5 March 2024

Bakkavor Group plc

2023 Full Year results

Execution of plan delivered strong 2023 performance and underpins confident outlook

Bakkavor Group plc ("Bakkavor" or the "Group"), the leading international provider of fresh prepared food ("FPF"), today announces its audited results for the 52-week period ended 30 December 2023 ("FY23").

FINANCIAL HIGHLIGHTS

£ million (unless otherwise stated)	**FY23**	**FY22**	***Change***
Group revenue	2,203.8	2,139.2	*3.0%*
Like-for-like revenue[1]	2,214.2	2,103.2	*5.3%*
Adjusted operating profit[1]	94.3	89.4	*5.5%*
Adjusted operating profit margin[1]	4.3%	4.2%	*10bps*
Operating profit	97.1	37.8	*156.9%*
Basic earnings per share	9.4p	2.2p	*7.2p*
Adjusted earnings per share[1]	8.8p	9.5p	*(0.7p)*
Free cash flow[1]	103.2	53.4	*49.8*
Operational net debt[1]	(229.6)	(284.9)	*55.3*
Total dividend per share	7.28p	6.93p	*5.0%*

Strong financial performance; profit ahead of expectations and leverage reduced

- Like for like revenue up 5.3% driven by price, as well as volume recovery in China
- Reported revenue up 3.0% which is adjusted for the impact of currency and the 53rd week in FY22
- Adjusted operating profit of £94.3m, up 5.5%, and ahead of market expectations[2]
- Free cash flow of £103.2m, up £49.8m on prior year, has funded an increase in dividend and allowed us to reduce debt
- Net debt down by £55.3m has reduced leverage by 0.4 turns to lower end of target range at 1.5x
- Total dividend per share up 5% on prior year, reflecting strong performance and confident outlook

Executed our three point plan to underpin 2023 performance

- Renewed organisational structure and purpose delivered synergies and efficiencies ahead of our initial expectations, delivering £17m savings in FY23, £25m on an annualised basis
- Refreshed regional priorities providing focus and clarity for our leadership teams:
    a) UK: Continued to win market share through excellent service levels and targeted innovation. Progressive profitability as a result of restructuring, factory performance and cost control;
    b) US: Stabilised business and returned to profitability in H2, after a break-even H1, despite LFL revenue decline, as we prioritised profit over revenue growth;
    c) China: Now cash generative and self-funding, having effectively built back volumes following unwind of COVID restrictions
- Enhanced focus on managing cash driven by a disciplined allocation of capital spend and working capital improvements, which supported net debt reduction

Continued ESG progress supports sustainable growth

- Targeted approach has delivered progress in all three of our ESG KPIs
- Food waste and carbon emissions now embedded within the Group's bonus schemes
- Proud to sponsor the King's Coronation Food Project helping to reduce food poverty
- Launched 'Better Behaviours, Better Bakkavor' programme to underpin colleague engagement

Confident of delivering 2024 ahead of market expectations

- Actions taken in 2023 provide momentum in 2024 across all regions
- Trading in 2024 has started well with good visibility for the months ahead
- Planning for subdued volume in the UK but encouraged by recent signs of recovery in the market
- Internationally, expect a return to growth in the US in late 2024 and moderate growth in China
- 2024 adjusted operating profit to be at least in line with upper end of market expectations[3]
- With leverage now at the lower end of our range (1.5x), we have reset our target to 1.0 to 2.0x

Mike Edwards, CEO, commented:

"I am proud of the Group's performance, which has been delivered ahead of expectations. I would like to thank everyone at Bakkavor for their energy and commitment in embracing our clear plan to drive change, which has made our business stronger than ever.

We have momentum in all three regions and have started the year well. This gives us confidence that we will deliver 2024 at least in line with the upper end of market expectations, and we will be relentless in looking for further opportunity to improve our business.

We will continue to put our colleagues and customers at the heart of everything we do, whilst also making a meaningful contribution to our wider communities, with a specific focus on giving our full support to the King's Coronation food project, which targets a reduction in food poverty."

1. Alternative performance measures are referred to as 'like-for-like', 'adjusted' and 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 11.
2. Based on company compiled consensus ("Consensus") which includes all covering analysts. Adjusted operating profit Consensus for FY 23 at £91.4m with a range of £89.7m to £92.7m.
3. Based on company compiled consensus ("Consensus") which includes all covering analysts. Adjusted operating profit Consensus for FY 24 at £97.1m with a range of £95.0m to £99.9m.

Presentation

A copy of these results is available on our website: https://www.bakkavor.com/en/investors/results-and-presentations/default.aspx

We will be presenting to analysts in-person and via a webcast at 09:00am on 5 March 2024 through the Investor section of the Group's website at: https://brrmedia.news/BAKK_FY23. The presentation can also be accessed via a replay service shortly after the presentation has concluded.

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About Bakkavor
We are the leading provider of fresh prepared food in the UK, and our presence in the US and China positions the Group well in these high-growth markets. We leverage our consumer insight and scale to provide innovative food that offers quality, choice, convenience, and freshness. Around 18,000 colleagues operate from 44 sites across our three markets supplying a portfolio of over 3,000 products across meals, pizza & bread, salads and desserts to leading grocery retailers in the UK and US, and international food brands in China. Find out more at www.bakkavor.com.

LEI number: 213800COL7AD54YU9949

Disclaimer – forward-looking statements

This statement includes forward-looking statements. By their nature, forward-looking statements involve risk, uncertainty and other factors, which may cause the actual results and developments of the Group to differ materially from any results and developments expressed or implied by such forward-looking statements. You should not place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this statement. The Group is under no obligation to publicly update or review these forward-looking statements other than as required by law.

CHIEF EXECUTIVE'S OVERVIEW

In my first year as CEO I am pleased with the Group's performance and, more importantly, we have established positive momentum in all three regions. We are building a strong platform from which to deliver profitable growth in the future. I am incredibly proud of what the Group has achieved this year against such a challenging backdrop and, as ever, the great people we have in the business are fundamental to our success. I would like to thank our teams for their relentless hard work and commitment.

Our strategy remains unchanged: we will continue to leverage our leading position in the UK and deliver profitable international growth. These pillars are underpinned and driven by our commitment to operational excellence and desire to be a Trusted Partner for our colleagues and other stakeholders.

Last year we said we needed to adopt new tactics alongside this established strategy, and we executed a decisive three-point plan to protect profitability.

1. **RENEWED** purpose through our new organisational structure: delivering synergies and efficiencies
2. **REFRESHED** regional priorities: ensuring focus and clarity for our local leadership teams
3. **ENHANCED** focus on managing cash: reducing debt and improving leverage

Having fully executed this plan, we are seeing the benefits in our financial performance and our broader KPIs.

1. RENEWED purpose through our new organisational structure

Our new leadership and operational structure was embedded quickly and has created renewed energy, focus and purpose across the Group. The pace at which our teams have embraced these changes delivered £17m of cost savings in the year, ahead of initial expectations of £15m. On top of this, the operational alignment around our Meals and Bakery sectors in the UK is also fuelling further synergies and efficiencies.

The Group continued to demonstrate its resilience as inflationary and supply chain pressures persisted. Strong levels of service, coupled with our innovation pipeline, helped us to grow our market share in the UK. The new structure has enabled better sharing of ideas and expertise across the Group, more dynamic balancing of volume between UK sites, and a more consistent approach to leveraging data from our new manufacturing system. All of this has led to improvements in factory performance, which were vital in helping to close the profitability shortfall caused by unrecovered inflation.

2. REFRESHED regional priorities

UK: winning market share and mitigating inflation

In the UK, we delivered ahead of expectations on our aggressive plan to mitigate softer market volumes and persistent cost inflation. Our focus on winning share by ensuring strong availability of our products, despite significant supply chain disruption, targeted innovation and net business gains, saw us continue to outperform the market.

We have continued to work collaboratively with our customers on price recovery, complemented by our internal levers to protect profitability, including two factory closures which were completed ahead of plan in the year.

US: business stabilised and returned to profitability

In the US, we are realising the benefits of our plan to prioritise profitability ahead of revenue growth in the short-term. It was necessary to embed a new leadership team, who have driven significant progress in factory efficiency, whilst also right-sizing our cost base and focusing on higher margin products. We have also focused on strengthening relationships with our customers, working more closely with and delivering more for them.

These actions stabilised the business and returned the US to profitability in the second half, providing a strong platform for measured and profitable growth in the future.

China: improved profitability as volumes recover

In China, we have delivered against our priority to leverage our footprint as volumes rebuilt post-Covid, with 32% volume growth having been seamlessly onboarded. We have also continued to diversify our business through building our presence in the retail channel, which grew year-on-year and now accounts for 20% of revenue, up from less than 2% in 2018.

This has led to reduced losses and, importantly, the business is now cash-generative and self-sustaining, which will remain an imperative going forward.

3. ENHANCED focus on managing cash

We have reduced capital expenditure, with more targeted spend prioritising productivity initiatives whilst certain investments in the US were paused as we focused on profitability. We also delivered a considerable improvement in working capital by reducing inventory, which had been at elevated levels since 2019 due to Brexit uncertainty, Covid-related availability challenges and general supply chain volatility.

This enhanced focus drove a significant increase in free cash generation which enabled a £55.3m reduction in net debt to £229.6m (FY22: £284.9m), giving a 0.4x reduction in leverage to 1.5x (FY22: 1.9x). With leverage now at the lower end of our range, we have reset our target to 1.0 to 2.0x.

Becoming a better Bakkavor

We recognise that our people are the best in the industry and, despite the cost pressures faced by the business, we are continuing to listen to feedback from our teams and invest accordingly.

This year, 88% of our colleagues took part in our Employee Engagement Survey (“EES”), giving us the insights to make Bakkavor an even better place to work.

We continue to embed our values across the business, and our priority for 2023 was to use these values as an important enabler for delivering our strategy and collaborating effectively. To support this, we launched a UK-wide values recognition programme alongside new training to ensure an increased focus on our ‘respect and trust’ value.

