

6 September 2023

Bakkavor Group plc

Strong first half performance, with momentum continuing into H2 - upgraded full year outlook

Bakkavor Group plc (the “Company”) and its subsidiaries (“Bakkavor” or “the Group”), the leading international provider of fresh prepared food (“FPF”), today announces its unaudited half year results for the 26-week period ended 1 July 2023 (“H1 2023”).

Strong financial performance and balance sheet strengthened further

- Like-for-like (“LFL”) revenue¹ up 7.4%, driven by price, as well as volume recovery in China
- Reported revenue up 7.9%, which includes the impact of currency
- Adjusted operating profit¹ up 2.1% to £43.4m
- Operating profit up 12.7% to £46.3m, including £2.9m of exceptional income³ related to China
- Strong free cash¹ generation of £51.6m, up £15.0m
- Leverage¹ improved by 0.1x to 1.8x (31 December 2022: 1.9x)
- Operational net debt¹ reduced by £16.2m (31 December 2022: £284.9m)
- Basic earnings per share of 4.4p (H1 2022: 4.4p)
- Interim dividend of 2.91p, up 5.0% on the prior period

Restructuring plans across three focus areas driving performance ahead of management expectations

1. Leaner organisational structure realising synergies and efficiencies ahead of expectations
2. Clear and focused regional priorities had meaningful positive impact on H1 2023 performance
 - UK: Volume outperformed the market and inflation mitigated through price recovery and internal levers;
 - US: Business stabilised and operational improvement plans starting to deliver
 - China: Volume recovery leads to reduced operating losses; simplified operations with associate disposal
3. Enhanced focus on cash management, with capital spend targeted at productivity investments and working capital improvement, resulting in reduction in debt and leverage
 - Actions set to deliver £17m savings in FY23, ahead of initial £15m forecast, and £25m annualised

Confident in a strong full year performance, Group outlook upgraded

- With positive momentum expected to continue, the Group anticipates FY23 adjusted operating profit at least in line with prior year of £89.4m, c.£4m ahead of current consensus²
- Revised outlook underpinned by restructuring savings, strong pipeline to support UK share gains albeit volumes remain under pressure, delivery of embedded changes in the US and ongoing volume recovery in China
- Strong cash generation expected to deliver further improvement in net debt

FINANCIAL SUMMARY

£ million (unless otherwise stated)	H1 2023	H1 2022	Change
Group revenue	1,090.4	1,010.2	7.9%
Like-for-like revenue ¹	1,085.0	1,010.2	7.4%
Adjusted EBITDA pre IFRS 16 ¹	72.0	70.3	2.4%
Adjusted operating profit ¹	43.4	42.5	2.1%
Adjusted operating profit margin ¹	4.0%	4.2%	(20bps)
Operating profit	46.3	41.1	12.7%
Operating profit margin	4.2%	4.1%	10bps
Profit before tax	32.6	32.5	0.3%
Basic earnings per share	4.4p	4.4p	-
Adjusted earnings per share ¹	3.9p	4.6p	(0.7p)
Free cash flow ¹	51.6	36.6	15.0
Operational net debt ¹	(268.7)	(290.1)	21.4
Interim dividend per share	2.91p	2.77p	0.14p

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 21.

2. Based on company compiled consensus ("Consensus") which includes all covering analysts. Adjusted operating profit Consensus for FY23 at £84.7m with a range of £82.0m to £86.3m. Last updated on 4 September 2023.

3. For detail of exceptional items please refer to Note 4.

Mike Edwards, CEO, commented:

"I am pleased with the strong performance the Group has delivered in the first half, and the momentum this has created as we move through the rest of the year. As ever, the great people we have in the business have been fundamental to our success and I would like to thank them for their relentless hard work and commitment.

"Our continued market share gains in the UK reflects our consistent delivery for customers and demonstrates that our broad product range continues to meet the needs of shoppers during the cost-of-living crisis.

"Internationally we have seen good progress too, with operational improvement plans now starting to fuel enhanced profitability in the US. In China, post-Covid volume recovery is underpinning much reduced operating losses.

"We are confident in delivering an upgraded full year performance, with adjusted operating profit now anticipated to be at least in line with last year and ahead of current market expectations. This is underpinned by the execution of our restructuring, which is driving performance and synergies across the business ahead of our expectations. I am also pleased that we now have momentum building in all three regions, which is positive as we look forward.

"This, coupled with an improved balance sheet, mean the Group is in a strong position to capitalise on its opportunities through the remainder of this year and beyond."

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 6 September 2023 through the Investor section of the Group's website at: https://brrmedia.news/BAKK_HY23. 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 18,500 colleagues operate from 44 sites across our three markets supplying a portfolio of over 2,900 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.

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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

Our decisive actions are driving a strong performance

The Group has had a strong start to the year, despite market conditions remaining tough, and we feel positive about both our first half performance and the momentum we take into the second half.

Reported revenue growth was up 7.9%, and, excluding the impact of currency, LFL revenue was up 7.4%. This growth was led by price with volume broadly flat. Volume reflected a strong recovery in China post-Covid, and while UK volumes were marginally down we continued to outperform the market. Good underlying growth in the US was offset by the loss of volume with a single customer as previously reported.

Despite the first half having the challenges of continued supply chain disruption, inflation and weak underlying UK volume, Group adjusted operating profit was up 2.1% to £43.4m. The execution of our restructuring plans (as set out in our full year results in March) was key to our delivery and will continue to support second half performance. Operating profit was up 12.7% to £46.3m and included the one-off benefit from simplifying our operations in China.

Restructuring plans support performance and synergies ahead of plan

1. Leaner organisational structure fuelled synergies and efficiencies

Our new leadership structure has created renewed focus and purpose, and the pace at which our teams have embraced and embedded these changes has been reflected in our overall performance. Specifically, operational alignment around our Meals and Bakery sectors in the UK has fuelled operational synergies and efficiencies ahead of our expectations.

2. Clear and focused regional priorities established good momentum

UK: We are delivering against our aggressive plan to mitigate softer market volumes and ongoing cost inflation. Our focus on volume, by ensuring strong availability of our products despite significant supply chain disruption, targeted innovation and net business gains, has seen us continue to outperform the market. We have continued to work closely and collaboratively with our customers on price recovery, and our two factory closures, completed ahead of plan, have ensured we continue to use internal levers to protect profitability. All of this provides good momentum for the second half of the year.

US: Through our renewed focus on profitability we have stabilised the business and established a strong platform for future improvement. We have put in place a new leadership team and implemented factory efficiency initiatives and cost reduction plans. With these changes now embedded, profitability is starting to improve, with momentum expected to build through the remainder of the year.

China: We have delivered against our two clear priorities resulting in reduced losses in the region. Our operational team has successfully delivered against the strong build back of volume post-Covid and commercially we have continued to diversify our business, again seeing significant growth with our retail customers through H1 2023. We expect the steady recovery post-Covid to continue through 2023.

3. Enhanced focus on managing cash supported improvement in debt and leverage

We have reduced capital expenditure and been more targeted in our allocation of spend, with productivity initiatives prioritised. Working capital has improved as we have focused on stock management, with momentum expected to continue in the second half. Combined, this has contributed to a £16.2m reduction in net debt and seen leverage reduce by a 0.1 turns to 1.8x.

The accelerated delivery of our plans, outlined above, is now expected to result in £17m of savings in FY23, ahead of our initial forecast of £15m, and £25m on an annualised basis. We also expect the momentum created by our new structure to continue to unlock new benefits in the second half and into next year which ensures we are in good shape to deal with ongoing macro-headwinds.

Further progress in supporting our people and sustainability

As ever, the great people we have in the business are fundamental to our success and I would like to thank our teams for their relentless hard work and commitment. We recognise our people are the best in the industry, and despite the cost pressures faced by the business, we have continued to invest in them.

