

11 February 2016

Full Year Results for the 52 weeks ended 26 December 2015

£ million	Q4 2015	Q4 2014 ¹	Change	FY 2015	FY 2014 ¹	Change
Revenue	419.3	412.4	2%	1,674.5	1,633.5	3%
Like-for-like Revenue ²	414.5	410.1	1%	1,646.2	1,620.2	2%
Adjusted EBITDA ³	34.0	27.5	24%	129.7	113.3	14%
Adjusted EBITDA margin ³	8.1%	6.7%	140bps	7.7%	6.9%	80bps
Free cash flow ⁴	27.2	12.7	14.5	92.6	43.7	48.9

Highlights

- Continued revenue growth, with a strong recovery in our International businesses
- Adjusted EBITDA margin improvement underpinned by productivity investments
- Leverage ratio now less than three times through excellent cash conversion
- Greater focus on growth markets through acquisition and investment
- Strengthening of ownership structure supports Group's long term strategic objectives
- Part-redemption of Senior Secured Notes leads to more cost effective financing

Commenting on the results, Agust Gudmundsson, Chief Executive Officer said:

"I am very pleased that as we celebrate Bakkavor's 30th anniversary in 2016 we can report that the Group is in a very strong position, with revenue growth, margin improvement and excellent cash conversion. In January this year we also announced the strengthening of the Group's ownership structure and I am delighted to welcome The Baupost Group L.L.C., our new shareholder, to the Group. This marks a turning point for Bakkavor and we look forward to working with Baupost to deliver on our long term strategic objectives."

Key

1. The results for Q4 2014 and FY 2014 have been restated to exclude Itaipizza as this is now classified as a discontinued operation following the completion of the sale of this business in July 2015.
2. Like-for-like revenue excludes the impact of acquisitions, disposals, closures, and foreign exchange translation but includes the Group's share of revenue generated by associates.
3. Adjusted EBITDA : The Group manages the performance of its businesses through the use of 'Adjusted EBITDA'. EBITDA is generally defined as operating profit / loss before share of results of associates, depreciation, amortisation and asset impairments. In calculating Adjusted EBITDA, we further exclude restructuring costs and royalty charges. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by total revenue from continuing operations.
4. Free cash flow is defined as the amount of cash generated by the business from continuing and discontinued operations, after meeting all its obligations for interest, tax and pensions, and after investments in tangible assets but excluding payments relating to historic UK tax liabilities.

Business Performance

The Group reported revenues from continuing operations of £1,674.5 million for the 52 weeks to 26 December 2015, an increase of 2.5% on the prior year. On a like-for-like basis, excluding acquisitions, sold and closed businesses and at constant currency, revenues increased by 1.6%, underpinned by strong performances in our International operations.

UK

£ million	Q4 2015	Q4 2014	Change	LFL ² Change	FY 2015	FY 2014	Change	LFL ² Change
Revenue	379.2	380.2	-	1%	1,519.0	1,520.1	-	1%
Adjusted EBITDA ³	31.6	27.7	14%		124.1	112.9	10%	
Adjusted EBITDA (%)	8.3%	7.3%	100bps		8.2%	7.4%	80bps	

The fresh prepared foods market grew faster than the wider UK grocery market over the year as consumer spending, whilst remaining subdued, has reflected a preference for convenient, high-quality chilled foods. Reported revenues in our UK business in the 52 weeks to 26 December 2015 were £1,519.0 million, with underlying growth impacted by the ongoing deflationary environment and our exit from certain low-margin business.

The margin improvement of 80 basis points in the year reflected the benefits from our investment programme, ongoing cost control and exit from low-margin business.

Whilst raw material price deflation was a factor throughout 2015, labour costs continued to accelerate and the forthcoming introduction of the National Living Wage in April will present a challenge for the UK food sector as a whole. We continue to work through the potential impact to the business and remain in active dialogue with all our stakeholders to mitigate costs wherever possible.

Due to the rephasing of certain strategic projects our capital expenditure in the UK was lower than in 2014. Our focus remained on investing in maintenance, productivity and strengthening category expertise within our core categories. Projects included ready meals automation, desserts and salads capacity improvements and capability investments in bread and pizza.

Innovation remains a key priority for the Group as we focus on ongoing growth and margin performance. We are therefore proud to have won a number of UK awards this year for product innovation, customer service and sustainability leadership from both the industry and our key customers.

We are confident about our UK business given the positive market dynamics and our ongoing ability to invest. There will be pressure on growth as we continue to reshape our business and focus on rising labour costs. We would seek to mitigate these pressures by continuing to drive productivity and control costs.

International

£ million	Q4 2015	Q4 2014 ¹	Change	LFL ² Change	FY 2015	FY 2014 ¹	Change	LFL ² Change
Revenue	40.1	32.2	25%	4%	155.5	113.4	37%	14%
Adjusted EBITDA ³	2.4	(0.2)	-		5.6	0.4	1,300%	
Adjusted EBITDA (%)	6.0%	(0.6%)	660bps		3.6%	0.4%	320bps	

Strong consumer macro trends of convenience and health underpinned by socio-economic and demographic factors continue to support the growth of fresh prepared foods in these strategic regions.

We have continued to reshape our International segment over the past year with the acquisition in January 2015 of B. Robert's Foods, a fresh prepared foods business in North Carolina. As a consequence, statutory revenues increased by 37 per cent in the year. However, on a like-for-like basis, which excludes the impact of this acquisition, revenues still grew by 14%, largely supported by stronger performances in the US and Asia as we benefitted from increased customer demand and geographic expansion.

Adjusted EBITDA margin improved significantly in the year reflecting our increased customer base and scale of operations in both the US and Asia which in turn have driven efficiency benefits.

In Asia, the business performed well following a challenging 2014 for our key customers. Revenue growth reflected improved pricing and increasing consumer demand across the Western-style foodservice sector. We have made further investments through 2015 to increase capacity and enhance technical capabilities and the lift in volumes has driven efficiencies and improved margins. We continue to work closely with our customers to strengthen our position in this market and drive future profitability.