There are three things I am particularly proud of. Firstly, our ‘Better Behaviours, Better Bakkavor’ workshop to support managers in identifying and challenging behaviours which do not align with our values. Secondly, our staff shop where we have ensured every site has access to a range of Bakkavor products that we sell at a heavily discounted price. Thirdly, we are proud to sponsor the Coronation Food Project, which is helping to reduce food poverty.

The progress we see across our financial KPIs has been matched by further improvement across our strategic ESG measures. Our sustainability KPIs are now well-embedded and we are seeing significant progress across all of our strategic ESG measures, particularly food waste and carbon emissions. With regard to the latter, we have re-emphasised our commitment to reaching Net Zero in our Group operations by 2040 by submitting Net Zero aligned targets for all scopes to the Science Based Targets initiative (“SBTi”). We have also made some improvement in employee turnover, albeit it remains higher than we would ideally like. We will therefore continue to focus on employee engagement.

Looking ahead to 2024, we have reinforced our commitments across our Trusted Partner strategy by embedding both food waste and net carbon emissions within our management bonus targets.

Outlook: building foundations for further profitable growth

The consumer environment is improving but still remains challenging, as such, we are planning for subdued volumes leading to revenue growth of 1% to 2% in 2024. We are not, however, reliant on volumes to deliver an improvement this year and trading in 2024 has started well. We are confident that the actions we have taken and the clear focus we have put in place through 2023 will continue to support positive momentum across the business. As a result, we now expect to deliver 2024 adjusted operating profit at least in line with the upper end of market expectations[3].

In the UK, whilst we are planning for subdued growth in 2024, we have a strong pipeline of new business opportunities and are seeing encouraging signs in the market. Volumes have started growing again since Q4 2023, on the back of reducing inflation, a general pick-up in consumer confidence which has led to an increase in shopping frequency.

After two years of unprecedented inflation in the UK, we would expect margins to improve given our continued focus on cost and efficiency.

In the US, we expect the actions we have taken to embed operational performance to significantly improve profitability, and we would expect to return to revenue growth in the latter part of 2024.

Looking further ahead, consumer demand for our fresh prepared products in the US remains strong and we continue to be very positive and confident about the opportunity for long-term profitable growth in this attractive market.

In China, we expect to maintain current levels of profitability, with a focus on operational efficiency supporting ongoing growth in an increasingly competitive environment.

China continuing to be cash-generative will remain a clear imperative for the business going forward. Our factories are well invested with limited need for capital as the business grows.

From a Group perspective, having achieved the lower end of our leverage range, we have reset our target to 1.0 to 2.0x. We expect a further reduction in debt through a combination of working capital improvements and enhanced profitability. This reduction in debt will be materially lower than in 2023 as capital investment will return to the more normal level of c.£70m in 2024. This includes £10m of cash costs for the detailed design phase, which is the first stage of replacing our UK ERP systems.

We also continue to target a progressive dividend policy, reflecting our confident outlook.

Our offer continues to resonate with customers and consumers and we will continue to strengthen our balance sheet, whilst investing in our future. We have a strong platform for sustainable, profitable growth and we will remain focused on delivering value for all our stakeholders.

DIVISIONAL REVIEW: UK, US, CHINA

United Kingdom: Strong execution of our plan drove market share gains and a robust performance

£m	FY 23	FY 22	Change
Reported revenue	**1,852.7**	1,783.1	3.9%
Like-for-like revenue[1]	**1,852.7**	1,752.3	5.7%
Adjusted operating profit[1]	**93.9**	92.7	1.3%
Adjusted operating profit margin[1]	**5.1%**	5.2%	(10bps)
Operating profit	**96.7**	54.6	77.1%
Operating profit margin	**5.2%**	3.1%	210bps

1. Alternative performance measures are referred to as ‘like-for-like’, ‘adjusted’ and ‘underlying’ and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 11.

Trading performance

Like-for-like (“LFL”) revenue increased by 5.7% to £1,852.7m (2022: £1,752.3m). Reported revenue, which includes the impact of a 53rd week in 2022, was up 3.9% to £1,852.7m. Growth continued to be led by pricing as inflationary pressures persisted. We again outperformed the market, which saw a 2.2% decline in volume compared to our reduction of only 0.5% year-on-year.

A combination of collaborative pricing discussions with our customers and our plan to protect profits, which we launched in November 2022, meant we successfully mitigated ongoing inflationary headwinds. This resulted in adjusted operating profit being up £1.2m to £93.9m (2022: £92.7m), with margins broadly flat at 5.1% (2022: 5.2%).

Operating profit of £96.7m includes exceptional income of £2.8m (2022: £36.6m expense) related to the release of provisions previously held for our restructuring activity, and therefore was up £42.1m (2022: £54.6m).

Renewed agility and focus driving market outperformance

The Fresh Prepared Food (“FPF”) market remains challenging and has continued to be impacted by changing consumer behaviours. Shoppers are focused on centre-of-plate products and ‘good value’ purchases as a reaction to the persistent cost of living pressures. Consumer confidence slowly improved towards the end of the year as inflationary pressures eased slightly, resulting in a slower pace of volume.

The desserts category was the least resilient because of its more discretionary nature. It was also a category which saw more inflation passed through given the raw material mix (e.g. dairy having experienced particularly high inflation) and reduced promotions due to the new high fat, salt and sugar (“HFSS”) legislation. Whilst we saw a decline in our volumes, we were significantly ahead of the market. This outperformance was driven by new business wins in cream cakes and hot desserts, as well as growth in our ‘The Delicious Dessert Company’ brand (“DDC”). The brand targets a new, younger consumer compared to the more traditional dessert shopper.

We extended our DDC product range and secured stronger distribution across retailers, with us now having products listed in over 1,600 stores.

We also outperformed the market in salads, although as a category it was negatively impacted by shopper behaviour. Customers switched to cheaper whole-head leaf options and demand was reduced by the cooler weather seen during the summer. A number of industry-wide availability issues also disrupted the category. Our ability to navigate these availability challenges efficiently and maintain excellent service levels for our customers was a key factor in driving our performance compared to the market. We also saw the benefit of onboarding new fresh-cut fruit business at the start of the year.

Meals was a more resilient category and performed better than the wider market, with consumers switching from eating out and takeaway options to at-home dining alternatives. Our products continue to provide great value to consumers and our innovation also boosted sales. For example, the re-development of the Oriental range for our biggest customer delivered incremental sales growth, re-establishing their market leadership in this category. The cooler summer also benefitted our hot eating product ranges.

The pizza and bread category continued to see volume growth during the year, predominantly driven by 'value' ranges and meal deals as consumers, again, moved away from the more expensive takeaway and restaurant options. Our business mix is skewed towards the mid-tier and premium ranges, as such this was the one category in which we did not gain market share.

Refreshed approach fundamental to protecting our profitability

Industry-wide supply chain challenges persisted throughout the year as multiple countries were affected by extreme weather conditions, impacting the supply and quality of fresh raw materials. Utilising our scale and agility, we consistently delivered excellent service levels to our customers, ensuring good availability of our products instore. The reliability we provide also helped us to win new business across several categories during the year. Our targeted innovation continued to focus on changing consumer needs and has delivered ranges that outperformed for our customers.

Although inflationary pressures lessened in the second half, driven by reduced raw material headwinds, they remained high and resulted in c.£130m of inflation across our UK cost base during the year. This is in addition to the c.£200m we had already faced in 2022. Through collaborative pricing discussions with our customers, we were able to recover a large portion, but not all, of this increased cost. It was 'self-help' that enabled us to bridge the remaining gap and protect our profitability.

The roll-out of our new manufacturing system across all our UK factories was completed in the first half of the year. This system provides live data, which has underpinned the strong operational improvement in the year and signposts future opportunities to remove bottlenecks and points of inefficiency. These insights, combined with our renewed organisational structure, are enabling us to act with significantly greater agility and drive operational synergies and efficiencies. The operational alignment around our Meals and Bakery sectors has enabled more dynamic movements of volume between sites, which allows us to better manage production, especially during peak periods.

Enhanced focus on capital investments

Although we limited our capital spend during the year, we continued to enhance our operations through targeted investments which focused on maintaining the high standards in our factories and driving productivity improvements. Whilst many of these investments are relatively small, we have invested £10m in a new bakery line at our Crewe factory. This high-speed line reduces our reliance on labour and has a low-carbon, energy-efficient chilling process to deliver both cost and carbon savings.

In addition to this, we have invested in capacity across a number of sites. We invested in cut-fruit capacity to accommodate a new business win, which we successfully onboarded in Q1. We also continued to invest in desserts capacity and capability. In the first half of 2023, we invested in our three remaining desserts factories to accommodate volumes transferring following the closure of our site in Leicester. The next phase of our desserts investment is underway to facilitate the launch of a new business win, expected in Q2 2024.

United States: Refreshed priorities delivering operational performance and profitability

£m	FY 23	FY 22	Change
Reported revenue	**229.4**	255.3	(10.1%)
Like-for-like revenue[1]	**230.6**	251.7	(8.4%)
Adjusted operating profit[1]	**3.4**	3.3	3.0%
Adjusted operating profit margin[1]	**1.5%**	1.3%	20bps
Operating profit/(loss)	**0.5**	(0.5)	200%
Operating profit/(loss) margin	**0.2%**	(0.2%)	40bps

1. Alternative performance measures are referred to as 'like-for-like', 'adjusted' and 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 11.

Trading performance

LFL revenue was down 8.4% to £230.6m, as we shifted our focus from growth to profit. The market's potential remains strong and, excluding business that has been exited, we delivered sales growth of c.7%. Reported revenue, which includes the impact of a 53rd week in 2022 and the effect of currency, was down 10.1% to £229.4m.

The Group continued to build profitability throughout the year, moving from £0.1m in the first half to delivering £3.3m in the second half. This resulted in an adjusted operating profit of £3.4m, with 1.5% margin, for the full year. Adjusted operating profit excludes exceptional costs of £2.9m (2022: £3.8m) relating to impairment charges.

Strong progress driven by our refreshed priorities

Our primary focus in 2023 has been on rebuilding sustainable profitability by focusing on the basics of operational performance, ahead of pursuing sales growth in the short-term. Our new leadership team was put in place during the first half, comprising a mix of excellent local US talent and UK colleagues. Developing stronger links with the UK across all functions is a key area of focus as we rebuild the business.

