

RESILIENCE BRILLIANCE



Introduction

We continue to create and supply high-quality bread and cakes through a variety of brands and channels.

We supply major retailers and the foodservice channel across the UK, and in Europe, with proprietary, own brand and licensed brand bread and cakes.

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We have continued to serve a diverse mix of customers.

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The robust performance delivered by the Group for the full year ended 26 June 2021 is testament to the resilience of our business.

Peter Baker
Non-Executive Chairman

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Chief Executive's Report

It is testament to the hard work and commitment of our teams that we have been able to successfully manage and adapt the business.

John Duffy
Chief Executive Officer

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Engaging with Our Stakeholders

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement.

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Sustainable Approach

Sustainability metrics and goals are embedded within all business strategies and key to reducing our environmental impact.

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People Who Care

We launched our Health and Wellbeing Strategy which includes three pillars: mental, physical and financial health.

Strategic Report

Highlights

Resilient Group Revenue

Summary

The full year figures represent twelve months trading in the pandemic environment compared to three months in the previous year. It also embraces six months trading post Brexit. The year on year growth across all metrics reflects how resilient the Group is and how well it can adapt in an environment of uncertainty.

- Group revenue up 2.3% to £313.3m.
- Group EBITDA^{o1} up 2.5% to £26.9m.
- Profit before tax up 493% to £17.0m.
- Adjusted Basic EPS^{o2} (pence per share) 9.1p (2020: 7.9p).
- Strong cash generation driving down net bank debt down from £26.5m to £13.1m (excluding IFRS 16 debt), reducing leverage to 0.5 times annualised EBITDA of the Group (2020: 1.1 times).
- The Group's Operating Brilliance Programme continues to drive improvements in operational variances, with gross margin increasing 1.7% to 32.9%.

Strategic Highlights

- Extremely positive second half performance with second half revenues up 9.1% against the corresponding period in the prior year.
- Progressive improvement year on year with retail up 5.8% and foodservice down 14.9% as it recovers from Covid impact.
 - The foodservice business continues to improve with second half revenues up 4.6% against the comparative period in the previous year.
- Significant growth in overseas division up 13.4% against the previous year.
- Investment in capital projects of £6.2m, including:
 - A new frozen dough ball facility commissioned in Manchester;
 - Additional 50% capacity in state-of-the art artisan bread production equipment.
- Further innovation in line with consumer trends with:
 - Award-winning Free From and vegan cakes; and
 - Launch of vegan doughnuts and a range of artisan gluten-free breads.
- Continued double-digit growth in artisan sourdough breads.
- Product excellence illustrated by the winning of several Quality Food and Drink 'Q' Awards.
- Continued investment in development, engagement and the health and wellbeing of employees.

In order to understand the business performance, adjusted measures for the Group are presented which exclude the impact of significant non-recurring items and other items to present adjusted EBITDA, operating profit and profit before tax. In the opinion of the Board the adjusted measure allows shareholders to gain a clearer understanding of the trading performance of the Group. The analysis below shows the movement from adjusted to statutory measures, the figures are for the 52 weeks ended 26 June 2021 and 52 weeks ended 27 June 2020:

Adjusted EBITDA

	2021 £000	2020 £000
Adjusted EBITDA	26,904	26,248
Significant non-recurring items – (See Note 4)	958	(10,331)
Difference between Defined Benefit Pension Scheme charges and cash cost	473	200
Movement in the fair value of foreign exchange contracts	696	(73)
Adjustments, significant non-recurring and other items	.2,127	(10,204)
EBITDA	29,031	16,044

Adjusted Operating Profit

	2021 £000	2020 £000
Adjusted operating profit	16,100	14,939
Significant non-recurring items – (See Note 4)	958	(10,331)
Difference between Defined Benefit Pension Scheme charges and cash cost	473	200
Movement in the fair value of foreign exchange contracts	696	(73)
Adjustments, significant non-recurring and other items	.2,127	(10,204)
Operating profit	18,227	4,735

Adjusted Profit Before Tax

	2021 £000	2020 £000
Adjusted profit before tax	15,126	13,728
Significant non-recurring items – (See Note 4)	958	(10,331)
Difference between Defined Benefit Pension Scheme charges and cash cost	249	(56)
Movement in the fair value of foreign exchange contracts	696	(73)
Discounting of deferred consideration	(105)	(14)
Movement in the fair value of interest rate swaps	89	(386)
Adjustments, significant non-recurring and other items	1,887	(10,860)
Profit before tax	17,013	2,868

^{o1} The Group uses Alternative Performance Measures (APMs) which are non-IFRS measures to monitor performance of its operations and of the Group as a whole. These APMs along with their definitions are provided in the Adjusted EBITDA, Operating Profit and Profit Before Tax tables and the tables in the Financial Review section. APMs are disclosed as, in the opinion of the Board, this will allow shareholders to gain a clearer understanding of the trading performance of the Group.

^{o2} Adjusted EPS has been calculated using profit, excluding amortisation of intangibles, significant non-recurring and other items as shown in the tables above net of associated taxation. In the opinion of the Board, the adjustments made will allow shareholders to gain a clearer understanding of the trading performance of the Group.

Group Performance Measures

Group Revenue

£313.3m

up 2.3%

Statutory Measures

o2

Adjusted EBITDA^{o1}

£26.9m

up 2.5%

EBITDA

£29.0m

Adjusted Operating Profit^{o1}

£16.1m

up 7.8%

Operating Profit

£18.2m

Adjusted Profit^{o1} Before Tax

£15.1m

up 10.2%

Profit Before Tax

£17.0m

Adjusted Basic EPS

9.1p

up 15.2%

Basic EPS

9.8p

Capital Investment

£6.2m

up 31.6%

o2

Net Debt (excl leases)

£13.1m

down 50.4%

Net Debt (incl. leases)

£23.7m

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^{o2} Measures that do not vary are shown in the first column only.

Our Business

Our business is split into UK bakery and overseas. The UK bakery manufactures and sells bakery products to the UK's multiple grocers and foodservice sectors. More information on manufacturing, products and customers is shown below.

Manufacturing

Finsbury Food Group includes eight manufacturing facilities and bakery companies (including two facilities in the newly acquired Ultrapharm Group) and one distribution company.