In the US, we have seen strong revenue growth as we have continued to build our scale with key customers over the past year. The purchase of B. Robert's Foods was the first acquisition for the Group in seven years and marked an important step in broadening our presence in this core strategic growth market. As a result of the acquisition, the Group widened its customer base by partnering with Harris Teeter to expand our product ranges and geographical reach.

We continue to believe in the significant growth potential of fresh prepared foods in our strategic markets of the US and Asia and will remain focused on maximising opportunities to grow in these regions.

Cash flow, net debt and leverage

Free cash generation improved by £48.9 million in the year to £92.6 million following increased profitability, effective working capital management and lower interest payments after the refinancing in April 2015. The Group's improvement in cash generation was also driven by lower capital spend in the year as a number of significant investments during 2014 were brought on-stream, and certain strategic projects were rephased. A further reduction in net debt of £34.2 million arose from the sale of Itaipizza S.r.l. (including £7.7 million of debt held at the date of sale) and Manor Fresh Limited during the year. This reduction to net debt was partly offset by the payment of £12.5m to settle historic UK tax liabilities, £19.6 million for the acquisition of B. Robert's Foods in January 2015 and £7.2 million of refinancing fees

(including a call premium of £5.8 million) paid on the early redemption of £140 million of Senior Secured Notes 2018.

Overall operational net debt reduced significantly by £74.1 million to £398.6 million. Leverage (the ratio of net debt to Adjusted EBITDA) was below 3.0 times at the year end, down from 3.9 times last year. The Group continues to operate with good headroom against all financial covenants and remains focused on further deleveraging.

For statutory reporting purposes net debt was further reduced by the inclusion of an asset of £10.7 million for the fair value of the call option for the Senior Secured Notes 2020 as required by IFRS.

Our liquidity position remains strong with cash balances of £97.0 million at the year end and our revolving credit and receivables financing facilities were both undrawn. As noted below, since the year end we have given notice that we intend to redeem £75 million of the Senior Secured Notes 2018 on 29 February 2016 from cash reserves.

Subsequent events

As previously announced on 25 January 2016, Bakk AL Holdings Limited, a company owned by Agust and Lydur Gudmundsson and funds managed by the Baupost Group L.L.C., purchased the shares in Bakkavor Group Limited previously owned by BG12 slhf and certain other shareholders, for £163 million. Accordingly, Bakk AL Holdings Limited now owns approximately 89% of the outstanding shares in Bakkavor Group Limited, the ultimate parent of Bakkavor Finance (2) plc. A further announcement will be made shortly regarding an offer to acquire the remaining 11% of the outstanding shares on the same terms.

The Group sees this as a very positive move and is pleased to welcome its new shareholders, who are long-term investors with experience of investing in a wide range of securities and asset classes and has previously invested in a variety of food related businesses across a number of different geographies. Agust and Lydur Gudmundsson, who own a controlling interest in Bakk AL Holdings Limited, will remain in their current roles and retain their positions as CEO and Chairman respectively on the Group Board. There will be no changes to day to day operations, the Management Board or other senior positions.

On 28 January 2016, the Group announced the redemption of £75 million of its Senior Secured Notes due 2018 with a redemption date of 29 February 2016. The redemption is to be financed through the Group's existing cash reserves.

Outlook

Against a background of challenging market conditions, the Group has, once again, reported an excellent set of results. We expect trading conditions to remain challenging over the coming months due to pressures from the competitive retailer environment and rising labour costs. However, we are confident about our future performance given the positive market dynamics and our ongoing commitment to invest.

Results of Operations

In July 2015 the Group completed the sale of its remaining 60% interest in Italtpizza S.r.l. In 2015, this business generated a profit after tax to the Group in 2015 for the period up to its sale of £13.5 million, including £10.4 million profit on disposal and £3.1 million from trading. In 2014 the business generated a profit after tax of £2.7 million for the full year. In accordance with IFRS this business has been classed as a discontinued operation and all references below refer to Continuing Operations.

Revenues and Expenses

Consolidated Statement of Income						
£ million	Q4 2015	Q4 2014	% chg	FY 2015	FY 2014	% chg
Revenue	419.3	412.4	1.7	1,674.5	1,633.5	2.5
Cost of sales	(303.9)	(304.1)	0.1	(1,206.4)	(1,195.2)	(0.9)
Gross profit	115.4	108.3	6.6	468.1	438.3	6.8
Administrative and distribution costs	(91.7)	(90.9)	(0.9)	(379.8)	(366.9)	(3.5)
Parent royalty charge	(0.3)	(1.2)		(1.2)	(1.2)	
Exceptional items	(1.3)	(0.5)		(3.5)	(6.6)	
Impairment of assets	-	(2.8)		-	(4.1)	
Profit on disposal of subsidiaries & associates	5.2	-		5.2	1.8	
Share of results of associates	0.4	0.5		0.8	1.0	
Operating profit	27.7	13.4	106.7	89.6	62.3	43.8
Net finance costs	(10.7)	(12.3)	13.0	(55.4)	(53.0)	(4.5)
Other net gains	12.6	1.9		15.0	1.9	
Profit before tax	29.6	3.0	886.7	49.2	11.2	339.3
Tax	(6.5)	(3.8)		(8.8)	(2.4)	
Profit/(loss) for the period from continuing operations	23.1	(0.8)		40.4	8.8	359.1
Discontinued operations						
Profit for the period from discontinued operations	0.2	1.2		13.5	2.7	
Profit for the period	23.3	0.4	5,725	53.9	11.5	368.7
Attributable to:						
Equity holders of the parent	23.3	-		52.6	10.8	
Non-controlling interest	-	0.4		1.3	0.7	
	23.3	0.4		53.9	11.5	

The information contained in the table above should be read in conjunction with the condensed consolidated financial statements and the related notes. A more detailed analysis of our financial performance is included within the review of Business Performance.

