

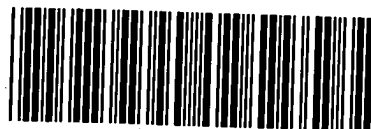
Registration number: 05661425

Bakkavor China Limited

Annual Report and Financial Statements

for the Period from 26 December 2021 to 31 December 2022

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Bakkavor China Limited

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Bakkavor China Limited

Company Information

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

Bakkavor China Limited

Directors' Report for the Period from 26 December 2021 to 31 December 2022

The Directors present their report and the audited Financial Statements of Bakkavor China Limited (the 'Company'), for the 53 week period from 26 December 2021 to 31 December 2022 ('2022'). Comparatives are for the 52 week period from 27 December 2020 to 25 December 2021 ('2021').

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 activities

The principal activity of The Company is 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.

Adjusting events after the financial period

On 8th May 2023 the Company sold its share in both of its associates. The Company recognised this as an adjusting event after the reporting period and recognised an impairment of £2,820,000 during the year, reducing the investment balance to £3,290,000.

Going concern

The Directors, in their detailed consideration of going concern, have reviewed the Company's future 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, and available liquidity, under the Group's financing arrangements and facilities. The Directors have carried out a robust assessment of the significant risks currently facing the Company and the Group. 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 in the future.

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 of the Company who were in office during the period and up to the date of signing the Financial Statements were as follows:

A Gudmundsson (resigned 1 November 2022)

M Edwards (appointed 1 November 2022)

B Waldron

Bakkavor China Limited

Directors' Report for the Period from 26 December 2021 to 31 December 2022 (continued)

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.

Directors' Responsibilities Statement

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

Company law (Companies Act 2006) 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 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 also 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.

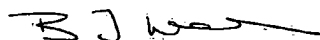
Directors' confirmations

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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 6 September 2023 and signed on its behalf by:



B Waldron
Director

Bakkavor China Limited

Strategic Report for the Period from 26 December 2021 to 31 December 2022

The Directors present their Strategic Report for the period from 26 December 2021 to 31 December 2022.

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 31 December 2022.

For further information on the Group's engagement with its key stakeholders, please see pages 66-71 of the Bakkavor Group plc 2022 Annual Report & Accounts.

Fair review of the business and key performance indicators

The Company's loss after tax for 2022 was £2,703,000 (2021: 8,429,000).

At 31 December 2022, the net assets on the Balance Sheet amounted to £62,950,000 (2021: £65,653,000), a year-on-year decrease of £2,703,000. The Directors do not recommend the payment of a final dividend in relation to 2022 (2021: £nil).

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 4 to 5 of the Bakkavor Group plc Annual Report & Accounts 2022.

Principal risks and uncertainties

The Company is exposed to a number of risks and uncertainties across strategic, operational and financial areas. The Company continually reviews its internal control and risk management processes and is aligned with the policies and objectives set by the Board of Directors of Bakkavor Group plc. The Company has formally identified its key principal risks, which are set out below, and the successful management and mitigation is paramount to the day to day running of our business and the achievement of our long-term vision.

Financial risk management

Foreign currency risk

Foreign currency risk management occurs at a transactional level on purchases in foreign currencies. 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 Company's hedged cover.

The Company's main foreign exchange risk is to the Euro and US dollar.

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, with maturities that are at least 12 months beyond the period end.

Investment risk

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

Bakkavor China Limited

**Strategic Report for the Period from 26 December 2021 to 31 December 2022
(continued)**

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 6 September 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'B Waldron', is written over a horizontal line.

