8 March 2022

Bakkavor Group plc

2021 full year results

Outperformance and strategic progress while navigating unprecedented industry challenges

Bakkavor Group plc (the "Company") and its subsidiaries ("Bakkavor" or "the Group"), the leading international provider of fresh prepared food ("FPF"), today announces its full year audited results for the 52-week period ended 25 December 2021.

Financial outperformance[1] and strengthened balance sheet

- Like-for-like revenue[2] ahead of pre-pandemic levels, up 1.2% on 2019, and up 6.2% on 2020 to £1,885.6m
- Group reported revenue up 4.4% to £1,871.6m
- Adjusted operating profit[2] of £102.0m, ahead of market expectations[1] and up 22.0%
- Basic earnings per share of 9.8 pence, up 3.9 pence
- Free cash flow[2] of £91.2m, up £51.1m
- Leverage[2] of 1.9x within medium-term target range, delivered 6 months ahead of previous guidance
- Total dividend per share for 2021 up 10% on 2019, with final dividend of 3.96 pence per Ordinary share proposed

Good strategic progress underpins future growth and improving returns

- Our scale, experience, category leadership and breadth of portfolio in the UK has underpinned our significant progress, and puts us in a strong position to continue to succeed
- US like-for-like revenue up 31.8% and recent investments unlock capacity for further growth
- Steady top-line recovery in China, and our strategic focus on entering new channels is being realised with new customers
- Group adjusted operating margin[2] up 70 bps despite inflationary headwinds and labour challenges, as a result of our strict focus on cost control and operational efficiency
- Group net carbon emissions reduced by 4.1%, with 'roadmap' to deliver our 2040 net zero commitment in progress

Remain well-positioned to successfully mitigate inflationary headwinds

- Sales volumes in early 2022 have been encouraging, giving confidence in the continuation of the Group's revenue momentum through the year
- The Group is committed to mitigating the impact of significant inflationary headwinds through continued price recovery with customers, strict cost control and productivity improvements
- The Group is confident in delivering 2022 in line with market expectations[1] as our established teams, commercial philosophy and dynamic ways of working equip us well for successfully navigating the tough environment
- Strong cash generation and strengthened balance sheet provides flexibility for targeted investment to deliver further efficiencies and take advantage of medium-term growth opportunities

FINANCIAL SUMMARY

£ million (unless otherwise stated)	**FY 2021**	FY 2020	*Change*	FY 2019	*Change*
Group revenue	**1,871.6**	1,793.5	*4.4%*	1,885.9	*(0.8%)*
Like-for-like revenue[2]	**1,885.6**	1,775.1	*6.2%*	1,862.9	*1.2%*
Adjusted EBITDA pre IFRS 16[2]	**154.2**	139.2	*10.8%*	138.0	*11.7%*
Adjusted operating profit[2]	**102.0**	83.6	*22.0%*	89.7	*13.7%*
Adjusted operating profit margin[2]	**5.4%**	4.7%	*70bps*	4.8%	*60bps*
Operating profit	**102.0**	62.0	*64.5%*	69.4	*47.0%*
Operating profit margin	**5.4%**	3.5%	*190bps*	3.7%	*170bps*
Profit before tax	**81.4**	44.2	*84.2%*	43.8	*85.8%*
Basic earnings per share	**9.8p**	5.9p	*3.9p*	6.4p	*3.4p*
Adjusted earnings per share[2]	**10.4p**	8.7p	*1.7p*	10.3p	*0.1p*
Free cash flow[2]	**91.2**	40.1	*51.1*	46.9	*44.3*
Operational net debt[2]	**(293.7)**	(333.4)	*39.7*	(354.8)	*61.1*
Dividend per share[3]	**6.60p**	0.00p	*6.60p*	6.00p	*0.60p*

1. Based on company compiled consensus ("Consensus") which includes the following institutions: Peel Hunt, Citi, Investec, Numis, Goodbody, Berenberg and HSBC. Operating profit Consensus for 2021 of £97.4m. Operating profit Consensus for 2022 of £98.1m. Last updated on 7 March 2022.
2. Alternative Performance Measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 13.
3. During the period, the final dividend relating to the period ended 28 December 2019 was paid, please refer to Note 10 for further details.

AGUST GUDMUNDSSON, CEO, COMMENTED:

"In 2021 we achieved meaningful financial and strategic progress against unprecedented industry challenges. We have continued to leverage our scale, category leadership, and strict focus on efficiency and cost control to emerge in a position of strength. Our outperformance, and the support we have given to our customers, suppliers and communities, would not have been possible without the exceptional efforts of all of our colleagues, for which I am incredibly proud.

"While we expect the significant inflationary pressures to persist, we have demonstrated our ability over the past 36 years to navigate such headwinds. I believe we are well-positioned to mitigate these challenges, giving us confidence in delivering on our expectations for the full year."

PRESENTATION

A copy of the 2021 full year results are available on www.bakkavor.com

We will be presenting to analysts in-person and via a webcast at 09.00 am, 8 March 2022, through the Investor section of the Group's website at: https://q4-emea.wavecast.io/bakkavor/2021-full-year-results. The presentation can also be accessed via a replay service shortly after the presentation has concluded.

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About Bakkavor

Bakkavor is the leading provider of fresh prepared food ("FPF") in the UK, with a growing international presence in the US and China. The Group is the number one by market share in the UK in the four FPF product categories of meals, salads, desserts and pizza & bread, providing high-quality, fresh, healthy and convenient food. Its customers include every major UK grocery retailer, including Tesco, Marks & Spencer, Sainsbury's and Waitrose, and some of the world's best-known food brands. Bakkavor was founded in 1986 and has its headquarters in London. The Group has c.19,000 employees and operates 23 factories in the UK, 5 in the US and 9 in China.

LEI number: 213800COL7AD54YU9949

Disclaimer - forward-looking statements

This statement, prepared by Bakkavor, may contain forward-looking statements about Bakkavor. These represent expectations for the Group's business, and involve known and unknown risks and uncertainties, many of which are beyond the Group's control. The Group has based these forward- looking statements on current expectations and projections about future events. These forward-looking statements may generally, but not always, be identified by the use of words such as 'will', 'aims', 'anticipates', 'continue', 'could', 'should', 'expects', 'is expected to', 'may', 'estimates', 'believes', 'intends', 'projects', 'targets', or the negative thereof, or similar expressions.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and reflect the Group's current expectations and assumptions as to such future events and circumstances that may not prove accurate. A number of material factors could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements. There may be risks and uncertainties that the Group is unable to predict at this time or that the Group currently does not expect to have a material adverse effect on its business. You should not place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this announcement. The Group expressly disclaims any obligation to publicly update or review these forward-looking statements other than as required by law. Some numbers and period on period percentages in this statement have been rounded or adjusted in order to ensure consistency with the financial information.