The new team has already made significant progress in improving business performance and customer engagement, including through enhancing the service levels delivered to our customers and navigating challenges faced during the year with increased collaboration and communication. Our technical performance has also improved, with all our factories achieving 'Excellent' Safe Quality Food ("SQF") scores. We also resolved the previously reported customer contractual dispute at one of our sites.

We have reviewed our product lines with greater granularity, and have chosen to delist certain lower-margin, products as part of our drive to focus on profitability. Finally, we have regained control of our cost base, establishing a stronger platform for profitable growth with an emphasis on controlling overheads and driving factory performance.

China: Self-funding through building market share and driving operational efficiencies

£m	FY 23	FY 22	Change
Reported revenue	**121.7**	100.8	20.7%
Like-for-like revenue[1]	**130.9**	99.2	32.0%
Adjusted operating loss[1]	**(3.0)**	(6.6)	54.5%
Adjusted operating loss margin[1]	**(2.5%)**	(6.5%)	400bps
Operating loss	**(0.1)**	(16.3)	99.4%
Operating loss margin	**(0.1%)**	(16.2%)	1610bps

1. Alternative performance measures are referred to as 'like-for-like', 'adjusted' and 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 11.

Trading performance

Trading in China continued to recover through 2023, with LFL revenue of £130.9m, up 32.0%. Reported revenue, which includes the impact of a 53rd week in 2022 and the effect of currency, increased by 20.7% to £121.7m. Revenue growth was primarily driven by increased volumes in the period, which benefitted from continued post-Covid recovery. Growth was also due to market share gains with our established foodservice customers and further diversification into the retail channel.

Increased sales, together with improved efficiencies, supported an improvement in operating losses, with an adjusted operating loss of £3.0m (£3.6m lower than last year). Adjusted operating loss excludes: £2.9m of exceptional income, which comprised £1.5m of proceeds from the sale and leaseback of a property in Hong Kong; and a £1.4m net gain on the sale of our two associate investments. We are pleased that these two transactions have simplified our China operations.

A refreshed focus on leveraging our existing footprint

We have seen improved performance from our China business as the consumer environment continued to stabilise following the relaxation of Covid-related restrictions in December 2022. Without the volatility created by lockdowns we have been able to drive margin improvement through better operational efficiency and more stable production rates.

We have continued to make further progress with diversifying our revenue by further developing our retail channels, which grew 48% year-on-year and now account for c.20% of our sales. We have also seen significant expansion in the foodservice market, with both international and domestic players continuing to open stores at pace. In this context, we have seen strong growth in our Bakery business, which operated at capacity for the entire year, as we supported key customers in the expansion of their footprints and increased distribution of our product.

The benefit of our efficiency gains has also helped to mitigate the impact of poor ingredient yields, driven by extreme weather, and the recurring challenge of wage inflation. The labour market has remained tight, but we continue to manage this effectively without disruption.

Our strategic investment in the region is complete and we continue to maintain a tight control of capital spend. As a result, the business is now cash-generative and self-funding.

FINANCIAL REVIEW

Revenue

£m	2023 52 weeks	2022 53 weeks	Change reported	Change like-for-like ("LFL")
Revenue	**2,203.8**	2,139.2	3.0%	5.3%

Group reported revenue increased by 3.0% to £2,203.8m (2022: £2,139.2m). LFL revenue, which excludes the 53rd week in 2022 and the impact of currency movements, increased by 5.3% to £2,214.2m (2022: £2,103.2m). Of this growth, 5.4% was price, whilst volumes declined marginally by 0.1% as consumers reduced their spending in response to the more challenging economic conditions.

UK reported revenue was up 3.9% (2022: £1,783.1m) and up 5.7% on a LFL basis (2022: £1,752.3m), to £1,852.7m. This was primarily driven by price increases to mitigate significant inflation seen across our cost base, which was offset in part by a decline in volumes as consumers started to cut back on more discretionary purchases.

US reported revenue decreased by 10.1% to £229.4m (2022: £255.3m), driven by the previously reported loss of a single customer that occurred in November 2022, and reduced product launches in 2023 as we sought to simplify our business and address profitability challenges. Underlying sales growth, however, remained strong as we continued to benefit from growth in the fresh meals space.

In China, reported revenue increased by 20.7% to £121.7m (2022: £100.8m), driven primarily by increased volumes as a result of post-Covid recovery and expanding our retail propositions. LFL revenue was up 32.0% to £130.9m (2022: £99.2m).

Adjusted operating profit

Adjusted operating profit increased by £4.9m to £94.3m (2022: £89.4m) despite persistent inflationary pressures and lower volumes arising from the cost of living crisis, which was particularly pronounced in the UK.

The Group faced £133m of cost inflation in 2023, which represented a 6.5% increase on our total cost base. This was on top of £230m in 2022, representing 14% of inflation. Mechanisms allowing certain inflation to be passed to customers through an increase to our selling price continued to work well. Customers provided further support in certain areas where mechanisms were not already established. In 2023, 86% of inflation was recovered through a combination of these means.

The dual impact of unrecovered inflation and lower volumes had a negative impact on our profitability. Our own internal levers were, therefore, fundamental to enhancing our profitability. The completion of our restructuring initiatives and the implementation of operational initiatives at factory level contributed £27.9m to our bottom line.

From a margin perspective, it was encouraging to see adjusted operating profit margins stabilise at 4.3% (2022: 4.2%).

Operating profit

Operating profit of £97.1m (2022: £37.8m) led to an improving margin of 4.4% (2022: 1.8%).

Operating profit includes the following exceptional items that are excluded from adjusted operating profit:

£m	FY 23	FY 22
Profit on disposal of property, plant and equipment	**1.5**	–
Profit on disposal of associate	**1.4**	–
Corporate restructuring costs	**–**	(5.3)
Restructuring provisions:		
– Closure costs	**2.2**	(11.8)
– Impairment charges	**0.6**	(19.5)
US impairment charges	**(2.9)**	(3.8)
Associate investment impairment	**–**	(9.7)
Total exceptional income/(expense)	**2.8**	(50.1)

In 2023, operating profit includes a net £2.8m of exceptional income, excluded from adjusted operating profit. This includes £2.9m of income relating to simplifying our operations in China: a £1.5m gain from the sale and leaseback of a property in Hong Kong and a £1.4m from the sale of our associate investments. Another £2.8m of income relates to the release of provisions, which we accrued in 2022 for UK restructuring activity. This provision is no longer needed and has been released. This is offset by £2.9m of net impairment charges in the US, mainly relating to unused assets.

Finance costs

Group profit before tax was £70.3m (2022: £18.1m). This is after finance costs (net) of £26.8m (2022: £20.8m), which increased due to the impact of rising interest rates, although this was partly offset by the benefit from the significant reduction in debt levels during the year. To hedge against movements in base rates, the Group has £150m of fixed interest rate swaps in place until March 2024, at an average rate of 37 basis points. The Group has a total of £130m of fixed-rate interest swaps from March 2024 until March 2026 at an average rate of 373 basis points. We expect the increase in interest rate, driven by the change in our fixed-rate swaps and the full year impact of higher base rates, to be offset by our lower level of debt and therefore finance costs for 2024 will be similar to that incurred in 2023.

Tax

The Group tax charge for 2023 was £16.4m (2022: £5.6m), representing an effective tax rate of 23.4% (2022: 30.9%). The underlying effective tax rate, which excludes exceptional and adjusting items and change in fair value of derivative financial instruments, was 24.4% (2022: 21.5%). The most significant increase in the underlying effective tax rate is driven by an increase to the UK corporation tax rate from 19% to 25%, which became effective in April 2023. We continue to expect our 2024 effective tax rate to be marginally above the UK corporation tax rate.

Earnings per share

Basic earnings per share increased by 7.2 pence to 9.4 pence for 2023 (2022: 2.2 pence), driven by the combination of improved trading profit and lower exceptionals, although this was partly offset by higher finance and tax costs.

Adjusted earnings per share decreased by 0.7 pence to 8.8 pence in 2023 (2022: 9.5 pence) as the improvement to adjusted operating profit was offset by increased interest and tax costs.

Cash flow

The Group generated £103.2m of free cash flow (2022: £53.4m) which was £49.8m higher than 2022, reflecting improved operating profit, a disciplined approach to capital expenditure and an enhanced focus on working capital. In line with our focus on managing cash, outlined in early 2023, we have sought to drive improvement in working capital, focused predominantly on inventory management. Our inventory levels had risen over the last three years to protect the business from supply chain disruption and to avoid significant levels of inflation. During this year, the supply chain has shown signs of stabilising, and we have therefore commenced an exercise to return inventory to more normalised levels, which is driving the improved and sustainable working capital performance.

£m	**52 weeks ended 30 December 2023**	53 weeks ended 31 December 2022
Operating profit	**97.1**	37.8
Exceptional and adjusting items	**(2.8)**	51.6
Depreciation and other items	**73.8**	69.1
Net retirement benefits charge less contributions	**(2.1)**	(2.2)
Working capital (excl. exceptional items)	**28.4**	(1.7)
Interest and tax paid	**(36.2)**	(24.1)
IFRS 16 Lease payments	**(12.0)**	(13.4)
Dividends received from associates and interest received	**0.8**	0.2
Purchases of property, plant and equipment (net)	**(40.3)**	(61.0)
Purchases of intangible assets	**(3.5)**	(2.9)
Free cash flow	**103.2**	53.4

Debt and leverage

The improvement in cash generation has led to a reduction in operational net debt of £55.3m to £229.6m (2022: £284.9m).

Leverage, the ratio of operational net debt to adjusted EBITDA, improved by 0.4 times to 1.5 times for 2023 and is at the bottom end of the Group's target range of 1.5 to 2.0 times. The Group's liquidity position remains strong, with headroom of over £260m against our core debt facilities of £493m. The Group continues to have comfortable headroom against all financial covenants.

Now we are at the lower end of our leverage range, we have reset our target to 1.0 to 2.0x. We expect a further small reduction in debt, despite an increasing level of capital investment, through a combination of working capital improvements and enhanced profitability.