Following feedback from our 2022 Employee Engagement Survey, we have been focused on improvements to enhance the working experience at Bakkavor. I am particularly proud of our new 'Better Behaviour, Better Bakkavor' workshops for factory colleagues and in the wake of the ongoing cost-of-living pressures, our significantly enhanced staff shop offer with a new range heavily discounted Bakkavor products.

Our sustainability KPIs are well-embedded with focused workstreams in place to deliver improvement and we are pleased with the good progress we have made in the first half. Our Group net carbon emissions reduced by 8.2% and food waste reduced by 165 basis points to 6.8%, both supported by the enhanced and more integrated operational focus we have brought to these areas.

Confident of a strong full year performance, ahead of current market expectations²

We are confident in delivering an upgraded full year performance ahead of current market expectations². Adjusted operating profit is now anticipated to be at least in line with the prior year, £89.4m.

The better than expected returns from our action plans, along with the positive momentum across all three regions, are key to this. In the UK, despite expecting volumes to remain under pressure, we are confident that our pipeline of activity will ensure we continue to outperform the market. In the US, we have clear line of sight of a profitable second half and in China we expect losses to be lower on a full year basis.

This, coupled with a stronger balance sheet, mean the Group is in a strong position to capitalise on its opportunities through the remainder of this year and beyond.

2. Based on company compiled consensus ("Consensus") which includes all covering analysts. Adjusted operating profit Consensus for FY23 at £84.7m with a range of £82.0m to £86.3m. Last updated on 4 September 2023.

DIVISIONAL REVIEW

United Kingdom: Strong trading performance; continued market share gains and benefits from restructuring plan materialising

£ million	H1 2023	H1 2022	Change
Revenue	913.7	849.5	7.6%
Like-for-like revenue ¹	913.7	849.5	7.6%
Adjusted operating profit ¹	44.8	43.7	2.5%
Adjusted operating profit margin ¹	4.9%	5.1%	(20bps)
Operating profit	44.8	42.3	5.9%
Operating profit margin	4.9%	5.0%	(10bps)

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 21.

LFL and reported revenue increased by 7.6% to £913.7m, led by pricing as inflationary pressures persisted. Having consistently outperformed the market, which was down 3.3% in H1 2023, our volumes were down only 1.0% year-on-year.

Adjusted operating profit was up £1.1m to £44.8m (H1 2022: £43.7m). Inflationary headwinds remained significant through the first half of the year and we also had to contend with ongoing supply chain disruption. The impact of this, however, was more than offset by the benefit of our internal levers. Operating profit is also £44.8m, up £2.5m (H1 2022: £42.3m) as the prior year included £1.4m of adjusting items.

Outperforming the market

Cost-of-living pressures continued to impact the FPF market, with shoppers carefully managing their budgets. In overall terms FPF market volumes were down 3.3%, with salads and desserts which tend to be categories that are more discretionary purchases driving this overall decline. Through the period, whilst meals volumes were down, they were more resilient and fared better than the overall market, as did pizza and bread which

saw volume growth. Despite this challenging backdrop, we continued to gain market share in overall terms in the period and outperformed in three of our four categories.

Our share gain has been underpinned by several factors. We have continued to deliver strong service levels to our customers which in turn ensures good availability of our products in store despite continued supply chain disruption. We have targeted our innovation to respond to changing consumer needs particularly in the face of cost-of-living pressures, which has seen many of our ranges outperform for our customers. For example, providing better value alternatives to eating out in our pizza and meals categories, as well as developing new meal deal offers that provide great value for consumers. Finally, we have continued to develop our customer relationships, which combined with the above, has further strengthened their confidence in Bakkavor's ability to help them deliver for their customers. This has resulted in us securing new business, again bolstering our market share.

In meals, at home dining solutions have performed well with our research suggesting that over half of shoppers are eating out less and eating fewer takeaways compared to six months ago. The re-development of the oriental range for our biggest customers delivered incremental sales growth and re-established them as the market leader in this category. Despite the impact of inflation, meals continue to provide great value and we have seen particular strength in our Italian ranges. All of this has resulted in us seeing progressive share in the meals category.

As a category, pizza and bread has performed strongly relative to the overall FPF market, being seen as an affordable and filling meal option with strong growth in 'value' ranges and meal deal volume as consumers again look for alternatives to takeaways and eating out. This is the one category that we have not seen share gain in, as our business mix means we are under-represented in the value tier, particularly in pizza.

The salads category has been less resilient than meals, impacted by availability issues as well as cost-of-living pressures leading consumers to reduce purchase of fresh cut products opting for cheaper wholehead produce equivalents. Despite this challenging backdrop, there were two dynamics that ensured we gained share. First, we effectively navigated industry-wide availability challenges ensuring our biggest customer in this category outperformed the market, with our service levels being exceptional through the peaks we saw for the Coronation and the Summer period. Secondly, we successfully onboarded new business in prepared fruit which further extended our market share gain.

Desserts volumes have been most impacted due to their more discretionary nature, higher cost inflation and reduced promotions as HFSS legislation started to come in to force. Despite this, we outperformed the market with our mix of business being favourable as we saw our biggest categories, cream cakes, trifles and cheesecake, performing much stronger than potted desserts performing less favourably. Our performance was also supported by strong growth in our *The Delicious Dessert Company* brand, which is continuing to attract new, younger consumers to the category.

Restructuring and targeted investment underpin strong operational performance

Our operational delivery has helped close the gap in inflation recovery.

It has been fuelled by the synergies realised from our new UK structure, which is now aligned to two operating sectors; Meals and Bakery, as well as the benefits we have seen from closure of two factories and associated consolidation of volume across our other sites.

The investment in our new manufacturing system is now complete, with RedZone live in all UK factories. This is underpinning strong operational improvement as our manufacturing teams now have access to live performance data and trend analysis. Another important benefit of the system is that it signposts us to opportunities to invest behind performance, removing bottlenecks and points of inefficiency, creating a pipeline of future opportunities.

Our ongoing targeted and disciplined approach to capital investment has seen us prioritise spend on productivity initiatives with the £10m strategic investment in a new automated craft bread line at our Crewe site, to increase productivity, as well as capacity, now nearing completion. This investment also includes the replacement of nitrogen chilling with a low carbon energy solution which delivers a cost saving whilst also helping reduce our carbon emissions.

Successfully mitigated supply chain challenges and ongoing inflationary pressures, however significant improvement in labour availability is a positive dynamic

We continued to experience supply chain disruption which has impacted availability, notably in fresh produce and fruit, largely due to adverse weather patterns being experienced across Europe and other parts of the world. Whilst this had some impact on sale in certain sub-categories, generally our scale and breadth has helped insulate us from this.

Inflationary pressures have remained significant across the cost base, and the majority of the Group's £91m inflation in H1 2023 was borne by the UK, mainly due to two key factors. First, items where we had successfully hedged and therefore beaten the market last year, have been exposed to current market pricing as we have taken new positions this year. The key examples of this would be grocery items, such as tomatoes and oil, as well as energy. Secondly, labour, where inflation continues to be fuelled by movements in the National Living Wage. There are some pockets of deflation in certain commodities such as dairy, although prices remain elevated and in overall terms we are still operating in an inflationary environment, however, we are hopeful that inflation is now past its peak.

Our ongoing focus on operational efficiency, value optimisation and tight cost control, along with the continued support we have received from our customers on price, has helped to mitigate the impact.

There have been some positive developments from a people perspective. Vacancy levels are much reduced and we have good availability of agency staff. We have accelerated our investment in our people recognising that their contribution is key to the success of our business, with our key initiatives outlined earlier. We have made good progress with our labour plans, continuing to enhance our factory rates of pay and broader benefits.

Confident momentum will continue in second half

Following the delivery of a strong performance in H1 2023, the UK business takes good momentum into the second half. Our restructuring plans will continue to deliver benefits, operational efficiency initiatives are well-embedded, and we will maintain a tight control of costs. Whilst we are likely to see soft underlying volumes in the second half as the cost-of-living pressures continue, we are confident of continuing to outperform the market given the strong pipeline of opportunities we can see.