CHIEF EXECUTIVE'S OVERVIEW

Growth and strategic progress despite unprecedented industry challenges

We have delivered robust growth and achieved meaningful strategic progress during a year in which we have faced unprecedented industry-wide challenges.

Whilst we, along with the wider industry, have had to manage significant supply chain disruption and labour shortages, it is the resilience of our business model combined with our customer and supplier relationships, category expertise, deep management experience and strengthened financial position that have underpinned our progress during the year.

Our customers remain at the heart of what we do, and we have supported them through this challenging period by ensuring the continued availability of our products, underpinned by our well-established global supply chain network and relentless focus on excellence across our operations.

We are successfully managing the inflationary headwinds across our cost base. Our existing pass-through mechanisms are working well, and we have secured price increases across our customer base to recover input cost and other inflation. Our focus on operational excellence has also delivered a year-on-year improvement in efficiency, helping to mitigate the higher cost environment.

As ever, I am incredibly proud of all of our colleagues, without whom our strong performance would not have been possible. I would like to personally thank them for their exceptional efforts which are hugely valued by our customers, suppliers, and communities. We continue to work hard to support our colleagues in these challenging times. I was particularly pleased to relaunch our new values in the year, putting our people front and centre of what we do and how we behave, and alongside this we have made a significant investment in training and development.

Overall, we have continued to build on the strong foundations put in place in previous years, and in conjunction with our redefined values we are well-positioned to deliver long-term sustainable growth.

A strong financial performance and further strengthened our financial position

Despite the unprecedented challenges encountered through 2021, we delivered a strong and resilient financial performance across the Group. Reported revenue increased by 4.4% to £1,871.6 million, driven by the recovery in UK demand, albeit performance was held back by the continuing supply chain and labour challenges that have accelerated since the summer. Our US business continued to deliver meaningful progress with strong top-line growth, and China, whilst showing good year-on-year growth, remains behind 2019 levels due to ongoing regional lockdowns meaning a slightly slower recovery . Compared to 2019, the Group delivered a 1.2% increase in like-for-like revenue.

Our focused and controlled approach to ramping up the business in 2021 and managing the inflationary headwinds and industry-wide disruption, has delivered significant progress in profitability in the period across all three regions. Adjusted operating profit increased by £18.4 million to £102.0 million and adjusted operating margin increased by 70 basis points to 5.4%. The Group has not incurred any exceptional costs in the period and therefore there are no adjustments to operating profit.

We spent £55.6 million during the year across our asset base. We have invested in factory automation, with the continued roll-out of our automated 'smart' manufacturing system in the UK, and have increased our spend on payback projects that underpin our operational excellence initiatives. Further, we have continued to increase capacity and enhance our capabilities internationally.

The financial position of the business has continued to strengthen. We generated £91.2 million of free cash, and reduced operational net debt by £39.7 million, resulting in a further reduction to leverage (ratio of net debt:EBITDA). Our leverage, at 1.9 times, now sits within our target range of 1.5x to 2.0x and is the lowest since we listed the business in 2017, and we continue to operate with significant liquidity headroom. Our continued cash generation and robust balance sheet position provide increased flexibility to invest in the business for growth and we are pleased to recommend a final dividend of 3.96 pence per Ordinary share, providing a total dividend for the year of 6.60 pence per Ordinary share.

Clear focus on our colleagues, products and operational performance delivered positive UK recovery
Our clear focus on delivering innovative, great-tasting, fresh products for our customers every day, underpinned by our operational excellence and approach to retaining and attracting talent, has been critical to our strong performance in the UK.

Prioritising and investing in our colleagues
Our colleagues remain our priority and I am hugely supportive of the steps we have taken during the year to enhance ways of working and invest in development and recognition, whilst also being agile in our response to industry-wide labour shortages. This positions the Group well in the context of ongoing labour challenges.

We have implemented a range of initiatives to increase our recruitment and manage our retention as we, along with the wider industry, have faced a high level of vacancies and employee turnover. Since 2019, remuneration of our senior executives has been linked to delivering an improvement in retention and this will continue to be a key metric for our business. More recently, we have reset pay rates and provided additional and enhanced benefits including free transport, referral bonuses, increased flexibility in working patterns and upgraded site facilities.

We have also made significant investments in developing our talent for the future, with the launch of two training programmes: an Executive Leadership Development Programme and a Front-Line Leaders Development Programme for all UK factory supervisors.

In recognition of the incredible work that our colleagues deliver, in December 2021 we held our 'Proud to Be Bakkavor' awards. These awards celebrated our colleagues achieving fantastic results for our customers, colleagues, and communities. We received over 80 submissions which included a diverse set of nominations across all areas of the business including product innovation, excellence in operational delivery and wellbeing initiatives.

Leveraging deep consumer insight to drive growth through product innovation
In the UK, following initial disruption from the pandemic, we were strongly encouraged by the recovery in sales as lockdown restrictions eased and shopping visit frequency returned. Against the backdrop of labour shortages and supply chain disruption, we focused on maintaining availability of core product lines whilst also developing innovative products to drive growth in our categories.

We launched over 340 new products in 2021, responding to consumers' desire to 'do better' underpinned by our category insight which focuses on the 'big 6' drivers of growth. We have relaunched the full range of salads for one customer and delivered several seasonal products to make these events extra-special for our customers and consumers. In desserts, we leveraged our market-leading position, consumer insights and operational capabilities to launch two new brands, to attract new consumers and enhance category growth.

Looking forward, our new product pipeline is well placed to deliver exciting, great tasting, fresh new products which meet our customers' and consumers' evolving needs.

Driving further operational efficiencies
Driving superior performance across the Group through operational excellence continues to be a strategic priority, especially in the context of ongoing industry-wide challenges that have accelerated through the year. We have delivered another year of improvement, building on our strong foundations across our operations and the supply chain.

