

Boparan

Private Office

Rt Hon Frank Field MP
Chair
Work & Pensions Committee
14 Tothill Street
London
SW1H 9NB

Email: workpencom@parliament.co.uk

Dear Mr Field

Bernard Matthews Limited and related companies (BM)

Thank you for your letter dated March 3 2017.

We note your letter was addressed to Mr Ranjit Singh Boparan of Boparan Holdings Limited ("BHL"). Firstly we should clarify the structure of Mr Boparan's enterprises. Mr Boparan has a very diverse portfolio including property, farming, and restaurants as well as one of the UK's largest food businesses under Boparan Holdings Limited (BHL). BHL is often referred to as 2 Sisters Food Group and includes the former Northern Foods plc businesses acquired in 2011 and the related Northern Foods defined benefit pension scheme. The food businesses largely sit under BHL, which, given it is backed by a publically listed Bond, has its own governance structure with an independent Board of Non-Executives. The remainder of the businesses, although being related parties by virtue of common ownership, are collectively managed by the Boparan Private Office ("BPO"). BPO is separately funded and managed to BHL and it is BPO that was the acquirer of the Bernard Mathews' trade and assets, and it is in that capacity that we write to you today

Boparan Private Office (BPO) has its company address registered at 9 Colmore Row, Birmingham, B3 2BJ and all correspondence should be addressed there for the attention of either Mr Boparan or myself as Chief Finance officer of BPO (steve.henderson@boparan.com).

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We have attached background information on the acquisition of Bernard Matthews in Appendix 1 to this letter which may be helpful in context of your enquiries. In particular that in the first stage of the sale process, BPO made an offer to acquire the whole of the share capital of Bernard Matthews which would have entailed BPO taking on the Bernard Matthews Pension Scheme and its deficit, but this offer was rejected by Rutland and its advisors.

Mr Boparan takes his responsibilities with regard to pension commitments extremely seriously and this can be evidenced by the way that he has increased his funding to the Northern Foods pension scheme since its acquisition by BHL

To answer your questions in turn:

1. On completion of the transaction, we were clear to emphasise that the acquisition of Bernard Matthews by BPO safeguarded jobs and was worth tens of millions of pounds to the local economy. Without BPO's intervention, the alternative would have been liquidation and the loss of c2, 000 jobs. So it was factually accurate for media to report jobs had been saved. BPO's intention throughout has been, and continues to be, to make the Bernard Matthews business viable by investing in farms and processing and improving efficiency to secure its long term future. However, no business can ever give cast-iron guarantees that all jobs will be maintained in perpetuity. This is neither realistic nor honest. Once BPO took ownership, the state of the business was even more parlous than expected and in the short term this means taking difficult decisions to make the business viable for the long term including redundancies.

Bernard Matthews has been in a worsening operational and financial state for several years, with reducing sales and trading losses, to the extent that following the failed sale process in June 2016, its owners (Rutland Partners) and bank funders (Wells Fargo/PNC) would no longer support the business which ultimately resulted in Bernard Matthews going into Administration in September 2016.

In relation to the Defined Benefit Pension Scheme, BPO purchased the business assets from the Administrator and therefore had no influence with the Administrator (Deloitte) on the distribution of proceeds as the legislation behind business failure defines the 'order of priority' of creditors, with both the bank funders and Rutland Partners ranked above the pension fund as creditors. (BPO understands that when Rutland Partners made its original investment of loan notes (with interest at 20% p.a.) in Bernard Matthews, agreement was made with the Pension Trustees that Rutland's security ranked 2nd after the bank funders and before the Pension Scheme and other creditors. Clearly we were not party to the how and what was agreed between those parties historically)

2. In July 2016, during the PwC sale process, Boparan made an offer to buy the whole share capital of Bernard Matthews (which included all assets & liabilities including pension liabilities), but this offer was rejected by the owner Rutland Partners. The offer was

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sufficient to repay the bank (first charge) and by acquiring the share capital, Boparan would have taken on the Pension Liability, but Rutland Partners would not have received full repayment of their loan notes and interest and we assume this latter point is why the offer was rejected.

3. As mentioned above, although BHL is a related party to BPO as acquirer of Bernard Matthews, it is a completely independent business. All enquiries relating to the financing of Defined benefit schemes within BHL should separately be addressed to the Chief Financial Officer of BHL, Stephen Leadbeater, either at the registered address in Wakefield or directly at the following email address. -steve.leadbeater@2sfg.com

I look forward to hearing from you and if it would be helpful I would be happy to meet informally to discuss any questions arising from our reply.

Yours faithfully,



On behalf of Mr Ranjit Singh Boparan
S Henderson FCA
CFO Boparan Private Office

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Appendix 1

Background to transaction

1. BPO had been interested in acquiring a stake in Bernard Matthews (BM) for a number of years and prior to Rutland's investment, BPO had offered to take a 50% share for an equity stake but BM declined BPO's proposal.
2. BM subsequently sold a controlling equity stake to Rutland Partners (Private Equity Fund). The funding was by issuing loan notes to Rutland which accrued interest at 20% p.a.
3. BM trading has been worsening for a number of years (sales have fallen from c£350m in 2012 to c£200m) and BM had become uncompetitive, loss making and unviable. Trading and the financial situation deteriorated in the 12 months to June 2016 and BM made significant trading losses (losses over £10m).
4. In 2016 BM funding comprised:
 - a. Bank funding c£46m (1st charge/security over BM's assets) and;
 - b. Rutland loan notes of £25m plus accrued interest of c£18m at the compound interest rate of 20% p.a. (2nd charge over the assets)
5. In terms of security, we understand that the family shareholding and the BM Pension scheme were 3rd in line after the bank and Rutland loan notes and interest.
6. In June 2016, BPO was approached by Pwc who were marketing the sale of BM (we understand that Pwc approached around 30 other potential buyers).
7. On 18 July 2016, BPO made an offer in writing to buy the whole share capital of BM (which included all assets & liabilities including the Defined benefit Pension Scheme and its liabilities), but this offer was rejected by Rutland and its advisors.
8. BPO understands that BPO's offer was the highest made to Pwc and indeed the only offer for the whole share capital at that time
9. BPO's offer would have been sufficient to repay the bank funding (who held 1st charge) and if accepted, BPO's acquiring entity would thus have taken on the Pension Liability, but Rutland would not have received full repayment of their loan notes and interest and we assume this latter point is why the offer was rejected.
10. Rutland advised BPO that they were considering their options given none of the offers to Pwc were accepted, and we were advised that Rutland's options included carrying out their own recovery plan.
11. In September 2016 the company went into the pre-pack administration process with Deloitte acting as Administrator. This decision could only be put into effect by the owners and bank funders of Bernard Matthews.
12. Under the pre pack process, BPO was the highest offer made to acquire the assets and trade of the business and thus avoid the business ceasing to trade and saving c2, 000 jobs.
13. BPO purchased the business assets from the Administrator for what BPO considered a full price and had no influence with the Administrator (Deloitte) on the distribution of proceeds as the legislation behind business failure defines the 'order of priority' of creditors, with previous funders ranked above the pension fund as creditors
14. The Acquisition of BM by Boparan directly saved over c2,000 jobs, secured British turkey supply to consumer for Christmas 2016 (which retailers were genuinely concerned may not be delivered by BM prior to the transaction) and ensures that there will be future investment in British turkey agriculture and processing
15. It has also ensured the continuation of a local supply chain on which many jobs depend and worth tens of millions of pounds to the local economy
16. BPO plans to make the business viable and secure its long term future including investment and cost reduction and unfortunately in the short term, this includes redundancies.

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