Group revenues

The Group reported revenues of £1,674.5 million for the year ended 26 December 2015, an increase of 2.5% on the prior year. On a like-for-like basis, excluding acquisitions, sold and closed businesses and at constant currency, revenue growth was 1.6% mainly due to strong growth from our International operations.

Our UK reported revenues were broadly flat at £1,519.0 million. UK sales growth was limited as volume gains in our core categories were offset by price decreases as we passed on raw material deflation to our customers. UK revenues were also impacted by the closure of our Prepared Fruit business in June.

Reported revenues in our International segment increased by £42.1 million to £155.5 million with particularly strong growth in our US and Asian businesses. The US business now includes B. Robert's Foods which has contributed £22.3 million of revenues since its acquisition in January 2015. On a like-for-like basis growth was 14.3% with increased volume demand, new product roll outs in Asia and the US and improved pricing from core Asian customers.

Gross profit

The gross profit margin for 2015 was 28.0% compared to 26.8% in the prior year. The margin improvement reflects increased efficiencies at our facilities driven by volume growth as well as the benefits from productivity investments made during the current and previous year.

We have been able to pass back raw material deflation to our customers. However we have continued to see labour costs rising and expect this trend to continue into next year with the introduction of the National Living Wage in April.

Distribution and other administrative costs

These costs have increased by 3.5% in the year to £379.8 million as we continued to invest to support product innovation and volume growth. The year-on-year increase was also attributable to rising labour costs and the inclusion of overheads relating to our newly acquired business in Charlotte in the US.

Adjusted EBITDA

Adjusted EBITDA for the Group was £129.7 million, compared with £113.3 million in 2014, an increase of £16.4 million. As a result, our Adjusted EBITDA margin increased by 80 basis points from 6.9% to 7.7%. Increased volumes and productivity investments helped to support our margin and the restructuring of our UK business during the prior year has been fundamental to reducing both cost and complexity throughout 2015.

Exceptional items

Restructuring costs in the year, relating mainly to redundancy payments, comprise £1.1million in respect of the closure of our UK Prepared Fruit business and £1.5 million for the restructuring of our Belgian operation. In addition, £0.9 million of costs were incurred following the decision by a major customer in the US to cease trading. Restructuring costs in the prior year were all in respect of our UK businesses.

Operating profit

Operating profit increased by £27.3 million to £89.6 million, representing an operating margin of 5.4%, 160 basis points ahead of the prior year or 130 basis points before an impairment charge of £4.1 million taken in 2014. The majority of this improvement was due to volume gains and productivity improvements.

Financing costs

Net finance costs increased from £53.0 million to £55.4 million in 2015 with the current year including £9.3 million of one-off costs as a result of the refinancing completed in April 2015. These costs comprise a £5.8 million call premium paid on the early redemption of £140 million of the Senior Secured Notes 2018 and £3.5 million of accelerated amortisation of fees relating to the previous financing structure. The early redemption was financed by an increase in the bank term loan of £140 million. However, as a result of the significant reduction in net debt during the year and the refinancing, underlying borrowing costs were lower than the prior year.

Other gains and losses represent mark-to-market movements on both the Group's remaining fixed rate interest swap, maturing in 2016, and foreign exchange forward contracts and options. The total also includes a £10.7 million gain for the mark-to-market value of the call option in the Senior Secured Notes 2020, as this is classified as an embedded derivative under IFRS.

Tax

The Group's tax charge was £8.8 million for 2015 (2014: £2.4 million). The higher tax charge is due to the increase in profit before tax to £49.2 million (2014: £11.2 million) and also due to the use of UK tax losses in 2014 which lowered the cost for that year.

Pensions

Under the valuation principles that are required by IAS 19 to be used for accounting purposes, the Group recognised a deficit of £3.9 million for the UK defined benefit scheme as at 26 December 2015 (2014: surplus of £6.7 million). The deficit has arisen as the combination of the return from the scheme's assets and recovery contribution is more than offset by the reduction to the discount rate which has increased the scheme's liabilities.

Appendices

Free Cash Flow⁴

£ million	Q4 2015	Q4 2014 ¹	FY 2015	FY 2014 ¹
Adjusted EBITDA ³	34.0	27.5	129.7	113.3
Adjusted EBITDA from discontinued operations	-	3.0	5.7	6.6
Adjusted EBITDA – Total Group	34.0	30.5	135.4	119.9
Working capital	17.3	8.3	50.1	26.8
Pensions (cash and non-cash)	(0.9)	(1.1)	(3.8)	(3.8)
Interest paid	(9.1)	(8.2)	(45.4)	(49.0)
Tax paid	(0.6)	(0.6)	(5.7)	(1.0)
Capital expenditure (net)	(13.5)	(16.2)	(38.0)	(49.2)
Free cash generated from operating activities⁴	27.2	12.7	92.6	43.7

Reconciliation of Operating Profit to Adjusted EBITDA

£ million	Q4 2015	Q4 2014 ¹	FY 2015	FY 2014 ¹
Operating profit	27.7	13.4	89.6	62.3
Add:				
Depreciation	9.1	8.9	35.3	34.8
Amortisation	1.0	2.0	5.9	8.1
Parent royalty charge	0.3	1.2	1.2	1.2
Exceptional items (net)	1.3	0.5	3.5	6.6
Impairment of assets	-	2.8	-	4.1
Loss/(profit) on disposal of property, plant and equipment	0.2	(0.8)	0.2	(1.0)
Profit on disposal of subsidiaries & associates	(5.2)	-	(5.2)	(1.8)
Share of results of associates after tax	(0.4)	(0.5)	(0.8)	(1.0)
Adjusted EBITDA	34.0	27.5	129.7	113.3

Analyst and Investor Call

On 11 February 2016 a conference call facility will be available for analysts and investors at 2pm (UK time). The conference call details can be requested from:

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Bakkavor at a Glance

2016 marks the 30th anniversary of Bakkavor being founded by Agust and Lydur Gudmundsson in Iceland to manufacture and export fish products.

Today, we are a leading provider of fresh prepared foods, employing over 18,000 people globally and producing over 5,000 products in 18 different categories.