United States: Plans embedded to support improvement in profitability

£ million	H1 2023	H1 2022	Change
Revenue	117.6	116.6	0.9%
Like-for-like revenue ¹	111.6	116.6	(4.2%)
Operating profit	0.1	3.1	(96.8%)
Operating profit margin	0.1%	2.6%	(250bps)

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 21.

LFL revenue was down 4.2% to £111.6m. This reflects good underlying growth, up 11%, offset by the loss of volume from a single customer as we re-shape our business. Including the impact of currency, reported revenue was up 0.9% to £117.6m.

Operating profit of £0.1m, down £3.0m on H1 2022, but in line with expectation with momentum building quarter on quarter. As reported at the year end, our focus is very much on improving efficiency and controlling cost with a progressive trend through the first half of the year, which gives us confidence in momentum building through the remainder of the year.

US strategic and operational actions

As highlighted in our year-end statement, we are switching our focus from growth to profit in the short-term. In the first half of the year this has seen us stabilise the business and establish a strong platform for future improvement.

We have new leadership in place, with our US operations now being led by a Chief Operating Officer. Under this new leadership, we have completed a cost base review and have implemented granular performance improvement plans at each of our sites. Our primary focus from a performance perspective has been on labour efficiency where we have looked to improve the robustness of our planning, optimise shift patterns and balance labour across our lines.

In 2023, we have seen inflationary pressure ease and have the benefit of price increases secured in 2022 that help mitigate the higher prices we continue to pay for key raw materials.

Our focus on profit has meant our approach to growth has been more measured. Our commercial activity has therefore focused on doing a better job for our customers, improving both quality and service with an emphasis on driving core volume. We are also pleased to confirm that we have reached agreement on settlement terms in relation to the previously reported legal dispute.

We move into the second half with the leadership team fully populated, with key new appointments in customer leadership, site leadership at our two biggest factories and people leadership. Now this is in place, we have the resource and capability to execute our plans as we re-shape our business.

Targeting a profitable second half

Given our focus on delivering sustainable profits from a stable business, we anticipate minimal growth in the second half and into 2024 as we continue to re-shape the business. As a result of this, we continue to pause our strategic capital expenditure as we seek to drive efficiency and maximise capacity utilisation from our existing assets.

We fully expect our embedded plans to deliver a profitable second half and to bring adjusted operating profit for the full year in line with 2022.

Whilst we are less focused on growth in the short-term, consumer demand for our fresh prepared products remains strong and we remain very positive and confident about the opportunity for long-term growth and profitability in this attractive market.

China: Post-Covid recovery in volumes supports improved profitability

£ million	H1 2023	H1 2022	Change
Revenue	59.1	44.1	34.0%
Like-for-like revenue ¹	59.7	44.1	35.1%
Adjusted operating loss ¹	(1.5)	(4.3)	65.1%
Adjusted operating loss margin ¹	(2.5%)	(9.7%)	720bps
Operating profit / (loss)	1.4	(4.3)	132.6%
Operating profit / (loss) margin	2.4%	(9.7%)	1,210bps

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 21.

Trading recovered to pre-Covid levels with LFL revenue of £59.7m up 35.1% against a softer H1 2022 due to regional lockdowns. Including the impact of currency, reported revenue was up 34.0% to £59.1m.

Increased sales supported an improvement in profitability, with an adjusted operating loss of £1.5m, £2.8m lower than H1 2022.

Adjusted operating loss excludes £2.9m of exceptional income; £1.5m of proceeds from the sale and leaseback in Hong Kong and a £1.4m net gain on the sale of our two associate investments, as we simplified our operations.

China strategic and operational actions

The rebound in consumer spending post-Covid has supported a strong recovery in volumes and has seen revenues from our foodservice customers increase significantly. In addition, we remain absolutely committed

to building our presence in retail to diversify the business, and as a result our retail sales grew 50% on H1 2022 as we launched new products and expanded our ranges. Retail now comprises c.20% of our overall business.

The increase in volumes across our factory footprint has delivered an improved operational performance and supported significantly reduced losses as we start to benefit from better utilisation of our sites. The benefit of our efficiency gains has also helped to mitigate the impact of wage inflation. The labour market has remained tight but we continue to manage this effectively without disruption.

H2 2023 expected to be broadly in line with H1

Looking forward, we anticipate the post-Covid recovery in volumes to continue steadily, albeit the year-on-year growth rate is expected to moderate in H2, compared to H1, given stronger prior year comparatives where there were fewer lockdowns. We remain focused on building volume to leverage the significant capacity headroom afforded by our well-invested footprint and continuing to diversify into retail.

This market continues to offer a significant growth opportunity, but in turn this is attracting greater competition which is putting margins under pressure. Our focus is on driving performance to help offset these pressures. We expect H2 2023 adjusted operating loss to be broadly in line with H1.

FINANCIAL REVIEW

Revenue

Reported revenue increased by 7.9% to £1,090.4m (H1 2022: £1,010.2m). LFL revenue, which excludes only the impact of currency movements, grew by 7.4% to £1,085.0m (H1 2022: £1,010.2m). Of this growth, 7.8% was price while volume declined marginally, by 0.4%. Detail of reported and LFL revenue movements at a regional level is included in the divisional reviews.

Adjusted operating profit

Adjusted operating profit increased by £0.9m to £43.4m (H1 2022: £42.5m), due to the factors outlined below.

Input inflation continued to play a major part in our overall performance in the first half. We faced £91m of cost inflation, which represented a 10% increase on our total cost base, and this was driven by two major factors as outlined in the UK section; re-establishing previously hedged positions and labour inflation. Whilst there have been pockets of deflation, overall prices remain elevated, and we continue to operate in an inflationary environment. We expect an increase in costs at the lower end of our previous guidance of c.6% to 8% in 2023.

Continued support from customers meant that recovery of inflation through price increases was £79m in H1 2023, resulting in net inflation recovery of 87% across the Group. This includes the benefit annualization of price increases from 2022 as well as price increases secured in H1 2023.

Volumes being down 0.4% led to a small negative impact of £2m. Our own internal levers were, therefore, fundamental to powering the P&L. Productivity gains and better than expected savings from restructuring initiatives benefited performance by £15m in the first half of the year.

From a margin perspective, adjusted operating profit margin fell by 20 basis points to 4.0% (H1 2022: 4.2%). This reflects the dilutive impact of only recovering the absolute value of inflation, not margin, combined with an element of unrecovered inflation.

Operating profit

Operating profit of £46.3m was up 12.7% (H1 2022: £41.1m), with margin improving by 10 basis points to 4.2% (H1 2022: 4.1%). The combination of exceptional and adjusting items, £4.3m, and the increase to adjusted operating profit of £0.9m resulted in the £5.2m improvement in operating profit.

H1 2023 operating profit includes £2.9m of exceptional income, excluded from adjusted operating profit, from simplifying our operations in China. Of this, £1.5m relates to a gain from the sale and leaseback of a property in Hong Kong and £1.4m from the net gain on disposal on the sale of our two associate investments.

H1 2022 adjusted operating profit excluded £1.4m of costs associated with the configuration and customisation of software as a service ('SaaS') projects, treated as an adjusting item. There were no costs relating to this in H1 2023.

Finance costs

Group profit before tax was £32.6m (H1 2022: £32.5m). This includes finance costs of £13.3m, up from £8.9m in H1 2022, impacted by continued rising interest rates during the period. The interest cost on the Group's bank facilities is SONIA plus a margin. To hedge against movements in SONIA the Group has £150m of fixed interest rate swaps for SONIA in place until March 2024, at an average rate of 37 basis points, and has continued to closely monitor its interest rate exposure. In July 2022, the Group put in place a further £30m of fixed rate interest swaps for SONIA from March 2023 until March 2026, at an average rate of 233 basis points. We expect the full year interest charge to be c.£28m, assuming UK base rates reach c.6% by the end of 2023.