Dividend

During the period, the Group paid £24.0m in respect of the final dividend for 2022 and £16.8m for the 2023 interim dividend declared in September.

The improved strength of the Group's financial position and continued good cash generation support our long-term growth aspirations and commitment to increasing returns to shareholders. We propose a final dividend for 2023 of 4.37 pence per Ordinary share, resulting in a total dividend for 2023 of 7.28 pence per Ordinary share. This represents an increase of 5% on the prior year. If approved by shareholders, the final dividend will be paid on 29 May 2024.

Going forward, the Board expects to maintain a progressive dividend policy.

Capital allocation

We maintain a disciplined approach to capital allocation, with the overriding objective to enhance shareholder value. The allocation of capital is primarily split across capital investment, debt reduction to decrease financing costs given recent increases to base rates, and dividends. Inorganic opportunities are considered where they are a strategic fit for our business. In the medium-term, we remain committed to investing to enhance returns and are focused on reducing leverage whilst maintaining a progressive dividend policy.

Investment and returns

The Group's ROIC for the 12 months to 30 December 2023 was 7.5%, ahead of the prior year of 7.1%. The increase of 40 basis points is driven by a lower invested capital balance following footprint rationalisation in the UK as part of a wider restructuring plan and a more disciplined approach to capital spend.

The Group continues to expect an improvement in ROIC in the medium-term as previous investments deliver an increase in returns. These investments include three key projects: investment in our Crewe factory; consolidation of our Desserts business following the closure of Desserts Leicester; and investment in our US Charlotte site.

After a planned year of restricted capital spend, we now expect investment to return to more normal levels, of c.£70m for FY24.

Included within this investment is c.£10m, which represents the first stage of replacing our aged UK ERP systems. We expect the total cost of this project to be between £35m and £40m, which will be incurred over the next three to four years, and as per 2024, will be funded through normal levels of capital investment. Recent changes to accounting standards may mean certain elements of this spend will be expensed and recognised as exceptional costs. If costs are expensed then the level of capital investment will reduce proportionately, so the cash impact will be neutral.

Pensions

Under the IAS 19 valuation principles, the Group recognised a surplus of £12.0m for the UK defined benefit scheme for 2023 (31 December 2022: surplus of £12.8m). The plan assets slightly increased their value but the defined benefit obligations also increased due to lower discount rates.

The Group and the trustee agreed the triennial valuation of the UK defined benefit pension scheme as at 31 March 2022 in May 2023, which resulted in a funding shortfall of £2m. This funding shortfall increased in the following months due to the volatility in gilt rates which resulted in investment values falling by more than the reduction in liabilities. As a result of the increase to the funding shortfall, a recovery plan for payments of £2.5m p.a. was agreed to be made through to 31 March 2025, with an extension through to 31 August 2025 if the scheme is in deficit at the end of December 2024 and the end of January 2025.

Summary

The Group delivered a good performance during the year and, importantly, built stronger foundations from which to deliver future profitability. Revenue growth reflected our success in taking pricing action to offset continuing inflationary pressures, whilst internal levers were fundamental in delivering progressive adjusted operating profit that was ahead of market expectations. We exit the year with momentum in all three of our regions, a stronger balance sheet, and sufficient financing headroom and interest rate protection in place to deliver further progression in FY24.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on future Group performance and could cause actual results to differ materially from expected and historical results. The risk and uncertainties are described in detail in the 'Risk management and risks' section of the Annual Report and Accounts for the year ended 30 December 2023, available on 15 March 2024 on the company website.

Related parties

During the period, Group companies only entered into transactions with related parties who are members of the Group. Transactions with Directors and shareholders are set out in Note 33 in the Group's Consolidated Financial Statements for FY23.

CONSOLIDATED INCOME STATEMENT
52 WEEKS ENDED 30 DECEMBER 2023

		52 weeks ended 30 December 2023			53 weeks ended 31 December 2022		
£m	Note	**Underlying activities**	**Exceptional items[1]**	**Total**	Underlying activities	Exceptional items[1]	Total
Continuing operations							
Revenue	2	**2,203.8**	**–**	2,203.8	2,139.2	–	2,139.2
Cost of sales		**(1,614.4)**	**–**	(1,614.4)	(1,576.5)	–	(1,576.5)
Gross profit		**589.4**	**–**	589.4	562.7	–	562.7
Distribution costs		**(85.1)**	**–**	(85.1)	(89.4)	–	(89.4)
Other administrative costs		**(409.9)**	**1.3**	(408.6)	(385.7)	(50.1)	(435.8)
(Loss)/profit on disposal of property, plant and equipment		**(0.1)**	**1.5**	**1.4**	0.1	–	0.1
Share of profit of associates after tax		**-**	**–**	-	0.2	–	0.2
Operating profit	2	**94.3**	**2.8**	97.1	87.9	(50.1)	37.8
Finance costs	4	**(27.4)**	**–**	(27.4)	(21.0)	–	(21.0)
Finance income	4	**0.6**	**–**	**0.6**	0.2	–	0.2
Other gains		**–**	**–**	**–**	1.1	–	1.1
Profit- before tax		**67.5**	**2.8**	70.3	68.2	(50.1)	18.1
Tax charge	5	**(16.4)**	**–**	(16.4)	(14.7)	9.1	(5.6)
Profit for the period		**51.1**	**2.8**	53.9	53.5	(41.0)	12.5
Earnings per share							
Basic	6			**9.4p**			2.2p
Diluted	6			**9.2p**			2.1p

[1] The Group presents its income statement with three columns. The Directors consider that the underlying activities are more representative of the ongoing operations and key metrics of the Group. Details of exceptional items can be found in Note 3 and include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs and impairment of assets. In addition, the Group uses further Alternative Performance Measures which can be found in Note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
52 WEEKS ENDED 30 DECEMBER 2023

£m	Note	**52 weeks ended 30 December 2023**	53 weeks ended 31 December 2022
Profit for the period		**53.9**	12.5
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension schemes		**(2.9)**	(26.3)
Tax relating to components of other comprehensive income	5	**0.7**	6.6
		(2.2)	(19.7)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(11.7)**	17.3
(Loss)/gain on cash flow hedges		**(4.4)**	13.3
Hedging losses/(gains) reclassified to profit or loss		**(6.8)**	(1.4)
Tax relating to components of other comprehensive income	5	**2.8**	(3.1)
		(20.1)	26.1
Total other comprehensive (expense)/ income		**(22.3)**	6.4
Total comprehensive income		**31.6**	18.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 DECEMBER 2023

£m	Note	**30 December 2023**	31 December 2022
Non-current assets			
Goodwill		**652.5**	655.1
Other intangible assets		**10.5**	8.8
Property, plant and equipment		**507.9**	548.1
Interests in associates and other investments		**0.1**	3.7
Deferred tax asset	8	**14.7**	12.9
Retirement benefit asset		**12.0**	12.8
Derivative financial instruments		**0.9**	9.9
		1,198.6	1,251.3
Current assets			
Inventories		**71.3**	86.2
Trade and other receivables		**171.7**	161.0
Cash and cash equivalents		**36.6**	40.2
Derivative financial instruments		**2.1**	2.7
		281.7	290.1
Total assets		**1,480.3**	1,541.4
Current liabilities			
Trade and other payables		**(447.6)**	(430.0)
Current tax liabilities		**(3.4)**	(1.1)
Borrowings	7	**(25.4)**	(13.1)
Lease liabilities		**(11.6)**	(11.3)
Provisions		**(10.4)**	(22.0)
Derivative financial instruments		**(0.5)**	(0.3)
		(498.9)	(477.8)
Non-current liabilities			
Borrowings	7	**(240.0)**	(309.2)
Lease liabilities		**(78.9)**	(85.9)
Provisions		**(15.7)**	(15.0)
Derivative financial instruments		**(0.8)**	–
Deferred tax liabilities	8	**(38.4)**	(35.7)
		(373.8)	(445.8)
Total liabilities		**(872.7)**	(923.6)
Net assets		**607.6**	617.8
Equity			
Called up share capital	9	**11.6**	11.6
Own shares held	9	**(4.4)**	(3.1)
Merger reserve		**(130.9)**	(130.9)
Hedging reserve		**1.1**	9.5
Translation reserve		**32.8**	44.5
Retained earnings		**697.4**	686.2
Total equity		**607.6**	617.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
52 WEEKS ENDED 30 DECEMBER 2023

£m	Note	Called up share capital	Own shares held	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	**Total equity**
Balance at 26 December 2021		11.6	–	(130.9)	1.7	27.2	731.1	**640.7**
Profit for the period		–	–	–	–	–	12.5	**12.5**
Other comprehensive income/(expense) for the period		–	–	–	8.8	17.3	(19.7)	**6.4**
Total comprehensive income/(expense) for the period		–	–	–	8.8	17.3	(7.2)	**18.9**
Reclassification to inventory		–	–	–	(1.0)	–	–	**(1.0)**
Purchase of own shares	9	–	(3.1)	–	–	–	–	**(3.1)**
Dividends	9	–	–	–	–	–	(38.8)	**(38.8)**
Credit for share-based payments		–	–	–	–	–	1.9	**1.9**
Cash-settlement of share-based payments		–	–	–	–	–	(0.6)	**(0.6)**
Deferred tax	5	–	–	–	–	–	(0.2)	**(0.2)**
Balance at 31 December 2022		**11.6**	**(3.1)**	**(130.9)**	**9.5**	**44.5**	**686.2**	**617.8**
Profit for the period		–	–	–	–	–	53.9	**53.9**
Other comprehensive expense for the period		–	–	–	(8.4)	(11.7)	(2.2)	**(22.3)**
Total comprehensive (expense)/income for the period		–	–	–	(8.4)	(11.7)	51.7	**31.6**
Purchase of own shares	9	–	(2.4)	–	–	–	–	**(2.4)**
Dividends	9	–	–	–	–	–	(40.8)	**(40.8)**
Credit for share-based payments		–	–	–	–	–	2.0	**2.0**
Proceeds from exercise of share options		–	–	–	–	–	0.2	**0.2**
Equity-settlement of share-based payments		–	1.1	–	–	–	(1.1)	**–**
Deferred tax	5	–	–	–	–	–	(0.8)	**(0.8)**
Balance at 30 December 2023		**11.6**	**(4.4)**	**(130.9)**	**1.1**	**32. 8**	**697.4**	**607.6**