Fletchers Bakeries

📍 Sheffield

Johnstone's Food Service

📍 East Kilbride

Kara Foodservice

📍 Manchester

Lightbody of Hamilton

📍 Hamilton

Memory Lane Cakes

📍 Cardiff

Nicholas & Harris

📍 Salisbury

Ultrapharm UK

📍 Pontypool

Ultrapharm Poland

📍 Rybarzowice and Żywiec,
Poland

Lightbody Europe

(distribution company)

📍 Rennes, France

Our Customers

Our UK bakery segment supply supermarkets, discounters and convenience stores within the retail sector and hotels, pubs, restaurants, high street chains, fast food outlets and contract caterers within the UK foodservice sector.

Our overseas businesses supply the retail sector in France, Benelux, and Switzerland where cake has seen real growth over recent times. The Ultrapharm business has extended us into additional markets of Poland, Scandinavia and Italy.

Our Products

We make a wide range of cake and bread products to serve the UK retail and foodservice markets. Our cake products are retailer own label and licensed brands, our bread products are retailer/wholesaler label with our Kara foodservice brand representing a significant proportion of our total foodservice business.

Bread, Morning Goods and Cakes

- Speciality breads
- Buns and rolls
- Celebration cakes
- Sharing cakes
- Snacking cakes
- Gluten-free bread, morning goods and cakes

Kara Foodservice

Kara is our own foodservice brand. The Kara brand covers an ever-growing portfolio of savoury and sweet baked goods, including floured baps, artisan breads, brioche buns and single serve cakes focusing on the latest consumer trends.

Licensed Brands

We have a long-standing relationship with many licensed brands, manufacturing quality bread and cakes for some of the biggest names in the market.

Mars

The Mars cake range is now one of the top performing brands within the category. You can find a celebration cake and/or a sharing cake across most of their iconic brands i.e. Galaxy, Twix, M&M's and Maltesers in retail outlets. The success and popularity of this product range can be closely attributed to the careful development of product flavour profiles that align with the respective confectionery brand. The Mars sharing cake range has been a key contributor to the sharing category over the last 12 months.

Thorntons

Our long partnership with Thorntons has allowed us to bring to market a range of premium confectionery products in celebration, sharing, snacking, food to go and seasonal cake formats. Thorntons is the 5th biggest brand within the cake category and the biggest single brand in celebration cake overall.

BOSH!

This plant based, vegan friendly brand is now a year old, with a product range that includes celebration, sharing and food-to-go categories. Working closely with brand founders and friends Henry Firth and Ian Theasby we continue to develop innovative products that meet the ever-growing vegan consumer and BOSH! fan's needs. The BOSH! brand is now seen as the no.1 go to brand for everything vegan.

Mary Berry

Now in our sixth year of partnership we continue the evolution of our Mary Berry product range. The Mary Berry brand is now established as a core staple within cake, across both celebration and sharing cake categories.

Diageo

Our relationship with Diageo has now evolved across key brands such as Baileys, Guinness, and Gordon's. This partnership has allowed us to develop on trend product profiles that meet that ever popular "boozy cake" trend, delivering both in taste and occasion needs. The product range stretches across celebration, snacking and seasonal areas and has become an integral part of our branded portfolio.

Character Licensed Portfolio

We have a broad and unique portfolio of character-based entertainment licences that meet a broad age range and diverse consumer occasions. We work with some of the biggest character licensed brands in the world. Our ever-evolving portfolio is vital in meeting consumer trends and expectations. We continue to build on our range of nut-free celebration cakes by leveraging our key brands and in turn to meet the growing demands of this market. With a range that covers everything from movie to gaming based and collectable toy licence properties, we work with some of the biggest globally recognised brand owners, for example Disney, Warner Bros. Xbox, Nintendo, Hasbro and Universal and we are able to bring to market leading celebration cakes that meet every birthday age that the consumer is looking for.

Disney

Disney has continued to perform strongly for the business even in light of the last 12 months. With established listings across our UK and French customer base, we have continued to develop and launch new products and large cake formats under key evergreen Disney and Marvel franchises such as Frozen, Princesses, Cars, Toy Story, Avengers and Spiderman.

TGI Fridays

The TGI Fridays collaboration is new to our portfolio but has been borne out of meeting the growing dessert trend within the market. Our new range of American themed treat cakes are perfect for all sharing occasions and has ably fulfilled a gap in the market.

Vogel's

Alfred Vogel was a pioneering Swiss nutritionist who used natural ingredients. Vogel's loaves are baked without added sugar, emulsifiers, enzymes, or artificial preservatives or flavourings, and are bursting with seeds and grains.

Village Bakery

The range of organic fresh rye bread brands for those looking to avoid wheat. All made with no added yeast, emulsifiers, or enzymes.

Crank's

Wholesome, simple, nutritious bread baked with organic stoneground wholemeal flour and fermented for longer, made without any additives such as emulsifiers and enzymes.

Market Review

An overview of the markets we operate in, and a summary of the key trends we aim to take advantage of.

Our Markets

Market conditions in the last 18 months have unsurprisingly been entirely shaped by the ongoing Covid-19 pandemic with overall demand for food and drink (both in-home and out-of-home) fluctuating significantly, shaped by national, regional and local lockdowns and restrictions.

Retail

Grocery

Total retail grocery sales since the start of the pandemic have increased by £10.1 billion (source: IRI, July 2021) and are currently still tracking ahead of 2019's pre-pandemic levels. We are now starting to see a rebalancing in shopper behaviour with many pre-pandemic trends starting to return suggesting that the road back to normality is underway. As a nation we are now shopping more often again, later in the week (a trend which changed significantly in 2020) and are spending less per trip. Momentum is returning to those channels which struggled at the height of the pandemic such as the discounters and high street, while the convenience channel which saw a huge growth in the first few months of the pandemic has now returned to more familiar levels. Online share of the grocery market doubled during the pandemic and continues to be significantly higher than 2019 but has also fallen back from its peak share.

Cake

The Company is one of the largest ambient cake manufacturers in the UK, a market valued at over £980.0 million (source: IRI 52 w/e July 2021). We trade across all major categories, with large presences in celebration cake, sharing cake and seasonal categories.

Bread

The retail bread and morning goods market has a value of £5.1 billion and has grown by 6% year on year (source: Kantar Worldpanel 52 w/e July 2021). We have sizeable presences in buns and rolls, hot cross buns and artisan bread.