Tax

The Group tax charge for H1 2023 was £7.5m (H1 2022: £7.0m), representing an effective tax rate of 23.0%. The underlying effective tax rate, which excludes exceptional items, adjusting items and change in fair value of derivative financial instruments, was 25.1% (H1 2022: 21.2%). The increase in the underlying effective tax rate is driven by an increase to the UK corporation tax rate, which became effective in April 2023, and is in line with the forecasted Group effective tax rate for FY23 of c.25%.

Earnings per share

Basic earnings per share remained at 4.4 pence in H1 2023 (H1 2022: 4.4 pence). This is due to the improvement in operating profit being offset by the increase in finance and tax costs.

Adjusted earnings per share decreased by 0.7 pence to 3.9 pence in H1 2023 (H1 2022: 4.6 pence), as it excludes the benefit of the exceptional income in H1 2023. Adjusted earnings per share also excludes the impact of adjusting items, £1.4m related to SaaS in H1 2022, and the change in fair value of derivative financial instruments.

Cash flow

Free cash generation of £51.6m was £15.0m higher than H1 2022 reflecting improved operating profit and an enhanced focus on working capital, partly offset by increased interest and tax payments. As part of our enhanced our focus on managing cash, as outlined earlier this year, we have sought to drive improvement in working capital, focused predominantly on inventory management. Our inventory levels had risen over the last two years to protect the business from supply chain disruption and to avoid significant levels of inflation. We have therefore been focused on returning to more normalised levels of inventory. We delivered significant progress in the first half of the year, thereby supporting the overall reduction in debt position and financing costs.

£ million	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Operating profit	46.3	41.1
Exceptional items	(2.9)	-
Depreciation and other items	35.5	34.2
Net retirement benefits charge less contributions	(1.0)	(1.0)
Working capital (excl. exceptional items)	15.0	(3.7)
Interest and tax paid	(19.0)	(10.5)
Dividends received from associates and interest received	0.5	-
Purchases of property, plant and equipment (net)	(21.9)	(21.2)
Purchases of intangible assets	(0.9)	(2.3)
Free cash flow	51.6	36.6

Debt and leverage

Since December 2022, operational net debt has reduced by a further £16.2m to £268.7m at the end of H1 2023. This was primarily due to the strong improvement in free cash generation, along with the one-off benefit from simplifying our operations in China.

Leverage, the ratio of operational net debt to adjusted EBITDA, at H1 2023 improved by 0.1 times to 1.8 times. The Group's liquidity position remains strong, with headroom of over £200m against our core debt facilities of £485m. The Group continues to have comfortable headroom against all financial covenants.

We expect to continue to deliver an improvement in debt and leverage in the second half of the year. The two key drivers of this, after the expected improvement in profitability, are maintaining a tight control of capital expenditure focusing on productivity improvements as well as further working capital improvement materialising from our focus on stock management. We expect a further modest working capital inflow in H2 2023, resulting in a full year inflow of c.£20m.

Dividend

During the period the Group paid £24.0m in respect of the final dividend for FY22.

The improved strength of the Group's financial position and continued good cash generation, supports our long-term growth aspirations and commitment to increasing returns to shareholders. The Board has, therefore, resolved to pay an interim dividend of 2.91 pence per Ordinary share, up 5.0% on the prior period. The interim dividend will be paid on 13 October 2023 to shareholders registered on the record date at 15 September 2023.

Going forward, the Board expects to maintain a progressive dividend policy over the medium-term.

Investment and returns

The Group's ROIC for the 12 months to 1 July 2023 was 7.1%, in line with the year end (7.1%). Adjusted operating profit after tax saw a slight reduction due to the increased underlying tax rate in H1 2023, with the impact of this partially mitigated by the Group's continued control of capital spend, which has reduced invested capital.

The Group continues to expect an improvement in ROIC in the medium-term as previous investments deliver an increase in returns. With the Group's ongoing focus on managing cash, we expect the level of capital investment to remain in line with previous guidance at c.£50m for FY23.

Pensions

Under the IAS 19 valuation principles, the Group recognised a surplus of £18.4m for the UK defined benefit scheme as at 1 July 2023 (31 December 2022: surplus of £12.8m). The plan assets largely maintained their value whilst the defined benefit obligations decreased due to increased bond yields, resulting in higher 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, recovery plan for payments of £2.5m p.a. were 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.

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 reduce 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, maintaining leverage within the target range of 1.5 to 2.0 times, and a progressive dividend policy.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 79 to 86 of the 2022 Annual Report and Accounts, published on 17 March 2023. The principal risks themselves remain unchanged as at 1 July 2023, and include, but are not limited to, consumer behaviour and demand, competitors, strategic growth and change programmes, reliance on a small number of key customers, food safety and integrity, health and safety, supply chain, availability, recruitment and retention of colleagues, Brexit disruption, covid pandemic, IT systems and cyber risk, climate change and sustainability, disruption to Group operations, treasury and pensions, and legal and regulatory. Developments through the first half of the year have, however, resulted in the risk profile of two of our principal risks reducing in likelihood and impact as outlined below:

Principal risk	Likelihood	Impact	Description
Strategic growth and change programmes	↓	↓	Major UK investment projects are nearing completion and strategic investment in the US has been paused as we focus on delivering sustainable profits
Covid pandemic	↓	↓	In China, the removal of the government's zero-tolerance Covid policy has facilitated a return to more normal behaviours

Condensed Consolidated Income Statement

		26 weeks ended 1 July 2023 (Unaudited)			26 weeks ended 25 June 2022 (Unaudited)		
£m	Notes	Underlying activities	Exceptional items ¹ (Note 4)	Total	Underlying activities	Exceptional items ¹ (Note 4)	Total
Continuing operations							
Revenue	3	1,090.4	-	1,090.4	1,010.2	-	1,010.2
Cost of sales		(802.5)	-	(802.5)	(738.7)	-	(738.7)
Gross profit		287.9	-	287.9	271.5	-	271.5
Distribution costs		(42.8)	-	(42.8)	(42.1)	-	(42.1)
Other administrative costs		(201.7)	1.5	(200.2)	(188.4)	-	(188.4)
Profit on disposal of associates		-	1.4	1.4	-	-	-
Share of results of associates after tax		-	-	-	0.1	-	0.1
Operating profit		43.4	2.9	46.3	41.1	-	41.1
Finance costs	5	(13.3)	-	(13.3)	(8.9)	-	(8.9)
Other gains and (losses)	6	(0.4)	-	(0.4)	0.3	-	0.3
Profit before tax		29.7	2.9	32.6	32.5	-	32.5
Tax	7	(7.5)	-	(7.5)	(7.0)	-	(7.0)
Profit for the period		22.2	2.9	25.1	25.5	-	25.5
Earnings per share							
Basic	8			4.4p			4.4p
Diluted	8			4.3p			4.3p

¹The Group presents its Condensed Consolidated 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 and impairment of assets. In addition, the Group uses further Alternative Performance Measures which can be found in Note 21.