In the UK, we are the number one producer by value in 11 of the 16 categories of chilled food we supply to the market. Products include ready meals, pizzas, salads, desserts, soups and sauces.

Our customers include some of the UK's best known grocery retailers including Tesco, Marks & Spencer, Sainsbury's, Waitrose, Asda and Morrisons, who sell our products to consumers under their respective retailer brands.

We also have operations in the US, Asia and Continental Europe supplying fresh prepared food products to both retail and foodservice customers.

Forward-looking statements:

This announcement may contain certain forward-looking statements with respect to Bakkavor's expectations and plans, strategy, management objectives, future developments and performance costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Certain statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of Bakkavor speak only as of the date they are made. Bakkavor does not undertake to update forward-looking statements to reflect any changes in Bakkavor's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be construed as a profit forecast. Past performance cannot be relied on as a guide to future performance.

This report, the most recent Annual Report and other information are available on Bakkavor's website at <http://www.bakkavor.com>. Neither the content of Bakkavor's website nor any other website accessible by hyperlinks from Bakkavor's websites are incorporated in, or form part of, this announcement.

Bakkavor Finance (2) plc
Condensed consolidated financial statements
52 weeks ended 26 December 2015

Bakkavor Finance (2) plc

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Bakkavor Finance (2) plc

Condensed consolidated income statement for the 4th quarter

		13 weeks ended 26 December 2015			13 weeks ended 27 December 2014		
£ million	Notes	Before non-recurring items	Non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
Continuing operations							
Revenue		419.3	-	419.3	412.4	-	412.4
Cost of sales		(303.9)	-	(303.9)	(304.1)	-	(304.1)
Gross profit		115.4	-	115.4	108.3	-	108.3
Distribution costs		(22.2)	-	(22.2)	(19.4)	-	(19.4)
Other administrative costs		(69.5)	-	(69.5)	(71.5)	-	(71.5)
Royalty charge		(0.3)	-	(0.3)	(1.2)	-	(1.2)
Exceptional items (net)		-	(1.3)	(1.3)	-	(0.5)	(0.5)
Impairment of assets		-	-	-	-	(2.8)	(2.8)
Total administrative costs		(69.8)	(1.3)	(71.1)	(72.7)	(3.3)	(76.0)
Profit on disposal of associate	15	-	5.2	5.2	-	-	-
Share of results of associates		0.4	-	0.4	0.5	-	0.5
Operating profit/(loss)		23.8	3.9	27.7	16.7	(3.3)	13.4
Investment revenue		0.1	-	0.1	0.1	-	0.1
Finance costs		(10.8)	-	(10.8)	(12.4)	-	(12.4)
Other gains (net)		12.6	-	12.6	1.9	-	1.9
Profit/(loss) before tax		25.7	3.9	29.6	6.3	(3.3)	3.0
Tax		(6.5)	-	(6.5)	(3.8)	-	(3.8)
Profit/(loss) for the period from continuing operations		19.2	3.9	23.1	2.5	(3.3)	(0.8)
Discontinued operations							
Profit for the period from discontinued operations	8	-	0.2	0.2	1.2	-	1.2
Profit/(loss) for the period		19.2	4.1	23.3	3.7	(3.3)	0.4
Attributable to:							
Equity holders of the parent		19.2	4.1	23.3	3.3	(3.3)	-
Non-controlling interest		-	-	-	0.4	-	0.4
		19.2	4.1	23.3	3.7	(3.3)	0.4

Bakkavor Finance (2) plc

Condensed consolidated income statement

		52 weeks ended 26 December 2015			52 weeks ended 27 December 2014		
£ million	Notes	Before non-recurring items	Non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
Continuing operations							
Revenue	3	1,674.5	-	1,674.5	1,633.5	-	1,633.5
Cost of sales		(1,206.4)	-	(1,206.4)	(1,195.2)	-	(1,195.2)
Gross profit		468.1	-	468.1	438.3	-	438.3
Distribution costs		(82.9)	-	(82.9)	(77.8)	-	(77.8)
Other administrative costs		(296.9)	-	(296.9)	(289.1)	-	(289.1)
Royalty charge		(1.2)	-	(1.2)	(1.2)	-	(1.2)
Exceptional items	4	-	(3.5)	(3.5)	-	(6.6)	(6.6)
Impairment of assets	5	-	-	-	-	(4.1)	(4.1)
Total administrative costs		(298.1)	(3.5)	(301.6)	(290.3)	(10.7)	(301.0)
Profit on disposal of subsidiary		-	-	-	-	1.8	1.8
Profit on disposal of associate	15	-	5.2	5.2	-	-	-
Share of results of associates		0.8	-	0.8	1.0	-	1.0
Operating profit/(loss)		87.9	1.7	89.6	71.2	(8.9)	62.3
Investment revenue		0.1	-	0.1	0.1	-	0.1
Finance costs	6	(46.2)	(9.3)	(55.5)	(53.1)	-	(53.1)
Other gains (net)	7	15.0	-	15.0	1.9	-	1.9
Profit/(loss) before tax		56.8	(7.6)	49.2	20.1	(8.9)	11.2
Tax		(10.9)	2.1	(8.8)	(4.0)	1.6	(2.4)
Profit/(loss) for the period from continuing operations		45.9	(5.5)	40.4	16.1	(7.3)	8.8
Discontinued operations							
Profit for the period from discontinued operations	8	3.1	10.4	13.5	2.7	-	2.7
Profit/(loss) for the period		49.0	4.9	53.9	18.8	(7.3)	11.5
Attributable to:							
Equity holders of the parent		47.7	4.9	52.6	18.1	(7.3)	10.8
Non-controlling interest		1.3	-	1.3	0.7	-	0.7
		49.0	4.9	53.9	18.8	(7.3)	11.5