We have also bolstered our operational excellence team, increased our spend on payback projects and are driving bigger, bolder change programmes on a Group-wide basis. These projects will better empower our teams to deliver operational excellence, with dedicated managers in place at each site, and enhanced management reporting of operational KPIs, through the continued roll-out of a new automated 'smart' manufacturing system, which is now live at 16 UK sites. This in turn is supporting the identification of further improvement opportunities and enabling us to be even more targeted in our investments to maximise returns.

We also completed an assessment of UK site automation opportunities which has yielded a significant number of potential opportunities, and in the context of the tight labour market we are looking to accelerate our investment in this area.

Good progress in the US and China, with significant growth opportunity ahead
In the US, we continue to make significant progress as we realise the benefits of the commercial and operational reset that concluded in June 2020. Sales growth has accelerated, as demand for our fresh, convenient products continues to grow, and we have continued to support our strategic grocery retail and online customers in the development and expansion of

their offering. We successfully launched a range of fresh meals with a strategic customer nationally and delivered our biggest ever Thanksgiving for the US business.

Operationally, our focus remains on capturing the significant growth opportunity in this fast developing market. We have enhanced and introduced initiatives to both attract new talent and retain existing colleagues. Our investments to increase ready meals capacity in Charlotte and Carson, to accommodate the national supply of fresh meals, is now complete. Our existing footprint will require further investment over the coming years to increase capacity, and with this investment we believe these sites can deliver $500 million in revenue.

Cost headwinds, first felt acutely in the second quarter of the year, have persisted, and whilst we have been successful in securing price increases across our customers in the second half of the year to help mitigate the impact, margins have been held back. Consumer demand for our fresh, convenient food remains strong and we are well placed to benefit from the accelerating growth in this market.

China continues to recover on a steady trajectory. Whilst we have maintained our high service levels and continued to deliver on new product development, the rate of recovery in our foodservice customers has slowed due to an ongoing impact from local lockdowns, thereby dampening performance. However, the benefit of our strategic focus on entering new channels with our existing product ranges is being realised with new retail and catering customer wins in China. We have seen good growth in both our Hong Kong and Bakery businesses in 2021, offsetting the weaker performance in foodservice.

With the completion of our new Wuhan facility earlier in 2021 and the new site in Xi'an due to complete in the second quarter of 2022, we have an established national footprint and significant headroom to continue to capitalise on the clear growth opportunity. With this increased capacity, we expect limited further strategic investment in the region in the coming years.

Continued progress on sustainability

Being a trusted partner to all our stakeholders is key to our future success, and we have evolved our Group strategy to emphasise the importance of trust in everything that we do. This includes upholding our ESG responsibilities, where we have delivered progress in the year, but also recognising that we need to improve further.

We set out our commitment to become a Net Zero carbon business across our Group operations by 2040 and have started to develop our 'roadmap' to support the delivery of this. Our Group net carbon emissions decreased by 4.1% in 2021 and this was driven by improvement in the UK, where net emissions reduced by 15.0% on 2020. This is underpinned by the investments we have made to continue to upgrade our refrigeration systems and drive energy efficiency improvements, with the conversion to more efficient LED lighting now complete across the majority of our sites. We have also sought to better understand our climate risk exposure and are voluntarily reporting under the Task Force on Climate-related Financial Disclosures ("TCFD") guidelines for the first time.

To support meeting the UK Plastics Pact's goals of eliminating problematic plastic packaging, we have removed c.400 tonnes of plastic in the year and increased the recyclability of our packaging (99.8% of our packaging is recyclable). Whilst the return in volumes to pre-pandemic levels has resulted in a year-on-year increase in food waste, up 67 basis points to 9.15% in 2021, we have redistributed more than 400,000 meals to charities and recycled more than 21,000 tonnes as animal feed.

We recognise that a healthy workplace encompasses not only keeping our colleagues safe, but also sustaining their wellbeing and in 2021 we have enhanced the support our colleagues receive, overseen by our newly formed Wellbeing Steering Committee.

Building on the Group's momentum in 2022

Bakkavor's history is characterised by repeated and fundamental change. In the 36 years since my brother and I founded the Company, we have seen the business evolve enormously, and we continue to adapt and respond to the changing environment within which we operate. This year will be no different.

Sales volumes in early 2022 are encouraging, giving confidence in building on the Group's positive revenue momentum through 2022. We remain well-positioned to mitigate the impact of industry-wide supply chain and labour challenges, and resulting increases in costs, that are expected to persist in the near term.

The tragic events in Ukraine are not causing a direct impact to our supply chain as we do not have significant exposure to the region, however the consequences for the global economy are uncertain at this stage. We are carefully monitoring the situation, and our thoughts are with all those affected.

Our market-leading position in the UK continues to deliver a robust performance, and we see meaningful growth potential in the US where we have a strong manufacturing footprint and strategic relationships in place. In China, with ongoing regional restrictions we expect COVID-19 to continue to hold back performance and the recovery to be steady, however further diversification of our customer base will leave us well placed to capitalise on the long-term growth potential within the region.

We are confident in delivering 2022 in line with market expectations as our established teams, commercial philosophy and dynamic ways of working equip us well for successfully navigating the tough environment. We remain positive about the medium-term growth opportunity, with the Group's strengthened balance sheet providing the flexibility for targeted investment to support future growth, drive efficiency and deliver returns to shareholders.

OPERATIONAL REVIEW

United Kingdom: *Robust financial performance despite industry-wide challenges*

£ million	**FY 2021**	FY 2020	Change
Revenue	**1,592.4**	1,566.6	1.6%
Like-for-like revenue[1]	**1,592.4**	1,548.2	2.9%
Adjusted operating profit[1]	**97.8**	90.7	7.8%
Adjusted operating profit margin[1]	**6.1%**	5.8%	30bps
Operating profit	**97.8**	69.1	41.5%
Operating profit margin	**6.1%**	4.4%	170bps

1. Alternative Performance Measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 13.

Trading performance

The UK delivered a 2.9% increase in like-for-like revenue to £1,592.4 million (2020: £1,548.2 million) despite industry-wide challenges (notably supply chain disruption and labour shortages) intensifying through the period with volumes constrained as a result. This performance represented a positive recovery in volumes as lockdown restrictions eased and demand for our fresh prepared products has remained strong since, with like-for-like revenue down only 2.3% compared to 2019.

