16 March 2021

Bakkavor Group plc

A resilient trading and operational performance during an unprecedented year

Bakkavor Group plc ("Bakkavor", "the Group" or "the Company"), the leading international provider of fresh prepared food ("FPF"), today announces its full year audited results for the 52-week period ended 26 December 2020.

HIGHLIGHTS

- Group revenue 4.9% lower at £1,793.5m, with demand returning to our fresh, convenient foods outside of COVID-19 lockdown restrictions:
  - UK revenues decreased by 5.2% to £1,566.6m, due to lower consumer demand, particularly across our food-to-go range
  - US delivered strong growth of 12.2% to £146.5m, benefitting from the growing demand for fresh meals
  - China revenues were 21.8% lower at £80.4m, reflecting a steady recovery following a 60% downturn in February 2020
- Operating profit decreased 10.7% to £62.0m, with margins decreasing by 20 basis points to 3.5%, albeit operating margins improved to 5.3% in H2, through more stabilised trading, a strong US performance and strategic restructurings across all regions
- US business underwent commercial and operational reset, delivering profitable growth in H2 and positive trajectory
- Decisive actions taken to preserve cash, lower cost base and protect profitability in response to pandemic, including a reduction in non-essential capex, temporary and permanent closures of food-to-go and Salads sites, and simplification of ranges in response to lower consumer demand
- Operational net debt decreased by £21.4m to £333.4m with leverage maintained at 2.3 times
- Strong financial position supported by over £200m of liquidity headroom with funding maturities now extended to 2025
- No dividend payable for 2020 given COVID-19 impact throughout year

FINANCIAL SUMMARY

£ million (unless otherwise stated)	**FY 2020**	FY 2019	Change
Revenue	1,793.5	1,885.9	(4.9%)
Like-for-like revenue[1]	1,721.9	1,810.6	(4.9%)
Adjusted EBITDA pre IFRS 16[1]	139.2	138.0	0.9%
Adjusted operating profit[1]	83.6	89.7	(6.8%)
Adjusted operating profit margin[1]	4.7%	4.8%	(10bps)
Operating profit	62.0	69.4	(10.7%)
Operating profit margin	3.5%	3.7%	(20bps)
Basic EPS	5.9p	6.4p	(0.5p)
Adjusted EPS[1]	8.7p	10.3p	(1.6p)
Free cash flow[1]	40.1	46.9	(6.8)
Operational net debt[1]	(333.4)	(354.8)	21.4

[1] Alternative Performance Measures (“APMs”), including ‘like-for-like’, ‘adjusted’ and ‘underlying’ are applied consistently throughout. The APMs are defined in full and reconciled to the reported statutory measure in the Consolidated Financial Statements in Note 11 of this results statement and in Note 37 of the Annual Report and Accounts 2020.

AGUST GUDMUNDSSON, CEO, COMMENTED:

“In what was a year like no other, the external environment was the most challenging it has ever been. I am extremely proud of the resilience our business has shown and I would like to thank all our colleagues for their hard work and dedication.

Despite the UK Government’s roadmap, with lockdown restrictions in the UK continuing into the spring, the short-term trading environment remains uncertain, but we are encouraged by the way consumers have returned to our fresher, healthier and more convenient foods each time these restrictions have lifted. Our unique position of scale, expertise and strong customer relationships have served us well during this extraordinary period, and they remain key as we continue to grow our market share and further strengthen our leadership position.

The actions taken in 2020 to preserve cash and protect profitability across the business, combined with the successful turnaround of our US business, and the strength of our financial position, leave the Group well placed to deliver further growth. The way that Bakkavor has been able to rapidly adapt, find new ways of working, and drive the business forward through the COVID-19 crisis provides us with additional confidence for the future.

We will continue to play an essential role in supporting our customers and communities and we are in great shape to deliver for all stakeholders in 2021 and beyond."

PRESENTATION

A copy of these results is available on www.bakkavor.com

We will be presenting to analysts via a webcast at 10.00 am, 16 March 2021, through the Investor section of the Group's website at:

https://event.on24.com/wcc/r/3022922/DA860DB30CFB1D6A51030A3B0180757F

The presentation can also be accessed via a replay service shortly after the presentation has concluded.

ENQUIRIES

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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 some of the UK's leading grocery retailers, including Tesco, Marks & Spencer, Sainsbury's and Waitrose. The Group's International segment operates in the US and China. Bakkavor was founded in 1986 and has its headquarters in London. The Group has over 19,000 employees and operates 23 factories in the UK, 5 in the US and 9 in China.

GROUP CHIEF EXECUTIVE'S OVERVIEW

COVID-19 AND PROTECTING OUR COLLEAGUES

In what has been an extraordinary year, I would like to begin by thanking each and every one of my 19,000 Bakkavor colleagues for their outstanding efforts in response to COVID-19. We have prioritised colleague health and safety and, in extremely challenging circumstances, we have minimised disruption by keeping the food supply chain moving, maintaining excellent service levels for all our customers.

Over the past 12 months, the wellbeing of our colleagues has continued to be our primary focus. Since the onset of COVID-19, we acted at speed to build on our stringent health and safety controls, aligning with government guidelines across each territory in which we operate.

Across the Group, we quickly introduced social distancing measures, along with enhanced hygiene and cleaning protocols. We pushed our high factory standards even further, with thermal imaging cameras installed for temperature checking and the introduction of COVID-19 marshals. We worked alongside local authorities, communities, councils and governments to promote the importance of staying safe across our entire workforce and, where possible, we made sure that all colleagues who were able to do so could work from home.

Where we did have cases of COVID-19 reported at sites, and as government guidance evolved, we acted quickly and put in place further mitigating actions, including employee car sharing protocols and compulsory mask wearing policies. In response to local outbreaks in the UK, we introduced our own internal track and trace process and testing programmes for our colleagues at Tilmanstone, Newark and Leicester to help protect them and contain the spread of the virus. In addition, we continued to support our colleagues through our employee wellbeing programme, providing emotional, physical and financial support to those in need.

STRATEGY IN ACTION

Our business in China was the first to be severely impacted by COVID-19 towards the end of January, and, after starting the year very well, our UK and US businesses became affected. All three regions experienced a sharp reduction in sales volumes as a result of lower customer footfall and changes in consumer shopping behaviour. Our strategy and values were fundamental to how we responded to the pandemic.

When COVID-19 impacted the UK, we responded to lower consumer demand by working closely with our customers to simplify our ranges, switching production between sites when required and temporarily closing sites where necessary. The breadth of our UK portfolio, which includes over 1,700 products, offered us great diversification and as demand for food-to-go items dropped significantly, other products such as our pizza and bread ranges benefitted. Close collaboration with our strategic customers continued as leveraged the expertise of our procurement and in-bound logistics teams to source and transport ingredients as restrictions moved across the globe.

As the year progressed, we worked closely with our customers to drive growth back into our categories by re-extending our ranges and launching a number of new propositions. This included a range of 38 Heat & Enjoy products for a significant UK customer, aimed at creating the ultimate in-home dining experience.

In the US, we accelerated our growth and delivered a profitable turnaround of the business, reducing the complexity of our products and building on our core capabilities. This included a focus on select customers and online retailers to help grow sales. We also continued to innovate and launched a chef-inspired meals range for a key strategic partner that specialises in home delivery, a trend that has become more pronounced since the onset of the pandemic.

Our China strategy focused on building capacity and scale in foodservice. For example, we completed our new replacement factory in Wuhan, commenced works at a new site in Xi'an and expanded capacity at our Shanghai bakery operation to satisfy growing demand. More recently, we successfully leveraged our capability to build customer relationships for online and new retail propositions.

Finally, improving operational efficiencies across the Group continued to be a strategic priority and the pandemic prompted us to make several difficult yet necessary decisions to protect our profitability. This included the closure of two salads sites at Spalding and Alresford in the UK. We also identified new and more efficient ways of working with our customers, leading to the fundamental restructure of several key functions, and streamlining our customer facing roles across the UK and US. We also continued with a number of efficiency projects that developed our digital capabilities, including the roll-out of factory automation and we continued with our ongoing refrigeration replacement project.

A RESILIENT TRADING AND OPERATIONAL PERFORMANCE

Despite the challenges presented by COVID-19, we delivered a strong and resilient performance across the Group. Reported revenue decreased by 4.9% to £1,793.5 million primarily due to the impact of lockdown restrictions on trading volumes across the business. Our US business, however, delivered a standout performance, which helped to offset the decline in revenues in China and the UK.

Decisive mitigating actions were taken at an early stage of the pandemic to protect the overall business, preserve cash and lower our cost base. All discretionary expenditure and non-essential capital investment remained on hold during the first half of the year, while individual site capacity was adjusted in line with fluctuating demand. In addition, we made the decision to temporarily suspend the 2019 dividend and did not declare an interim dividend for 2020.

These cost saving measures, combined with strategic restructurings, and actions to simplify ranges, helped protect profitability, resulting in adjusted operating profit of £83.6 million, 6.8% lower than the prior year, and operating profit of £62.0 million, 10.7% lower than the prior year.

Despite the impact of COVID-19, our focus on cash management meant we generated £40.1 million of free cash, with year-end leverage in line with the 2.3x reported at the end of 2019 and reducing this further remains a key focus for us in 2021.

BREXIT

The free trade agreement negotiated between the EU and the UK took effect on 1 January 2021. To date, the operational impact has been modest, as we completed extensive Brexit planning and remain well prepared for any near-term volatility in the supply chain.