CONSOLIDATED STATEMENT OF CASH FLOWS
52 WEEKS ENDED 30 DECEMBER 2023

£m	Note	**52 weeks ended 30 December 2023**	53 weeks ended 31 December 2022
Net cash generated from operating activities	10	**147.7**	127.1
Investing activities:			
Interest received		**0.6**	0.2
Dividends received from associates		**1.6**	–
Purchases of property, plant and equipment		**(40.4)**	(61.1)
Proceeds on disposal of property, plant and equipment		**1.6**	0.1
Purchase of intangibles		**(3.5)**	(2.9)
Disposal of associate		**3.2**	–
Net cash used in investing activities		**(36.9)**	(63.7)
Financing activities:			
Dividends paid	9	**(40.8)**	(38.8)
Own shares purchased	9	**(2.4)**	(3.1)
Proceeds from exercise of share options		**0.2**	–
Increase in borrowings		**11.1**	9.7
Repayment of borrowings		**(69.1)**	(9.2)
Principal elements of lease payments		**(12.3)**	(14.0)
Net cash used in financing activities		**(113.3)**	(55.4)
Net (decrease)/increase in cash and cash equivalents		**(2.5)**	8.0
Cash and cash equivalents at beginning of period		**40.2**	31.1
Effect of foreign exchange rate changes		**(1.1)**	1.1
Cash and cash equivalents at end of period		**36.6**	40.2

1. Significant accounting policies

Basis of accounting

The financial information set out in this document does not constitute statutory accounts for Bakkavor Group plc for the period ended 30 December 2023 but is extracted from the Annual Report & Accounts 2023. The Annual Report & Accounts 2023 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either Section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

The Consolidated Financial Statements comprise the Financial Statements of the parent undertaking and its subsidiary undertakings (the "Group"), together with the Group's share of the results of associated undertakings, comprising a 52 or 53-week period ending on the Saturday of or immediately before 31 December. Where the fiscal year 2023 is quoted in these Financial Statements this relates to the 52-week period ended 30 December 2023. The fiscal year 2022 relates to the 53-week period ended 31 December 2022.

These Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the foreign currency policy set out below.

The Group considers the impact of climate-related factors in the preparation of the Financial Statements and discloses any material impact in the relevant Notes.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and retirement benefit plan assets (which are stated at fair value).

All principal accounting policies adopted have been applied consistently and are set out in the Annual Report & Accounts 2023.

Going concern

The Directors have reviewed the historical trading performance of the Group and the forecasts through to March 2025.

The Directors, in their detailed consideration of going concern, have reviewed the Group's future revenue projections and cash requirements, which they believe are based on prudent interpretations of market data and past experience.

The Directors have also considered the Group's level of available liquidity under its financing facilities. The Directors have carried out a robust assessment of the significant risks currently facing the Group. This has included scenario planning on the implications of further inflation and the potential impact of lower sales volumes from reduced consumer demand in response to increasing retail prices.

Having taken these factors into account under the scenario, which is considered to be severe but plausible, the Directors consider that adequate headroom is available based on the forecasted cash requirements of the business. 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.

Consequently, the Directors consider that the Group has adequate resources to meet its liabilities as they fall due for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

2. Segmental information

The chief operating decision-maker ("CODM") has been defined as the Senior Executive Team 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 into three regions, the UK, US and China, and manufactures fresh prepared foods and produce in each region.

The Group manages the performance of its businesses through the use of 'adjusted operating profit', as defined in Note 11.

Measures of total assets are provided to the Senior Executive Team; however, cash and cash equivalents, short-term deposits and some other central assets are not allocated to individual segments. Measures of segment liabilities are not provided to the Senior Executive Team.

The following table provides an analysis of the Group's segmental information for the period to 30 December 2023:

£m	Note	UK	US	China	Un-allocated	Total
Revenue		1,852.7	**229.4**	**121.7**	**–**	**2,203.8**
Adjusted EBITDA	11	**149.2**	**15.0**	**3.9**	**–**	**168.1**
Depreciation		**(51.4)**	**(10.6)**	**(6.7)**	**–**	**(68.7)**
Amortisation		**(2.0)**	**(1.0)**	**–**	**–**	**(3.0)**
Share scheme charges		**(2.0)**	**–**	**–**	**–**	**(2.0)**
Profit/(loss) on disposal of property, plant and equipment		**0.1**	**–**	**(0.2)**	**–**	**(0.1)**
Adjusted operating profit/(loss)	11	**93.9**	**3.4**	**(3.0)**	**–**	**94.3**
Exceptional items	3	**2.8**	**(2.9)**	**2.9**	**–**	**2.8**
Operating profit/(loss)		**96.7**	**0.5**	**(0.1)**	**–**	**97.1**
Finance costs						**(27.4)**
Finance income						**0.6**
Other gains and (losses)						**–**
Profit before tax						**70.3**
Tax						**(16.4)**
Profit for the period						**53.9**
Other segment information						
Capital additions		**31.3**	**14.2**	**1.7**	**–**	**47.2**
Interest in associates		**–**	**–**	**–**	**–**	**–**
Total assets		**1,190.7**	**185.0**	**65.9**	**38.7**	**1,480.3**
Non-current assets		**995.6**	**159.2**	**42.9**	**0.9**	**1,198.6**

The following table provides an analysis of the Group's segmental information for the period to 31 December 2022:

£m	Note	UK	US	China	Un-allocated	Total
Revenue		1,783.1	255.3	100.8	–	2,139.2
Adjusted EBITDA	11	147.7	12.4	(0.1)	–	160.0
Depreciation		(52.8)	(8.7)	(6.8)	–	(68.3)
Amortisation		(0.3)	(0.4)	–	–	(0.7)
Share scheme charges		(1.9)	–	–	–	(1.9)
Profit on disposal of property, plant and equipment		–	–	0.1	–	0.1
Share of results of associates		–	–	0.2	–	0.2
Adjusted operating profit/(loss)	11	92.7	3.3	(6.6)	–	89.4
Exceptional items	3	(36.6)	(3.8)	(9.7)	–	(50.1)
Configuration and customisation costs for SaaS projects		(1.5)	–	–	–	(1.5)
Operating profit/(loss)		54.6	(0.5)	(16.3)	–	37.8
Finance costs						(21.0)
Finance income						0.2
Other gains and (losses), net						1.1
Profit before tax						18.1
Tax						(5.6)
Profit for the period						12.5
Other segment information						
Capital additions		46.0	39.0	1.9	–	86.9
Interest in associates		–	–	3.6	–	3.6
Total assets		1,215.1	200.2	73.3	52.8	1,541.4
Non-current assets		1,018.1	167.8	55.5	9.9	1,251.3

All of the Group's revenue is derived from the sale of goods in 2022 and 2023. There were no inter-segment revenues.
The un-allocated assets of £38.7m (2022: £52.8m) relate to cash and cash equivalents and derivative financial instruments which cannot be readily allocated because of the Group cash-pooling arrangements that are in place to provide funds to businesses across the Group.

Major customers

In 2023, the Group's four largest customers accounted for 73.9% (2022: 73.2%) of the Group's total revenue from continuing operations. These customers accounted for 88.0% (2022: 87.9%) of total UK revenue from continuing operations. The Group does not enter into long-term contracts with its retail customers.

Each of these four customers accounts for a significant amount of the Group's revenue and are all in the UK segment. The percentage of Group revenue from these customers is as follows:

	2023	2022
Customer A	**32.4%**	32.6%
Customer B	**21.5%**	20.5%
Customer C	**13.1%**	12.2%
Customer D	**6.9%**	7.9%

3. Exceptional items

The Group's financial performance is analysed in two ways: review of underlying performance (which does not include exceptional items) and separate review of exceptional items that are material and not expected to reoccur. The Directors consider that the underlying performance, which is reported as our 'Adjusted' measures, is more representative of the ongoing operations and key metrics of the Group.

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Exceptional items include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs and impairment of assets:

£m	**2023**	2022
Corporate restructuring costs	**–**	(5.3)
UK site closures release/(accrual) of restructuring provision:		
– Closure costs	**2.2**	(11.8)
– Impairment charge	**0.6**	(19.5)
Investment in associate impairment	**–**	(9.7)
US asset impairment charge	**(3.5)**	–
US customer contractual dispute impairment	**0.6**	(3.8)
Profit on disposal of property, plant and equipment	**1.5**	–
Profit on disposal of associates	**1.4**	–
Total exceptional items	**2.8**	(50.1)
Tax on exceptional items	**–**	9.1
Total exceptional items after tax	**2.8**	(41.0)

2023

The Group has recognised £2.8m of exceptional income for the year. This includes the following:

- £1.5m profit on disposal of property, plant and equipment following the sale and leaseback of one of the properties the Group operates from within the China segment.
- £1.4m profit on disposal of associates, following the sale of its 45% share in two associate companies, La Rose Noire Limited and Patisserie et Chocolat Limited, on 8 May 2023.
- £3.5m impairment charge for fixed assets that will now no longer have any value to the US business.
- The release of 2022 provision of £0.6m of impairment charges on assets for the UK business and £0.6m for the US business that are no longer required.
- £2.2m for the release of UK 2022 closure cost provisions following the sites closing earlier in 2023 than originally planned.

2022

For the period ended 31 December 2022, the Group incurred an exceptional charge of £50.1m comprising the following:

- £17.1m relates to restructuring costs for the closure of two of our UK sites by the end of Q1 2023, and the costs of a corporate restructuring, which includes redundancy payments, onerous and other closure costs.
- An impairment charge of £19.3m in respect of the relevant fixed assets at the two sites due to close and £0.2m for the impairment of intangible assets for one of the businesses and these charges had no cash impact.
- The value of the Group's investment in associated undertakings based in Hong Kong was written down by £9.7m due to the ongoing impact of Covid on the trading performance of that business.
- An ongoing contractual dispute with a US customer has resulted in a £3.8m impairment of inventory and receivables related to this customer.