B Waldron
Director

Bakkavor China Limited

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 31 December 2022 and of its loss for the 53 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 31 December 2022; 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

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

Reporting on other information (continued)

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 31 December 2022 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;

Bakkavor China Limited

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

Auditors' responsibilities for the audit of the financial statements (continued)

- 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, in particular any journal entries posted with unusual account combinations which are not in the normal course of business and 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. 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
6 September 2023

Bakkavor China Limited

Profit and Loss Account for the Period from 26 December 2021 to 31 December 2022

	Note	2022 £ 000	2021 £ 000
Impairment of investments	4	<u>(2,820)</u>	<u>(9,148)</u>
Operating loss		(2,820)	(9,148)
Income from subsidiary	5	-	711
Other gains and (losses)	6	<u>147</u>	<u>8</u>
Loss before tax		(2,673)	(8,429)
Tax charge on loss	8	<u>(30)</u>	<u>-</u>
Loss for the period		<u><u>(2,703)</u></u>	<u><u>(8,429)</u></u>

The above results were derived from continuing operations.

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

Bakkavor China Limited

Statement of Changes in Equity for the Period from 26 December 2021 to 31 December 2022

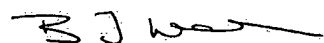
	Notes	Called up share capital £ 000	Share premium £ 000	Profit and Loss Account £ 000	Total Shareholders' funds £ 000
At 27 December 2020		4	85,948	(17,222)	68,730
Loss for the period		-	-	(8,429)	(8,429)
New share capital subscribed		-	5,352	-	5,352
At 25 December 2021	11, 12	<u>4</u>	<u>91,300</u>	<u>(25,651)</u>	<u>65,653</u>
	Notes	Called up share capital £ 000	Share premium £ 000	Profit and Loss Account £ 000	Total Shareholders' funds £ 000
At 26 December 2021		4	91,300	(25,651)	65,653
Loss for the period		-	-	(2,703)	(2,703)
At 31 December 2022	11, 12	<u>4</u>	<u>91,300</u>	<u>(28,354)</u>	<u>62,950</u>

Bakkavor China Limited

(Registration number: 05661425)
Balance Sheet as at 31 December 2022

	Note	31 December 2022 £ 000	25 December 2021 £ 000
Fixed assets			
Investments in subsidiaries	9	58,273	58,273
Investments in associates	9	<u>3,290</u>	<u>6,110</u>
		61,563	64,383
Current assets			
Cash at bank and in hand		<u>1,489</u>	<u>1,342</u>
Total assets		<u>63,052</u>	<u>65,725</u>
Creditors: Amounts falling due within one year	10	<u>(102)</u>	<u>(72)</u>
Net current assets		<u>1,387</u>	<u>1,270</u>
Net assets		<u>62,950</u>	<u>65,653</u>
Capital and reserves			
Called up share capital	11	4	4
Share premium account	12	91,300	91,300
Profit and Loss Account		<u>(28,354)</u>	<u>(25,651)</u>
Total Shareholders' funds		<u>62,950</u>	<u>65,653</u>

The Financial Statements were approved by the Board on 6 September 2023 and signed on its behalf by:



B Waldron
Director

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022

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

At the date of authorisation of these Financial Statements, the following Standards and Interpretations relevant to the Company have not been applied in these Financial Statements as they were in issue but not yet effective:

- IFRS 17 Insurance Contracts
- 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
- Amendments to IAS 12, 'Taxation', relating to Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 8, Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities
- Amendments to IAS 1, Presentation of financial statements' on non-current liabilities with covenants
- Amendments to IFRS 16, 'Leases' Lease Liability in a Sale and Leaseback

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

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 2022 is quoted in these Financial Statements this relates to the 53 week period ended 31 December 2022. The fiscal year 2021 relates to the 52 week period ended 25 December 2021.

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (continued)

2 Accounting policies (continued)

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.

Summary of disclosure exemptions

In these financial statements, the company has taken advantage of the disclosure exemptions available under FRS 101 in relation to share-based payment, business combinations, non-current assets held for sale, financial instruments, fair value measurements, capital management, revenue from contracts with customers, presentation of comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment property, presentation of a cash-flow statement, the effects of new standards not yet effective, impairment of assets and disclosures in respect of the compensation of key management personnel and of transactions with a management entity that provides key management personnel services to the company.