Free From

The retail Free From cake market is valued at £52.0 million (source: Kantar Worldpanel 52 w/e May 2021) and the retail Free From bread and morning goods market is valued at £145.0 million (source: Kantar Worldpanel 52 w/e July 2021).

£52.0m

Retail value of the Free From cake market as of May 2021.

Out-Of-Home

The UK out-of-home market spans many sub-sectors including coffee chains, restaurants, pubs, hotels and the non-profit sector such as the prison service or education. Each has different routes to market. The forecast value of the total UK out-of-home market size in 2021 is £63.0 billion (source: Lumina Intelligence), growth of circa one third compared to a heavily pandemic impacted 2020. This equates to the market recovering circa 70% of its 2019 pre-pandemic value. If 2022 sees non-restricted trading then the out-of-home market is set to make a full recovery, grow by 44% to £91.9 billion and exceed its 2019 value (source: Lumina Intelligence).

We have a significant presence in the out-of-home bread and morning goods sector, primarily via our buns and rolls business and with our Kara brand. In sweet treats our presence is primarily within the coffee chains.

70%

Out-of-home market has recovered to 70% of its 2019 pre-pandemic value.

Overseas

Our overseas markets are primarily in Europe, principally France, Benelux and Ireland, with a smaller presence in most other major European countries. The size of these markets is significant, and their structure is similar.

Consumer Trends

Consumer confidence has been weak for some time, and continues to be so despite improvements in Q2 2021 as the staged roadmap to end restrictions has been implemented. Although consumers will remain cautious and price-conscious, they will continue to want affordable treats, so pricing needs to reflect household economics.

The trend towards healthier eating options has been a feature of the UK food and drink market for several years and has continued to evolve. However, indulgence remains a key trend and consumers continue to look to 'sweet-treating' categories for affordable treats. Media focus and regulatory pressure will remain a driver for recipe reformulation, portion size and product innovation. Indeed, new legislation targeting a number of 'High Fat, Salt and Sugar' (HFSS) categories including cake and morning goods is due to come into effect in 2022. This will lead to changes in the way these categories are advertised, displayed and promoted in store and online.

Long-term social and demographic trends have a major bearing on the food sector. These include the rise of smaller households, single-person mealtimes, an ageing UK population, growing urbanisation, and an increasingly mobile population (although this has stalled due to Covid-19) with less time to eat. This growing fragmentation of consumers, channels, eating moments and needs is translating into increasing demand for personalised products to meet individual needs. As a result, single-serve and individually wrapped products are becoming more prevalent and important. The latter may continue to gain popularity as a consequence of the Covid-19 pandemic with food safety and hygiene featuring higher on the list of consumer priorities.



Although consumers will remain cautious and price-conscious, they will continue to want affordable treats, so pricing needs to reflect household economics.

Strategy and Objectives

Our Purpose, Strategy and Operating Principles provide a vision and framework for strategic governance, creating value, sharing best practice and working effectively as a Group.

Our Purpose

**Baking
brilliance
makes every
day special.**

Our Purpose

People love the high-quality products we make. They are essential parts of their daily lives and offer enjoyable treats and choices for every occasion. So, we are committed to building the leading speciality bakery group – because baking brilliance makes every day special.

Our Vision and Strategy

Our strategic objective is to create sustainable value for our shareholders, customers and other stakeholders by building the leading speciality bakery group.

We produce a broad range of high-quality bread, cake and bakery snacking products targeted at growing channels and market niches. These offer growth potential and differentiation for our major customers, while fulfilling the changing needs and desires of end consumers.

To achieve this our strategy is to:

- Invest in our people and our manufacturing sites to form a strong foundation for our strategy.
- Create innovative, high-quality bakery products that anticipate key market trends.
- Ensure customer and consumer needs are at the heart of our decision making.
- Develop a strong licensed brand portfolio to complement our core retailer brand relationships.
- Aim to succeed in both the retail grocery and out-of-home channels in the UK and in Europe.
- Grow through a combination of organic growth and targeted acquisitions.

Our Operating Principles

To achieve baking brilliance, we have to constantly raise standards and work effectively as a Group. The Finsbury Operating Principles are a set of practical commitments and guidelines for how we run our business, and which bring our strategy to life in our day-to-day work.

Increasingly all stakeholders in our business are looking to understand our Environmental, Social and Governance (ESG) credentials. The Operating Principles by their nature incorporate our ESG commitment. The pages dedicated to expanding on our Business Model, together with the case studies, give good examples in support of our ESG agenda. Appropriate KPIs are in place to measure our progress (some of the key metrics are given on pages 26 and 27).

Operating Excellence

We continually invest in our bakeries to improve our efficiency and customer satisfaction.

Sustainable Approach

We optimise our use of resources and focus on reducing waste throughout our supply chain and in our bakeries.

Quality and Innovations

Our innovative, high-quality bakery products reflect changing customer needs and anticipate key market trends.

Cost Effectiveness

We maintain strict cost controls without compromising quality, streamlining our processes from sourcing to delivery.

Growth with Our Partners

Through long-term relationships with our customers and suppliers, and an understanding of their needs, we can all enjoy profitable growth.

People Who Care

We invest in our people, who take personal pride in their contribution to our success, and are strong advocates of our business and products.

Business Model

Our vision is to be a leading speciality bakery group, producing a broad range of high-quality products targeted at growing channels and market niches, which deliver growth and differentiation for our customers while fulfilling the needs of end consumers.

The Resources We Employ

Financial Capital

The Company is AIM-listed giving it the potential to access institutional funding. The Group also benefits from bank support for strategic investment and acquisitions.

- 3 banks supporting total facilities up to £90.0 million.
- Scottish and Welsh businesses benefit from local government initiatives to promote investment and employment opportunities.
- Low leverage with net debt to EBITDA of 0.5x.

Relationship Capital

- Long-term relationships with key partners, suppliers and customers.

Intellectual Capital

- Extensive speciality bakery product know-how, category insight and understanding.
- Extensive customer relationships in both the retail and foodservice sectors in the UK, France and throughout Europe.
- Known brand in foodservice in the UK.
- Licence arrangements with brand owners in the UK and in Europe.

Manufacturing Capital

- Plant and machinery well invested and maintained, with flexibility to cover niche to mainstream products.
- Ownership of all major sites, with available space for new production or consolidation of facilities.
- Common Group IT ERP platform.