We are continuing to work through changes to the administrative process of importing and exporting goods as many more protocols are being implemented during 2021. While there has been disruption in the export of our goods to both the Republic of Ireland and Northern Ireland, the sales impact represents less than 3% of our UK revenue. We continue to leverage our scale, strong customer relationships and our cross-border expertise to return to normal levels of service going forward.

As part of our Brexit retention programme, we have supported our colleagues throughout the year with regular communication relating to Brexit developments and held a series of workshops to assist our European colleagues in achieving settled or pre-settled status in the UK. We will continue to support these initiatives in 2021.

PROGRESSING OUR ESG COMMITMENTS

Despite the considerable challenges and pressures on the business, upholding our environmental, social and governance responsibilities remained a focus for the Group, and we were able to roll out and embed our Trusted Partner strategy. In our UK business, we completed a supplier risk mapping programme across all of our 500+ suppliers and conducted an environmental and human rights risk assessment, as well as communicating a new Supplier Code of Conduct setting out our expectations on a wide range of sustainability and ethical business issues.

During the year, we made progress in our goal to halve UK food waste by 2030, reducing our food waste by 4.7%, equivalent to more than 2,000 tonnes. We also continued to support our customers in delivering the goals of the UK Plastics Pact by eliminating 54 tonnes of unnecessary plastics during the year.

Importantly, we prioritised reviewing our climate change goal and conducted a project to assess carbon emissions across our sites. Following this, at the beginning of 2021, we confirmed a commitment to become a Net Zero carbon business in our Group operations by 2040.

DEVELOPING OUR SENIOR LEADERSHIP

The business has undergone a number of Board and Management Board changes this year. After over a decade with Bakkavor, Peter Gates retired as Chief Financial Officer in late December 2020. Peter played a major part in the Group's growth and success and I would like to sincerely thank him for his contribution to the Group. Peter has been replaced by Ben Waldron, the former President of Bakkavor USA, who will also lead Strategy as part of his remit. Along with having a deep understanding of our International business and the opportunities for growth markets moving forward, Ben has been immersed in finance and investor relations through his previous roles.

Replacing Ben as President of Bakkavor USA is Pete Laport, who is new to Bakkavor and I am very much looking forward to working with him as he continues to build on the success achieved across our US business.

I am also delighted to announce that our Chief Operating Officer, UK, Mike Edwards has been appointed as an Executive Director to the Group Board. Mike joined Bakkavor in 2001, becoming Chief Operating Officer, UK in 2014. His record in this role has been and continues to be exceptional. This appointment reflects his success and the significant contribution he has made to the Group. Einar Gustafsson, Managing Director Bakkavor Asia, who was instrumental in supporting the development of our business in China, left the business after 15 years and I have since taken on the responsibilities for Bakkavor China, working closely alongside the strong local management team there.

Additionally, Donna-Maria Lee's role was extended to Chief People Officer on 1 January 2021, with Corporate Responsibility now a part of her remit. Donna-Maria's expertise will continue to drive our HR strategy and push our people agenda forward, particularly in the areas of inclusion & diversity and colleague wellbeing.

DIVIDEND

As a result of the COVID-19 pandemic and its impact on the business during the year, the Board will not be declaring a dividend for the full year 2020.

At the outset of the pandemic, the Board made the prudent decision to suspend the 2019 final dividend as a precautionary measure until the impact of COVID-19 became clearer. The Board is however mindful of the importance of income to shareholders and this payment will remain under review until we have clearer visibility on future trading.

OUTLOOK

The strength of the Bakkavor business model has enabled us to act at speed over the past twelve months in protecting colleagues, supporting customers, and responding to changes in consumer demand. With lockdown restrictions in the UK continuing into spring, the short-term trading environment remains uncertain, but we are encouraged by the way consumers have returned to our fresher, healthier and more convenient foods each time these restrictions have been lifted and with our scale and expertise we consider that we are well placed to benefit from future increases in consumer demand.

The demand for our fresh foods in the US continues unabated and the successful turnaround of our operations means we are confident in sustainable profitable growth for the future. In China, we remain focused on our continued recovery in the foodservice space, but we are also excited about extending our routes to market.

We have taken many difficult yet necessary decisions this year to protect the long-term success of the business. The way we have been able to rapidly restructure our operations and find new ways of working has delivered permanent benefits to the Group. These benefits can already be seen in our margin progression in the second half of the year.

The business is in good shape, even after the events of the past 12 months, and we look forward to building on this momentum into 2021 and beyond.

OPERATIONAL REVIEW

UNITED KINGDOM

OVERVIEW

The UK is Bakkavor's largest market, representing 87% of overall Group revenue.

While COVID-19 had a significant impact on our business and the wider market, it is against this backdrop that our scale and track record in managing complexity gave us a unique competitive advantage. We rapidly put in place additional health and safety measures to protect our colleagues, adhering closely to government guidelines, and we worked quickly to minimise disruption across our supply chain. This fast action and decision making ensured we delivered industry leading service and quality for our customers, whilst protecting the health and wellbeing of almost 16,500 colleagues.

TRADING PERFORMANCE

£ million (unless otherwise stated)	**FY 2020**	FY 2019	Change
Revenue	1,566.6	1,652.5	(5.2%)
Like-for-like revenue[1]	1,494.2	1,577.2	(5.3%)
Adjusted operating profit[1]	90.7	107.1	(15.3%)
Adjusted operating profit margin[1]	5.8%	6.5%	(70bps)
Operating profit	69.1	89.6	(22.9%)
Operating profit margin	4.4%	5.4%	(100bps)

[1] Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying' are applied consistently throughout. The APMs are defined in full and reconciled to the reported statutory measure in the Consolidated Financial Statements in Note 11 of this results statement and in Note 37 of the Annual Report and Accounts 2020.

Following a strong start to the year, from late March, sales in our UK business were significantly impacted. In response to lockdown restrictions, we saw a shift in shopping behaviours, with consumers doing bigger, but less frequent food shops and buying food that had a longer shelf life. We also experienced a significant decline in food-to-go volumes as meal occasions moved to the home due to government advice to work from home.

As the first lockdown was lifted, we were reassured by a prompt recovery in sales, however volumes were again impacted in the final quarter by further restrictions. Forward planning and preparation for the Christmas period enabled us to maintain high customer service levels and we were pleased to deliver Christmas volumes in line with the prior year. Overall, UK like-for-like sales for the full year were £1,494.2 million, 5.3% lower than last year.

In light of the challenges, we focused on protecting the business by undertaking a number of cost saving actions, reducing our capital expenditure to essential site maintenance, plus a small number of committed projects. We also acted at pace to respond to lower volumes by reducing our factory footprint. As a result, adjusted operating profit for the full year was £90.7m, compared to £107.1 million for 2019.

CATEGORY RESILIENCE ACROSS FPF

The breadth of our category portfolio, which covers a wide range of meal occasions, has helped us to weather a volatile year in which both consumer shopping habits and demand shifted significantly due to COVID-19 and periods of lockdown. Promotional activity decreased, shoppers made fewer trips to stores and increasingly bought online, and more consumers chose to cook from scratch.

In our **meals** category, although initial lockdown measures had an adverse impact on sales, we delivered a solid performance, gained market share, and extended our market leadership throughout the period. Our Italian ranges proved particularly popular and our Indian and Oriental ranges also performed well, with consumers seeking to replicate the takeaway experience at home. While our healthy and vegetarian meal ranges were initially impacted, we saw consumers gradually return to these nutritious and healthy meal options as the year progressed.

Our **salads** business was heavily impacted due to its exposure to the food-to-go market, which represents around 40 percent of the total salads category, or around 10 percent of total UK revenues. The sector was also impacted by the loss of bagged leaf volume from one customer, which led to the closure of our Alresford facility. While warmer weather and the easing of lockdown restrictions subsequently supported the category in the summer, we did experience a significant decline in our salads business during the period.

We saw a strong performance in **pizza & bread**, as consumers looked for familiar and convenient options in light of more family meal occasions in the home. Pizza was our most resilient category throughout the period as it provided two important meal solutions, both as an easy midweek meal which benefitted our core ranges, and as a treat for the weekend which benefitted our premium and takeaway style products.

Our **desserts** category also proved resilient, despite sales being impacted by the initial appeal of home baking. Sales continued to improve through the second half, as we worked with customers to extend ranges, introduce popular new products such as the 'Yumnut' and deliver innovation in Christmas desserts, which resulted in us achieving our strongest ever Christmas performance in desserts.

Whilst most of our products are purchased in-store, we did benefit from an uplift in online shopping. In particular, one of our key strategic customers, took a significant step forward in offering home delivery for its food and grocery business through its new partnership with Ocado. This online offer includes a wide range of fresh prepared food across our four FPF categories and creates a significant opportunity for us as the trend for online grocery shopping continues to grow.

Looking ahead, we will continue to maintain our leadership position in these categories by leveraging our strong customer relationships and track record of delivery. Through this, we will also look to increase our share in underpenetrated categories, explore inorganic growth opportunities within our industry, broaden our capabilities and bolster our proposition to customers.

STRATEGIC AND OPERATIONAL ACTIONS

To protect our number one position in the UK, we made a number of essential decisions to support our strategy.

When COVID-19 began to impact consumer habits, we delayed non-essential new product development and worked closely with our customers to ensure that delivery of our core ranges was not compromised and our popular lines were fully stocked. As consumer behaviours normalised, and demand began to return, we worked alongside our customers to drive growth back into their categories in the second half of the year, with a return to a full product catalogue.