Going concern

The Directors have reviewed the historical trading performance of the Company and the forecasts through to September 2024. The going concern basis has been adopted in preparing these Financial Statements. Reference should be made to the Director's Report for the Director's consideration of going concern.

Exemption from preparing Group Financial Statements

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.

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 and deferred tax. The tax expense 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.

Current tax payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Profit and Loss Account 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 recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements and on unused tax losses or tax credits in the Company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (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 and associates

Investments in subsidiaries and associates are included at cost less, where applicable, provision for impairment.

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.

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.

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company 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.

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.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at 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.

Subsequent measurement depends on the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (continued)

2 Accounting policies (continued)

- **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 Profit and Loss Account.
- **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 Profit and Loss Account 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 Company classifies its trade receivable balances dependent on its objectives with respect to the collection of contractual cash flows. The Company 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 Profit and Loss Account, 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).

Other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets and 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.

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.

For trade receivables, the Company 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 31 December 2022 or 25 December 2021 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 Company, 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.

Financial liabilities

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

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (continued)

2 Accounting policies (continued)

Other financial liabilities

At initial recognition, the Company measures financial liabilities at their fair value, net of transaction costs.

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.

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 Company 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 Company's obligations are discharged, cancelled or expire.

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.

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

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.

Investment in subsidiaries

The Company evaluated whether there were any potential impairment indicators present at 31 December 2022 and concluded that is not the case.

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (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 three-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 31 December 2022, the carrying amount of the investment in subsidiary is £58,273,000 (25 December 2021: £58,273,000).

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

4 Impairment of investments

	2022 £ 000	2021 £ 000
Subsidiary impairment	-	9,148
Associate impairment	2,820	-
	<u>2,820</u>	<u>9,148</u>

In 2022, the Company incurred an impairment charge of £2,820,000 (2021: £9,148,000).

On 8th May 2023 the Company sold its share in both of its associates. The Company recognised this as an adjusting event after the reporting period and recognised an impairment of £2,820,000 during the year, reducing the investment balance to £3,290,000.

During 2021, an impairment provision of £9,148,000 was provided against subsidiaries following a review of the recoverability of investments.

5 Income from subsidiaries

	2022 £ 000	2021 £ 000
Dividend income from associates	<u>-</u>	<u>711</u>

6 Other gains and (losses)

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

	2022 £ 000	2021 £ 000
Foreign currency gain	<u>147</u>	<u>8</u>

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (continued)

7 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 an average of two employees (including directors) for the period ended 31 December 2022 (2021: two).

Fees of £15,000 (2021: £15,000) payable to the Company's auditors in respect of the statutory audit of the Company's Financial Statements for the period ended 31 December 2022 have been borne by Bakkavor Foods Limited.

No non-audit fees were charged to the Company for the period ended 31 December 2022 (2021: £nil).

8 Tax charge on loss

Tax charged in the Profit and Loss Account

	2022 £ 000	2021 £ 000
Current taxation		
Group loss relief - Current year	28	-
Corporation tax - Prior year adjustment	2	-
Total current tax charge	30	-

Corporation tax is calculated at 19% (2021: 19%) of the estimated loss for the period. The tax for the period is reconciled to the Profit and Loss Account as follows:

	2022 £ 000	2021 £ 000
Loss before tax	(2,673)	(8,429)
Corporation tax credit at standard rate	(508)	(1,602)
Effect of income exempt from taxation	-	(137)
Increase from effect of expenses not deductible in determining (taxable loss)/taxable profit	536	1,739
Prior year adjustment	2	-
Total tax charge	30	-

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.