Human Capital

- Structured people strategy to attract and retain employees and to provide training to ensure they are given the skills required for their roles.
- Talent management programme to attract and develop graduates and other employees.
- Structured learning programmes and performance development review process.

Social and Natural Capital

- Signed up to Fairtrade, sustainable sourcing for ingredients.
- Food safety and technical standards are maintained to the highest level.
- Health and Safety (H&S) is a top priority for the Group, with a largely uniform H&S system across the business units and the drive forward of the "HomeSafe Every Day" strategy.

Operating Excellence

- Our Operating Brilliance Programme has a number of workstreams that deliver Operating Excellence:
 - Process Blueprint is a product design framework delivering quality and efficiency. It ensures a standardised process across all bakeries with results evidenced by increased efficiencies and lower waste;
 - The Engineering Forum provides all bakeries with common engineering standards and approaches. This forum embraces the asset care programme optimising the performance of our production assets;
 - The newly formed Operational Forum retains the momentum from the initiatives and forum above; and
 - A newly formed Supply Chain Forum is designed to optimise inbound and outbound material and product flow.
- Sustained strategy to invest in the capability and capacity of our manufacturing assets:
 - Automated single-serve cake bar packing, improving capability and cost effectiveness;
 - New frozen doughball line targeted at the foodservice sector; and
 - New gluten-free bakery in Poland with modern travelling ovens, improving capacity and efficiency.
- Optimisation of Group-wide common IT platform.

Sustainable Approach

- Following a successful trial on localised energy monitoring, which resulted in a 10% reduction of energy, this initiative is being rolled out across the business. All key assets in all bakeries will have localised energy monitoring in place to enable measurement of key energy reduction projects.
- We continue to drive conversion to LED lighting across the Group, making progress at all sites with a Group conversion rate of around 60% to date.
- We have engaged with specialist Group-wide providers in waste management to drive our zero waste to landfill target across all sites by the end of 2020 and are working with WRAP to identify further opportunities to reduce waste at source. Our Operating Brilliance Programme has focused on waste reduction, delivering some significant benefits. For example, work in this area has delivered a 25% year on year reduction in waste at one of our bakeries.
- We are continuing to drive plastics reduction by optimising pack sizes wherever possible. Significant work has been undertaken to ensure all plastics are recyclable. Currently almost all our plastic packaging is recyclable with over 90% of it being readily recyclable in the UK.



For more information
See pg 20-21



For more information
See pg 22-23

Quality and Innovations

- Extensive insight capabilities mean new product development is in line with market trends.
- Over 60 employees are engaged in developing new products.
- Manufacturing Process Blueprint embraces the production of high-quality premium products.
- All sites hold BRC A-grade or above for food safety standards.
- The Health agenda is embedded into the development process, with over 98% of products achieving 2017 FSA salt targets. Good progress has been made across all categories in reducing sugar in line with PHE targets, and further research is underway to achieve their 2020 objectives.

 For more information
See pg 24-25

Cost Effectiveness

- Centralised Group buying is focused on high-quality and cost-effective ingredients and efficiency of scale in the procurement of indirect items (e.g. personal protective equipment).
- Operational excellence initiatives are focused on achieving lowest-cost-producer status in areas where we have niche strength (e.g. artisan breads or round sharing cake).
- Our capital investment is focused on capability and cost reduction.

 For more information
See pg 28-29

Growth with Our Partners

- Our scale and diversity of products across UK bakery means the relationship with grocery retail customers is a partnership.
- Our business with discounters is growing in line with their growth within UK grocery.
- Our channel diversification into foodservice, our Kara foodservice brand, and our broad frozen foodservice range of products see us as the leading foodservice partner.
- We are growing with partners in the UK and across the rest of Europe in both bread and cakes.
- Our Lightbody Europe subsidiary in France and the Ultraplarm business in Poland gives a growing presence in Europe.

 For more information
See pg 34-35

Creating Value

Value for Shareholders

Using our Operating Principles achieves our Purpose and Strategy, creating long-term shareholder value through share price growth and attractive dividends. Success in our Operating Brilliance Programme has played a significant role in the improvement of gross margin of 1.7% to 32.9%. A reduction in debt of £13.4 million with the debt to EBITDA ratio being 0.5x at the year end, is testimony to the success of the initiatives progressed during the year and to the strength of the Company's balance sheet.

Bread and Cakes for Customers and Consumers

We define ourselves as a speciality bakery group. Everything we do is with a view to achieving baking brilliance. We are predominantly a 'retailer brand' manufacturer, but target our product development at 'wowing' consumers, in line with emerging trends and shopping evolution. We constantly innovate and refresh our hot cross buns, artisan breads, celebration cakes, sharing cakes, Christmas yule logs, and our Kara range of foodservice bakery products. We are rapidly expanding our range of gluten-free products in both bread and morning goods and cake.

We measure success by the closeness of our long-term relationships with our retail and foodservice partners, by our growing presence in the discounter and convenience channel, and by the growth in our Foodservice business, where we are one of the leading suppliers in bakery.

Our products reach a broader base of consumers through a strategy to diversify across all UK channels and European markets. Our customer base is broad, and having no single dependency lowers risk and creates value.

Employment and Development Opportunities for Individuals and Communities

People are important to our business. We have over 3,000 employees, ranging from unskilled, through semi-skilled, to management. Opportunities exist within all our bakeries for training and development programmes and talent management initiatives. We recognise potential and develop skills, facilitating personal development and advancement. Our 'People-Who Care' Operating Principle, and initiatives that support it, reflect the importance of people to our business.

Tax Paid

Finsbury generates substantial tax for the country. Our employees pay tax on their earnings and the Company pays national insurance on those earnings. The Company pays Corporation Tax with an effective tax rate of circa 19.8% (French corporation tax rates 28.0% from 1 January 2020), as well as paying indirect taxes such as packaging, apprenticeship levies and in areas such as energy, where there are significant government imposed renewable taxes. Our French and Polish-based subsidiaries pay similar taxes in their respective jurisdictions.

People Who Care

- A health and safety risk management team with their mantra of 'HomeSafe Every Day' is supported by resource and a common Group-wide strategy and programme.
- Our values of teamwork, honesty, ownership, respect and communication are fundamental to the business.
- The Workplace by Facebook communication tool is transforming communication with and between employees.
- We offer a people strategy for all employees, embracing courses in basic English, an engineering apprenticeship programme, a graduate recruitment programme and leadership development programmes.
- Biennial employee survey to obtain our employees' views.