Condensed Consolidated Statement of Comprehensive Income

£m	26 weeks ended 1 July 2023 (Unaudited)	26 weeks ended 25 June 2022 (Unaudited)
Profit for the period	25.1	25.5
Other comprehensive income/(expense)		
Items that will not be reclassified to the income statement:		
Actuarial gain/(loss) on defined benefit pension schemes	4.5	(0.7)
Tax relating to components of other comprehensive (expense)/income	(1.1)	0.2
Items that may be reclassified to the income statement:		
Exchange differences on translation of foreign operations	(11.9)	13.8
(Loss)/gain on cash flow hedges	(2.5)	6.4
Hedging (gains) reclassified to profit or loss	(3.1)	-
Tax relating to components of other comprehensive income/(expense)	1.6	(2.0)
Total other comprehensive (expense)/income net of tax	(12.5)	17.7
Total comprehensive income	12.6	43.2

Condensed Consolidated Statement of Financial Position

£m	Notes	1 July 2023 (Unaudited)	31 December 2022 (Audited)
Non-current assets			
Goodwill	10	652.6	655.1
Other intangible assets		9.6	8.8
Property, plant and equipment	11	531.5	548.1
Interests in associates and other investments		0.1	3.7
Deferred tax asset		12.4	12.9
Retirement benefit asset		18.4	12.8
Derivative financial instruments		1.7	9.9
		1,226.3	1,251.3
Current assets			
Inventories	12	79.4	86.2
Trade and other receivables	13	162.4	161.0
Cash and cash equivalents	15	24.7	40.2
Derivative financial instruments		6.2	2.7
		272.7	290.1
Total assets		1,499.0	1,541.4
Current liabilities			
Trade and other payables	14	(436.7)	(430.0)
Current tax liabilities		-	(1.1)
Borrowings	15	(27.2)	(13.1)
Lease liabilities	15	(11.5)	(11.3)
Provisions		(10.6)	(22.0)
Derivative financial instruments		(1.7)	(0.3)
		(487.7)	(477.8)
Non-current liabilities			
Borrowings	15	(264.5)	(309.2)
Lease liabilities	15	(86.4)	(85.9)
Provisions		(16.3)	(15.0)
Derivative financial instruments		(0.1)	-
Deferred tax liabilities		(37.7)	(35.7)
		(405.0)	(445.8)
Total liabilities		(892.7)	(923.6)
Net assets		606.3	617.8
Equity			
Called up share capital	17	11.6	11.6
Own shares held	17	(3.1)	(3.1)
Merger reserve		(130.9)	(130.9)
Hedging reserve		4.5	9.5
Translation reserve		32.6	44.5
Retained earnings		691.6	686.2
Total equity		606.3	617.8

Condensed Consolidated Statement of Changes in Equity

£m	Share capital	Own shares held	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	Total
Balance at 1 January 2023 (Audited)	11.6	(3.1)	(130.9)	9.5	44.5	686.2	617.8
Profit for the period	-	-	-	-	-	25.1	25.1
Other comprehensive (expense)/income for the period	-	-	-	(4.0)	(11.9)	3.4	(12.5)
Total comprehensive income for the period	-	-	-	(4.0)	(11.9)	28.5	12.6
Reclassification to inventory	-	-	-	(1.0)	-	-	(1.0)
Purchase of own shares (Note 17)	-	(0.1)	-	-	-	-	(0.1)
Share-based payments (Note 17)	-	0.1	-	-	-	(0.1)	-
Dividends (Note 9)	-	-	-	-	-	(24.0)	(24.0)
Credit for share-based payments	-	-	-	-	-	1.0	1.0
Cash-settlement of share-based payments	-	-	-	-	-	-	-
Balance at 1 July 2023 (Unaudited)	11.6	(3.1)	(130.9)	4.5	32.6	691.6	606.3

£m	Share capital	Own shares held	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	Total
Balance at 26 December 2021 (Audited)	11.6	-	(130.9)	1.7	27.2	731.1	640.7
Profit for the period	-	-	-	-	-	25.5	25.5
Other comprehensive income/(expense) for the period	-	-	-	4.4	13.8	(0.5)	17.7
Total comprehensive income for the period	-	-	-	4.4	13.8	25.0	43.2
Purchase of own shares (Note 17)	-	(2.7)	-	-	-	-	(2.7)
Dividends (Note 9)	-	-	-	-	-	(22.8)	(22.8)
Credit for share-based payments	-	-	-	-	-	1.1	1.1
Cash-settlement of share-based payments	-	-	-	-	-	(0.3)	(0.3)
Balance at 25 June 2022 (Unaudited)	11.6	(2.7)	(130.9)	6.1	41.0	734.1	659.2

Condensed Consolidated Statement of Cash Flows

£m	Notes	26 weeks ended 1 July 2023 (Unaudited)	26 weeks ended 25 June 2022 (Unaudited)
Net cash generated from operating activities	18	63.3	59.2
Investing activities			
Interest received		0.3	-
Dividends received from associates		1.6	-
Purchases of property, plant and equipment		(22.0)	(21.2)
Proceeds on disposal of property, plant and equipment		1.6	-
Purchase of intangibles		(0.9)	(2.3)
Proceeds on disposal of associates		3.2	-
Net cash used in investing activities		(16.2)	(23.5)
Financing activities			
Dividends paid	9	(24.0)	(22.8)
Own shares purchased	17	-	(2.7)
Increase in borrowings		1.3	13.8
Repayment of borrowings		(32.1)	(2.1)
Principal elements of lease payments		(6.6)	(7.8)
Net cash used in financing activities		(61.4)	(21.6)
Net (decrease)/increase in cash and cash equivalents		(14.3)	14.1
Cash and cash equivalents at beginning of period		40.2	31.1
Effect of foreign exchange rate changes		(1.2)	1.1
Cash and cash equivalents at end of period		24.7	46.3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Bakkavor Group plc is a company limited by shares, incorporated and domiciled in England, United Kingdom. Its registered office and principal place of business is Fitzroy Place, 5th Floor, 8 Mortimer Street, London, W1T 3JJ, UK (Company number: 10986940). Its Ordinary shares are listed on the London Stock Exchange.

The principal activities of the Group comprise the manufacture of fresh prepared foods and fresh produce. These activities are undertaken in the UK and US where products are primarily sold through high-street supermarkets and China where products are primarily sold through foodservice operators.

The Condensed Consolidated Interim Financial Statements ("Interim Report") for the 26 weeks ended 1 July 2023 ("H1 2023") and 26 weeks ended 25 June 2022 ("H1 2022") do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the board of directors on 7 March 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The Interim Report has been reviewed, not audited.

The Interim Report has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency rules of the Financial Conduct Authority.

The Interim Report does not include all of the information and disclosure required in the Annual Consolidated Financial Statements and should be read in conjunction with the Bakkavor Group plc (the "Group") Annual Consolidated Financial Statements for the 53 weeks ended 31 December 2022, which have been prepared in accordance with UK-adopted International Accounting Standards, and any public announcements made by the Group during the interim reporting period.

Controlling parties

Two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson, hold shares in the Company through their beneficial ownership of Carrion Enterprises Limited (the corporate holding structure of Agust Gudmundsson) and Umbriel Ventures Limited (the corporate holding structure of Lydur Gudmundsson). Umbriel Ventures Limited holds 142,303,505 ordinary shares (representing 24.56% of the issued share capital of the Company) and Carrion Enterprises Limited holds 142,103,505 ordinary shares (representing 24.52% of the issued share capital of the Company).

Lixaner Co Limited, a company owned and controlled by Sigurdur Valtysson, who runs the family office for Agust and Lydur Gudmundsson, holds 6,457,750 ordinary shares (representing 1.11% of the issued share capital of the Company).

Given the close relationship between the parties, Sigurdur Valtysson is to be considered as acting in concert with Agust and Lydur Gudmundsson for the purposes of the definition in the Takeover Code and the parties are controlling shareholders of the Company. The aggregate shareholding in the Company of Carrion Enterprises Limited and Umbriel Ventures Limited and their concert party group (Lixaner Co Limited) is 290,864,760 ordinary shares (representing 50.20% of the issued share capital of the Company).

Seasonality of operations

The Group's cash flows are affected by seasonal variations. Sales of fresh prepared food have historically tended to be marginally higher during the summer months and in the weeks leading up to Christmas.

2. Significant accounting policies

Basis of accounting

The financial information has 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).