Bakkavor Finance (2) plc

Condensed consolidated statement of comprehensive income

£ million	13 weeks ended 26 December 2015	13 weeks ended 27 December 2014	52 weeks ended 26 December 2015	52 weeks ended 27 December 2014
Profit for the period	23.3	0.4	53.9	11.5
Other comprehensive income/(expense)				
Items that will not be reclassified to the income statement:				
Actuarial gain/(loss) on defined benefit pension schemes	(7.4)	(0.7)	(14.4)	0.3
Tax relating to components of other comprehensive income	1.4	0.2	2.8	-
	(6.0)	(0.5)	(11.6)	0.3
Items that may subsequently be reclassified to the income statement:				
Exchange differences on translation of foreign operations	0.9	2.1	3.4	1.1
Exchange difference on translation of discontinued foreign operations	-	-	(2.2)	(0.5)
Net exchange losses recycled to income statement on disposal of subsidiaries	-	-	-	1.7
	0.9	2.1	1.2	2.3
Total other comprehensive income	(5.1)	1.6	(10.4)	2.6
Total comprehensive income	18.2	2.0	43.5	14.1
Attributable to:				
Equity holders of the parent	18.2	1.6	43.0	13.8
Non-controlling interest	-	0.4	0.5	0.3
	18.2	2.0	43.5	14.1

Bakkavor Finance (2) plc

Condensed consolidated statement of financial position

£ million	Notes	26 December 2015	27 December 2014
Non-current assets			
Goodwill	9	642.9	642.1
Other intangible assets		5.1	9.4
Property, plant and equipment	10	281.2	277.8
Interests in associates		10.7	10.9
Other investments		0.1	0.1
Retirement benefit asset		-	6.7
		940.0	947.0
Current assets			
Inventories	11	57.5	64.3
Trade and other receivables	12	182.9	201.3
Cash and cash equivalents	14	97.0	24.6
Derivative financial instruments		0.5	0.5
		337.9	290.7
Total assets		1,277.9	1,237.7
Current liabilities			
Trade and other payables	13	(389.8)	(364.1)
Current tax liabilities		(6.2)	(18.3)
Borrowings	14	(15.4)	(9.2)
Provisions		(3.4)	(0.6)
Derivative financial instruments		(2.5)	(6.9)
Deferred income		(0.7)	-
		(418.0)	(399.1)
Non-current liabilities			
Trade and other payables	13	(0.3)	(0.2)
Borrowings	14	(470.2)	(487.1)
Provisions		(10.7)	(11.5)
Deferred tax liabilities		(16.5)	(16.9)
Retirement benefit liability		(3.9)	-
Deferred income		(1.2)	-
		(502.8)	(515.7)
Total liabilities		(920.8)	(914.8)
Net assets		357.1	322.9

Bakkavor Finance (2) plc

Condensed consolidated statement of financial position (continued)

£ million	26 December 2015	27 December 2014
Equity		
Share capital	0.1	0.1
Share premium	315.2	315.2
Merger reserve	45.2	45.2
Capital reserve	4.0	4.0
Translation reserve	19.5	17.5
Retained earnings	(26.9)	(67.9)
Shareholder's equity	357.1	314.1
Non-controlling interest	-	8.8
Total equity	357.1	322.9

Bakkavor Finance (2) plc

Condensed consolidated statement of changes in equity

Equity attributable to equity holders of the Company									
£ million	Share capital	Share premium	Merger reserve	Capital reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
Balance at 29 December 2013	0.1	315.2	45.2	4.0	14.8	(77.8)	301.5	-	301.5
Profit for the period	-	-	-	-	-	10.8	10.8	0.7	11.5
Other comprehensive income/(expense) for the period	-	-	-	-	2.7	0.3	3.0	(0.4)	2.6
Total comprehensive income for the period	-	-	-	-	2.7	11.1	13.8	0.3	14.1
Disposal of investment	-	-	-	-	-	(1.2)	(1.2)	8.5	7.3
Balance at 27 December 2014	0.1	315.2	45.2	4.0	17.5	(67.9)	314.1	8.8	322.9
Profit for the period	-	-	-	-	-	52.6	52.6	1.3	53.9
Other comprehensive income/(expense) for the period	-	-	-	-	2.0	(11.6)	(9.6)	(0.8)	(10.4)
Total comprehensive income for the period	-	-	-	-	2.0	41.0	43.0	0.5	43.5
Dividends paid	-	-	-	-	-	-	-	(1.3)	(1.3)
Disposal of non-controlling interest	-	-	-	-	-	-	-	(8.0)	(8.0)
Balance at 26 December 2015	0.1	315.2	45.2	4.0	19.5	(26.9)	357.1	-	357.1

Bakkavor Finance (2) plc

Condensed consolidated statement of cash flows

£ million	Notes	13 weeks ended 26 December 2015	13 weeks ended 27 December 2014	52 weeks ended 26 December 2015	52 weeks ended 27 December 2014
Net cash generated from operating activities	16	39.5	28.0	101.6	86.4
Investing activities					
Interest received		0.1	0.1	0.1	0.1
Dividends received from associates		0.1	-	0.6	0.6
Purchases of property, plant and equipment		(13.6)	(17.3)	(38.2)	(50.8)
Proceeds from disposals of property, plant and equipment		0.1	1.1	0.2	1.6
Acquisition of business	15	-	-	(19.6)	-
Disposal of subsidiaries net of cash disposed of	15	-	-	20.5	10.8
Disposal of associate	15	6.0	-	6.0	-
Net cash used in investing activities		(7.3)	(16.1)	(30.4)	(37.7)
Financing activities					
Dividends paid		-	-	(1.3)	-
Increase in borrowings		-	-	143.9	1.6
Repayments of borrowings		-	(12.6)	(140.6)	(72.6)
Repayments of obligations under finance leases		(0.3)	(0.2)	(0.7)	(0.5)
Net cash (used in)/generated from financing activities		(0.3)	(12.8)	1.3	(71.5)
Net increase/(decrease) in cash and cash equivalents					
		31.9	(0.9)	72.5	(22.8)
Cash and cash equivalents at beginning of period attributable to:					
Continuing operations		65.0	25.5	24.6	45.0
Assets held for sale		-	-	-	2.5
Effect of foreign exchange rate changes		0.1	-	(0.1)	(0.1)
Cash and cash equivalents at end of period		97.0	24.6	97.0	24.6

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements

1. General information

Description of business

Bakkavor Finance (2) plc (the "Company") is a Public Limited Company whose ultimate parent company and controlling party is Bakkavor Group Limited, a company registered in the United Kingdom.