 For more information
See pg 38-39

Chairman's Statement

The robust performance delivered by the Group for the full year ended 26 June 2021 is testament to the resilience of our business, the strength of the management team, the efforts of the whole Finsbury team and our well-defined strategy.

The whole of this financial year has been affected by the external management of the pandemic. This has created challenges both within our business and our end markets. Our ongoing priority over the period has been to ensure the safety of our employees whilst maintaining excellent continuity of supply to our customers and consumers. Without the hard work and dedication of our teams, in incredibly challenging circumstances, we would not have been able to deliver the performance we have achieved.

RESILIENCE



It has been an extraordinary year for the people of Finsbury with daily challenges for everyone, both professionally and personally.

Pleasingly, the Group has been able to adapt, develop and strengthen over the course of the year, resulting in year-on-year revenue growth and a total sales figure almost at pre-pandemic levels. Our focus on strategic execution has not wavered and we have continued to make progress against our objectives to ensure that our businesses operate as one cohesive unit with a greater uniformity of processes and procedures and better communication.

A Resilient Performance

The resilience and determination of the business has ensured we have delivered a very encouraging performance, despite the continued impact of the pandemic. The full-year figures reflect a period completely impacted by Covid-19 and compares with a previous year period which included a six-month period of strong growth, which pre-dated the onset of the pandemic.

Group revenue was £313.3 million (2020: £306.3 million), adjusted EBITDA increased by 2.5% to £26.9 million (2020: £26.2 million), adjusted profit before tax increased by 10.2% to £15.1 million (2020: £13.7 million) and the Group delivered EPS of 9.8p. There have been good improvements in cost and cash performance with a significant strengthening of the Group's net bank debt position by year end to £13.1 million, a decrease of 50.4%.

Retail sales have performed well and grown year-on-year which largely compensated for the shortfall in foodservice sales which represented 20.0% of the Group's total revenue, pre-Covid. Although foodservice was slower to recover than originally anticipated, as a result of the timing of restrictions, the majority of the shortfall was recovered in the course of year. This resulted in revenue growing versus last year but is still slightly below pre-Covid turnover.

The overall business performance has been enhanced by the Group's successful Operating Brilliance Programme which continued despite Covid restrictions and has delivered improved line efficiencies and lower waste throughout the Group's bakeries.

Dividend

Given the uncertainty at the outset of the pandemic the Board took the decision to withdraw the interim dividend and also decided not to propose a final dividend in the context of the continued uncertainty surrounding the pandemic and Brexit. The Board is recommending a full-year dividend of 2.4 pence per share for the financial year ending 26 June 2021.

Continued Focus on Strategic Execution

Over the past few years Finsbury has been focused on driving operational excellence and achieving 'Baking Brilliance', guided by our Operating Principles. The Finsbury Operating Principles are a set of practical commitments and guidelines for how we run our business. They bring our strategy to life in our day-to-day work.

Indeed, our Process Blueprint is now fully integrated in all aspects of the business and we are seeing excellent results throughout, improving our efficiency and effectiveness and importantly also our sustainability.

We have also throughout the year continued to strengthen and develop our Group IT systems in areas such as supply chain optimisation, product lifecycle management and sales operations and planning.

As a Board, we remain committed to reviewing and evolving the areas of strategic focus to ensure that the Group is always looking to improve and is well positioned to capitalise on the opportunities that present themselves. The process we adopt has developed well over the years, involving more key personnel and has delivered this year the most rigorous and complete outcome, by far.

BRILLIANCE

Our People

It has been an extraordinary year for the people of Finsbury with daily challenges for everyone, both professionally and personally. The strength of our people and culture has continued to shine through and I am proud to be part of such a hardworking and resolute group.

Due to the nature of our business, the majority of our workers are unable to work from home and so have had to balance their roles within our Group with their roles at home. I would like to thank them for the individual sacrifices that they have made and the dedication that they have shown.

I would also like to take this opportunity to say a huge thank you to our executive team, customers, partners, suppliers and shareholders for their continued enthusiasm and dedication and also to the Board for their support and counsel. I look forward to achieving further success together in the future.

A Responsible Business

Acting as a responsible business is at the core of the Group's strategy. Finsbury aims to always operate in an ethical and sustainable way and to help our people play a positive role in the communities where we operate.

We are committed to ensuring our people enjoy a safe working environment and we invest in their development. We all take personal pride in the business's success and remain strong advocates of the business and products.

Being a responsible business also means optimising our use of resources, so we do all we can to reduce waste in our bakeries and throughout our supply chain, minimising our impact on the environment.

Outlook

Whilst we navigate through the consequences of the pandemic's impact on the economy, such as inflation and skilled labour and driver shortages, we remain confident about the Group's continued growth prospects. We have demonstrated the strength of our team and our ability to adapt and evolve in response to changing circumstances. As a result, we are emerging from the shadow of the pandemic a stronger and more united business, focused on our goal of becoming the leading speciality bakery group.



Peter Baker
Non-Executive Chairman
17 September 2021

Chief Executive's Report

The period under review has been incredibly challenging with market conditions and channel dynamics being entirely shaped by the ongoing Covid-19 pandemic. The overall demand for food and drink (both in-home and out-of-home) has fluctuated significantly, shaped by national, regional and local lockdowns and restrictions. However, it is testament to the hard work and commitment of our teams that we have been able to successfully manage and adapt the business, resulting in year-on-year revenue growth and a total sales figure almost at pre-pandemic levels.

COMMITMENT



It is testament to the hard work and commitment of our teams that we have been able to successfully manage and adapt the business.

Robust Performance Despite a Difficult Trading Environment

The Group delivered a strong second half performance, with H2 revenues up 9.1% against the corresponding period in the previous year despite further Covid unlocking delays. This strong performance has resulted in revenues for the year increasing 2.3% to £313.3 million (2020: £306.3 million), which is almost at pre-pandemic levels (2019: £315.3 million).

9.1%

H2 revenues up against the corresponding period in the prior year.

Revenue in the Group's core division, UK bakery, increased 0.8% for the full year, driven by a strong second half with H2 revenues up 6.8% versus the previous year. The recovery of the Group's foodservice business has continued, although slower than expected due to ongoing Covid restrictions.