The drop in demand for food-to-go products was much more dramatic and our view is that volumes will not return to pre-pandemic levels given the likely dynamic of people continuing to work from home more often. This has created more competitive pricing in the salads sector and as a result, we have taken the opportunity to permanently rationalise our footprint and realign our capacity.

Closing sites is never desired and where possible, we have transferred certain volumes to alternative sites. Our focus on scale and long-term strategic customer relationships meant we were able to maintain our service levels for a key customer, while successfully undertaking our biggest product transfer in the UK.

Despite the difficulties of the year, we also implemented several operational improvement projects, including the introduction of additional automation on production lines to manage efficiency. More specifically, we installed smart technology at some of our sites to improve our management control and review processes. This allows us to have 'live' factory data that we can use to swiftly rectify any issues and improve performance within the production area. We have also continued to invest in upgrading our refrigeration systems, which is a significant project that impacts all our UK sites, and will deliver positive environmental impact longer term.

While the pandemic was impacting the business, we also finalised our preparations for the potential consequences of Brexit. For example, we invested in our in-house capabilities for customs clearance, strengthening our information systems to clear EU imports, and helping our colleagues achieve settled status. So far, as a result of this thorough planning, the operational impact has been modest and we remain well prepared for any near-term volatility in the supply chain.

Finally, in response to the initial drop in demand, we also took proactive steps to protect our colleagues jobs by making use of the Job Retention Scheme (Furlough). As the markets recovered, we brought colleagues back into the business and at the end of year around 200 colleagues (out of the 1,600 colleagues we had originally furloughed) remained on furlough due to being in the vulnerable or highly vulnerable categories. We continue to support colleagues across the business through various people initiatives to increase engagement and better position Bakkavor as an employer of choice across the industry. This includes wellbeing initiatives to support colleagues through COVID-19 and beyond, stronger training, and more career development opportunities. All of which is helping create a strong Group culture and a more inclusive workforce centred around our values.

UNITED STATES

OVERVIEW

Bakkavor's strategy to invest and accelerate its performance in the US is borne from over 10 years of operating in the region, during which time we have developed a strong understanding of the market and its growth potential. The US represents 8% of our overall Group revenue and will continue to play an important part in our growth in the years ahead.

We currently produce over 300 different short shelf-life products, for a variety of well-known US retailers. This is a reduction from the previous year and follows a review in 2019 of our product portfolio and customer relationships to increase margins and profitability. However, we plan to increase this number by building strategic relationships with our customers that will allow us to launch innovative new products and enhance our already excellent customer service levels.

While the ongoing pandemic will remain challenging in the year ahead, we are confident that we have built a resilient strategy that will help to continue our growth as we focus on the right categories with the right strategic customer partnerships.

TRADING PERFORMANCE

£ million (unless otherwise stated)	**FY 2020**	FY 2019	Change
Revenue	146.5	130.6	12.2%
Like-for-like revenue[1]	147.1	130.6	12.7%
Adjusted operating profit/(loss)[1]	0.6	(15.2)	-
Adjusted operating profit margin[1]	0.4%	(11.6%)	1,200bps
Operating profit/(loss)	0.6	(18.0)	-
Operating profit margin	0.4%	(13.8%)	1,420bps

[1] Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying' are applied consistently throughout. The APMs are defined in full and reconciled to the reported statutory measure in the Consolidated Financial Statements in Note 11 of this results statement and in Note 37 of the Annual Report and Accounts 2020.

Our US business increased revenue by £15.9 million to £146.5 million and delivered strong like-for-like revenue growth of 12.7% as we benefited from the growing trend for FPF. The business started the year well, however, trading was significantly affected by the impact of COVID-19, particularly in April and May. In the second half of the year, as lockdown restrictions eased, the business saw an improvement in sales volumes supporting the region's return to profitability.

STRATEGIC AND OPERATIONAL ACTIONS

In the 18 months through to June 2020, the US business underwent a commercial and operational reset to turnaround the profitability and sustainability of the business. This transformation covered three principal areas. First, we resigned from all foodservice and contract manufacturing business to simplify operations and focus on building long-term relationships with the most successful US retailers. As part of the simplification process, we resigned from around 50 percent of our customers and reduced our product portfolio by one third. Given the change in consumer purchasing habits, we also established strategic relationships with several established online retailers to capitalise on the growing trend of direct-to-consumer delivery.

Secondly, we used the commercial reset to simplify our operations and invest all innovation and process improvements behind our three super categories of fresh prepared meals, dips, and heavily topped breads. All three categories address the growing US trends for fresher, healthier and more convenient foods. Four of our five sites in the US now cook and assemble multiple ranges of fresh prepared meals for national distribution. This is a unique competitive advantage to Bakkavor and has supported numerous commercial wins. Hummus and dips represent our second biggest category, with an established centre of excellence on the West Coast. This category has seen a small decline in sales as COVID-19 reduced the number of social eating occasions for these sharing items. Much like the UK, our heavily topped breads have benefited from consumers wishing to replicate dining experiences in-home.

Thirdly, we made several structural changes and new appointments to our senior leadership teams to drive through the transformation. All of this was underpinned by seconding experienced operational leaders from the UK to train and coach our local teams. This third pillar was fundamental to our success as we were able to leverage 30 years of experience from the well-established UK market.

This restructure enabled the business to deliver sustainable and profitable growth in the second half of the year with a record performance for our business thanks to successful new product launches, the biggest ever holiday programme, and core sales continuing to strengthen.

Despite the ongoing pandemic, the US business exits 2020 with a positive outlook for 2021, supported by strong customer engagement, innovation, and operational discipline under the new stewardship of Pete Laport. Pete joined us as the new President of Bakkavor USA at the end of October 2020. He brings a wealth of experience to the position, having worked in the food industry for much of his career.

CHINA

OVERVIEW

Our China business represents 5% of our overall Group revenue. Although it has experienced a difficult year, we still see a significant opportunity for growth in the region, as we continue to leverage our strong understanding of the market and our UK operational expertise.

We primarily operate within the food service sector in China, with over 600 products across our portfolio. In 2020, the China business was the region that was most impacted by the pandemic as the various lockdown restrictions caused many of our customers to temporarily close for prolonged periods of time. Despite this, we continued to successfully maintain service levels and provide our customers with innovative products that reflected market trends.

TRADING PERFORMANCE

£ million (unless otherwise stated)	**FY 2020**	FY 2019	Change
Revenue	80.4	102.8	(21.8%)
Like-for-like revenue[1]	80.6	102.8	(21.6%)
Operating loss	(7.7)	(2.2)	(250%)
Operating profit margin	(9.6%)	(2.1%)	(750bps)

[1] Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying' are applied consistently throughout. The APMs are defined in full and reconciled to the reported statutory measure in the Consolidated Financial Statements in Note 11 of this results statement and in Note 37 of the Annual Report and Accounts 2020.

Our China business was severely impacted by the COVID-19 pandemic and ongoing civil unrest in Hong Kong, with reported revenue declining by £22.4 million in 2020 to £80.4 million. Whilst we continued to see reduced demand in Hong Kong during the second half of the year, we saw a steady improvement in sales in mainland China. Despite this, recovery has been slower than initially expected and revenues remain significantly down year on year.

STRATEGIC AND OPERATIONAL ACTIONS

From the end of January, due to the COVID-19 outbreak, we saw a significant reduction in demand. Production was impacted at all nine of our sites in China, especially during February, when it became necessary due to city wide restrictions to temporarily close our sites in Wuhan and Taicang. However, we made sure that this did not impact our customers, maintaining service levels by transferring production across our remaining locations, including our new site at Haimen. The ability of our team to maintain supply, despite the very challenging situation, was commended by our customers, government officials and local media outlets.

In Q2, we worked closely with customers as they reopened their sites and re-established their offers. Our sales in the retail channels held up well but, whilst still growing, this represents a relatively small proportion of our business. In addition, we continue to see reduced demand in Hong Kong due to the ongoing civil unrest.

Given the challenging nature of the operating environment, we have taken several essential actions to control costs. As in other parts of the Group, these have included temporary salary cuts and recruitment freezes, as well as the streamlining of our operating structure in Hong Kong.

Despite the challenges of COVID-19, we have continued to focus on innovation with our current customers, including the successful launch of a range of plant-based and dairy-free fruit parfaits. Due to the growing shift in shopping behaviour to online, we expanded our E-commerce presence with a key retail customer by launching a range of sandwiches, protein pots, breakfast pots, ready meals, salads and more. In Hong Kong, we capitalised on the need for more meal experiences at home by launching a range of deliverable in-home meal solutions for a foodservice customer.

The Bakery facility we established in Taicang, near Shanghai, in 2018 has continued to develop its customer base and reported impressive growth in 2020. Our new facility in Wuhan is now complete, with full production expected from Q2 2021. Due to COVID-19, we delayed the development of our new plant in Xi'an, which recommenced at the end of 2020 and is projected to be completed in 2021. These new sites will deliver significant improvements in capacity, operational efficiency, and production capability. They will also allow for our continued growth in the Central China region, as we maintain our market leading position and broaden our supply capabilities. In addition to these investments, we have continued to focus on improving the sustainability of our production, with further enhancements to water treatment processes at our sites.

Despite a very challenging 2020, China remains a highly attractive growth market. Our key food service customers continue to build their store and restaurant portfolios, and we continue to position ourselves as the partner of choice for western fresh food providers seeking to expand in the region.