2. Significant accounting policies (continued)

Accounting policies

The accounting policies adopted are consistent with those of the previous those in the Group's Annual Financial Statements for the 53 weeks ended 31 December 2022 except as described below:

Amendments to IAS 12 'Income Taxes' – Deferred tax related to assets and liabilities arising from a single transaction

On 7 May 2021, the IASB issued amendments to IAS 12, 'Income Taxes' relating to deferred tax on assets and liabilities arising from a single transaction. The amendments require companies to recognise deferred tax on transactions that on initial recognition give rise to equal amounts of taxable and deductible temporary differences. This amendment has been adopted by the Group from 1 January 2023 and there are no such temporary differences to be recognised.

Amendments to IAS 12 'Income Taxes' – Pillar Two Income Taxes

The Organisation for Economic Cooperation & Development ("OECD") has published proposals for a global corporate minimum tax rate of 15% ("Pillar Two"). On 20 June 2023, legislation in respect of Pillar Two was substantively enacted in the UK, Finance (No.2) Act 2023, for financial years beginning on or after 31 December 2023. Taxation balances are adjusted for a change in tax law if the change has been substantively enacted by the balance sheet date. However, the IASB issued narrow-scope amendments to IAS 12 'Income Taxes' Pillar Two which provide a temporary exemption, which can be applied immediately, from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements Pillar Two model rules. These amendments were approved for adoption by the UK Endorsement Board adopted on 19 July 2023. The Group has applied this exception.

Critical accounting judgements and key sources of estimation uncertainty

There have been no changes in the period to the Group's critical accounting judgements and key sources of estimation uncertainty as disclosed in the Group's Annual Financial Statements for the 53 weeks ended 31 December 2022.

Impairment

At 1 July 2023, a review of indicators of impairment of goodwill was performed at the cash generating unit ('CGU') level. Based on this assessment, the Group concluded there was an indicator of impairment in the US CGU and as a result a value-in-use assessment was performed. The key assumptions that can impact the value-in-use calculation are changes to the growth rates applied to derive a three-year forecast and / or a movement in the long-term growth rates and discount rates applied to the future cash flows. The Group has considered the impact of the assumptions used in the US CGU calculation, with the long-term growth rates and discount rate assumptions updated in this review, and also conducted sensitivity analysis on the impairment test of the CGU carrying value with the impact set out below:

- US operating cash flows are primarily driven by adjusted EBITDA. This could be negatively impacted by loss of revenue or from lower operating margins. If operating cash flows were 22.1% lower and no mitigating actions were taken, this would result in no headroom.
- The perpetuity growth rate included in future cash flows is 2.1%. If this was to decrease to nil there would still be headroom.
- The pre-tax discount rate is 9.5%. Increasing the pre-tax discount rate by 3.1% to 12.6% would result in no headroom.

The conclusion of this was that no impairment was required. At the year end, the US CGU impairment review will be reassessed, along with the UK and China which are subject to an annual impairment review under IFRS.

2. Significant accounting policies (continued)

Going concern

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 and covenant compliance 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 supply chain issues and 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 Interim Report.

3. Segment information

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

As at the Statement of Financial Position date, the Group is organised 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 21.

The following table provides an analysis of the Group's segment information for the period 1 January 2023 to 1 July 2023:

£m	UK	US	China	Total
Revenue	913.7	117.6	59.1	1,090.4
Adjusted EBITDA (Note 21)	71.8	5.6	1.5	78.9
Depreciation	(25.1)	(5.3)	(2.9)	(33.3)
Amortisation	(0.9)	(0.2)	-	(1.1)
Share scheme charges	(1.0)	-	-	(1.0)
Loss on disposal of property, plant and equipment	-	-	(0.1)	(0.1)
Adjusted operating profit/(loss) (Note 21)	44.8	0.1	(1.5)	43.4
Exceptional items (Note 4)	-	-	2.9	2.9
Operating profit	44.8	0.1	1.4	46.3

3. Segment information (continued)

The following table provides an analysis of the Group's segment information for the period 26 December 2021 to 25 June 2022:

£m	UK	US	China	Total
Revenue	849.5	116.6	44.1	1,010.2
Adjusted EBITDA (Note 21)	70.6	7.2	(1.1)	76.7
Depreciation	(25.8)	(3.9)	(3.5)	(33.2)
Amortisation	-	(0.2)	-	(0.2)
Share scheme charges	(1.1)	-	-	(1.1)
Profit on disposal of property, plant and equipment	-	-	0.2	0.2
Share of results of associate	-	-	0.1	0.1
Adjusted operating profit/(loss) (Note 21)	43.7	3.1	(4.3)	42.5
Configuration and customisation costs for SaaS ¹ projects	(1.4)	-	-	(1.4)
Exceptional items (Note 4)	-	-	-	-
Operating profit/(loss)	42.3	3.1	(4.3)	41.1

¹Software-as-a-Service ("SaaS")

Major customers

For the 26 weeks ended 1 July 2023, the Group's four largest UK customers accounted for 75.1% (26 weeks ended 25 June 2022: 75.7%) of total Group revenue from continuing operations. These customers accounted for 89.7% (26 weeks ended 25 June 2022: 90.1%) of total UK revenue from continuing operations. The Group does not enter into long-term contracts with its retail customers. The percentage of Group revenue from these customers is as follows:

	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Customer A	32.4%	33.1%
Customer B	22.7%	22.3%
Customer C	12.9%	12.0%
Customer D	7.1%	8.3%

All of the Group's revenue is from the sale of goods.

4. 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 is more representative of the ongoing operations and key metrics of the Group.

4. Exceptional items (continued)

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	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Profit on disposal of property, plant and equipment	1.5	-
Profit on disposal of associates	1.4	-
Total exceptional items	2.9	-
Tax on exceptional items	-	-
Total exceptional items after tax	2.9	-

In H1 2023, the Group has recognised £2.9m of exceptional income all of which relates to the China segment. Of this, £1.5m is 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.

There is also £1.4m profit on disposal of associates, following the Group's sale of its 45% share in each of its two associate companies, La Rose Noire Limited and Patisserie et Chocolat Limited on 8 May 2023. The net consideration received from this sale was £4.6m and the carrying amount of the investments before the sale was £3.2m.

The total net cash inflow during H1 2023 in respect of H1 2023 exceptional items was £6.1m (H1 2022: £nil) in relation to disposals noted above.

The Group incurred no exceptional income or costs in H1 2022.

As shown in Note 18, there is £10.6m (H1 2022: £nil) net cash outflow related to a decrease in exceptional provisions. This relates to the cash impact of exceptional items recognised and provided for on the 31 December 2022 Statement of Financial Position in relation to restructuring costs for the closure of two of our UK sites and the costs of a corporate restructure.

5. Finance costs

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Interest on borrowings	11.3	7.1
Interest on lease liabilities	1.5	1.5
Unwind of discount on provisions	0.5	0.3
	13.3	8.9

6. Other gains and (losses)

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Foreign exchange (losses) / gains	(0.4)	0.4
Change in fair value of derivative financial instruments	-	(0.1)
	(0.4)	0.3

7. Tax

The Group's effective tax rate for the period was 23.0% (H1 2022: 21.5%). Before exceptional income of £2.9m (H1 2022: £nil) the effective tax rate was 25.1% which is 1.6% higher (H1 2022: 2.5%) than the UK statutory tax rate of 23.5% (the UK statutory rate in force for 2023 was 19% to 31 March 2023 and 25% from 1 April 2023) (H1 2022: 19%). The increase is mainly due to the impact of overseas losses not recognised. The tax charge for the period has been calculated by applying the effective tax rate which is expected to apply for the year ended 30 December 2023 using rates substantively enacted at 1 July 2023.