The financial information, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes is unaudited and does not constitute statutory accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The auditors have reported on the Group's statutory accounts for the 52 weeks ended 27 December 2014 which do not contain any statement under s498 of the Companies Act 2006 and are unqualified. The statutory accounts for the 52 weeks ended 27 December 2014 have been delivered to the Registrar of Companies. The financial information for the 13 weeks ended 26 December 2015 and the 13 weeks ended 27 December 2014 is unaudited.

This financial information does not include all of the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Bakkavor Finance (2) plc group's (the "Group") annual financial statements, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Principal activities and seasonality

The principal activities of the Group comprise the preparation and marketing of fresh prepared foods and the marketing and distribution of fresh produce. These activities are undertaken in the UK, Continental Europe, Asia and the United States and products are primarily sold through high street supermarkets. The Group's cash flows are affected by seasonal variations. Sales of fresh prepared food have historically tended to be marginally higher during the summer months and in the weeks leading up to Christmas. The Group generally has higher gross profit margins during the summer months because the Group is able to source locally produced raw materials during that period, which reduces costs.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The same accounting policies, presentation, and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the 52 weeks ended 27 December 2014.

Going concern

The Directors, in their detailed consideration of going concern, have reviewed the Group's future cash forecasts and revenue projections, which they believe are based on prudent market data and past experience. The Directors considered the Group's level of liquidity and compliance with its financing arrangements. At the date of this report the Group has complied in all respects with the terms of its borrowing agreements, including its financial covenants, and forecasts to continue to do so. Consequently, the Directors consider that the Group have adequate resources to meet their 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.

Discontinued operations

Italpizza S.r.l. has been sold in the current period resulting in it being disclosed as a discontinued operation. As a result, prior year figures in the consolidated income statement and related notes have been re-presented to present separately amounts relating to operations classified as discontinued in the current period. For details see note 8.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

3. Segment information

The chief operating decision-maker has been defined as the Management Board headed by the Chief Executive Officer. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the segments based on these reports.

As at the statement of financial position date, the Group is organised as follows:

UK:	The preparation and marketing of fresh prepared foods and fresh produce for distribution in the UK.
International:	The preparation and marketing of fresh prepared foods and fresh produce outside of the UK.

The Group's segment measure of profit represents operating profit before exceptional items (as presented in note 4), disposals of subsidiaries, associates and property, plant and equipment and share of results of associates.

The following table provides an analysis of the Group's segment information for the period 28 December 2014 to 26 December 2015:

£ million	UK	International	Total Group	Discontinued operations	Continuing operations
Revenue	1,519.0	188.3	1,707.3	32.8	1,674.5
Segment profit	87.4	6.0	93.4	4.9	88.5
Royalty charge	(1.2)	-	(1.2)	-	(1.2)
Exceptional items (net)	(1.1)	(2.4)	(3.5)	-	(3.5)
Loss on disposal of property, plant and equipment	(0.1)	(0.1)	(0.2)	-	(0.2)
Profit on disposal of subsidiary	-	10.4	10.4	10.4	-
Profit on disposal of associate	5.2	-	5.2	-	5.2
Share of results of associates	0.1	0.7	0.8	-	0.8
Operating profit	90.3	14.6	104.9	15.3	89.6
Investment revenue			0.1	-	0.1
Finance costs			(55.6)	(0.1)	(55.5)
Other gains (net)			15.0	-	15.0
Profit before tax			64.4	15.2	49.2
Tax			(10.5)	(1.7)	(8.8)
Profit for the period			53.9	13.5	40.4
Other segment information					
Depreciation and amortisation	36.7	5.3	42.0	0.8	41.2
Adjusted EBITDA	124.1	11.3	135.4	5.7	129.7

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

3. Segment information (continued)

The following table provides an analysis of the Group's segment information for the period 29 December 2013 to 27 December 2014:

£ million	UK	International	Total Group	Discontinued operations	Continuing operations
Revenue	1,520.1	172.5	1,692.6	59.1	1,633.5
Segment profit	74.5	0.7	75.2	4.8	70.4
Royalty charge	(1.2)	-	(1.2)	-	(1.2)
Exceptional items (net)	(6.4)	(0.2)	(6.6)	-	(6.6)
Impairment of assets	(3.8)	(0.3)	(4.1)	-	(4.1)
Profit on disposal of property, plant and equipment	1.0	-	1.0	-	1.0
Profit on disposal of subsidiaries	-	1.8	1.8	-	1.8
Share of results of associates	0.2	0.8	1.0	-	1.0
Operating profit	64.3	2.8	67.1	4.8	62.3
Investment revenue			0.1	-	0.1
Finance costs			(53.3)	(0.2)	(53.1)
Other gains and (losses)			1.7	(0.2)	1.9
Profit before tax			15.6	4.4	11.2
Tax			(4.1)	(1.7)	(2.4)
Profit for the period			11.5	2.7	8.8
Other segment information					
Depreciation and amortisation	(38.4)	(6.3)	(44.7)	(1.8)	(42.9)
Adjusted EBITDA	112.9	7.0	119.9	6.6	113.3

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

4. Exceptional items

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Exceptional items are as follows:

Continuing operations £ million	52 weeks ended 26 December 2015	52 weeks ended 27 December 2014
Restructuring costs	(3.5)	(6.6)

Of the restructuring costs of £3.5 million in 2015, £1.1 million is attributable to the closure of a fresh prepared fruit facility within the UK sector and £1.5 million is for the restructuring of the Group's operation in Belgium. In addition, £0.9 million of costs were incurred following the decision by a major customer in the US to cease trading. With the exception of the US costs the restructuring costs are mainly in respect of redundancy payments.