4. Finance costs and income

Finance costs

£m	**2023**	2022
Interest on borrowings[1]	**(16.4)**	(13.5)
Interest on non-recourse receivables financing	**(7.1)**	(3.6)
Interest on lease liabilities	**(3.0)**	(3.1)
Unwinding of discount on provisions	**(0.9)**	(0.8)
Total finance costs	**(27.4)**	(21.0)

1 Interest on borrowings for 2022 represented to separate the interest on non-recourse receivables and finance income.

Finance income

£m	**2023**	2022
Interest received on bank deposits	**0.6**	0.2

There were no borrowing costs included in the cost of qualifying assets during 2022 or 2023. Borrowing costs included in the cost of qualifying assets during prior years arose within the general borrowing pool and were calculated by applying a capitalisation rate of 3.0% to expenditure on such assets.

Amounts included in the cost of qualifying assets have been capitalised under IAS 23 and are therefore subject to deferred tax. The deferred tax credit to income was £nil (2022: £nil).

5. Tax

£m	**2023**	2022
Current tax:		
Current period	**14.3**	9.7
Prior period adjustment	**(1.2)**	1.7
Total current tax charge (pre-exceptional items)	**13.1**	11.4
Deferred tax:		
Deferred tax relating to the origination and reversal of temporary differences in the period	**0.9**	3.7
Deferred tax relating to changes in tax rates	**0.2**	1.6
Prior period adjustment	**2.2**	(2.0)
Total deferred tax charge (pre-exceptional items)	**3.3**	3.3
Tax on exceptional items:		
Current tax	**0.6**	(3.4)
Deferred tax	**(0.6)**	(5.7)
Total tax credit on exceptional items	**–**	(9.1)
Total tax charge for the period	**16.4**	5.6

The Group tax charge for the period was £16.4m (2022: £5.6m) which represents an effective tax rate of 23.4% (2022: 30.9%) on profit before tax of £70.3m (2022: £18.1m). Tax is calculated using prevailing statutory rates in the territories in which we operate however most of the Group's profits are earned in the UK. As a consequence of the UK corporation tax rate increasing to 25% from 1 April 2023, the 23.5% rate for financial year 2023 comprises three months at 19% and nine months at 25%. The effective tax rate is 0.1% lower (2022: 11.9% higher) than the blended UK statutory tax rate as detailed in the table below.

Excluding exceptional items and other adjusting items the adjusted tax rate on underlying activities was 24.4% (2022: 21.5%).

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

	2023 £m	**2023 %**	2022 £m	2022 %
Profit before tax:	**70.3**	**100.0**	18.1	100.0
Tax charge at the UK corporation tax rate of 23.5% (2022: 19%)	**16.5**	**23.5**	3.4	19.0
Net non-deductible expenses/(non-taxable income)	**(1.5)**	**(2.1)**	(1.2)	(6.9)
Non-deductible impairment of investment	**–**	**–**	1.8	10.2
Prior period adjustment	**1.0**	**1.4**	(0.3)	(1.7)
Tax effect of losses carried forward not recognised	**1.0**	**1.4**	1.0	5.5
Unprovided deferred tax assets now recognised	**(0.4)**	**(0.5)**	–	–
Overseas taxes at different rates	**0.3**	**0.4**	0.4	2.2
Deferred tax rate differential	**0.2**	**0.3**	0.5	2.6
Exceptional non-taxable income	**(0.7)**	**(1.0)**	–	–
Tax charge and effective tax rate for the period	**16.4**	**23.4**	5.6	30.9

In addition to amounts charged to the consolidated income statement, the following amounts in respect of tax were charged/(credited) to the consolidated statement of comprehensive income and equity:

£m	**2023**	2022
Tax relating to components of other comprehensive income/(expense):		
Deferred tax:		
Remeasurements on defined benefit pension scheme actuarial (loss)/gain	**(0.7)**	(5.0)
Deferred tax rate change on defined benefit pension scheme actuarial (loss)/gain	**–**	(1.6)
Cash flow hedges and cost of hedging	**(2.8)**	3.1
Deferred tax on share schemes	**0.8**	0.2
	(2.7)	(3.3)
Tax relating to components of other comprehensive income/(expense):	**(3.5)**	(3.5)
Tax relating to share-based payments recognised directly in equity:	**0.8**	0.2
	(2.7)	(3.3)

HMRC had previously raised an enquiry into the structure used to fund our overseas investment in the US business. Although a number of earlier years have been agreed, there is uncertainty for some years in connection with the applicability of the UK tax rules to the structure which could lead to additional UK tax payable. This is a complex area with a range of possible outcomes and judgement has been used in calculating the provision. For these reasons it cannot be known with certainty whether additional amounts of UK tax will be due, however, we consider it is unlikely that there will be material amounts due over and above the provisions currently held.

In addition, at the end of 2023, the Group holds a tax provision of £1.0m (2022: £1.0m) because it is considered likely that additional liabilities will become due to the tax authorities.

Other factors affecting future tax charges

The Organisation for Economic Cooperation & Development ("OECD") has published proposals for a global corporate minimum tax rate of 15%. The UK implementation of these rules ("Pillar Two") will be effective for accounting periods commencing on or after 31 December 2023 and will therefore impact the Group in the accounting period ending December 2024. During 2023 the Group undertook an initial impact assessment of the UK rules based on FY 2022 Country by Country Reporting (CbCR) data. This assessment concluded that, provided that the CbCR report is prepared in accordance with OECD guidelines, all jurisdictions in which the Group operates are expected to meet at least one of the transitional CbCR safe harbour tests (which potentially apply up to the year ended December 2026) which results in no top-up taxes being due. The rules are complex and the Group will continue to evaluate the impact of Pillar Two on the Group tax charge, taking into account data after 2022 and any changes in underlying facts and circumstances.

6. Earnings per share

The calculation of earnings per Ordinary share is based on earnings after tax and the weighted average number of Ordinary shares in issue during the period, excluding own shares held.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares.

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings £m	**2023**	2022
Profit for the period	**53.9**	12.5

Number of shares '000	**2023**	2022
Weighted average number of Ordinary shares	**576,129**	577,576
Effect of potentially dilutive Ordinary shares	**12,576**	9,767
Weighted average number of Ordinary shares including dilution	**588,705**	587,343

	2023	2022
Basic earnings per share	**9.4p**	2.2p
Diluted earnings per share	**9.2p**	2.1p

The Group calculates adjusted basic earnings per Ordinary share and details of this can be found in Note 11.

7. Borrowings

The interest rates and currency profile of the Group's borrowings at 30 December 2023 were as follows:

	Currency	Facility amount £m	Amount drawn down at year end £m	Interest rate	Maturity date
Term Loan	GBP	225.0	225.0	SONIA[2] plus a margin of 2.10%	Mar 2026[1]
Revolving Credit Facility ("RCF")	GBP	230.0	-	SONIA[2] plus a margin of 2.10%	Mar 2026[1]
Asset Finance Facility	GBP	16.9	16.9	Fixed interest rate	Aug 2027
Asset Finance Facility	GBP	17.9	17.9	Fixed interest rate	Aug 2028
Asset Finance Facility	USD	2.8	2.8	SOFR[3] plus 2.12%	Feb 2024
Total		**492.6**	**262.6**[4]		

1 £12.4m of the term loan and £12.6m of the RCF mature in March 2024.
2 The interest rate for these facilities includes a Credit Spread Adjustment following the transition from LIBOR to SONIA in September 2021.
3 SOFR stands for Secured Overnight Financing Rate.
4 £262.6m represents the committed facilities of the Group. The Group's consolidated statement of financial position discloses £265.4m which includes local overdraft facilities, unamortised fees and interest accrued.

On 18 March 2020, the Group completed a refinancing of its core debt facilities through a new term loan and Revolving Credit Facility totalling £455.0m. The refinancing resulted in the addition of new lenders to the Group. The new facilities were due to mature in March 2024, with an option to extend the tenure by a further two years subject to lender approval. £430m of these facilities were extended in March 2021 and further extended in March 2022 to mature in March 2026.

The Group's total banking facilities amount to £455.0 m (2022: £455.0m) comprising:

1. £225.0m in term loans (2022: £225.0m term loan), with £12.4m maturing in March 2024 and £212.6m in March 2026; and
2. £230.0m Revolving Credit Facilities ("RCF") (2022: £230.0m RCF), which includes an overdraft and money market facility of £20.0m (2022: £20.0m) and further ancillary facilities of £13.3m (2022: £13.3m). For the RCF, £12.6m matures in March 2024 and £217.4m in March 2026. The bank facilities are unsecured and are subject to covenant agreements including the Group maintaining a minimum interest cover of 4.0x and not exceeding an adjusted leverage of 3.0x.

The Asset Finance Facility is made up of three separate facilities which are secured against specific items of plant and machinery as follows:

a. £25.0m facility, which could be drawn against up to August 2020, of which the Group initially drew down £24.9m with £16.9m outstanding at the end of 2023. No further draw down can be made against this facility. The facility has been drawn in tranches, with each tranche being repaid on a quarterly basis over a period of seven years, and the weighted average interest rate for the facility at 30 December 2023 was 2.41% (2022: 2.41%). The interest rate is fixed at the prevailing rate on commencement of the loan tranche.
b. £13.1m drawn down during 2021 and £9.9m during 2023 under separate asset financing facilities with £17.9m outstanding at the end of 2023. No further draw down can be made against these facilities. The facilities have been drawn in tranches, with each tranche being repaid on a monthly basis over a period of five or seven years, and the weighted average interest rate for the facility at 30 December 2023 is 4.61% (2022: 3.20%). The interest rate is fixed at the prevailing rate on commencement of the loan tranche.
c. Bakkavor Foods USA Inc entered into an asset financing facility during 2022 of up to $5.0m (£4.1m) of funding, based on approved funding requests. As at 30 December 2023, £2.8m funding had been approved and drawn (2022: £1.7m) and the interest rate for this was a variable rate of SOFR plus 2.12% (2022: 2.12%).

In September 2021 the Group transitioned from LIBOR to SONIA which impacted £455.0m of the total debt facilities.