FINANCIAL REVIEW

Revenue

Reported revenue decreased by £92.4 million, or 4.9%, from £1,885.9 million in 2019 to £1,793.5 million in 2020. Like-for-like revenue[1] was down 4.9%, from £1,810.6 million in 2019 to £1,721.9 million in 2020. This decrease was primarily due to the impact of COVID-19 restrictions on trading volumes across the business.

Segmental breakdown

- United Kingdom

In the UK segment, reported revenue decreased by 5.2%, or £85.9 million, from £1,652.5 million in 2019 to £1,566.6 million in 2020. Like-for-like revenue[1], which excludes Alresford Salads and Freshcook that were closed in October 2020 and April 2019 respectively and Blueberry Foods that was acquired in June 2019, decreased by 5.3%, from £1,577.2 million in 2019 to £1,494.2 million in 2020. Alresford Salads generated revenues of £18.4 million in 2020 up to the date of its closure and £22.0 million in 2019. Freshcook contributed revenues of £21.4 million in 2019 for the period up to its closure and Blueberry Foods contributed £31.0 million to reported revenue in the six-month period in 2019 following its acquisition.

This like-for-like revenue[1] decrease for the year was due to volume decreases of 5.0% and price decreases of 0.3% due to a low level of raw material deflation in 2020. Whilst the business benefitted this year from the full year effect of a significant business win in our meals category from September 2019, underlying volumes are lower year on year due to the impact of COVID-19 restrictions on consumer demand which significantly impacted our salads category and particularly food-to-go products. In April, following the first lockdown, revenues were down 19.1% compared to the prior year. Trading steadily improved thereafter across our meals, pizza & bread, and desserts categories until the second lockdown in November when volumes were again impacted, albeit at a lower level, with revenues down by 9.4%.

- United States

In the US, reported revenue increased by £15.9 million, or 12.2%, to £146.5 million in 2020 from £130.6 million in 2019. Like-for-like revenue[1], which is at constant currency, increased by 12.7%, from £130.6 million in 2019 to £147.1 million in 2020. Whilst the business was impacted by COVID-19 from the end of March, year on year revenues were only down in April and May, with the rest of the year reporting strong growth as sales volumes increased at all of our new sites in Texas, North Carolina and California following the launch of a number of new products.

- China

In China, reported revenue decreased £22.4 million, or 21.8%, to £80.4 million in 2020 from £102.8 million in 2019. Like-for-like revenue[1], which is at constant currency, decreased by 21.6%, from £102.8 million in 2019 to £80.6 million in 2020. The decrease was primarily due to the impact of COVID-19 restrictions on volumes particularly in the first half of the year. Trading improved in the second half of the year but the recovery in China has been slower than initially expected and our business in Hong Kong continues to be adversely impacted through ongoing civil unrest.

Operating profit

Operating profit decreased by £7.4 million, or 10.7%, from £69.4 million in 2019 to £62.0 million in 2020 with margins decreasing by 20 basis points to 3.5%. In the UK, operating profit has decreased from £89.6 million in 2019 to £69.1 million in 2020. In China, the operating loss in the year has increased from £2.2 million in 2019 to £7.7 million in 2020. The decreases in the UK and China are primarily due to the impact of lower year on year revenues across these businesses. For the US there has been a significant improvement in performance despite the pandemic, with an operating profit of £0.6 million compared to an operating loss of £18.0 million in 2019.

In line with prior years, the UK business continued to incur significant labour inflation driven by further increases in the National Living Wage. In addition, all regions incurred significant costs amounting to £9.3 million as the business responded to the COVID-19 outbreak, with enhanced health and safety, and hygiene protocols. To address the lower sales volume across our business, we rapidly adapted factory operations and completed strategic restructurings in all regions. This included the temporary closure of sites in the UK and the US, and the permanent closure of two of our salads factories. We also accessed £12.8 million from the Government's Job Retention Scheme to support our furloughed colleagues.

Separately, we have increased our property provisions based on potential future payments that are required under the terms of our leases. In addition, operating profit includes a net credit of £5.7 million (2019: £10.6 million) arising from the reassessment of the need for certain commercial accruals and the requirement for provisions under the Group's short-term bonus scheme.

Adjusted operating profit[1] for the year, which is before exceptional items, was £83.6 million compared to £89.7 million for 2019. At an adjusted level, operating margins were 10 basis points lower than the prior year at 4.7%.

Exceptional items

Included within other administrative costs, cost of sales and finance costs are exceptional items which are adjusted for when determining the Group's APMs, as management consider that when determining the underlying performance of the business these items should be disclosed by virtue of their nature or amount. Exceptional items comprise the following:

£ million	**2020**	2019
Disruption	-	6.6
Restructuring, impairment and onerous lease provision	21.6	13.7
Accelerated amortisation of refinancing fees	1.7	-
	23.3	20.3

- 2020

The Group incurred £23.3 million of costs presented as exceptional items in 2020. The closure of two salads factories in Alresford and Spalding led to restructuring charges of which £4.9 million related to cash restructuring costs, with a further £8.2 million impairment charge in respect of their tangible fixed assets. Following a review of assets, the Group also incurred a further impairment charge of £8.5 million in the UK business for assets that are now either redundant or related to products that have been discontinued in the year. In addition, the Group incurred £1.7 million of accelerated amortisation of refinancing fees following the Group's refinancing of its core debt facilities on 18 March 2020.

- 2019

The Group incurred £20.3 million of net costs presented as exceptional items in 2019 of which £6.6 million related to disruption costs; £2.8 million as our factory in California was repurposed for ready meal manufacturing and changes made to the hummus production process; and £3.8 million in the UK as the business prepared for the launch of significant new products in Q3 2019. In addition, the Group incurred £13.7 million of restructuring and impairment costs in the UK. Of this, £7.7 million related to the closure of a meals business in Lincolnshire, comprising cash closure costs of £4.2 million and plant and equipment asset impairments of £3.5 million. A further charge of £4.3 million has been recognised for the closure of the Group's non-core UK fast casual restaurant business. The remaining £1.7 million is primarily for redundancy costs following changes to our commercial and marketing structure.

Finance costs

Finance costs increased by £2.3 million, or 12.3%, from £18.7 million in 2019 to £21.0 million in 2020. The costs for 2020 include a charge of £1.7 million for an acceleration of amortisation of refinancing fees following the Group's refinancing of its core debt facilities in March 2020. The remaining £0.6 million increase is mainly due to £1.1 million of borrowing costs relating to capital projects being capitalised in 2019, offset by a marginal increase in IFRS 16 interest costs to £2.6 million and the benefit from marginally lower average debt levels across the year. The Group's cost of debt remains at circa 3.5% per annum.

Tax

The Group tax charge for the year was £10.1 million, which was an increase of £3.2 million over last year. The £10.1 million charge represents an effective tax rate of 22.9% on profit before tax of £44.2 million. Most of the Group's profits were earned in the UK where the statutory tax rate was 19% for 2020. The main reason for the effective rate being higher than the statutory rate was due to the 2020 statutory tax rate remaining at 19% rather than being lowered to the 17% stated in the 2016 Finance Act. Therefore, at the end of last year, the Group's net deferred tax liability was expected to reverse at 17% and the UK deferred tax provision was made at this rate. However, as the 2020 statutory rate was maintained at 19%, the deferred tax provision had to be increased accordingly in 2020. Excluding exceptional items and other adjusting items the effective tax rate was 21.7%.

Earnings per share

As a result of the above, profit for the period decreased by £2.8 million, or 7.6%, from £36.9 million in 2019 to £34.1 million in 2020. Basic earnings per share decreased from 6.4 pence for 2019 to 5.9 pence in 2020, reflecting the decline in operating profits driven by reduced demand for our products from the pandemic. This was partly offset by year-on-year mark-to-market gains on derivatives of £10.7 million.

Adjusted earnings per share[1], which is calculated before exceptional items and the change in fair value of derivative financial instruments, has decreased from 10.3 pence for 2019 to 8.7 pence, reflecting the effects of the pandemic on the Group's profitability. The weighted average number of shares in issue during both 2019 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, decreased by £25.5 million from £114.0 million in 2019 to £88.5 million. This was largely due to the impact of a year on year working capital outflow of £33.5 million combined with a £5.9 million increase in interest and tax paid more than offsetting the £13.9 million improvement in cash generated at an operating level.

Net cash used in investing activities decreased by £58.2 million in the year from £114.4 million in 2019 to £56.2 million in 2020. This was primarily due to a £42.5 million decrease in capital expenditure as there was a temporary reduction on all non-essential projects in the second quarter of the year in response to COVID-19. Cash outflow was also lower year on year as the Group's key development projects in Shanghai and Newark were completed during 2019 and the prior year included £16.8 million for the acquisition of Blueberry Foods.

Free cash flow[1] for the year, which is the key measure the Directors use to manage cash flow in the business, was £6.8 million lower than the previous year at £40.1 million. A year on year working capital outflow of £33.5 million was largely due to the impact of lower revenues on the Group's negative working capital cycle. This was offset by a reduction to expenditure on core capital (excluding development projects) which was £25.0 million lower than 2019 as the Group took mitigating action to preserve cash in response to the pandemic. In addition, tax payments increased by £2.5 million in the year due to changes in the UK payments on account process.