The OECD has published proposals for a global corporate minimum tax rate of 15% ("Pillar Two"). On 20 June 2023, legislation in respect of Pillar Two was substantively enacted in the UK, Finance (No.2) Act 2023, to apply for financial years beginning on or after 31 December 2023. The Group is in the process of undertaking an impact assessment. The IAS 12 exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

A reconciliation of the expected tax rate to the forecast effective tax rate is as follows:

£m	26 weeks ended 1 July 2023	
Profit before tax	32.6	
Expected tax at 23.5%	7.7	23.5%
Impact of:		
Non-deductible items	(0.1)	(0.2%)
Overseas losses not recognised	0.4	1.2%
Non-taxable income	(0.7)	(2.1%)
UK rate change	0.2	0.6%
Total tax charge	7.5	23.0%
Deduct: Tax charge on exceptional income	-	-
Tax charge pre-exceptional items	7.5	25.1%

8. 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.

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	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Profit for the period	25.1	25.5

Number of shares

'000	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Weighted average number of Ordinary shares	576,501	578,426
Effect of potentially dilutive Ordinary shares	9,355	8,978
Weighted average number of Ordinary shares for diluted earnings per share	585,856	587,404

8. Earnings per share (continued)

	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Basic earnings per share	4.4p	4.4p
Diluted earnings per share	4.3p	4.3p

9. Dividends

Reporting period	Dividend per share	Date Declared	Date Paid	Number of dividend rights waived ¹	Amount Paid
30 December 2023					
Interim dividend ²	2.91p	September 2023	13 October 2023		
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

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

²Interim dividend in relation to the 52 weeks ended 30 December 2023 is payable on 13 October 2023 to Ordinary shareholders registered on the record date at 15 September 2023.

10. Goodwill

£m	
At 31 December 2022	
Cost	708.6
Accumulated impairment losses	(53.5)
Net book amount	655.1
At 1 January 2023	
Exchange rate difference during the period	(2.5)
At 1 July 2023	652.6

11. Property, plant and equipment

£m	
At 31 December 2022	
Cost	1,207.7
Accumulated depreciation and impairment	(659.6)
Net book amount	548.1
At 1 January 2023	
548.1	
Additions	27.8
Disposals	(1.3)
Depreciation charge for the period	(33.3)
Exchange rate difference during the period	(9.8)
At 1 July 2023	531.5

12. Inventories

£m	1 July 2023	31 December 2022
Raw materials and packaging	67.0	73.0
Work-in-progress	2.8	3.0
Finished goods	9.6	10.2
	79.4	86.2

13. Trade and other receivables

£m	1 July 2023	31 December 2022
Amounts receivable from trade customers	130.6	130.4
Expected credit loss	(3.6)	(3.6)
Net amounts receivable from trade customers	127.0	126.8
Other receivables	15.0	23.2
Prepayments	20.4	11.0
Trade and other receivables due within one year	162.4	161.0

During the period, the Group has continued to operate trade receivable factoring arrangements. These are non-recourse arrangements and therefore amounts are de-recognised from trade receivables. At 1 July 2023 £148m was drawn under factoring facilities (31 December 2022: £138m) representing cash collected before it was contractually due from the customer.

As at 1 July 2023, the Group's amounts receivable from trade customers includes £62.8m (31 December 2022: £62.0m) which could be factored under the non-recourse trade receivable factoring arrangement.

14. Trade and other payables

£m	1 July 2023	31 December 2022
Trade payables	268.6	287.5
Other taxation	1.2	2.1
Other payables	26.8	26.8
Accruals and deferred income	140.1	113.6
Trade and other payables due within one year	436.7	430.0

During the period, the Group has continued to operate an arrangement which provides financing for the Group's suppliers. This is a voluntary programme that potentially gives suppliers earlier access to cash. At 1 July 2023, trade payables amounting to £42.7m (31 December 2022: £45.1m) were subject to these arrangements. These balances are classified as trade payables, and the related payments as cash flows from operating activities since the original obligation to the supplier remains and has not been replaced with a new obligation to the bank.

15. Net debt

£m	1 July 2023	31 December 2022
Cash and cash equivalents	24.7	40.2
Borrowings	(27.2)	(13.1)
Lease liabilities	(11.5)	(11.3)
Total debt due within one year	(38.7)	(24.4)
Borrowings	(264.5)	(309.2)
Lease liabilities	(86.4)	(85.9)
Total debt due after one year	(350.9)	(395.1)
Group net debt	(364.9)	(379.3)

Group net debt is the sum 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.

On 1 March 2022, the Group extended the maturity date of £430m of its core debt facilities from March 2025 to March 2026.

16. Financial instruments

The categories of financial instruments are as follows:

£m	1 July 2023	31 December 2022
Financial assets		
Fair value through OCI or profit and loss:		
Trade receivables	62.8	62.0
Derivative financial instruments	7.9	12.6
Measured at amortised cost:		
Trade receivables	64.2	64.8
Other receivables	15.0	23.2
Cash and cash equivalents	24.7	40.2
	174.6	202.8

16. Financial instruments (continued)

£m	1 July 2023	31 December 2022
Financial liabilities		
Fair value through OCI or profit and loss:		
Derivative financial instruments	1.8	0.3
Other financial liabilities at amortised cost:		
Trade payables	268.6	287.5
Other payables	26.8	26.8
Accruals	139.0	112.3
Borrowings	291.7	322.3
Lease liabilities	97.9	97.2
	825.8	846.4

The fair value of financial assets approximates to their carrying values due to the short-term nature of the receivables. The fair value of trade receivables and derivative financial instruments has been determined as level 2 under IFRS 7 *Financial Instruments: Disclosures*. Quoted prices are not available for the derivative financial instruments and so valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves and currency rates.

The fair value of other financial liabilities at amortised cost approximates to their carrying value. The trade and other payables approximate to their fair value due to the short-term nature of the payables. The lease liabilities fair value approximates to the carrying value based on discounted future cash flows.

The borrowings fair value is £293.1m (31 December 2022: £324.5m).

There have been no changes to fair values as a result of change in credit risk of the Group or the Group's customers.

17. Share capital and own shares held

Issued share capital as at 1 July 2023 and 31 December 2022 amounted to £11.6m (579,425,585 Ordinary shares of £0.02 each).

During the prior and current period, the Company has 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 1 July 2023 was 2,961,522 which represents 0.51% of total called up share capital (31 December 2022: 2,940,514 and 0.51% respectively).

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

The table below shows the number of own shares purchased and distributed by the Trust and the related cost recognised within equity:

	Number of shares	£000
Balance at 31 December 2022	2,940,514	3,074
Acquisition of shares by the Trust	75,000	71
Distribution of shares under share scheme plans	(53,992)	(58)
Balance at 1 July 2023	2,961,522	3,087

17. Share capital and own shares held (continued)

The table below shows amounts included in the Condensed Consolidated Statement of Cash Flows in relation to own shares purchased for share schemes:

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Cash paid to purchase own shares	(0.1)	(2.7)
Cash received from distribution of shares under share scheme plans	0.1	-
Included in financing activities cash flows	-	(2.7)

18. Notes to the Condensed Consolidated Statement of Cash Flows

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Operating profit	46.3	41.1
Adjustments for:		
Share of results of associates	-	(0.1)
Depreciation of property, plant and equipment	33.3	33.2
Amortisation of intangible assets	1.1	0.2
(Profit) on disposal of property, plant and equipment	(1.4)	(0.2)
(Profit) on disposal of associate	(1.4)	-
Share scheme charges	1.0	1.1
Net retirement benefits charge less contributions	(1.0)	(1.0)
Operating cash flows before movements in working capital	77.9	74.3
Decrease/(increase) in inventories	6.8	(9.4)
(Increase) in receivables	(1.3)	(16.9)
Increase in payables	9.5	23.2
(Decrease) in provisions	-	(0.6)
(Decrease) in exceptional provisions	(10.6)	-
Cash generated by operations	82.3	70.6
Income taxes paid	(6.3)	(3.2)
Interest paid	(12.7)	(8.2)
Net cash generated from operating activities	63.3	59.2

19. Contingent liabilities

The Group may from time to time, and in the normal course of business, be subject to claims from customers and counterparties. The Group regularly reviews all of these claims to determine any possible financial loss to the Group. No provision was considered necessary in the Consolidated Financial Statements.