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (continued)

9 Investments

Subsidiaries	Note	£ 000
Cost		
At 27 December 2020		78,322
Additions		<u>5,352</u>
At 25 December 2021		<u>83,674</u>
At 26 December 2021		<u>83,674</u>
At 31 December 2022		<u>83,674</u>
Accumulated impairment		
At 27 December 2020		16,253
Impairment	4	<u>9,148</u>
At 25 December 2021		<u>25,401</u>
At 26 December 2021		<u>25,401</u>
At 31 December 2022		<u>25,401</u>
Carrying amount		
At 31 December 2022		<u>58,273</u>
At 25 December 2021		<u>58,273</u>

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

During 2021, an impairment provision of £9,148,000 was provided following a review of the recoverability of investments.

Details of the subsidiaries as at 31 December 2022 and 25 December 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
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 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%

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (continued)

9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Beijing Bakkavor Food Company Limited	Production and manufacture of salad products	South Xitai Road, Da Sun Gezhuang Town, Shunyi District, Beijing China	100%	100%
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%
Guangzhou Bakkavor Food Company Limited	Production and manufacture of salad products	No. 55 Banyutang Road, High Tech Development Area, Guangzhou. China	100%	100%
Wuhan Bakkavor Food Company Limited	Production and manufacture of salad products	Mujiayang ZhangDuHu Farm, Xinzhou District, Wuhan. 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%
Jiangsu Bakkavor Food Company Limited	Production and manufacture of salad products	Agricultural Development Area, Changle Town, Haimen City, Jiangsu Province. China	100%	100%
Bakkavor (Taicang) Baking Company Limited	Production and manufacture of bakery products	29 Qingdao East Road, Taicang. 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 26 December 2021 to 31 December 2022 (continued)

9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
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%
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%
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%
Bakkavor Bakery Holdings Limited	Holding company	Units 1902-1912, 19/F., Eight Commercial Tower, No 8 Sun Yip Street, Chai Wan Hong Kong	100%	0%

* indicates direct investment of the Company

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (continued)

9 Investments (continued)

Investments in associates

	Note	£ 000
Cost		
At 27 December 2020		<u>6,110</u>
At 25 December 2021		<u>6,110</u>
At 26 December 2021		<u>6,110</u>
At 31 December 2022		<u>6,110</u>
Accumulated impairment		
At 27 December 2020		<u>-</u>
At 25 December 2021		<u>-</u>
At 26 December 2021		<u>-</u>
Impairment	4	<u>2,820</u>
At 31 December 2022		<u>2,820</u>
Carrying amount		
At 31 December 2022		<u>3,290</u>
At 25 December 2021		<u>6,110</u>

On 8th May 2023 the Company sold its share in both of its associates. The Company recognised this as an adjusting event after the reporting period and recognised an impairment of £2,820,000 during the year, reducing the investment balance to £3,290,000.

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (continued)

9 Investments (continued)

Investments in associates (continued)

Details of the associates as at 31 December 2022 and 25 December 2021 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
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 the Company

10 Creditors: Amounts falling due within one year

	31 December 2022 £ 000	25 December 2021 £ 000
Amounts due to Group companies	<u>102</u>	<u>72</u>

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

11 Called up share capital

Allotted, called up and fully paid shares

	31 December 2022		25 December 2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>4,113</u>	<u>4,113</u>	<u>4,113</u>	<u>4,113</u>

Bakkavor China Limited

Notes to the Financial Statements for the Period from 26 December 2021 to 31 December 2022 (continued)

11 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.

12 Reserves

Share premium account

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

13 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 (2021: £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 (2021: £455.0 million).

14 Adjusting events after the financial period

On 8th May 2023 the Company sold its share in both of its associates. The Company recognised this as an adjusting event after the reporting period and recognised an impairment of £2,820,000 during the year, reducing the investment balance to £3,290,000.

15 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 accounts are consolidated and most senior parent entity producing publicly available financial statements is Bakkavor Group plc. These financial statements are available upon request from Fitzroy Place, 5th Floor, 8 Mortimer Street, London, W1T 3JJ, United Kingdom.