Capital, debt and leverage

At 26 December 2020, following the refinancing earlier in the year, the Group had committed debt facilities of £537.5 million including a revolving credit facility of £230 million maturing in March 2024. The Group incurred fees of £4.2 million in respect of the refinancing. In addition, the Group has an asset financing facility of £25m maturing in August 2027 and term loans totalling £282.5 million, of which £20 million matures in November 2021. Of the remaining debt facilities of £262.5 million, £225 million matures in March 2024, and £37.5 million in June 2024. On 9 March 2021 the Group extended the maturity date of £430 million of its core debt facilities from March 2024 to March 2025.

Operational net debt decreased by £21.4 million to £333.4 million driven by continued free cash generation. As a result, leverage (the ratio of operational net debt to adjusted EBITDA pre IFRS 16) remained at 2.3 times. This is in line with the leverage reported for December 2019. The Group continues to target a medium-term range of 1.5 – 2.0 times. The Group's liquidity position remains strong with good headroom against all financial covenants.

IFRS 16 lease liabilities at 26 December 2020 amounted to £80.4 million (2019: £78.8 million) and combined with other debt adjustments resulted in total net debt of £411.8 million at the end of the year (2019: £432.4 million).

Return on invested capital[1]

The increase in invested capital in 2020 combined with lower operating profits as a result of the pandemic has resulted in a short-term decrease in the Group's Return on Invested Capital[1] ("ROIC") from 8.0% in 2019 to 6.6% in 2020. 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 revenues 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 £11.2 million for the UK defined benefit scheme as at 26 December 2020 (2019: surplus of £9.7 million). The movement is due to an increase in the value of assets combined with the benefits from liability hedging.

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.

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 added COVID-19 impact as a principal risk. The risk and uncertainties are described in detail in the Risk Management and Principal Risks and Uncertainties sections of the Annual Report and Accounts for the year ended 26 December 2020, available on 29 March 2021 on the company website.

Related Party Transactions

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

[1] Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying' are applied consistently throughout. The APMs are defined in full and reconciled to the reported statutory measure in the Consolidated Financial Statements in Note 11 of this results statement and in Note 37 of the Annual Report and Accounts 2020.

CONSOLIDATED INCOME STATEMENT
52 WEEKS ENDED 26 DECEMBER 2020

£ million	Note	52 weeks ended 26 December 2020 Underlying activities	Exceptional items[1]	Total	52 weeks ended 28 December 2019 Underlying activities	Exceptional items[1]	Total
Continuing operations							
Revenue	2	**1,793.5**	**–**	**1,793.5**	1,885.9	–	1,885.9
Cost of sales		**(1,279.4)**	**–**	**(1,279.4)**	(1,375.0)	(1.6)	(1,376.6)
Gross profit		**514.1**	**–**	**514.1**	510.9	(1.6)	509.3
Distribution costs		**(70.5)**	**–**	**(70.5)**	(77.1)	–	(77.1)
Other administrative costs		**(360.1)**	**(21.6)**	**(381.7)**	(344.6)	(18.7)	(363.3)
Share of results of associates after tax		**0.1**	**–**	**0.1**	0.5	–	0.5
Operating profit/(loss)		**83.6**	**(21.6)**	**62.0**	89.7	(20.3)	69.4
Finance costs	4	**(19.3)**	**(1.7)**	**(21.0)**	(18.7)	–	(18.7)
Other gains and (losses)		**3.2**	**–**	**3.2**	(6.9)	–	(6.9)
Profit/(loss) before tax		**67.5**	**(23.3)**	**44.2**	64.1	(20.3)	43.8
Tax (charge)/credit		**(14.5)**	**4.4**	**(10.1)**	(10.9)	4.0	(6.9)
Profit/(loss) for the period attributable to equity holder of the Parent Company		**53.0**	**(18.9)**	**34.1**	53.2	(16.3)	36.9
Earnings per share							
Basic	5			**5.9p**			6.4p
Diluted	5			**5.8p**			6.3p

1 The Group presents its income statement with three columns. The Directors consider that the underlying activities results better represent the ongoing operations and key metrics of the Group. Details of exceptional items can be found in Note 3 and include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs, disruption 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 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
52 WEEKS ENDED 26 DECEMBER 2020

£ million	52 weeks ended 26 December 2020	52 weeks ended 28 December 2019
Profit for the period	**34.1**	36.9
Other comprehensive income/(expense)		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit pension schemes	**0.4**	8.3
Tax relating to components of other comprehensive income/(expense)	**(0.1)**	(1.4)
	0.3	6.9
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(2.6)**	(6.8)
Loss on cash flow hedges	**(1.1)**	–
Hedging gains reclassified to profit or loss	**0.2**	–
Tax relating to components of other comprehensive income/(expense)	**0.2**	–
	(3.3)	(6.8)
Total other comprehensive (expense)/income	**(3.0)**	0.1
Total comprehensive income	**31.1**	37.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 26 DECEMBER 2020

£ million	Note	**26 December 2020**	28 December 2019 As restated[1]
Non-current assets			
Goodwill		**649.6**	651.2
Other intangible assets		**2.2**	2.7
Property, plant and equipment		**535.3**	553.7
Interests in associates and other investments		**12.2**	12.6
Deferred tax asset	7	**13.0**	11.2
Retirement benefit asset		**11.2**	9.7
		1,223.5	1,241.1
Current assets			
Inventories		**63.8**	64.4
Trade and other receivables		**136.4**	131.7
Cash and cash equivalents		**24.8**	25.9
Current tax asset		**0.1**	–
Derivative financial instruments		**0.6**	–
		225.7	222.0
Total assets		**1,449.2**	1,463.1
Current liabilities			
Trade and other payables		**(367.6)**	(390.4)
Current tax liabilities		**–**	(3.9)
Borrowings	6	**(23.2)**	(36.7)
Lease liabilities		**(11.1)**	(11.8)
Provisions		**(11.0)**	(5.9)
Derivative financial instruments		**(0.9)**	(3.3)
		(413.8)	(452.0)
Non-current liabilities			
Trade and other payables		**–**	(0.6)
Borrowings	6	**(331.4)**	(340.5)
Lease liabilities		**(70.9)**	(69.3)
Provisions		**(14.4)**	(14.4)
Derivative financial instruments		**(0.9)**	(0.2)
Deferred tax liabilities	7	**(19.7)**	(20.4)
		(437.3)	(445.4)
Total liabilities		**(851.1)**	(897.4)
Net assets		**598.1**	565.7
Equity			
Share capital		**11.6**	11.6
Merger reserve		**(130.9)**	(130.9)
Hedging reserve		**(0.7)**	–
Translation reserve		**24.8**	27.2
Retained earnings		**693.3**	657.8
Total equity		**598.1**	565.7

1 For details of the restatement and a reconciliation to previously stated amounts please refer to Note 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

52 WEEKS ENDED 26 DECEMBER 2020

£ million	Share capital	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	**Total equity**
Balance at 30 December 2018 (as reported)	11.6	(130.9)	–	33.8	654.9	**569.4**
Restatement[1]	–	–	–	–	(8.1)	**(8.1)**
Balance at 30 December 2018 (restated)[1]	11.6	(130.9)	–	33.8	646.8	**561.3**
Profit for the period	–	–	–	–	36.9	**36.9**
Other comprehensive (expense)/income for the period	–	–	–	(6.8)	6.9	**0.1**
Total comprehensive (expense)/income for the period	–	–	–	(6.8)	43.8	**37.0**
Dividends paid (Note 8)	–	–	–	–	(34.8)	**(34.8)**
Credit for share-based payments	–	–	–	–	1.9	**1.9**
Deferred tax on share schemes	–	–	–	0.2	0.1	**0.3**
Balance at 28 December 2019 (restated)[1]	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 on share schemes	–	–	–	0.2	(0.1)	**0.1**
Balance at 26 December 2020	**11.6**	**(130.9)**	**(0.7)**	**24.8**	**693.3**	**598.1**

1 For details of the restatement and a reconciliation to previously stated amounts please refer to Note 1.

CONSOLIDATED STATEMENT OF CASH FLOWS

52 WEEKS ENDED 26 DECEMBER 2020

£ million	Note	**52 weeks ended 26 December 2020**	52 weeks ended 28 December 2019
Net cash generated from operating activities	9	**88.5**	114.0
Investing activities:			
Dividends received from associates		**0.1**	0.2
Purchases of property, plant and equipment		**(56.4)**	(98.9)
Proceeds on disposal of property, plant and equipment		**0.1**	1.1
Acquisition of subsidiary		**–**	(16.8)
Net cash used in investing activities		**(56.2)**	(114.4)
Financing activities:			
Dividends paid	8	**–**	(34.8)
Increase in borrowings		**334.1**	62.2
Repayment of borrowings		**(355.9)**	–
Payment of lease liabilities		**(11.4)**	(12.9)
Net cash (used in)/generated from financing activities		**(33.2)**	14.5
Net (decrease)/increase in cash and cash equivalents		**(0.9)**	14.1
Cash and cash equivalents at beginning of period		**25.9**	12.4
Effect of foreign exchange rate changes		**(0.2)**	(0.6)
Cash and cash equivalents at end of period		**24.8**	25.9

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 26 December 2020 but is extracted from the Annual Report and Accounts 2020. The Annual Report and Accounts 2020 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 2020 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 2020 is quoted in these Financial Statements this 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 fiscal year 2018 relates to the 52-week period ended 29 December 2018. 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 nearest to 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 28 December 2019, except for new standards and interpretations effective for the first time for the reporting period.

The group adopted the following new pronouncements during 2020, which did not have a material impact on the group financial statements:

- IFRIC 23 – Uncertainty over Income Tax'; and
- Amendments to IFRS 9 and IFRS 7 – Interest Rate Benchmark Reform – Phase 1.