The UK delivered a 7.8% increase in adjusted operating profit to £97.8 million (2020: £90.7 million), with margins up by 30 basis points to 6.1% (2020: 5.8%) and no exceptional items in 2021. This robust performance was delivered through a combination of sales growth, an acute focus on driving further efficiency and supply chain management, and a tight control of costs. Profitability was held back by inflationary pressures which accelerated towards the end of the year. However, our pricing models mean we are able to pass on the inflationary impact of key raw materials and we negotiate inflationary increases for other materials, packaging, freight and labour costs that sit outside of our cost models on a case-by-case basis. Following discussions with our customers, we are increasing pricing for 2022, in line with our expectations, which, alongside our ongoing efficiency drive, will help offset inflation in the costs which sit outside of our pricing models. Looking forward, with inflation pressures expected to persist and in certain instances heighten in the near term, we expect to continue the dialogue with our customers around pricing through 2022.

Whilst working hard to contain the impact of cost pressures and labour challenges, we have ensured our operational delivery has remained strong, as evidenced by a consistent and high-level performance across health and safety, food safety, quality, and service.

Category update

Overall, we have seen a positive recovery in the FPF market post-pandemic. All our categories are in growth compared to 2019 apart from salads, which faced production constraints in 2021. We remain focused on driving an exciting pipeline of activity to bring innovation to our categories, with the launch of over 340 products in 2021, but in a controlled and disciplined way given the wider industry challenges. For a small number of sub-categories, we have taken the decision to focus on core ranges to ensure we maintain our customer service levels and manage our labour requirements.

Whilst performance in our **meals** category in the first quarter was adversely impacted by lockdown restrictions, volumes recovered well as restrictions eased into the summer, against a weaker comparative period. This growth was primarily driven by ready meals, supported by strong underlying performance, new product launches and seasonal events. We have, however, taken the decision to exit several lower margin modern-deli category lines, which have traditionally peaked in the

summer and at Christmas. Whilst this improves our ability to utilise our year-round capacity going forward, the reduction in volumes combined with the disruption associated with labour shortages and supply chain challenges, has resulted in the meals category contributing a lower level of sales in the second half of the year.

Our **salads** category has seen a significant recovery in demand versus the prior year, driven by the return in frequency of shopping visits and mobility through the year. The seasonal summer peak in salads always requires an increase in labour, however the pace of growth post lockdown combined with increasing challenges in labour availability meant we were unable to meet all demand in this period. We made the decision to focus on maintaining our high customer service levels by delivering a reduced number of products and successfully executed the launch of over 60 products to refresh the whole salads range for one of our strategic customers. Whilst food-to-go remains down compared to 2019, we have seen a natural strengthening of the category and demand remained strong through the rest of the year.

In our **desserts** business, performance has been strong compared to both 2020 and 2019. This performance reflected the decision we made in the summer, in the context of labour challenges, to deliver a more focused all-year-round product range and protect the delivery of our seasonal products for the important Christmas period, which we have successfully executed. The launch of The Delicious Dessert Company brand is delivering what we set out to do: bringing new, younger consumers to the category. This range has been rolled out to 900 stores across two strategic customers in the second half of the year and we are looking to expand the product range further.

Demand for **pizza and bread** remains robust, with significant growth compared to 2019 and a positive year-on-year performance versus 2020 despite lapping strong comparatives. This was driven by good growth in flatbreads and premium pizza ranges, as the increase in demand during the pandemic has held up as restrictions have eased. Whilst promotional dynamics have changed in this category, the demand for our range of products remains strong.

Strategic and operational actions

Our full-year performance is testament to the robust foundations we have laid down, with scale, category leadership and strong relationships with customers that are committed to driving sales of fresh prepared food through their store networks and online channels. This positioning has enabled us to successfully navigate the recent unprecedented industry-wide challenges. However, we remain highly focused on mitigating these ongoing challenges which emerged with the UK's exit from the European Union ("EU") and accelerated with the onset of the pandemic, including supply chain disruption and labour shortages.

We have successfully minimised any disruption related to the UK exiting the EU to date. Our detailed planning process ensures ongoing compliance, and we are well prepared to navigate the further administrative changes still to come. Our inbound logistics platform in Spain continues to ensure our import process works smoothly, and we remain well prepared for the changes that were due in the second half of 2021 but have been delayed to 2022.

We continue to work collaboratively to ensure our customers remain well stocked with our high-quality products, whilst agreeing appropriate pricing in the context of cost inflation. To date, we have been relatively unaffected by the disruption to distribution across the industry, and we have continued to support our customers who manage outbound distribution from our factories to stores.

The recruitment and retention of colleagues remains a significant challenge for the Group, with certain regions experiencing particularly heightened labour shortages. We have taken several steps to mitigate the current labour constraints, including enhancing our recruitment programme, offering flexible shift patterns, the use of apprenticeship programmes, referral bonus schemes, and further investment in colleague training, facilities, transport and wellbeing. We also took the decision, after an in-depth benchmarking of our factory labour rates across the country, to implement an out-of-cycle pay increase to the majority of our factory-based colleagues. The impact of this significant investment has been supported by customers through revised pricing. Whilst labour shortages remain a challenge, we are doing all we can to create a better place to work and position the Group as an attractive employer.

Alongside our efforts to mitigate labour constraints, we have been investing in automation and continuous process improvement throughout the year to enhance productivity. We have increased resource behind our operational excellence team to ensure we maintain pace in delivering on our efficiency investments and develop a strong pipeline of projects, focused on reducing the reliance on labour. Importantly, the recent roll-out of the new automated 'smart' manufacturing system (a Management Control Reporting System) across our UK sites is providing us with highly detailed factory data upon which to make investment decisions that will maximise performance.

Looking forward, we expect to continue to deliver growth in the UK as demand for our fresh prepared products remains strong. However, as the industry-wide operational challenges and inflationary headwinds are expected to persist through 2022, we expect further engagement with our customers, to recover pricing, will be required. We are confident that, with

our strong relationships, experience, and relentless focus on operational excellence, we will continue to manage and mitigate these pressures effectively.

United States: *Significant revenue growth and margin expansion despite labour and inflationary headwinds*

£ million	FY 2021	FY 2020	Change
Revenue	**180.1**	146.5	22.9%
Like-for-like revenue[1]	**193.0**	146.5	31.8%
Operating profit	**8.9**	0.6	1,383.3%
Operating profit margin	**4.9%**	0.4%	450bps

1. Alternative Performance Measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 13.

Trading performance

In 2021, we continued to build on the commercial and operational progress made in the last two years. We further enhanced our strategic customer relationships in traditional grocery retail and online channels, and underpinned our platform for growth with investment to unlock capacity across our existing footprint.