In addition, the Group has access to £10.7m (2022: £8.9m) of local overdraft facilities in the US and China which are uncommitted and unsecured. One of the Group's UK subsidiary companies, Bakkavor Finance (2) Limited, has provided Corporate Guarantees totalling $8m for the US local overdraft facility and RMB 40m for the China local overdraft facility.

£m	**30 December 2023**	31 December 2022
Bank overdrafts	**3.4**	8.2
Bank loans	**262.0**	314.1
	265.4	322.3
Borrowings repayable as follows:		
On demand or within one year	**25.4**	13.1
In the second year	**5.7**	16.1
In the third to fifth years inclusive	**234.3**	292.4
Over five years	**–**	0.7
	265.4	322.3
Analysed as:		
Amount due for settlement within 12 months (shown within current liabilities)	**25.4**	13.1
Amount due for settlement after 12 months	**240.0**	309.2
	265.4	322.3

	2023 %	2022 %
The weighted average interest rates paid excluding interest swap benefits were as follows:		
Bank loans and overdrafts	**6.38**	3.50

Apart from the Asset Finance Facility, interest on the Group's term loan and other borrowings are at floating rates, thus exposing the Group to cash flow interest rate risk. This risk is mitigated using interest rate swaps.

The fair value of the Group's borrowings is as follows:

£m	**30 December 2023**	31 December 2022
Fair value of the Group's borrowings	**266.1**	324.5

Net debt is net of cash and cash equivalents, prepaid fees to be amortised over the term of outstanding borrowings, outstanding borrowings, interest accrued on borrowings and lease liabilities and is as follows:

£m	**30 December 2023**	31 December 2022
Analysis of net debt		
Cash and cash equivalents	**36.6**	40.2
Borrowings	**(25.5)**	(14.1)
Interest accrual	**(0.5)**	(0.4)
Unamortised fees	**0.6**	1.4
Lease liabilities	**(11.6)**	(11.3)
Debt due within one year	**(37.0)**	(24.4)
Borrowings	**(240.5)**	(310.4)
Unamortised fees	**0.5**	1.2
Lease liabilities	**(78.9)**	(85.9)
Debt due after one year	**(318.9)**	(395.1)
Group net debt	**(319.3)**	(379.3)

8. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

£m	Accelerated tax depreciation[1]	Fair value gains	Provisions	Retirement benefit obligations and share schemes	Overseas tax losses and accrued interest	US goodwill	Total
At 26 December 2021	(39.8)	0.2	0.7	(8.6)	26.1	(9.3)	(30.7)
(Charge)/credit to income	(6.3)	(0.2)	0.2	0.5	3.4	(0.9)	(3.3)
Credit to income on exceptional items	4.7	–	–	–	1.0	–	5.7
Exchange differences	(0.9)	–	–	–	3.1	–	2.2
(Charge)/credit to equity and other comprehensive income	–	(3.1)	–	6.4	–	–	3.3
At 31 December 2022	(42.3)	(3.1)	0.9	(1.7)	33.6	(10.2)	(22.8)
(Charge)/credit to income	(4.8)	–	–	(0.3)	2.4	(0.6)	(3.3)
Credit to income on exceptional items	0.6	–	–	–	–	–	0.6
Exchange differences	0.2	–	–	–	(1.8)	0.6	(1.0)
Credit/(charge) to equity and other comprehensive income	–	2.8	–	–	–	–	2.8
At 30 December 2023	**(46.3)**	**(0.3)**	**0.9**	**(2.0)**	**34.2**	**(10.2)**	**(23.7)**

1 IAS 23 Capitalised interest and Intangibles deferred tax balances are shown within the Accelerated tax depreciation values above.

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so.
The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

£m	**30 December 2023**	31 December 2022
Deferred tax assets	**14.7**	12.9
Deferred tax liabilities	**(38.4)**	(35.7)
	(23.7)	(22.8)

Within the deferred tax asset above, £3.7m is expected to reverse no more than 12 months after the reporting period and £11.0m more than 12 months after the reporting period.

Included in the above are deferred tax assets of £33.6m (2022: £32.8m) in connection with US tax losses and accrued interest amounts which will be deductible in future accounting periods. These deferred tax assets are offset by liabilities for which there is a legally enforceable right to do so. The US tax losses and accrued interest amounts can be carried forward indefinitely and used against future US taxable profits.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

In evaluating whether it is probable that sufficient taxable profits will be earned in future accounting periods, all available evidence has been considered by management including forecasts and business plans. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following this evaluation, management determined there would be sufficient taxable profits generated to continue to recognise these deferred tax assets in full.

Deferred tax assets in respect of some capital losses as well as trading losses have not been recognised as their future recovery is uncertain or not currently anticipated. The total gross deferred tax assets not recognised are as follows:

£m	**30 December 2023**	31 December 2022
Capital losses	**5.0**	5.0
Trading losses	**19.3**	21.2
	24.3	26.2

The capital losses arose in the UK and are available to carry forward indefinitely but can only be offset against future capital gains. The trading losses are non-UK losses and are available to offset against future taxable profits. These losses are timebound and £17.8m (2022: £20.3m) will expire after five years if unused.

There are no deferred tax liabilities associated with undistributed earnings of subsidiaries due to the availability of tax credits against such liabilities or the exemption from UK tax on such dividends.

Temporary differences arising in connection with interests in associates are insignificant.

9. Called up share capital, dividends and reserves

Called up share capital

£m	**30 December 2023**	31 December 2022
Issued and fully paid:		
579,425,585 (2022: 579,425,585) Ordinary shares of £0.02 each	**11.6**	11.6

All Ordinary shares of £0.02 each are non-redeemable, and carry equal voting rights and rank for dividends and capital distributions, whether on a winding up or otherwise.

Own shares held

During the prior and current period, the Company purchased shares through an Employee Benefit Trust called the Bakkavor Group plc Employee Benefit Trust (the “Trust”). Own shares purchased are recorded at cost and deducted from equity.

The own shares held represents the cost of shares in Bakkavor Group plc purchased in the market and held by the Trust to satisfy share awards under the Group’s share scheme plans.

The number of Ordinary shares held by the Trust at 30 December 2023 was 4,567,073 (30 December 2022: 2,940,514). This represents 0.79% of total called up share capital at 30 December 2023 (31 December 2022: 0.51%).

Total cash purchases made through the EBT during the year amounted to £2.4m (2022: £3.1m).

£m	Number of shares	£000
Balance at 1 January 2023	2,940,514	3,074
Acquisition of shares by the Trust	2,688,310	2,447
Distribution of shares under share scheme plans	(1,061,751)	(1,149)
Balance at 30 December 2023	**4,567,073**	**4,372**

No own shares held of Bakkavor Group plc were cancelled during the periods presented.

Dividends

Reporting period ended	Dividend per share	Declared	Date paid	Number of dividend rights waived[1]	Amount paid
30 December 2023					
Interim dividend	2.91p	September 2023	13 October 2023	3,264,816	£16,766,278
31 December 2022					
Final dividend	4.16p	May 2023	5 June 2023	2,886,522	£23,984,025
Interim dividend	2.77p	September 2022	14 October 2022	2,492,273	£15,981,053
25 December 2021					
Final dividend	3.96p	May 2022	30 May 2022	2,439,135	£22,848,663

1 Dividend rights waived in relation to Ordinary shares held in the Bakkavor Group plc Employee Benefit Trust.

Merger reserve

The merger reserve was created as a result of the acquisition of Bakkavor Holdings Limited and represents the difference between the carrying values of the net assets of Bakkavor Holdings Limited and the value of the share capital and share premium arising on the share-for-share exchange that resulted in Bakkavor Group plc acquiring Bakkavor Holdings Limited.

In 2007, a corporate reorganisation was completed to establish Bakkavor Holdings Limited as an intermediate holding company of the Group. This was accounted for using the principles of merger accounting.

In 2017, the merger reserve was debited by £185.8m as a result of the acquisition of Bakkavor Holdings Limited and the elimination of the historical capital reserve which related to the previous Group structure.

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

Translation reserve

The translation reserve represents foreign exchange rate differences arising on the consolidation of the Group's foreign operations. The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in the translation reserve.

10. Net cash generated from operating activities

£m	**2023**	2022
Operating profit	**97.1**	37.8
Adjustments for:		
Share of profit of associates after tax	**–**	(0.2)
Depreciation of property, plant and equipment	**68.7**	68.3
Amortisation of intangible assets	**3.0**	0.7
Profit on disposal of property, plant and equipment	**(1.4)**	(0.1)
Profit on disposal of associate	**(1.4)**	–
Impairment of assets	**2.9**	29.2
Share scheme charges	**2.0**	1.3
Net retirement benefits charge less contributions	**(2.1)**	(2.2)
Operating cash flows before movements in operating assets and liabilities	**168.8**	134.8
Decrease/(increase) in inventories	**16.3**	(15.8)
(Increase) in receivables	**(8.1)**	(17.3)
Increase in payables	**18.9**	32.8
(Decrease)/increase in exceptional provisions	**(11.9)**	18.4
(Decrease) in provisions	**(0.1)**	(1.4)
Cash generated by operations	**183.9**	151.5
Income taxes paid	**(11.0)**	(5.1)
Interest paid	**(25.2)**	(19.3)
Net cash generated from operating activities	**147.7**	127.1

Analysis of changes in net debt

£m	1 January 2023	Cash flow	Lease additions	Exchange movements	Other non-cash movements[1]	**30 December 2023**
Borrowings	(322.3)	58.0	–	0.5	(1.6)	**(265.4)**
Lease liabilities	(97.2)	12.3	(6.2)	0.6	–	**(90.5)**
Total liabilities from financing activities	(419.5)	70.3	(6.2)	1.1	(1.6)	**(355.9)**
Cash and cash equivalents	40.2	(2.5)	–	(1.1)	–	**36.6**
Net debt	(379.3)	67.8	(6.2)	–	(1.6)	**(319.3)**

£m	26 December 2021	Cash flow	Lease additions	Exchange movements	Other non-cash movements[1]	**31 December 2022**
Borrowings	(320.6)	(0.5)	–	(0.2)	(1.0)	**(322.3)**
Lease liabilities	(84.6)	14.0	(25.6)	(1.0)	–	**(97.2)**
Total liabilities from financing activities	(405.2)	13.5	(25.6)	(1.2)	(1.0)	**(419.5)**
Cash and cash equivalents	31.1	8.0	–	1.1	–	**40.2**
Net debt	(374.1)	21.5	(25.6)	(0.1)	(1.0)	**(379.3)**

1 Includes accrued interest at 30 December 2023 of £0.5m (2022: £0.4m) and prepaid bank fees of £1.1m (2022: £2.6m). The net reduction in these balances in the period of £1.6m (2022: net reduction of £1.0m) is shown in the table above as 'Other non-cash movements' in Borrowings.