Derivative financial instruments

The Group designates interest rate swap derivatives as hedging instruments in respect of interest rate risk in cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in the hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Restatement

During 2020 the Group identified that its deferred tax liability was materially understated as deferred tax had not been provided for as required under IAS 12 for the difference between the accounting and tax base values for the goodwill recognised on the acquisition of its US businesses. The deferred tax liability amounted to £7.9 million as at the end of 2019 (2018: £8.1 million) and therefore the financial statements for that year have been restated to reflect the cumulative adjustments required since the relevant businesses were acquired. In addition, the Group previously presented the deferred tax assets on US losses and deferred tax liabilities on US accelerated capital allowances on a gross basis. A right of offset exists between these items and, as such, they should be presented net; as a result the financial statements have been restated. The amount of offset as at the end of 2019 was £8.1 million (2018: £6.0 million). The restatement does not impact basic or diluted earnings per share for 2019 and have no cash impact on the business. The adjustments to the relevant financial statement line items are as follows:

£ million	30 December 2018	(Decrease)/ increase	**30 December 2018 (Restated)**	28 December 2019	(Decrease)/ increase	**28 December 2019 (Restated)**
Deferred tax asset	19.6	(14.1)	**5.5**	27.2	(16.0)	**11.2**
Deferred tax liability	(24.3)	6.0	**(18.3)**	(28.5)	8.1	**(20.4)**
Net assets	569.4	(8.1)	**561.3**	**573.6**	**(7.9)**	**565.7**
Translation reserve	33.8	–	**33.8**	27.0	0.2	**27.2**
Retained earnings	654.9	(8.1)	**646.8**	665.9	(8.1)	**657.8**
Total equity	569.4	(8.1)	**561.3**	573.6	(7.9)	**565.7**

Going concern

The Directors have reviewed the historical trading performance of the Group and the forecasts through to March 2022. 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 which were renewed on 18 March 2020 for a four-year period. The Directors have carried out a robust assessment of the potential implications from both the current COVID-19 outbreak and the terms of the UK's exit from the European Union at the end of 2020. This has included updated scenario planning on the implications of further waves of COVID-19 and the potential for further lockdown restrictions which may impact consumer demand for the Group's products. The Group has also modelled the potential impact of further disruption on sales volumes and an increase in operating costs as from the start of 2021 the business now operates under the terms of the trade deal agreed by the UK and the EU at the end of 2020. Having taken these factors into account, under either scenario, which are 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 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.

2. Segmental 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 as follows:

- UK: The preparation and marketing of fresh prepared foods and fresh produce for distribution in the UK.
- US: The preparation and marketing of fresh prepared foods and fresh produce in the US.
- China: The preparation and marketing of fresh prepared foods and fresh produce in China

The Group manages the performance of its businesses through the use of 'Adjusted operating profit', as defined in Note 11. Measures of total assets are provided to the Management Board; however, cash and cash equivalents, short-term deposits and some other central assets are not allocated to individual segments. Measures of segment liabilities are not provided to the Management Board.

During the year the Group made the decision to consider the US and China business as two separate operating segments, where they had previously been considered a single operating segment. The Group's management accounts, which show the information on which the CODM bases strategic decisions, now highlight the disaggregated figures for all the key lines of information. Given the now differing economic situations of the two international businesses, key decisions on allocating resources, such as capital expenditure, are now made on a UK/US/China basis.

The following table provides an analysis of the Group's segmental information for the period to 26 December 2020:

£ million	UK	US	China	Un-allocated	Total
Revenue	**1,566.6**	**146.5**	**80.4**	**–**	**1,793.5**
Adjusted EBITDA (Note 11)	**145.3**	**8.0**	**(1.1)**	**–**	**152.2**
Depreciation	**(53.0)**	**(6.8)**	**(6.3)**	**–**	**(66.1)**
Amortisation	**(0.1)**	**(0.4)**	**–**	**–**	**(0.5)**
Share scheme charges	**(1.2)**	**–**	**–**	**–**	**(1.2)**
Loss on disposal of property, plant and equipment	**(0.3)**	**(0.2)**	**(0.4)**	**–**	**(0.9)**
Share of results of associates	**–**	**–**	**0.1**	**–**	**0.1**
Adjusted operating profit/(loss) (Note 11)	**90.7**	**0.6**	**(7.7)**	**–**	**83.6**
Exceptional items – Impairment (Note 3)	**(16.7)**	**–**	**–**	**–**	**(16.7)**
Exceptional items – Other (Note 3)	**(4.9)**	**–**	**–**	**–**	**(4.9)**
Operating profit	**69.1**	**0.6**	**(7.7)**	**–**	**62.0**
Finance costs					**(21.0)**
Other gains and (losses)					**3.2**
Profit before tax					**44.2**
Tax					**(10.1)**
Profit for the period					**34.1**
Other segment information					
Capital additions	58.8	3.0	6.6	–	**68.4**
Interests in associates	–	–	12.1	–	**12.1**
Total assets	1,204.0	136.9	82.9	25.4	**1,449.2**
Non-current assets (excluding deferred tax and retirement benefit asset)	1,023.6	109.8	65.9	–	**1,199.3**

The following table provides an analysis of the Group's segmental information for the period to 28 December 2019:

£ million	UK	US	China	Un-allocated	Total
Revenue	1,652.5	130.6	102.8	–	1,885.9
Adjusted EBITDA as previously reported (Note 11)	147.1	2.0	4.4	–	153.5
Restatement (Note 11)	10.2	(10.9)	(1.9)	–	(2.6)
Adjusted EBITDA restated (Note 11)	157.3	(8.9)	2.5	–	150.9
Depreciation	(48.8)	(5.9)	(5.0)	–	(59.7)
Amortisation	(0.1)	(0.4)	–	–	(0.5)
Share scheme charges	(1.9)	–	–	–	(1.9)
Profit/(loss) on disposal of property, plant and equipment	0.6	–	(0.2)	–	0.4
Share of results of associates	–	–	0.5	–	0.5
Adjusted operating profit/(loss) (Note 11)	107.1	(15.2)	(2.2)	–	89.7
Exceptional items – Impairment (Note 3)	(6.0)	(2.8)	–	–	(8.8)
Exceptional items – Other (Note 3)	(11.5)				(11.5)
Operating profit	89.6	(18.0)	(2.2)	–	69.4
Finance costs					(18.7)
Other gains and (losses)					(6.9)
Profit before tax					43.8
Tax					(6.9)
Profit for the period					36.9

Other segment information					
Capital additions	77.2	7.8	14.7	–	**99.7**
Interests in associates	–	–	12.5	–	**12.5**
Total assets	1,213.2	141.4	82.6	25.9	**1,463.1**
Non-current assets (excluding deferred tax)	1,038.2	117.8	64.2	–	**1,220.2**

Major customers

In 2020, the Group's four largest customers accounted for 75.2% (2019: 76.0%) of total revenue from continuing operations. The Group does not enter into long-term contracts with its retail customers.

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

	2020	2019
Customer A	**35.7%**	32.3%
Customer B	**20.0%**	22.7%
Customer C	**11.1%**	10.9%
Customer D	**8.4%**	10.1%

3. Exceptional items

The Group's financial performance is analysed in two ways; underlying performance (which does not include exceptional items) and exceptional items that are material and not expected to reoccur. The Directors consider that the underlying performance results better represent the ongoing operations and key metrics of the Group.

Exceptional items includes material items that are non-recurring or significant in nature and are important to users in understanding the business, including restructuring costs, disruption costs, impairment of assets and one-off finance costs relating to refinancing activities:

£ million	**2020**	2019
Disruption costs	**–**	6.6
Restructuring costs, impairment and onerous contract provision	**21.6**	13.7
Operating profit	**21.6**	20.3
Finance costs	**1.7**	–
Loss before tax	**23.3**	20.3
Tax on exceptional items	**(4.4)**	(4.0)
Loss after tax	**18.9**	16.3

2020

The Group incurred £23.3 million of costs presented as exceptional items in 2020, and an after tax charge of £18.9 million. The closure of two salads factories in Alresford and Spalding led to cash restructuring charges of £4.9 million, with a further £8.2 million impairment charge in respect of their tangible fixed assets. Following a review of assets, the Group also incurred a further impairment charge of £8.5 million in the UK business for assets that are now either redundant or related to products that have been discontinued in the year. In addition, the Group incurred £1.7 million of accelerated amortisation of refinancing fees following the Group's refinancing of its core debt facilities on 18 March 2020.

2019

The Group incurred £20.3 million of net costs, £16.3 million after tax, presented as exceptional items in 2019 of which £6.6 million related to disruption costs; £2.8 million as our factory in California was repurposed for ready meal manufacturing and changes to the hummus production process; and £3.8 million in the UK, as the business prepared for the launch of significant new products later in Q3 2019. In addition, the Group incurred £13.7 million of restructuring and impairment costs in the UK. Of this, £7.7 million related to the closure of a meals business in Lincolnshire, comprising cash closure costs of £4.2 million and plant and equipment asset impairments of £3.5 million. A further charge of £4.3 million was recognised for the closure of the Group's non-core UK fast casual restaurant business. The remaining £1.7 million was primarily for redundancy costs following changes to our commercial and marketing structure.

