020	78,322
At 27 December 2020	78,322
Additions	5,352
At 25 December 2021	83,674
<b>Impairment</b>	
At 29 December 2019	16,253
At 26 December 2020	16,253
At 27 December 2020	16,253
Impairment	9,148
At 25 December 2021	25,401
<b>Carrying amount</b>	
At 25 December 2021	58,273
At 26 December 2020	62,069

On 21 December 2021 the Company invested £5,351,602 into Bakkavor Hong Kong Limited.

On 21 November 2020 the Company invested £4,986,473 into Bakkavor Hong Kong Limited.

During the period, an impairment provision of £9,148,000 (2020: £nil) was provided following a review of the recoverability of investments.

Details of the subsidiaries as at 25 December 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Bakkavor Hong Kong Limited*	Preparation and marketing of fresh prepared foods	Units 1902-1912, 19/F., Eight Commercial Tower, No 8 Sun Yip Street, Chai Wan. Hong Kong	100%	100%

## Bakkavor China Limited

### Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)

#### 8 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Bakkavor China Holdings Limited	Production and manufacture of salad products	Units 1902-1912, 19/F., Eight Commercial Tower, No 8 Sun Yip Street, Chai Wan. Hong Kong	100%	100%
Wuhan Bakkavor Agricultural Product Processing Company Ltd	Production and manufacture of salad products	Room 706, 7th floor, No1 Entrepreneurship service center, Hanshi No1 road, Honggang village, Wuhan yangluo economic development zone China	100%	100%
Jiangsu Bakkavor Food Company Limited	Production and manufacture of salad products	Agricultural Development Area, Changle Town, Haimen City, Jiangsu Province. China	100%	100%
Shaanxi Bakkavor Agriculture Processing Company Ltd	Production and manufacture of salad products	No.424, Building 4, Chongwen tower scenic area (phase 1), Jinghe new town, Xixian new district, Shaanxi province. China	100%	100%
Wuhan Bakkavor Food Company Limited	Production and manufacture of salad products	Mujiaping ZhangDuHu Farm, Xinzhou District, Wuhan. China	100%	100%
Beijing Bakkavor Food Company Limited	Production and manufacture of salad products	South Xitai Road, Da Sun Gezhuang Town, Shunyi District, Beijing China	100%	100%
Guangzhou Bakkavor Food Company Limited	Production and manufacture of salad products	No. 55 Banyutang Road, High Tech Development Area, Guangzhou. China	100%	100%
Bakkavor (Shanghai) Management Company Limited	Holding company	Room 01, 3A Floor, Number 16 Lane 1977, Jinshajiang Road, Putuo District, Shanghai. China	100%	100%

## Bakkavor China Limited

### Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)

#### 8 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Shaanxi Bakkavor Food Company Limited	Production and manufacture of salad products	Qinghua Keji Garden, Middle of Shiji Road, Xianyang City, Shanxi Province. China	100%	100%
Fujian Bakkavor Food Company Limited	Production and manufacture of salad products	Jiulong Industry Park of Hua An Economic Development Zone. China	100%	100%
Bakkavor (Taicang) Baking Company Limited	Production and manufacture of bakery products	29 Qingdao East Road, Taicang. China	100%	100%
Chengdu Bakkavor Food Company Limited	Production and manufacture of salad products	520 Rongtai road, Chengdu Cross-Straits Science & Technology Industry Development Park, Wenjiang district, Chengdu. China	100%	100%

\* indicates direct investment of the Company

#### Associates

	£ 000
<b>Cost</b>	
At 29 December 2019	6,110
At 26 December 2020	6,110
At 27 December 2020	6,110
At 25 December 2021	6,110
<b>Carrying amount</b>	
At 25 December 2021	6,110
At 26 December 2020	6,110

## Bakkavor China Limited

### Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)

#### 8 Investments (continued)

Details of the associates as at 25 December 2021 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
La Rose Noire Limited *	Production of bakery and pastry products.	2/F Corporation Square 8 Lam Lok Street, Kowloon Bay, Kowloon. Hong Kong	45%	45%
Patisserie et Chocolat Limited *	Production of bakery and pastry products	2/F Corporation Square 8 Lam Lok Street, Kowloon Bay, Kowloon. Hong Kong	45%	45%

\* indicates direct investment of Bakkavor Limited

#### 9 Creditors: Amounts falling due within one year

	25 December 2021 £ 000	26 December 2020 £ 000
Amounts due to Group companies	<u>72</u>	<u>72</u>

Amounts due to Group companies are unsecured, are non-interest bearing and are repayable on demand.

#### 10 Called up share capital

Allotted, called up and fully paid shares

	25 December 2021		26 December 2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>4,113</u>	<u>4,113</u>	<u>4,112</u>	<u>4,113</u>

## **Bakkavor China Limited**

### **Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021 (continued)**

#### **10 Called up share capital (continued)**

##### 2021

During the period ended 25 December 2021, the Company issued one ordinary £1 share to Bakkavor Limited for £5,351,602 which was used to increase the Company's investment in both Bakkavor China Holdings Limited and Bakkavor Hong Kong Limited. This created share premium of £5,351,601.

##### 2020

During the period ended 26 December 2020, the Company issued one ordinary £1 share to Bakkavor Limited for £4,986,473 which was used to increase the Company's investment in both Bakkavor China Holdings Limited and Bakkavor Hong Kong Limited. This created share premium of £4,986,472.

#### **11 Reserves**

##### *Share premium*

The share premium account represent amounts received by the Company over and above the nominal value of shares issued.

#### **12 Contingent liabilities**

The Company may from time to time, and in the normal course of business, be subject to claims from customers and counterparties. The Company reviews any claims to determine if there is any potential financial loss to the Company. There is no provision in the Company Financial Statements (2020: £nil).

The Company, along with certain other Group companies, is a guarantor of the Group debt facilities. The total amount of Group debt facilities that this relates to is £455.0 million (2020: £512.5 million).

#### **13 Non adjusting events after the financial period**

There are no significant events after the Balance Sheet date to report.

#### **14 Parent and ultimate parent undertaking**

The Company's immediate parent is Bakkavor Limited.

The ultimate parent and ultimate controlling party is Bakkavor Group plc, a company registered in the United Kingdom.

The smallest and largest group into which the Financial Statements are consolidated and most senior parent entity producing publicly available financial statements is Bakkavor Group plc. These Financial Statements are available upon request from Bakkavor Group plc's registered office, Fitzroy Place, 5th Floor, 8 Mortimer Street, London, W1T 3JJ, United Kingdom.