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

5. Impairment of assets

Continuing operations £ million	52 weeks ended 26 December 2015	52 weeks ended 27 December 2014
Impairment of goodwill	-	2.6
Impairment of intangible assets	-	0.1
Impairment of property, plant and equipment	-	1.4
	-	4.1

The annual impairment review of the carrying value of goodwill and intangible assets has resulted in no impairment charge being recognised within the Group (2014: £2.6 million goodwill and £0.1 million intangible asset impairments, both within the UK segment).

During the period, the Group has not impaired any property, plant and equipment (2014: £1.1 million being impaired within the UK segment and £0.3 million within the International segment).

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

6. Finance costs

Continuing operations £ million	52 weeks ended 26 December 2015	52 weeks ended 27 December 2014
Interest on borrowings	42.5	48.6
Interest on obligations under finance leases	0.2	0.2
Amortisation of refinancing costs	6.7	4.0
Call premium for 2018 Senior Secured Notes	5.8	-
Unwinding of discount on provisions	0.3	0.3
	55.5	53.1

Finance costs for the year include non-recurring costs of £9.3 million. These costs comprise a £5.8 million call premium paid on the partial redemption of the 2018 Senior Secured Notes and £3.5 million of accelerated amortisation of fees relating to the previous financing structure.

7. Other gains (net)

Continuing operations £ million	52 weeks ended 26 December 2015	52 weeks ended 27 December 2014
Change in fair value of derivative financial instruments	4.2	1.5
Change in fair value of call option (note 14)	10.7	-
Foreign exchange gains	0.1	0.4
	15.0	1.9

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

8. Discontinued operations

The results of the discontinued operations, which have been included in the consolidated income statement, are as follows:

£ million	13 weeks ended 26 December 2015	13 weeks ended 27 December 2014	52 weeks ended 26 December 2015	52 weeks ended 27 December 2014
Discontinued operations				
Revenue	-	16.0	32.8	59.1
Cost of sales	-	(10.0)	(21.0)	(41.1)
Gross profit	-	6.0	11.8	18.0
Distribution costs	-	(0.8)	(1.4)	(2.4)
Other administrative costs	-	(2.8)	(5.5)	(10.8)
Profit on disposal of subsidiary	0.2	-	10.4	-
Operating profit	0.2	2.4	15.3	4.8
Finance costs	-	(0.1)	(0.1)	(0.2)
Other loss (net)	-	(0.2)	-	(0.2)
Profit before tax	0.2	2.1	15.2	4.4
Tax	-	(0.9)	(1.7)	(1.7)
Profit for the period	0.2	1.2	13.5	2.7
Attributable to:				
Equity holders of the parent	0.2	0.8	12.2	2.0
Non-controlling interests	-	0.4	1.3	0.7
	0.2	1.2	13.5	2.7

During the year, discontinued operations used £0.5 million (2014: contributed cash of £5.6 million) of the Group's net operating cash flows, paid £1.4 million (2014: paid £1.5 million) in respect of investing activities (excluding proceeds from the disposal of the business) and received £0.6 million (2014: paid £4.9 million) in respect of financing activities.

9. Goodwill

£ million	
At 29 December 2013	644.4
Impairment	(2.6)
Exchange rate difference during the period	0.3
At 27 December 2014	642.1
Acquisition of business (note 15)	14.5
Disposal of business (note 15)	(13.9)
Exchange rate difference during the period	0.2
At 26 December 2015	642.9

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

10. Property, plant and equipment

£ million	
At 29 December 2013	264.7
Additions	51.1
Disposals	(0.6)
Depreciation charge for the period	(36.0)
Impairment	(1.4)
At 27 December 2014	277.8
Additions	42.5
Disposals	(0.4)
Acquisition of business (note 15)	1.0
Disposal of business (note 15)	(3.3)
Depreciation charge for the period	(35.9)
Exchange rate difference during the period	(0.5)
At 26 December 2015	281.2

11. Inventories

£ million	26 December 2015	27 December 2014
Raw materials and packaging	48.3	51.9
Work-in-progress	3.2	2.4
Finished goods	6.0	10.0
	57.5	64.3

12. Trade and other receivables

£ million	26 December 2015	27 December 2014
Amounts receivable from trade customers	155.1	168.2
Allowance for doubtful debts	(0.6)	(1.0)
Net amounts receivable from trade customers	154.5	167.2
Other receivables	18.3	14.6
Prepayments	10.1	19.5
Trade and other receivables due within one year	182.9	201.3

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

13. Trade and other payables

£ million	26 December 2015	27 December 2014
Trade payables	203.5	211.1
Other payables	22.8	32.4
Accruals	163.8	120.8
	390.1	364.3
Less amounts due after one year:		
Other payables	(0.3)	(0.2)
Trade and other payables due within one year	389.8	364.1

14. Net debt

£ million	26 December 2015	27 December 2014
Analysis of net debt		
Cash and cash equivalents	97.0	24.6
Borrowings	(10.0)	(1.9)
Unamortised fees	2.4	3.9
Interest accrual	(7.3)	(10.8)
Finance leases	(0.5)	(0.4)
Total debt due within one year	(15.4)	(9.2)
Borrowings	(480.7)	(493.3)
Unamortised fees	4.2	7.9
Fair value of call option	10.7	-
Finance leases	(4.4)	(1.7)
Total debt due after one year	(470.2)	(487.1)
Statutory net debt	(388.6)	(471.7)
Statutory net debt	(388.6)	(471.7)
Unamortised fees	(6.6)	(11.8)
Interest accrual	7.3	10.8
Fair value of call option	(10.7)	-
Operational net debt	(398.6)	(472.7)

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

14. Net debt (continued)

On 29 April 2015, the Group increased and extended its existing banking facilities. The facilities have been increased from £80 million to £220 million in total and the maturity extended from October 2016 to February 2018. The increase in bank financing, at a lower interest rate cost, has been used to fund the early repayment of £140 million of the existing 8.25% Senior Secured Notes due in 2018. The Group's Receivables Securitisation facility maturity has also been extended to February 2018.