4. Finance costs

£ million	**2020**	2019
Interest on borrowings	**18.2**	16.6
Interest on lease liabilities	**2.7**	3.0
Unwinding of discount on provisions	**0.1**	0.2
Total interest expense	**21.0**	19.8
Less: amounts included in the cost of qualifying assets	**–**	(1.1)
	21.0	18.7

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

Amounts included in the cost of qualifying assets have been capitalised under IAS 23 and are therefore subject to deferred tax; the deferred tax charge to income was £0.1 million (2019: £0.1 million).

Interest on borrowings for 2020 includes £1.7 million of exceptional costs (2019: £nil) in respect of the accelerated amortisation of previous financing fees following the Group's refinancing of its debt facilities on 18 March 2020.

5. 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

£ million	**2020**	2019
Profit attributable to equity shareholders of the Company	**34.1**	36.9

Number of shares

'000	**2020**	2019
Weighted average number of Ordinary shares	**579,426**	579,426
Effect of potentially dilutive Ordinary shares	**4,193**	3,922
Weighted average number of Ordinary shares including dilution	**583,619**	583,348

	2020	2019
Basic earnings per share	**5.9p**	6.4p
Diluted earnings per share	**5.8p**	6.3p

The Group calculates Adjusted basic earnings per Ordinary share and details of this can be found in Note 11, Alternative Performance Measures.

6. Borrowings

The interest rates and currency profile of the Group's borrowings at 26 December 2020 were as follows:

£ million	Currency	Facility amount £ million	Amount drawn down at year end £ million	Interest rate	Non-utilisation fee	Maturity date
Term Loan B	GBP	37.5	37.5	Libor plus a margin of 4.25%	N/A	June 2024
Term Loan	GBP	20.0	20.0	Libor plus a margin of 1.90%	N/A	Nov 2021
Term Loan	GBP	225.0	225.0	Libor plus a margin of 2.50%	N/A	Mar 2024
Revolving Credit Facility ("RCF")	GBP	230.0	50.0	Libor plus a margin of 2.50%	0.875%	Mar 2024
Asset Finance Facility	GBP	25.0	24.0[1]	Fixed interest rate	N/A	Aug 2027
Total		**537.5**	**356.5**			

1 Asset Finance Facility amount drawn down of £24.0 million is the outstanding liability at 26 December 2020.

Excluding the Asset Finance Facility, the above borrowings are subject to covenant agreements including the Group maintaining a minimum interest cover of 4.0x and not exceeding an adjusted leverage of 3.0x.

On 18 March 2020, the Group completed a refinancing of its core debt facilities amounting to £410 million through a new term loan and Revolving Credit Facility totalling £455 million. The refinancing resulted in the addition of new lenders to the Group. The new facilities are due to mature in March 2024, with an option to extend the tenure by a further two years subject to lender approval.

The Group's total banking facilities amount to £512.5 million (2019: £492.5 million) comprising (i) £282.5 million in term loans (2019: £267.5 million term loan), split £37.5 million maturing in June 2024, £20.0 million maturing in November 2021 and £225.0 million maturing in March 2024 and (ii) £230.0 million Revolving Credit Facilities ("RCF") (2019: £225.0 million RCF), which includes an overdraft and money market facility of £20.0 million (2019: £16.5 million) and further ancillary facilities of£13.3 million (2019: £6.3 million). The bank facilities are unsecured.

The Asset Finance Facility is a £25.0 million facility which could be drawn against up to August 2020, of which the Group drew down £24.9 million. No further draw down can be made against this facility. The facility has been drawn in tranches, with each tranche being repaid on a quarterly basis over a period of seven years, the weighted average interest rate for the facility at the 26 December 2020 is 2.41% (2019: 2.74%). The interest rate is fixed at the prevailing rate on commencement of the loan tranche.

£ million	**26 December 2020**	28 December 2019
Bank loans	**354.6**	377.2
	354.6	377.2
Borrowings repayable as follows:		
On demand or within one year	**23.2**	36.7
In the second year	**1.2**	303.1
In the third to fifth years inclusive	**318.5**	37.0
Over five years	**11.7**	0.4
	354.6	377.2
Analysed as:		
Amount due for settlement within 12 months (shown within current liabilities)	**23.2**	36.7
Amount due for settlement after 12 months	**331.4**	340.5
	354.6	377.2

As at 26 December 2020 and 28 December 2019, all of the Group's borrowings were denominated in Sterling.

	26 December 2020 %	28 December 2019 %
The weighted average interest rates paid were as follows:		
Bank loans and overdrafts	**2.68**	3.16

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

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

£ million	**26 December 2020**	28 December 2019

Fair value of the Group's borrowings	356.6	378.4

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

£ million	**26 December 2020**	28 December 2019
Analysis of net debt		
Cash and cash equivalents	**24.8**	25.9
Borrowings	**(22.3)**	(35.1)
Interest accrual	**(2.3)**	(1.6)
Unamortised fees	**1.4**	–
Lease liabilities	**(11.1)**	(11.8)
Debt due within one year	**(34.3)**	(48.5)
Borrowings	**(334.3)**	(343.3)
Unamortised fees	**2.9**	2.8
Lease liabilities	**(70.9)**	(69.3)
Debt due after one year	**(402.3)**	(409.8)
Group net debt	**(411.8)**	(432.4)

7. Deferred tax

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

£ million	Accelerated tax depreciation	IAS 23 capitalised interest	Fair value gains	Intangibles	Provisions	Retirement benefit obligations	Share scheme	Overseas tax losses and accrued interest	US Goodwill	Total
At 30 December 2018	(23.5)	(0.3)	(0.4)	(0.1)	1.0	0.1	0.4	18.1	–	(4.7)
Adjustment to opening reserves (Note 1)	–	–	–	–	–	–	–	–	(8.1)	(8.1)
Credit to income	(3.1)	(0.1)	1.1	–	(0.6)	(0.3)	0.3	8.1	–	5.4
Exchange differences	0.2	–	–	–	–	–	–	(0.9)	0.2	(0.5)
Charge to equity	–	–	–	–	–	(1.4)	0.1	–	–	(1.3)
At 28 December 2019 (as restated)	**(26.4)**	**(0.4)**	**0.7**	**(0.1)**	**0.4**	**(1.6)**	**0.8**	**25.3**	**(7.9)**	**(9.2)**
Credit to income	1.1	(0.1	(0.7)	–	0.1	(0.4)	(0.5)	2.3	(0.9)	0.9
Exchange differences	–	–	0.2	–	–	–	–	1.3	0.3	1.8
Charge to equity	–	–	–	–	–	(0.1)	(0.1)	–	–	(0.2)
At 26 December 2020	**(25.3)**	**(0.5)**	**0.2**	**(0.1)**	**0.5**	**(2.1)**	**0.2**	**28.9**	**(8.5)**	**(6.7)**

For details relating to the restatement of deferred tax see Note 1.

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

£ million	**26 December 2020**	28 December 2019 As restated
Deferred tax asset	**13.0**	11.2
Deferred tax liabilities	**(19.7)**	(20.4)
	(6.7)	(9.2)

At the statement of financial position date, the Group had unrecognised tax losses of £13.9 million (2019: £8.5 million) available for offset against future taxable profits. All £13.9 million will expire after five years if unused. Deferred tax assets are only recognised on the losses carried forward to the extent that it is probable that the losses will be utilised.

None of the temporary differences are expected to reverse in the next 12 months.

The Group is not aware of any temporary differences associated with undistributed earnings of subsidiaries due to the availability of tax credits against such liabilities. The Group is in a position to control the timing of the reversal of any such temporary differences should they arise.

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

8. Dividends

On 29 May 2019 a final dividend of 4 pence per share for the period ended 29 December 2018 was paid and amounted to £23,177,023.

On 11 October 2019 the Company paid an interim dividend for the period ended 28 December 2019 of 2 pence per share amounting to £11,588,512. The final dividend for the period ended 28 December 2019 of 4 pence per share was suspended in April 2020.

9. Notes to the statement of cash flows

£ million	**2020**	2019
Operating profit	**62.0**	69.4
Adjustments for:		
Share of results of associates after tax	**(0.1)**	(0.5)
Depreciation of property, plant and equipment	**66.1**	59.7
Amortisation of intangible assets	**0.5**	0.5
Loss/(profit) on disposal of property, plant and equipment	**0.9**	(0.4)
Impairment of assets	**19.1**	6.0
Share scheme charges	**1.2**	1.9
Net retirement benefits charge less contributions	**(1.1)**	(1.9)
Operating cash flows before movements in working capital	**148.6**	134.7
Decrease/(increase) in inventories	**0.7**	(0.6)
(Increase)/decrease in receivables	**(5.1)**	15.5
Decrease in payables	**(22.6)**	(6.9)
Increase in provisions	**4.9**	3.4
Cash generated by operations	**126.5**	146.1
Income taxes paid	**(16.5)**	(14.0)
Interest paid	**(21.5)**	(18.1)
Net cash generated from operating activities	**88.5**	114.0

Analysis of changes in net debt

£ million	29 December 2019	Cash flow	Lease additions	Exchange movements	Other non-cash movements	**26 December 2020**
Borrowings	(377.2)	21.8	–	–	0.8	(354.6)
Lease liabilities	(81.1)	11.4	(12.6)	0.3	-	(82.0)
Total liabilities from financing activities	(458.3)	33.2	(12.6)	0.3	0.8	(436.6)
Cash and cash equivalents	25.9	(0.9)	–	(0.2)	–	24.8
Net debt*	**(432.4)**	**32.3**	**(12.6)**	**0.1**	**0.8**	**(411.8)**

* Includes accrued interest at 26 December 2020 of £2.3 million (2019: £1.6 million) and prepaid bank fees of £4.3 million (2019: £2.8 million). The movement in these balances in the period of £0.8 million is shown in the table above as 'Other non-cash movements' in Borrowings.