Overseas revenues for the full year were up 13.4% against the previous year. This was driven by an extremely positive performance in the second half versus the corresponding period in the previous year, which was negatively impacted by earlier implementations of Covid lockdowns across Europe.

The Group's Operating Brilliance Programme continued to drive improvements in cost and cash performance with a significant strengthening of the Group's net bank debt position by year end to £13.1 million, a reduction of £8.4 million from 26 December 2020.



The Group's Operating Brilliance Programme continued to drive improvements in cost and cash performance with a significant strengthening of the Group's net bank debt position by year end to £13.1 million, a reduction of £8.4 million from 26 December 2020.

Developing an Offering for the Times

As we reflect on lockdown sales patterns and study demand profiles as restrictions have eased, the data shows the pandemic has mainly accelerated existing consumer trends rather than triggered new ones. Pre-pandemic, online grocery shopping, for example, had been growing in prevalence for some time, but no one could have anticipated the widespread, almost overnight adoption by large swathes of the country in response to stay at home guidance. While the nation is returning to bricks and mortar stores, online has undoubtedly taken a sizeable share of the market that is unlikely to revert in the near future. In response to this, we have been working with key retail partners to share our cake and celebration cake strategy initiatives in order to ensure we are aligned with their post pandemic online strategies.

Similarly, while demand across categories has ebbed and flowed with restrictions in the period, momentum behind the consumer trends we have seen develop in recent years – vegan, artisan and wellness, for example – has continued to build, and we continue to work with our partners and customers to create new and innovative products in response to them.

In vegan, we now have several touchpoints in both cake and bread, including a range of cakes and a brioche bun developed in collaboration with plant-based food specialist brand BOSH! In artisan, we continued to cement our position as a leader in the segment, investing in state-of-the-art bread production equipment and upping capacity by 50%.

We have also made investments to extend our Free From capability within cake, especially the sharing cake market, and speciality bread ranges with plans to grow further in Free From.

Wellness remains a major trend and we continue to take steps to reduce salt and sugar to ensure all our products can be enjoyed as part of a balanced diet. More than 98% of our products meet the salt content targets of the FSA, and we continue to make good progress against Public Health England's sugar reduction ambitions with content down 12.4% on the previous year versus an 8.2% reduction this time last year.

From a brand portfolio perspective, we continued to go from strength to strength. In the period we were able to deepen our relationships with existing partners such as Mars and Diageo, while adding new ones such as TGI Fridays. The extension of our branded portfolio further into sharing cake has supported the implementation of a robust strategy which is delivering significant category share growth with key customer partners.

As part of our response to Covid, as well as mitigating the various risks, we continue to explore ways to address some of the emerging opportunities presented by the changing consumer landscape, such as more at home lunchtime eating occasions. This will see the Group gradually step-up investment in specific areas of capacity and product capability in the new financial year.

GROWTH

Chief Executive's Report/Continued

In Pursuit of Operational Excellence

In 2019 we rolled out six Group Operating Principles, a set of practical building blocks that establish best practice and how we want to consistently run our businesses. They are:

- **Operating Excellence** – we continually invest in our bakeries to improve our efficiency and customer satisfaction.
- **Sustainable Approach** – we optimise our use of resources and focus on reducing waste throughout our supply chain and in our bakeries.
- **Quality and Innovations** – our innovative, high-quality bakery products reflect changing customer needs and anticipate key market trends.
- **Cost Effectiveness** – we maintain strict cost controls without compromising quality, streamlining our processes from sourcing to delivery.
- **Growth with Our Partners** – through long-term relationships with our customers and suppliers, and an understanding of their needs, we can all enjoy profitable growth.
- **People Who Care** – we invest in our people, who take personal pride in their contribution to our success, and are strong advocates of our business and products.

We are now at a more mature stage in the delivery of our Operating Brilliance Programme and continue to accelerate the development of initiatives to enable Finsbury to operate as a single, efficient Group capable of scale execution, despite the impacts of Covid. Combined, these initiatives are designed to benefit the Group over the long term but we are already seeing tangible benefits in areas such as factory efficiency and waste reduction, which is having a positive impact on our gross margin.

Building on the infrastructure investment made previously, we have continued to strengthen our Group IT systems in areas such as supply chain optimisation, product lifecycle management and sales and operations planning. We are also on the verge of completing the implementation phase of a new Group-wide computerised maintenance management system, which will ensure that the equipment and processes in all bakeries consistently operate to an industry-recognised high standard.

Linked to this is our Process Blueprint project, designed to establish, embed and optimise knowledge of all our processes while encouraging collaboration and exchange of ideas. This is now fully integrated and we are seeing excellent results from both a quality and sustainability perspective.

While the Operating Brilliance Programme pre-dates the pandemic, there is no doubt our experience of managing and adapting to the challenges of the past 18 months has had a significant, positive impact on our efforts to find better ways of working.

One example of this is the programme we have launched with a third-party consultancy to maximise the efficiency of our workforce and give our people the tools and training they need to realise their potential. The vast majority of this has been carried out remotely at a faster pace than we had originally anticipated and is an approach we will continue to take as conditions normalise.

While we are pleased with the operational headway made in the year against a challenging backdrop, there are several key workstreams underway to identify and address additional areas for improvement. With each period, Finsbury is becoming an ever-more optimised organisation, and I look forward to reporting on further progress on this front.

Bringing Our People Closer and Helping Them Succeed

I would like to take this opportunity to personally thank our people across the Group for their continued hard work, determination and commitment through what has been a challenging time for many of them and their families. It is thanks to them we have been able to play a part in keeping food shelves stocked in the territories we serve and they should all be extremely proud of their contributions.

Bringing our teams and people closer together has been a major focus in recent periods and the past year has seen this process accelerate considerably, thanks in large part to the sudden and comprehensive shift to digital. One example of this is the Group-wide health and safety exercise we have been conducting with an external adviser.

The exercise was centred around a series of online focus groups, and subsequently we received responses to a request for feedback from over two and a half thousand colleagues, or more than 75% of the workforce. It is difficult to imagine this level of engagement being possible – particularly not at this speed and scale – without the convenience of the whole exercise taking place remotely. In addition, further roll out of Facebook Workplace, an online communication tool, to connect every member of staff that works for the Group meant that as a management team we were able to update on the process in real time via written and video messages. Workplace has been an invaluable tool throughout the pandemic, not just from a communication perspective but in connecting colleagues and giving people a sense of shared purpose and collaboration.