The 8.75% Senior Secured Notes due in 2020 contain a call option from 15 June 2016 that under IAS 39 'Financial Instruments: Recognition and Measurement' should be accounted for as an embedded derivative and is required to be separately accounted for at fair value with the issued bond value carried at amortised cost. As at 26 December the fair value of the call option amounted to an asset of £10.7 million (2014: £nil).

15. Acquisitions and disposals

Acquisition of subsidiary

On 12 January 2015, the Group completed the acquisition of the trade and assets of B. Robert's Foods, a private label fresh prepared foods manufacturer based in Charlotte, North Carolina in the United States of America for a cash consideration of £19.6 million (US\$ 30.5 million). The primary reason for the acquisition was to increase the Group's presence in the US.

The amounts recognised in respect of the fair value of the identifiable assets acquired and liabilities assumed are as set out in the table below:

£ million	
Other intangible assets	3.2
Property, plant and equipment	1.0
Inventories	0.9
Net identifiable assets acquired	5.1
Goodwill	14.5
Total consideration	19.6
Net cash outflow arising on consideration	
Cash consideration	19.6

The results of B. Robert's Foods have been consolidated in the Group's condensed consolidated income statement from 12 January 2015 and contributed £22.3 million of revenue and profit of £2.9 million to the Group's profit for the period.

If the acquisition had been completed on the first day of the financial period, Group revenues and profit for the period would have been £1,675.3 million and £53.9 million respectively.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

15. Acquisitions and disposals (continued)

Disposal of subsidiary

On 14 July 2015 the Group completed the sale of its remaining 60% stake in Itaipizza S.r.l, its Italian Pizza manufacturing business, to Dreamfood S.r.l. for a cash consideration of £22.0 million (€ 31.0 million). This transaction resulted in a profit on disposal of £10.4 million being recorded in the income statement within discontinued operations.

The net assets of the business at the date of disposal were as follows:

£ million	14 July 2015
Goodwill	13.9
Other intangible assets	1.4
Property, plant and equipment	3.3
Deferred tax asset	0.2
Inventories	5.0
Trade and other receivables	13.8
Cash at bank	1.5
Trade and other payables	(10.6)
Corporation tax payable	(1.0)
Borrowings	(7.7)
Deferred tax liability	(0.3)
Derivative financial instruments	(0.1)
Net assets	19.4
Group's 60% share of net assets	11.6
Profit on disposal	10.4
Total cash consideration	22.0
Net cash inflow arising on disposal:	
Total cash consideration	22.0
Cash disposed of with business	(1.5)
Net cash consideration received	20.5

Disposal of associate

On 9 December 2015, the Group sold its 27.5% share in its associate Manor Fresh Limited, a supplier of fresh produce based in the United Kingdom for a cash consideration of £6.0 million. The transaction has resulted in a profit on sale of associate of £5.2 million being recorded in the income statement.

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

16. Notes to the condensed consolidated statement of cash flows

£ million	Unaudited		Audited	
	13 weeks ended 26 December 2015	13 weeks ended 27 December 2014	52 weeks ended 26 December 2015	52 weeks ended 27 December 2014
Operating profit				
- Continuing operations	27.7	13.4	89.6	62.3
- Discontinued operations	0.2	2.4	15.3	4.8
	27.9	15.8	104.9	67.1
Adjustments for:				
Share of results of associates	(0.4)	(0.5)	(0.8)	(1.0)
Depreciation of property, plant and equipment	9.1	9.3	35.9	36.0
Amortisation of intangible assets	1.0	2.2	6.1	8.7
Profit on disposal of property, plant and equipment	0.2	(0.8)	0.2	(1.0)
Profit on disposal of subsidiaries	(0.2)	-	(10.4)	(1.8)
Profit on disposal of associate	(5.2)	-	(5.2)	-
Impairment of assets	-	2.8	-	4.1
Net retirement benefits charge less contributions	(0.9)	(1.1)	(3.8)	(3.8)
Operating cash flows before movements in working capital	31.5	27.7	126.9	108.3
(Increase)/decrease in inventories	(3.7)	(5.1)	1.7	(5.6)
(Increase)/decrease in receivables	(15.3)	(11.5)	3.2	(12.8)
Increase in payables	34.5	26.2	41.0	46.7
Increase/(decrease) in exceptional creditor	0.3	(0.3)	(1.7)	0.8
Increase/(decrease) in provisions	2.1	(0.1)	2.0	(0.3)
Cash generated by operations	49.4	36.9	173.1	137.1
Income taxes paid	(0.6)	(0.6)	(18.2)	(1.0)
Interest paid	(9.3)	(8.3)	(53.3)	(49.7)
Net cash generated from operating activities	39.5	28.0	101.6	86.4

Bakkavor Finance (2) plc

Notes to the condensed consolidated financial statements (continued)

17. Retirement benefit schemes

The Group operates a number of pension schemes in the UK and overseas. The schemes are defined contribution, apart from a UK funded defined benefit scheme that was closed to future accrual in March 2011.

For the defined benefit scheme a full actuarial valuation of plan assets and the present value of the defined benefit obligation for funding purposes has been carried out as at 31 March 2013. The results from this valuation were updated for IAS 19 purposes to 26 December 2015 by a qualified independent actuary. Under IAS 19 valuation principles a deficit of £3.9 million (27 December 2014: surplus £6.7 million) has been recognised as at 26 December 2015 in the condensed consolidated statement of financial position.

18. Events after the statement of financial position date

On 25 January 2016, the Group confirmed that it had been informed that Bakk AL Holdings Limited, a company owned by Agust and Lydur Gudmundsson and funds managed by The Baupost Group L.L.C. had purchased the shares in the Bakkavor Group then owned by BG12 slhf and certain other shareholders for £163 million. Accordingly, Bakk AL Holdings Limited now owns approximately 89% of the issued share capital in the Group.

On 28 January 2016, the Group announced that it had elected to redeem £75 million of the existing 8.25% Senior Secured Notes due in 2018. The redemption will take place on 29 February 2016.