As a result, we continued to see positive momentum through the period, supported by growth with our strategic customers through national supply contracts, range expansion and increased product penetration. Reported revenue increased by 22.9% to £180.1 million and increased 31.8% on a like-for-like constant currency basis to £193.0 million.

We are realising the benefits of the commercial and operational reset that concluded 18 months ago, with an £8.3 million increase in operating profit to £8.9 million, and a significant step up in margin to 4.9% (2020: 0.4%). Margins were, however, held back by significant inflationary pressure as we moved through the year. This was notably a result of increases in labour rates, both regulatory and through our own out-of-cycle reset of wage rates, as well as inflation most significantly in proteins, packaging, and distribution costs.

Nonetheless, our simplified portfolio and improved operational efficiencies underpinned operational gearing as volumes increased, and utilisation rates at our newly invested manufacturing footprint picked up meaningfully.

Strategic and operational actions

In the US, consumer demand for fresh and convenient meals and other fresh prepared food continues to accelerate. Retailers are increasingly looking to differentiate themselves through own-label offerings, and as a leading supplier we are driving growth in this market. The US business achieved excellent growth in fresh meals, supported by the successful nationwide roll-out of a range of meals to over 500 stores for a new strategic customer and continued growth with our e-commerce customers. We have delivered a strong pipeline of innovation through the year, bringing more healthy products to market such as the launch of a range of low carbohydrate meals, as well as providing convenient larger format meals for families. We have also broadened retailers' own-label fresh food ranges, with the launch of complementary burritos, soups and artisan bread.

Whilst industry challenges intensified through the year, the business has delivered a strong operational performance in the US, accommodating a significant increase in volumes with minimal disruption. To secure the increase in headcount needed to support the level of growth, we have adapted our approach to colleagues by increasing wage rates and introducing new incentives, reviewing wage rate differentials, and investing in our site facilities to provide a more attractive working environment.

We have also experienced significant input cost inflation in the period, however there is an acknowledgement by our customers that the issues are unprecedented and industry wide; through an open and constructive dialogue we have successfully secured price increases in the latter part of the year. The short-term lag in passing these costs on to customers has held back our margin in the period.

During the year, we completed investment at our Charlotte and Carson sites, providing the capacity to meet increased demand for our fresh meals. The investment to enhance our houmous processing capability and capacity at Carson continues to progress well.

Looking ahead, we remain well placed to capitalise on the significant growth potential in the US market. We are focused on stabilising our workforce and enhancing our internal operational structures to support the growth of our business and drive operating leverage to further improve margin. Our existing footprint will require further investment over the coming years to increase capacity, and with this investment we believe these sites can deliver $500m in revenue.

China: *Steady recovery and margin improvement, moderated by short-term headwinds*

£ million	**FY 2021**	FY 2020	Change
Revenue	**99.1**	80.4	23.2%
Like-for-like revenue[1]	**100.2**	80.4	24.6%
Operating (loss)	**(4.7)**	(7.7)	39.0%
Operating (loss) margin	**(4.7%)**	(9.6%)	490bps

1. Alternative Performance Measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 13.

Trading performance

Whilst China has largely recovered from the pandemic, it continues to see periodic impacts from regional lockdowns, with like-for-like revenue down 2.4% compared to 2019. The significant like-for-like revenue growth in 2021 of 24.6% to £100.2 million, and reported revenue growth of 23.2% to £99.1 million, reflected strong growth in Bakery, Hong Kong and new channels, partially offset by reduced volumes from certain foodservice customers. We maintain a positive outlook for continued growth in 2022 and beyond.

Whilst the business remains loss making from an operating profit perspective, it has delivered positive EBITDA and operating losses have reduced considerably with the steady recovery in volumes. However, inflationary headwinds and the adverse impact of weather on seasonal produce have held back margin improvement in the second half, with pricing on leaf crops alone over three times the historical market rate. Our strategic investments for growth in the region are nearing completion, with the new site in Wuhan operational since April 2021 and Xi'an due to complete in the second quarter of 2022.

Strategic and operational actions

In China, consumer demand for fresh, convenient and healthy products across all channels has accelerated. We continue to be well-positioned to capitalise on this opportunity, and in 2021 we launched over 550 products and delivered significant progress on new channel opportunities. In 2021 we were awarded the supply of a range of food-to-go products for a large campus canteen and delivered strong growth with a strategic retail customer through range expansion and store roll-out, as well as launching two healthy breakfast items for a large coffee chain and introducing meat alternatives to our sandwiches and wraps for strategic customers. We will continue to target new channel opportunities for growth with our existing range of fresh, great-tasting food.

The Bakery business has benefitted from our recent capacity investment and continued to develop its customer base, particularly with online players, and Hong Kong performance rebounded in 2021 from April onwards through a combination of volumes returning as lockdown restrictions eased and new customer wins, as well as continuing to roll-out our Fresh Kitchen branded retail counters.

While our post-pandemic recovery steadily improved through the first half of the year, continued local lockdowns and the impact of adverse weather on leaf crops has hampered performance. The stringent government restrictions have resulted in regional lockdowns and meant our key customer stores, often located in more tourist and travel-centric areas, have had to close periodically, with resulting volatility in demand that has held back sales and presented operational challenges. Further, it was in the summer, typically our seasonal peak in sales, when the leaf crop was particularly affected by weather. The lower-quality produce meant yield was reduced, with a knock-on impact on operational efficiency and inflationary pressure, the impact of which was exacerbated as we were required to purchase additional volume outside of our contracted volumes.

While labour also continues to remain a challenge, and we are facing over 10% inflation in wage rates, we have continued to work collaboratively with our customers and suppliers to successfully manage these challenges and maintained 100% service levels across our customer base. We have put in place several measures to mitigate the impact, including expanding our recruitment pool and continuing to focus on automation opportunities across the business. We expect inflationary

pressures across labour and raw materials to persist in 2022 but will continue to use a number of levers to reduce the impact on our cost base through new product development, operational efficiency and customer price discussions.