As we execute against our strategy and the business grows and evolves, so should the roles and responsibilities of the Group Executive Committee. To this end, we have grown the senior team in the period, promoting from within where possible. Our Leadership Development Programmes have been strengthened, our Graduate Recruitment Programme continues to be successful, and our Apprenticeship Programme, which is key to building a pipeline of engineers, is growing in popularity. We have an abundance of talent in the Group and are committed to continuing to develop colleagues and giving those who excel the opportunity to move up through the organisation.

From a wellness perspective, we launched our Health and Wellbeing Strategy in the period, comprising three pillars: mental, physical and financial health. Run by a combination of internal champions and external partners, the programme offers a broad range of support both to colleagues and their families. This is supplemented by various Group-wide campaigns designed to encourage our team members to stay active and healthy which have proven very popular.

A Growing Focus on Sustainability

Finsbury has always prided itself on being a responsible business that acts with integrity and care. Sustainability is in our DNA, with metrics and goals embedded within all our business strategies. Despite the operational challenges in the period related to the pandemic, we continued to make great strides in the period in becoming more energy efficient and reducing waste.

This time last year, we reported on how we were intending to roll out asset energy monitoring across the Group following a successful localised trial. I'm pleased to report this is now complete, and plans are afoot to extend it to water use. We also updated on our Group-wide transition to LED lighting. This has risen from 60% to 70% coverage in the period, and is expected to reach 100% by the end of the current financial year. We also relocated our foodservice frozen storage operations to a new, more energy-efficient facility in the period, achieving an estimated 65% reduction in carbon emissions.

We continue to reduce plastic use and are making good progress towards making all plastics 100% recyclable. Currently, 90% is readily recyclable. At the same time, we remain a certified zero landfill business. Over 80% of all our waste is recycled and we have engaged several third parties to help us improve our output further. I am also pleased to report that from May 2021, all of our electricity is supplied from renewable sources.

We take a Group-wide approach based on our position as a major and responsible employer in the food industry, and supplement it with local initiatives chosen by our employees. In both ways, we ensure we can have a positive impact on the communities where we operate, which has always been an important part of how we do business. At Group level, we support two charities, Grocery Aid and FareShare, both of which are closely aligned to our industry. A high proportion of our workforce live close to our bakeries, putting them at the heart of our local communities. We therefore ask each of our sites to choose a local charity.

partner for each year, to help improve the lives and welfare of the communities we work and live in.

Outlook

The environment in which we operate continues to face headwinds in relation to raw material prices, inflation, and skilled labour and driver shortages. Nevertheless, over the last 18 months the Group has shown its resilience and its ability to adapt, develop and strengthen no matter the circumstances.

Looking ahead, as we move into the new financial year, we will maintain our focus on delivering organic growth, capitalising on the momentum behind the consumer trends we have seen develop in recent years such as vegan, artisan and wellness. We continue to explore ways to address some of the emerging opportunities presented by the changing consumer landscape such as more at home lunchtime eating occasions. This will see the Group focus its investment programme in specific areas of capacity and product capability, as well as further productivity enhancing automation, in the new financial year.



Bringing our teams and people closer together has been a major focus in recent periods and the past year has seen this process accelerate considerably, thanks in large part to the sudden and comprehensive shift to digital.

John Duffy
Chief Executive Officer
17 September 2021

80%

Over 80% of all our waste is recycled.

Engaging with Our Stakeholders

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement. It also provides guidance to the disclosure of non-financial information that is necessary for an understanding of the development, performance, and position and impact of the Company's activity. The Board's aim, collectively and individually, is to always uphold high standards of conduct. When taking decisions, the Board always considers the long-term view and looks to act in the interests of shareholders as a whole and to ensure all shareholders are fairly treated.

Our People

People who care

Pages: **11, 38 and 39**

Report on Corporate Governance
Pages 40-44: **Section 8**

Engagement of employees

Pages: **20, 38 and 39**

Report on Corporate Governance
Pages 40-44: **Section 3**

Our Customers

Growth with our partners

Pages: **15, 16, 34 and 35**

Report on Corporate Governance
Pages 40-44: **Section 3**

Our Suppliers

Growth with our partners

Pages: **16, 34 and 35**

Report on Corporate Governance
Pages 40-44: **Section 3**

The Board also believes that the business will be best served to grow and prosper in the long term if it understands the views and needs of its shareholders and other stakeholders and factors these into its decisions.

Accordingly, engagement with our shareholders and wider stakeholder groups plays a key role throughout our business. We engage with our stakeholder groups in a variety of ways across a range of channels to facilitate information flows in both directions, with a view to ensuring our stakeholders are heard and taken into account in Board decision making, and also to ensure that our stakeholders understand the Group's perspective and needs. Indeed, some of our key stakeholders – our employees ("People Who Care"), our customers and suppliers ("Growth with Our Partners"), and the environment ("Sustainable Approach") - have been built into the very core of the Finsbury business through our Operating Principles. Our "Quality and Innovations" and "Operating Excellence" Operating Principles also embed our commitment to a long-term approach. Our Operating Principles are set out in detail on pages 9 to 11, while examples of how we engage and put our Operating Principles into action are set out throughout this report.

Specific references to stakeholder engagement in this Annual Report are as below.

Our Investors

Dividend

Pages: 13, 36, 47, 54

Our Environment

Responsible Business

Pages: 13 and 17

Focus on sustainability

Page: 17

Sustainable approach

Pages: 6, 22 and 23

Report on Corporate Governance
Pages 40-44: Section 3

Our approach to diversity and equal opportunities is addressed in The Directors' Report set out on pages 47 to 49 and whistleblowing approach is noted in the Audit Committee Report on pages 52 and 53.

This statement is made in conformity with the requirement to explain how Directors fulfil section 172 of the Companies Act 2016.



Find out more

www.finsburyfoods.co.uk

Investors | Reports & Presentation

Operating Excellence

Operating Excellence

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We have successfully delivered the first phase of our Operating Brilliance Programme (OBP) despite the disruption caused by Covid-19. Under the banner of Operating Excellence, we have several key workstreams driving operational benefits along with Team Member education and engagement, the primary ones being our Operating Brilliance Programme, Operations Forum, Supply Chain Forum, Process Blueprint/Product Design Framework, and our Engineering Forum.