10. Events after the statement of financial position date

On 9 March 2021 the Group extended the maturity date of £430 million of its core debt facilities from March 2024 to March 2025.

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax assets and liabilities of UK companies within the Group have been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% rate been substantively enacted on or before 26 December 2020 it would have had the effect of increasing the deferred tax asset by £0.3m and increasing the deferred tax liability by £7.5m.

11. Alternative performance measures

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

Change in alternative performance measures

Some of the Group's key metrics have been restated for the 52 weeks ended 28 December 2019, to include start-up losses for new sites and the impact of IFRS 16, which were both excluded in 2019. The changes have been made to simplify the reporting of alternative performance measures and improve comparability of year on year metrics. This has impacted Adjusted EBITDA, Adjusted operating profit, Adjusted profit before tax, free cash flow and Adjusted earnings and hence Adjusted basic and diluted earnings per share. The following table provides details of the changes:

£ million	Adjusted EBITDA	Adjusted operating profit	Adjusted profit before tax	Adjusted earnings	Free cash flow
As previously reported	153.5	105.2	89.1	73.5	51.1
Start-up losses for new sites	(15.5)	(15.5)	(15.5)	(15.5)	(15.5)
IFRS 16 impact	12.9	_	(2.2)	(2.2)	11.3
Tax on the above items	–	–	–	3.6	–
As restated	**150.9**	**89.7**	**71.4**	**59.4**	**46.9**

Like-for-like ("LFL") revenue

The Group defines LFL revenue as revenue from continuing operations adjusted for the revenue generated from businesses closed or sold in the current and prior year, revenue generated from businesses acquired in the current and prior period and the effect of foreign currency movements. The Directors believe LFL revenue is a key metric of the Group's revenue growth trend, as it allows for a more meaningful comparison of trends from period to period.

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

£ million	**2020**	2019	Change %
Statutory revenue	**1,793.5**	1,885.9	(4.9%)
Revenue from acquisitions	**(54.0)**	(31.0)	
Revenue from closed and sold businesses	**(18.4)**	(44.3)	
Effect of currency movements	**0.8**	–	
Like-for-like revenue	**1,721.9**	1,810.6	(4.9%)

The following table provides the information used to calculate LFL revenue for the UK segment.

£ million	**2020**	2019	Change %
Statutory revenue	**1,566.6**	1,652.5	(5.2%)
Revenue from acquisitions	**(54.0)**	(31.0)	
Revenue from closed and sold businesses	**(18.4)**	(44.3)	
Like-for-like revenue	**1,494.2**	1,577.2	(5.3%)

The following table provides the information used to calculate LFL revenue for the US segment.

£ million	**2020**	2019	Change %
Statutory revenue	**146.5**	130.6	12.2%
Effect of currency movements	**0.6**	–	
Like-for-like revenue	**147.1**	130.6	12.7%

The following table provides the information used to calculate LFL revenue for the China segment.

£ million	**2020**	2019	Change %
Statutory revenue	**80.4**	102.8	(21.8%)
Effect of currency movements	**0.2**	–	
Like-for-like revenue	**80.6**	102.8	(21.6%)

Adjusted EBITDA and adjusted operating profit

The Group manages the performance of its businesses through the use of 'Adjusted EBITDA' and 'Adjusted Operating Profit', as these measures exclude the impact of items that hinder comparison of profitability year-on-year. EBITDA is generally defined as operating profit/(loss) before depreciation and amortisation. In calculating Adjusted EBITDA and Adjusted Operating Profit, we exclude restructuring costs, asset impairments, and those additional charges or credits that are considered significant or one-off in nature. In addition, for Adjusted EBITDA we exclude the share of results of associates after tax and share scheme charges, as this is a non-cash amount. Adjusted operating profit margin is used as an additional profit measure that assesses profitability relative to the revenues generated by the relevant segment, it is calculated by dividing the Adjusted Operating Profit by the statutory revenue for the relevant segment. The Group calculates Adjusted EBITDA on a pre-IFRS 16 basis for the purposes of determining covenants under its financing agreements.

The following table sets out a reconciliation from the Group's Operating profit to Adjusted EBITDA.

£ million	2020	2019 As restated
Operating profit	**62.0**	69.4
Depreciation	**66.1**	59.7
Amortisation	**0.5**	0.5
EBITDA	**128.6**	129.6
Exceptional items (Note 3)	**21.6**	20.3
Share scheme charges	**1.2**	1.9
Loss/(profit) on disposal of property, plant and equipment	**0.9**	(0.4)
Share of results of associates after tax	**(0.1)**	(0.5)
Adjusted EBITDA post IFRS 16	**152.2**	150.9
Less IFRS 16 impact	**(13.0)**	(12.9)
Adjusted EBITDA pre IFRS 16[1]	**139.2**	138.0
Covenant Adjustments	**6.6**	18.1
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)	**145.8**	156.1

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

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

The following table provides a reconciliation from Operating profit to Adjusted Operating profit.

£ million	2020	2019
Operating profit	**62.0**	69.4
Exceptional items (Note 3)	**21.6**	20.3
Adjusted Operating Profit	**83.6**	89.7
Adjusted Operating profit margin	**4.7%**	4.8%

Operational net debt and leverage

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

£ million	26 December 2020	28 December 2019
Group net debt (Note 6)	**(411.8)**	(432.4)
Unamortised fees	**(4.3)**	(2.8)
Interest accrual	**2.3**	1.6
Lease liabilities recognised under IFRS 16	**80.4**	78.8
Group operational net debt	**(333.4)**	(354.8)
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)	**145.8**	156.1
Leverage (Operational net debt/Adjusted EBITDA pre IFRS 16 and including covenant adjustments)	**2.3**	2.3

Free cash flow

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

£ million	2020	2019 As restated
Net cash generated from operating activities	**88.5**	114.0
Dividends received from associates	**0.1**	0.2
Purchases of property, plant and equipment	**(56.4)**	(98.9)
Purchases of property, plant and equipment relating to development projects	**–**	17.5
Proceeds on disposal of property, plant and equipment	**0.1**	1.1
Cash impact of exceptional items	**3.6**	13.0
Refinancing fees	**4.2**	–
Free cash flow	**40.1**	46.9

Adjusted earnings per share

The Group calculates Adjusted basic earnings per Ordinary share by dividing Adjusted earnings by the weighted average number of Ordinary shares in issue during the year. Adjusted earnings is calculated as profit attributable to equity holders of the Company adjusted to exclude exceptional items as presented in the consolidated income statement 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 attributable to equity shareholders of the Company to Adjusted earnings.

£ million	2020	2019 As adjusted
Profit attributable to equity shareholders of the Company	**34.1**	36.9
Exceptional items (Note 3)	**21.6**	20.3
Accelerated finance costs	**1.7**	–
Change in fair value of derivative financial instruments	**(3.4)**	7.3
Tax on the above items	**(3.8)**	(5.1)
Adjusted earnings used for the adjusted earnings per share calculation	**50.2**	59.4
Add back: Tax on adjusted profit before tax	**13.9**	12.0
Adjusted profit before tax	**64.1**	71.4
Effective tax rate on underlying activities (Tax on Adjusted profit before tax/Adjusted profit before tax)	**21.7%**	16.8%

Number of shares

'000	2020	2019
Weighted average number of Ordinary shares	**579,426**	579,426
Effect of dilutive Ordinary shares	**4,193**	3,922
Weighted average number of diluted Ordinary shares	**583,619**	583,348

	2020	2019
Adjusted basic earnings per share	**8.7p**	10.3p
Adjusted diluted earnings per share	**8.6p**	10.2p

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, impairment of assets and profit on disposal of subsidiaries less tax at the Group's effective tax rate. Invested capital is defined as total assets less total liabilities excluding net debt at the period end, pension assets and liabilities (net of deferred tax) and fair values for derivatives not designated in a hedging relationship. The Group utilises ROIC to measure how effectively it uses invested capital. Average invested capital is the simple average of invested capital at the beginning 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.

£ million	2020	2019 As restated
Operating profit	**62.0**	69.4
Exceptional items (Note 3)	**21.6**	20.3
Adjusted operating profit	**83.6**	89.7
Taxation at the underlying effective rate	**(18.1)**	(15.1)
Adjusted operating profit after tax	**65.5**	74.6
Invested capital		
Total assets	**1,449.2**	1,463.1
Total liabilities	**(851.1)**	(897.4)
Net debt at period end	**411.8**	432.4
Derivatives not designated as hedges	**0.3**	3.5
Retirement benefit scheme surplus	**(11.2)**	(9.7)
Deferred tax liability on retirement benefit scheme	**2.1**	1.6
Invested capital	**1,001.1**	993.5
Average invested capital for ROIC calculation	**997.3**	933.9
ROIC (%)	**6.6%**	8.0%

ROIC excluding development projects

The Group's development projects were completed during 2019 and all sites are now fully operational. Therefore ROIC excluding development projects is no longer a relevant returns metric for the business.

12. Statement of Directors' responsibilities

We confirm that to the best of our knowledge

• the Group financial statements, which 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, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

• the announcement includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces

Approved on behalf of the Board by:

A Gudmundsson
Chief Executive Officer

B Waldron
Chief Financial Officer

15 March 2021