Our significant strategic investments in the region are nearing completion, providing an enhanced national platform for future growth with broader supply capabilities. We successfully transferred production to the new replacement site in Wuhan in April 2021 and work on the new site in Xi'an is progressing well, with a slight delay due to government restrictions on construction in the region; Xi'an is now due to complete in the second quarter of 2022. This will provide a well-invested and solid platform for growth with plentiful capacity to capture the meaningful growth opportunity within the Chinese market; we expect operational leverage to increase significantly as demand continues to recover.

Overall, we are well placed to drive further growth with our existing key customers as they continue to expand their store footprint and capitalise on new channel opportunities as we diversify our customer base. While inflationary headwinds and the impact of COVID-19 are expected to persist in 2022, with our investment in capacity expansion nearly complete, we have built a strong platform for growth.

FINANCIAL REVIEW

We delivered a strong financial performance across all our regions in 2021, despite unprecedented challenges in the form of supply chain constraints and cost inflation. Like-for-like revenue, operating profit and margins have all progressed when compared to the prior year, and the pre-pandemic period of 2019. The increased profitability converted into a healthy cash performance with operational net debt lower and leverage at its lowest since the Group was listed on the London Stock Exchange in 2017.

Revenue

Reported revenue increased by £78.1 million, or 4.4%, from £1,793.5 million in 2020 to £1,871.6 million in 2021.

Like-for-like revenue, which is determined after adjustments for currency movements and the closure of a factory in 2020, was up 6.2%, from £1,775.1 million in 2020 to £1,885.6 million in 2021. Of the 6.2% like-for-like growth, 5.9% was from volume and 0.3% from pricing. This reflects a year of recovery in the UK and China, as sales volumes returned following the easing of COVID-19 restrictions during the period, and due to the impact of the pandemic on 2020 sales, and of accelerating growth in the US.

Operating profit

Operating profit increased by £40.0 million, or 64.5%, from £62.0 million in 2020 to £102.0 million in 2021 with margins increasing by 190 basis points to 5.4%. The increase in profitability across all three regions is due to the benefits from the return of consumer demand as COVID-19 restrictions eased and the corresponding increase in volume, with the US also benefitting from increased volumes as capacity investments allowed for further growth.

Increasing raw material inflation and the impact of labour shortages in the UK and US have partially offset the incremental profit from volume growth in the second half of the year, and further inflationary pressure is expected into next year. Whilst the Group incurred significant costs in the prior year, as the business responded to the COVID-19 outbreak with enhanced health and safety and hygiene protocols, these controls have remained in place and much of the cost has continued into 2021. Operating profit also includes a credit of £3.0 million (2020: £9.7 million) arising from the reassessment of the need for certain commercial accruals. During the year, the Group reported a net credit of £7.2 million (2020: £1.4 million) relating to an insurance claim for business interruption and damage to assets at one of its operating sites. The costs associated with a 75% payout of the annual performance bonus are also included in 2021 operating profit.

There were no exceptional items in 2021 (2020: £23.3 million) and therefore adjusted operating profit for this year is the same as operating profit at £102.0 million. This is an increase of 22.0% from the £83.6 million adjusted operating profit reported for 2020. Adjusted operating profit margin increased by 70 basis points to 5.4% in 2021. The exceptional items in the prior year all relate to the UK segment with UK adjusted operating profit increasing from £90.7 million in 2020 to £97.8 million in 2021.

Finance costs

Finance costs decreased by £3.9 million, or 18.6%, from £21.0 million in 2020 to £17.1 million in 2021. The costs for 2020 include £1.7 million for the accelerated amortisation of refinancing fees following the Group's refinancing of its core debt facilities during the period. The remaining £2.2 million is due to a decrease in borrowing costs from lower average debt levels in the period and the repayment of term loans in the year. The Group's cost of bank debt is circa 3% per annum, 50 basis points lower than previously reported following repayments in 2021.

Tax
The Group tax charge for the period increased by £14.5 million, from £10.1 million in 2020 to £24.6 million in 2021. The charge for the year represents an effective tax rate of 30.2% on profit before tax of £81.4 million. Excluding exceptional items and the change in fair value of derivative financial instruments, the underlying effective tax rate was 29.7% and exceeds the 21.7% underlying rate for the corresponding period last year. The underlying rate is 10.7% higher than the UK statutory tax rate of 19%, with 9.7% of the increase relating to the UK Government's announcement to increase the corporation tax rate from 19.0% to 25.0%, which will take effect from 1 April 2023. Whilst this change has no impact on current taxes in the period, it does affect our UK deferred tax liabilities, as these were previously provided for at 19.0%.
Given the change to rates has been enacted, the Group has now provided for these liabilities at a rate of 25.0%, being the rate at which these liabilities are expected to crystallise. The effective tax rate for 2022 is expected to be slightly in excess of the UK statutory tax rate and in the range of 20% to 22%. A reconciliation of the expected tax rate to the effective tax rate is as follows:

£ million	**52 weeks ended 25 December 2021**	
Profit before tax	**81.4**	
Expected tax at 19.0%	**15.5**	19.0%
Impact of:		
Non-deductible items	**(1.8)**	
Adjustment in respect of prior periods	**1.5**	
Losses carried forward not recognised	**0.7**	
Unprovided deferred tax assets now recognised	**(0.1)**	
UK deferred tax rate change	**7.9**	
Overseas tax rates	**0.9**	
Total tax charge	**24.6**	30.2%

Earnings per share
Basic earnings per share has increased from 5.9 pence for 2020 to 9.8 pence in 2021, reflecting the benefit from higher sales volumes across the business as COVID-19 restrictions have eased, as well as increasing efficiencies across our factories.

Adjusted earnings per share, which is calculated before exceptional items and the change in fair value of derivative financial instruments, has increased to 10.4 pence for 2021 from 8.7 pence in 2020, reflecting the improvement in underlying trading in the period. The weighted average number of shares in issue during both 2021 and 2020 was 579,425,585.

Cash flow
Net cash from operating activities, which is calculated before capital expenditure but after payments for exceptional items, increased by £55.5 million from £88.5 million in 2020 to £144.0 million in 2021. The majority of this benefit was driven by working capital improvements, which was to be expected given the Group's negative working capital cycle, combined with the increase in operating profit for the year. In addition, tax paid has decreased by £10.0 million following higher payments in 2020. This was due to changes to UK legislation that required the estimated tax due for a financial year to be paid within that period and the cash benefit from the UK corporate tax super-deduction on investments since April 2021. The Group's interest paid has also decreased by £3.5 million, mainly due to 2020 including £4.2 million of refinancing fees compared to £0.9 million of fees in 2021. The interest benefit from lower debt levels was largely offset by phasing of interest payments.