11. Alternative performance measures

The Group uses various non-IFRS financial measures to evaluate growth trends, assess operational performance and monitor cash performance. The Directors consider that these measures enable investors to understand the ongoing operations of the business. They are used by management to monitor financial performance as it is considered to aid comparability of the financial performance of the Group from year to year.

Like-for-like revenue

The Group defines like-for-like revenue as revenue from continuing operations adjusted for the revenue generated from businesses closed or sold in the current and prior year, revenue generated from businesses acquired in the current and prior period, the effect of foreign currency movements and revenues. In addition, revenues for week 53 are taken out in the relevant financial years to ensure that like-for-like revenue is shown on a 52 week basis each year.

The following table provides the information used to calculate like-for-like revenue for the Group.

£m	**2023**	2022	Change %
Statutory revenue	**2,203.8**	2,139.2	3.0%
Effect of currency movements	**10.4**	–	
Week 53 revenue	**–**	(36.0)	
Like-for-like revenue	**2,214.2**	2,103.2	5.3%

The following tables provide the information used to calculate like-for-like revenue for each segment.

UK

£m	**2023**	2022	Change %
Statutory revenue	**1,852.7**	1,783.1	3.9%
Week 53 revenue	**–**	(30.8)	
Like-for-like revenue	**1,852.7**	1,752.3	5.7%

US

£m	**2023**	2022	Change %
Statutory revenue	**229.4**	255.3	(10.1%)
Effect of currency movements	**1.2**	–	
Week 53 revenue	**–**	(3.6)	
Like-for-like revenue	**230.6**	251.7	(8.4%)

CHINA

£m	**2023**	2022	Change %
Statutory revenue	**121.7**	100.8	20.7%
Effect of currency movements	**9.2**	–	
Week 53 revenue	**–**	(1.6)	
Like-for-like revenue	**130.9**	99.2	32.0%

Adjusted EBITDA and adjusted operating profit

The Group manages the performance of its businesses through the use of 'adjusted EBITDA' and 'adjusted operating profit', as these measures exclude the impact of items that hinder comparison of profitability year-on-year. In calculating adjusted operating profit, we exclude restructuring costs, asset impairments, costs incurred to configure or customise 'Software-as-a-Service' ("SaaS") arrangements as defined in the accounting policies, and those additional charges or credits that are considered significant or one-off in nature. In addition, for adjusted EBITDA we exclude depreciation, amortisation, the share of results of associates after tax and share scheme charges, as these are non-cash amounts. Adjusted operating profit margin is used as an additional profit measure that assesses profitability relative to the revenues generated by the relevant segment; it is calculated by dividing the adjusted operating profit by the statutory revenue for the relevant segment.

The Group calculates adjusted EBITDA on a pre-IFRS 16 basis for the purposes of determining covenants under its financing agreements.

The following table provides a reconciliation from the Group's operating profit to adjusted operating profit and adjusted EBITDA.

£m	Note	**2023**	2022
Operating profit		**97.1**	37.8
Exceptional items	3	**(2.8)**	50.1
Configuration and customisation costs for SaaS projects		**–**	1.5
Adjusted operating profit		**94.3**	89.4
Depreciation		**68.7**	68.3
Amortisation		**3.0**	0.7
Share scheme charges		**2.0**	1.9
Loss/(profit) on disposal of property, plant and equipment		**0.1**	(0.1)
Share of results of associates after tax		**–**	(0.2)
Adjusted EBITDA post IFRS 16		**168.1**	160.0
Less IFRS 16 impact		**(14.0)**	(13.8)
Adjusted EBITDA pre IFRS 16[1]		**154.1**	146.2
Covenant adjustments		**0.4**	0.6
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)		**154.5**	146.8

1 Excludes the impact of IFRS 16 as the Group's bank facility agreement definition of adjusted EBITDA excludes the impact of this standard.

Adjusted EBITDA and Adjusting operating profit by segment is reconciled to operating profit in Note 2.

Operational net debt and leverage

Operational net debt excludes the impact of non-cash items on the Group's net debt. The Directors use this measure as it reflects actual net borrowings at the relevant reporting date and is most comparable with the Group's free cash flow and aligns with the definition of net debt in the Group's bank facility agreements which exclude the impact of IFRS 16. The following table sets out the reconciliation from the Group's net debt to the Group's operational net debt.

£m	Note	**30 December 2023**	31 December 2022
Group net debt	7	**(319.3)**	(379.3)
Unamortised fees		**(1.1)**	(2.6)
Interest accrual		**0.5**	0.4
Lease liabilities recognised under IFRS 16		**90.3**	96.6
Group operational net debt		**(229.6)**	(284.9)
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)		**154.5**	146.8
Leverage (Operational net debt/adjusted EBITDA pre IFRS 16 and including covenant adjustments)		**1.5**	1.9

Free cash flow

The Group defines free cash flow as the amount of cash generated by the Group after meeting all of its obligations for interest, tax and pensions, and after purchases of property, plant and equipment (excluding development projects), but before payments of refinancing fees and other exceptional or significant non-recurring cash flows. Free cash flow has benefitted from non-recourse factoring of receivables and the extension of payment terms for certain suppliers. The Directors view free cash flow as a key liquidity measure, and the purpose of presenting free cash flow is to indicate the underlying cash available to pay dividends, repay debt or make further investments in the Group.

The definition of free cash flow was amended during the year to be after IFRS 16 capital lease payments to simplify our cash reporting. The following table provides a reconciliation from net cash generated from operating activities to free cash flow.

£m	**2023**	2022
Net cash generated from operating activities	**147.7**	127.1
Interest received	**0.6**	0.2
Dividends received from associates	**1.6**	–
Proceeds on disposal of associates	**3.2**	–
Purchases of property, plant and equipment	**(40.4)**	(61.1)
Proceeds on disposal of property, plant and equipment	**1.6**	0.1
Purchase of intangibles	**(3.5)**	(2.9)
Cash impact of exceptional items	**4.4**	2.5
Refinancing fees	**–**	0.9
Free cash flow (as previously reported)	**115.2**	66.8
IFRS 16 capital lease payments	**(12.0)**	(13.4)
Free cash flow	**103.2**	53.4

Adjusted earnings per share

The Group calculates adjusted basic earnings per Ordinary share by dividing adjusted earnings by the weighted average number of Ordinary shares in issue during the year. Adjusted earnings is calculated as profit for the period adjusted to exclude exceptional items, configuration and customisation costs for SaaS projects and the change in value of derivative financial instruments. The following table reconciles profit for the period to adjusted earnings.

For adjusted diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares.

£m	Note	2023	2022
Profit for the period		**53.9**	12.5
Exceptional items	3	**(2.8)**	50.1
Configuration and customisation costs for SaaS projects		**–**	1.5
Change in fair value of derivative financial instruments		**–**	0.1
Tax on the above items		**–**	(9.4)
Adjusted earnings		**51.1**	54.8
Add back: Tax on adjusted profit before tax		**16.4**	15.0
Adjusted profit before tax		**67.5**	69.8
Effective tax rate on underlying activities			
(Tax on adjusted profit before tax/adjusted profit before tax)		**24.4%**	21.5%

Number of shares '000	2023	2022
Weighted average number of Ordinary shares	**576,129**	577,576
Effect of dilutive Ordinary shares	**12,576**	9,767
Weighted average number of diluted Ordinary shares	**588,705**	587,343

	2023	2022
Adjusted basic earnings per share	**8.8p**	9.5p
Adjusted diluted earnings per share	**8.7p**	9.3p

Return on Invested Capital ("ROIC")

The Group defines ROIC as adjusted operating profit after tax divided by the average invested capital for the year. Adjusted operating profit after tax is defined as operating profit excluding the impact of exceptional items and configuration and customisation costs for SaaS projects at the Group's effective tax rate. Invested capital is defined as total assets less total liabilities excluding net debt at the period end, pension assets and liabilities (net of deferred tax) and fair values for derivatives not designated in a hedging relationship. The Group utilises ROIC to measure how effectively it uses invested capital. Average invested capital is the simple average of invested capital at the beginning and end of the period.

The Directors believe that ROIC is a useful indicator of the amount returned as a percentage of shareholders' invested capital and that ROIC can help analysts, investors and stakeholders to evaluate the Group's profitability and the efficiency with which its invested capital is employed.

The following table sets out the calculations of adjusted operating profit after tax and invested capital used in the calculation of ROIC.

£m	Note	2023	2022
Operating profit		**97.1**	37.8
Exceptional items	3	**(2.8)**	50.1
Configuration and customisation costs for SaaS projects		**–**	1.5
Adjusted operating profit		**94.3**	89.4
Taxation at the underlying effective rate		**(23.0)**	(19.2)
Adjusted operating profit after tax		**71.3**	70.2
Invested capital			
Total assets		**1,480.3**	1,541.4
Total liabilities		**(872.7)**	(923.6)
Net debt at period end		**319.3**	379.3
Derivatives not designated as hedges		**–**	–
Retirement benefit scheme surplus		**(12.0)**	(12.8)
Deferred tax liability on retirement benefit scheme		**3.0**	3.2
Invested capital		**917.9**	987.5
Average invested capital for ROIC calculation		**952.7**	987.7
ROIC (%)		**7.5%**	7.1%

Statement of directors' responsibilities in respect of the financial statements

We confirm to the best of our knowledge that:

- The Group Financial Statements, which have been prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The announcement includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Approved on behalf of the Group Board by:

Mike Edwards	Ben Waldron
Chief Executive Officer	Chief Financial Officer and Asia Chief Executive Officer

4 March 2024