20. Events after the Statement of Financial Position date

There are no events to report.

21. 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 (“LFL”) revenue

The Group defines LFL revenue as revenue from continuing operations adjusted for the revenue generated from businesses closed, sold or acquired in the current and prior year, and the effect of foreign currency movements.

The following table provides the information used to calculate LFL revenue for the Group and for each segment:

GROUP

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022	Change %
Statutory revenue	1,090.4	1,010.2	7.9%
Effect of currency movements	(5.4)	-	
Like-for-like revenue	1,085.0	1,010.2	7.4%

UK

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022	Change %
Statutory and like-for-like revenue	913.7	849.5	7.6%

US

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022	Change %
Statutory revenue	117.6	116.6	0.9%
Effect of currency movements	(6.0)	-	
Like-for-like revenue	111.6	116.6	(4.2)%

China

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022	Change %
Statutory revenue	59.1	44.1	34.0%
Effect of currency movements	0.6	-	
Like-for-like revenue	59.7	44.1	35.1%

21. Alternative performance measures (continued)

Adjusted EBITDA and Adjusted operating profit

The Group manages the underlying performance of its businesses through the use of 'Adjusted EBITDA' and 'Adjusted operating profit'. In calculating Adjusted operating profit, we exclude restructuring costs, asset impairments, costs incurred to configure or customise SaaS arrangements, 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 Adjusted operating profit by statutory revenue for the relevant segment.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received, unless the configuration and customisation activities significantly modify or customise the cloud software, in which case the costs are expensed over the SaaS contract term. The Group adjusts for the cost of these projects as they are infrequent in nature and relate to significant systems changes within the business.

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

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Operating profit	46.3	41.1
Exceptional items (Note 4)	(2.9)	-
Configuration and customisation costs for SaaS projects	-	1.4
Adjusted operating profit	43.4	42.5
Depreciation	33.3	33.2
Amortisation	1.1	0.2
Share scheme charges	1.0	1.1
Loss/(profit) on disposal of property, plant and equipment	0.1	(0.2)
Share of results of associates	-	(0.1)
Adjusted EBITDA	78.9	76.7
Less IFRS 16 impact	(6.9)	(6.4)
Adjusted EBITDA pre IFRS 16¹	72.0	70.3

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 are reconciled to operating profit in Note 3.

21. Alternative performance measures (continued)

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 provides a reconciliation from the Group's net debt to the Group's operational net debt:

£m	1 July 2023	31 December 2022
Group net debt	(364.9)	(379.3)
Unamortised fees	(1.9)	(2.6)
Interest accrual	0.5	0.4
Lease liabilities recognised under IFRS 16	97.6	96.6
Group operational net debt	(268.7)	(284.9)
Adjusted EBITDA (last 12 months pre IFRS 16 and including covenant adjustments)	148.4	146.8
Leverage (Operational net debt/Adjusted EBITDA pre IFRS 16 and including covenant adjustments)	1.8	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) and intangible assets 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 as set out in Note 13 and the extension of payment terms for certain suppliers as described in Note 14. 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 following table provides a reconciliation from net cash generated from operating activities to free cash flow:

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Net cash generated from operating activities	63.3	59.2
Interest received	0.3	-
Dividends received from associates	0.2	-
Purchases of property, plant and equipment	(22.0)	(21.2)
Proceeds on disposal of property, plant and equipment	0.1	-
Purchase of intangible assets	(0.9)	(2.3)
Cash impact of exceptional items	10.6	-
Refinancing fees	-	0.9
Free cash flow	51.6	36.6

21. Alternative performance measures (continued)

Adjusted earnings per share

The Group calculates Adjusted basic earnings per share by dividing Adjusted earnings by the weighted average number of Ordinary shares in issue during the period. The Group calculates Adjusted diluted earnings per share by dividing Adjusted earnings by the weighted average number of Ordinary shares (including dilutive shares) for diluted earnings per share. 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 Directors use this measure as it tracks the underlying profitability of the Group and enables comparison with the Group's peer companies. The following table reconciles profit for the period to Adjusted earnings:

£m	26 weeks ended 1 July 2023	26 weeks ended 25 June 2022
Profit for the period	25.1	25.5
Exceptional items (Note 4)	(2.9)	-
Configuration and customisation costs for SaaS projects	-	1.4
Change in fair value of derivative financial instruments	-	0.1
Tax on the above items	-	(0.2)
Adjusted earnings	22.2	26.8
Add back: Tax on adjusted profit before tax	7.5	7.2
Adjusted profit before tax	29.7	34.0
Effective tax rate on underlying activities (Tax on Adjusted profit before tax/Adjusted profit before tax)	25.1%	21.2%
Number 000's		
Weighted average number of Ordinary shares	576,501	578,426
Effect of dilutive Ordinary shares	9,355	8,978
Weighted average number of Ordinary shares for diluted earnings per share	585,856	587,404
Adjusted basic earnings per share	3.9p	4.6p
Adjusted diluted earnings per share	3.8p	4.6p

21. Alternative performance measures (continued)

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 (treated as an adjusting item) less tax at the Group's effective tax rate. Invested capital is defined as total assets less total liabilities excluding; net debt, pension assets and liabilities (net of deferred tax), and fair values for derivatives not designated in a hedging relationship, at the period end. 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 of the period and the end of the period.

The Directors believe that ROIC is a useful indicator of the amount returned as a percentage of shareholders' invested capital. The Directors believe 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	53 weeks ended 1 July 2023	53 weeks ended 31 December 2022
Operating profit	43.0	37.8
Configuration and customisation costs for SaaS projects	0.1	1.5
Exceptional items	47.2	50.1
Adjusted operating profit	90.3	89.4
Taxation at the underlying effective rate	(21.0)	(19.2)
Adjusted operating profit after tax	69.3	70.2
Invested capital		
Total assets	1,499.0	1,541.4
Total liabilities	(892.7)	(923.6)
Net debt at period end	364.9	379.3
Retirement benefit scheme surplus	(18.4)	(12.8)
Deferred tax liability on retirement benefit scheme	4.6	3.2
Invested capital	957.4	987.5
Average invested capital for ROIC calculation	982.3	987.7
ROIC (%)	7.1%	7.1%

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, the Condensed set of Financial Statements has been prepared in accordance with IAS 34: 'Interim Financial Reporting', with ASB's 2007 Statement Half-Yearly Reports, as contained in the UK adopted International Accounting Standard 34, 'Interim Financial Reporting', and that the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rules ("DTR") 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions that have taken place in the first six months of the current financial year and any material changes in the related party transactions described in the last annual report.

The Board of Directors that served during the 26 weeks ended 1 July 2023, and their respective responsibilities, can be found on pages 92 to 95 of the Annual Report & Accounts 2022. A list of current directors is maintained on the Bakkavor Group plc website at: <https://www.bakkavor.com/en/about-us/leadership/group-board/default.aspx>

Approved on behalf of the Group Board by:

Mike Edwards
Chief Executive Officer

Ben Waldron
Chief Financial Officer and Asia Chief
Executive Officer

5 September 2023

Independent review report to Bakkavor Group plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Bakkavor Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the Condensed Consolidated Interim Financial Statements of Bakkavor Group plc for the 26 week period ended 1 July 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 1 July 2023;
- the Condensed Consolidated Income Statement and the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Condensed Consolidated Interim Financial Statements of Bakkavor Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Condensed Consolidated Interim Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Condensed Consolidated Interim Financial Statements, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Condensed Consolidated Interim Financial Statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Condensed Consolidated Interim Financial Statements, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Condensed Consolidated Interim Financial Statements based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

London

5 September 2023