Net cash used in investing activities decreased by £1.3 million in the period from £56.2 million in 2020 to £54.9 million in 2021. This was primarily due to lower capital expenditure in the prior year and the first quarter of 2021 as the Group delayed investment spend to mitigate against the impact of COVID-19 restrictions.

Free cash flow for 2021, which is the key measure the Directors use to manage cash flow in the business, was an inflow of £91.2 million, an improvement of £51.1 million on the prior year due to the factors set out above.

Debt and leverage
Partly offsetting the £91.2 million of free cash inflow in the period was the payment of the previously suspended 2019 final dividend of £23.2 million, an interim dividend of £15.3 million, £0.9 million of financing fees and £1.2 million in respect of

exceptional items recorded in the prior year. Overall, this has resulted in a decrease of £39.7 million in operational net debt during the year to £293.7 million. Leverage (the ratio of operational net debt to adjusted EBITDA) was 1.9 times at December 2021 and within the Group's target range of 1.5– 2.0 times. The Group's liquidity position remains strong with headroom of over £190 million against debt facilities of £489 million and comfortable headroom against all financial covenants.

From a debt maturity perspective, on 9 March 2021, the Group extended the maturity date of £430 million of its core debt facilities from March 2024 to March 2025. On 1 March 2022, the Group extended the maturity date of £430 million of its core debt facilities from March 2025 to March 2026. In April 2021 and September 2021, the Group voluntarily repaid £37.5 million of its most expensive debt that was due to mature in June 2024. The interest margin on this loan was LIBOR+4%. In November 2021, the Group repaid an additional term loan of £20 million.

Investment and returns

The Group's return on invested capital ("ROIC") improved by 60 basis points from 6.6% at the end of 2020 to 7.2% as at 25 December 2021. This reflects the improved profitability across the Group driven by the lifting of COVID-19 restrictions combined with benefits from recent capital investments being realised, particularly in the US. During 2021 capital investment was limited in quarter one as projects were rephased to later in the year due to the COVID-19 restrictions in place at that time. Thereafter further investment took place including an increase in ready meals capacity in the US, and in China, we completed the development of our new site in Wuhan and our investment in the replacement site in Xi'an is underway. In addition, this year the UK has benefitted from productivity investments in smart technology to improve our management control and review processes. Over the medium term, the Group expects to see an improvement in ROIC as recent investments, including the key development projects, deliver an increase in returns. The Group also plans to continue to spend circa 4.5% per annum of reported revenue on capital investment going forward with a focus on return enhancing projects.

Pensions

Under the IAS 19 valuation principles that are required to be used for accounting purposes, the Group recognised a surplus of £37.2 million for the UK defined benefit scheme as at 25 December 2021 (26 December 2020: surplus of £11.2 million). The increase in the surplus is mainly due to the liability hedging in place for the scheme.

The Group and the Trustee agreed in November 2020 the triennial valuation of the UK defined benefit pension scheme as at 31 March 2019. This resulted in a funding shortfall of £11.7 million, which will be paid over an agreed recovery period ending on 31 March 2024, with payments of £2.5 million per annum.

Dividend

We were pleased to reinstate dividend payments during the year, and we now propose a final dividend of 3.96 pence per Ordinary share. This provides a total dividend for 2021 of 6.60 pence per Ordinary share, and would be an increase of 10.0% on 2019 (no dividend was paid in respect of 2020). If approved by shareholders, the final dividend will be paid on 30 May 2022.

Capital allocation policy

The Group remains disciplined in its approach to allocation of capital with the overriding objective being to enhance shareholder value. Our capital allocation framework is as follows:

- disciplined capital investment;
- reduce and maintain leverage to within target range;
- a progressive dividend;
- targeted approach to considering inorganic opportunities that may arise.

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. During the year, the Group modified three of its principal risks; 'supply chain' replaces 'raw material and input cost inflation', 'availability, recruitment and retention of colleagues' replaces two separate risks 'labour availability and cost' and 'recruitment and retention of key employees', and 'climate change and sustainability' replaces 'sustainability'. 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 25 December 2021, available on 18 March 2022 on the company website.

Related parties

During the period, Group companies only entered into transactions with related parties who are members of the Group.

CONSOLIDATED INCOME STATEMENT
52 WEEKS ENDED 25 DECEMBER 2021

£ million	Note(s)	52 weeks ended 25 December 2021			52 weeks ended 26 December 2020		
		Underlying activities	**Exceptional items[1]**	**Total**	Underlying activities	Exceptional items[1]	Total
Continuing operations							
Revenue	2	**1,871.6**	**–**	**1,871.6**	1,793.5	–	1,793.5
Cost of sales		**(1,330.9)**	**–**	**(1,330.9)**	(1,279.4)	–	(1,279.4)
Gross profit		**540.7**	**–**	**540.7**	514.1	–	514.1
Distribution costs		**(75.1)**	**–**	**(75.1)**	(70.5)	–	(70.5)
Other administrative costs (net)	3	**(363.9)**	**–**	**(363.9)**	(360.1)	(21.6)	(381.7)
Share of results of associates after tax		**0.3**	**–**	**0.3**	0.1	–	0.1
Operating profit/(loss)		**102.0**	**–**	**102.0**	83.6	(21.6)	62.0
Finance costs	5	**(17.1)**	**–**	**(17.1)**	(19.3)	(1.7)	(21.0)
Other gains and (losses)		**(3.5)**	**–**	**(3.5)**	3.2	–	3.2
Profit/(loss) before tax	3	**81.4**	**–**	**81.4**	67.5	(23.3)	44.2
Tax (charge)/credit	6	**(24.6)**	**–**	**(24.6)**	(14.5)	4.4	(10.1)
Profit/(loss) for the period		**56.8**	**–**	**56.8**	53.0	(18.9)	34.1
Earnings per share							
Basic	7			**9.8p**			5.9p
Diluted	7			**9.6p**			5.8p

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 4 and include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs, accelerated amortisation of financing fees and impairment of assets. In addition, the Group uses further Alternative Performance Measures which can be found in Note 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
52 WEEKS ENDED 25 DECEMBER 2021

£ million	**52 weeks ended 25 December 2021**	52 weeks ended 26 December 2020
Profit for the period	**56.8**	34.1
Other comprehensive income/(expense)		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit pension schemes	**24.5**	0.4
Tax relating to components of other comprehensive income	**(6.6)**	(0.1)
	17.9	0.3
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**2.6**	(2.6)
Gain/(loss) on cash flow hedges	**2.0**	(1.1)
Hedging gains reclassified to profit or loss	**0.4**	0.2
Tax relating to components of other comprehensive (expense)/income	**(0.2)**	0.2
	4.8	(3.3)
Total other comprehensive income/(expense)	**22.7**	(3.0)
Total comprehensive income	**79.5**	31.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 25 DECEMBER 2021

£ million	Note	**25 December 2021**	26 December 2020
Non-current assets			
Goodwill		**650.1**	649.6
Other intangible assets		**1.7**	2.2
Property, plant and equipment		**545.2**	535.3
Interests in associates and other investments		**11.8**	12.2
Deferred tax asset	9	**9.9**	13.0
Retirement benefit asset		**37.2**	11.2
Derivative financial instruments		**2.6**	–
		1,258.5	1,223.5
Current assets			
Inventories		**70.8**	63.8
Trade and other receivables		**142.8**	136.4
Cash and cash equivalents		**31.1**	24.8
Current tax asset		**–**	0.1
Derivative financial instruments		**0.3**	0.6
		245.0	225.7
Total assets		**1,503.5**	1,449.2
Current liabilities			
Trade and other payables		**(390.8)**	(367.6)
Current tax liabilities		**(1.3)**	–
Borrowings	8	**(3.0)**	(23.2)
Lease liabilities		**(10.8)**	(11.1)
Provisions		**(8.5)**	(11.0)
Derivative financial instruments		**(1.7)**	(0.9)
		(416.1)	(413.8)
Non-current liabilities			
Borrowings	8	**(317.6)**	(331.4)
Lease liabilities		**(73.8)**	(70.9)
Provisions		**(14.3)**	(14.4)
Derivative financial instruments		**(0.4)**	(0.9)
Deferred tax liabilities	9	**(40.6)**	(19.7)
		(446.7)	(437.3)
Total liabilities		**(862.8)**	(851.1)
Net assets		**640.7**	598.1
Equity			
Called up share capital		**11.6**	11.6
Merger reserve		**(130.9)**	(130.9)
Hedging reserve		**1.7**	(0.7)
Translation reserve		**27.2**	24.8
Retained earnings		**731.1**	693.3
Total equity		**640.7**	598.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
52 WEEKS ENDED 25 DECEMBER 2021

£ million	Called up share capital	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	**Total equity**
Balance at 29 December 2019	11.6	(130.9)	–	27.2	657.8	**565.7**
Profit for the period	–	–	–	–	34.1	**34.1**
Other comprehensive (expense)/income for the period	–	–	(0.7)	(2.6)	0.3	**(3.0)**
Total comprehensive (expense)/income for the period	–	–	(0.7)	(2.6)	34.4	**31.1**
Credit for share-based payments	–	–	–	–	1.2	**1.2**
Deferred tax	–	–	–	0.2	(0.1)	**0.1**
Balance at 26 December 2020	11.6	(130.9)	(0.7)	24.8	693.3	**598.1**
Profit for the period	–	–	–	–	56.8	**56.8**
Other comprehensive income for the period	–	–	2.2	2.6	17.9	**22.7**
Total comprehensive income for the period	–	–	2.2	2.6	74.7	**79.5**
Reclassification	–	–	0.2	(0.2)	–	**–**
Dividends (Note 10)	–	–	–	–	(38.5)	**(38.5)**
Credit for share-based payments	–	–	–	–	2.3	**2.3**
Cash-settlement of share-based payments	–	–	–	–	(0.6)	**(0.6)**
Deferred tax	–	–	–	–	(0.1)	**(0.1)**
Balance at 25 December 2021	**11.6**	**(130.9)**	**1.7**	**27.2**	**731.1**	**640.7**

CONSOLIDATED STATEMENT OF CASH FLOWS
52 WEEKS ENDED 25 DECEMBER 2021

£ million	Note	**52 weeks ended 25 December 2021**	52 weeks ended 26 December 2020
Net cash generated from operating activities	11	**144.0**	88.5
Investing activities:			
Dividends received from associates		**0.7**	0.1
Purchases of property, plant and equipment		**(59.8)**	(56.4)
Proceeds on disposal of property, plant and equipment		**4.2**	0.1
Net cash used in investing activities		**(54.9)**	(56.2)
Financing activities:			
Dividends paid	10	**(38.5)**	–
Increase in borrowings		**28.1**	334.1
Repayment of borrowings		**(60.9)**	(355.9)
Principal elements of lease payments		**(11.7)**	(11.4)
Net cash used in financing activities		**(83.0)**	(33.2)
Net increase/(decrease) in cash and cash equivalents		**6.1**	(0.9)
Cash and cash equivalents at beginning of period		**24.8**	25.9
Effect of foreign exchange rate changes		**0.2**	(0.2)
Cash and cash equivalents at end of period		**31.1**	24.8

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 25 December 2021 but is extracted from the Annual Report and Accounts 2021. The Annual Report and Accounts 2021 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 Annual Reports & Accounts 2021 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Where the fiscal year 2021 is quoted in these Financial Statements this relates to the 52-week period ended 25 December 2021. The fiscal year 2020 relates to the 52-week period ended 26 December 2020. The fiscal year 2019 relates to the 52-week period ended 28 December 2019. The Group Financial Statements comprise the Financial Statements of the parent undertaking and its subsidiary undertakings, 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.

These Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates. 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).

Accounting policies and new standards

The accounting policies applied by the Group are consistent with those disclosed in the Group's Annual Report. These policies are consistent with the Accounts for the 52 weeks ended 26 December 2020, except for new standards and interpretations effective for the first time for the reporting period and the Group now applies hedge accounting for certain derivatives.

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

Going concern

The Directors have reviewed the historical trading performance of the Group and the forecasts through to March 2023.

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 continuing labour availability issues. The Group has also modelled the potential impact of lower sales volumes from further Covid restrictions, supply chain issues and reduced consumer demand in response to increasing retail prices.

Having taken these factors into account, under either scenario, 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 Company and the Group have adequate resources to meet their 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.