SUPPORTING...

The workstreams are strongly supported by our IT function who have developed a management information suite to enable informed decision making and embedded by our Operating Brilliance Leader and Practitioner accredited education programme.

We currently have 80 team members fully trained and accredited across the Group; we intend to double this number in the next year.

80

80 team members fully trained in the Operating Brilliance Leader Programme.

RESTRUCTURING...

The Group embarked on a restructure to move the supply chain to a Group function.

This is now complete and leaves the Group well placed to leverage scale and best practice, and it provides focus on each of the core areas of the supply chain.

ENHANCING...

Our Group Supply Chain Forum initially focused on our Infor M3 ERP, which is now cloud based, and associated systems with a view to enhancing capability and getting the best out of them.

Following a review of how we operate, and how we intend to operate going forward, we are well placed to implement Group-wide supply chain solutions such as Group sales and operations planning, product lifecycle management and supply and demand planning systems.

REVITALISE...

The Group also embarked on a revitalisation of its Sales and Operations Planning Programme as a key pillar in its meeting and reporting schedule and as a tool to manage the business in the medium term.

This has been successfully rolled out across the Group and enables us to identify and address at a more detailed level and provides a platform for supporting business growth and taking advantages of opportunities in a controlled and joined up way of working.



Our aim is to ensure we make fantastic, consistently high-quality, high-margin products in an efficient manner every day.

EMBARKING...

The Group embarked on a partnership with a best-in-class provider of supply chain integration software in the food and drinks industry.

This will provide the Group with an end-to-end supply chain management tool to maximize supply chain efficiency and cost. Its integrated machine learning platform covers demand planning, supply planning and finite scheduling which will see a significant step change in how we operate our supply chain in the future.

STANDARDISING...

Our Process Blueprint/Product Design Framework initiative is driving efficiency and quality improvements in all locations, with the aim of establishing and embedding knowledge of all our processes, enhancing, and embedding them through OBP activities.

Our aim is to ensure we make fantastic, consistently high-quality, high-margin products in an efficient manner every day. Process Blueprint is key to our environmental credentials in terms of reducing resource consumption and waste across the business.

BETTER...

One of the main pillars of Process Blueprint is ensuring that our equipment and processes operate at Operational Excellence Management (OEM) standards or better every day, we are nearing completion of the implementation-phase of a Computerised Maintenance Management System (CMMS) across the Group, coupled with an Asset Care and Management Programme which is linked to our OBP.

Sustainable Approach

Sustainable Approach

Sustainability metrics and goals are embedded within all business strategies and key to reducing our environmental impact. We are implementing a Group-wide environmental system in line with ISO14001 in 2021, to drive a consistent approach to measurement and to deliver a robust legal compliance framework. We have also invested to upweight resource in relation to environmental skills and knowledge.

EFFICIENCY

MONITORING...

Following a successful trial with asset energy monitoring where a 10% reduction in energy was achieved, we have now rolled out this initiative across all UK bakeries.

All key assets now have localised energy monitoring to identify and measure energy reduction opportunities in 'real time.' This monitoring system will be extended to cover water use.

10%

10% reduction in energy was achieved.

CONVERTING...

We continue to drive conversion to LED lighting across the Group.

We are currently over 70% LED and will be 100% by the end of 2021/22 financial year.

70%

Over 70% LED usage across the business.

RENEWABLE...

From May 2021, all our electricity in the UK is now sourced from renewable energy generation.

IMPROVEMENT

65%

We have achieved a 65% reduction in carbon emissions on our frozen storage.

RECYCLING...

We are continuing to drive plastics reduction by optimising pack sizes accompanied with the objective of ensuring that all plastics are recyclable.

Currently over 90% of our plastic packaging is recyclable in the UK.

80%

Over 80% of all our waste is recycled.

90%

Currently over 90% of our plastic packaging is recyclable in the UK.

REMAINING...

We remain a certified zero landfill business.

Over 80% of all our waste is recycled and we continue to work with specialist partners to improve our recycling rate through waste stream separation.

REDUCING...

We have achieved an estimated 65% reduction in carbon emissions on our frozen storage for our foodservice business following the move to a modern facility during 2020.

Quality and Innovations

Quality and Innovations

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We're taking the quality journey forward across the whole of our business by systemising and embedding our Process Blueprint activities. This has resulted in some key improvements in quality consistency and despite the unusual year we have had the teams have still managed to drive complaints down across the Group.

INNOVATIVE

INVESTING...

In addition to bread capability in this area, we have invested to extend gluten-free capability into the cake category at our Memory Lane Cakes site, where across the past 12 months we have secured total ownership of the sharing cake market in this area, with great plans to grow further with our enhanced capability across the next three years.

REDUCING...

We have continued to innovate, develop and launch fantastic products, winning 9 awards, showing that baking brilliance and quality is at the heart of everything we do.

We focus heavily on metrics including complaints from customers with the business as a whole, achieving a 3% reduction in complaints year-on-year.

DEDICATED...

Playing a key role in healthy innovation across the business, dedicated gluten-free bakeries in both Poland and the UK, manufacturing a wide range of bakery products.

Investment in this area have expanded our capability and significantly improved product quality. This has enabled us to bring to market gluten-free baguettes from our Polish sites and also a range of artisan gluten-free breads from our Ultrapharm site in the UK.

3%

*We achieved a 3% reduction in complaints year-on-year.

ACHIEVING...

With almost all products meeting the FSA salt targets we are now targeting compliance against 2024 targets.

We achieved a sales weighted average sugar reduction of 13.1% and we are still working on innovation to further improve on this figure.

13.1%

We achieved a sales weighted average sugar reduction of 13.1%.

PARTNERING...

We have innovated across our business to develop a range of vegan products both in cake and bread.

From partnering with BOSH! to launch a range of great tasting vegan cakes, to supplying our own label cake ranges and developing a vegan brioche are just two of the highlights in this area.

INNOVATING...

Innovation is key to our partnership relationship, particularly with our customers and consumers.

Our Kara brand vegan buns launched during the year for our foodservice market and met a rapidly developing consumer trend. We are very proud when our products win awards and this year was no exception. We won 9 awards for our brilliant bakery products across the business. We were also awarded Bakery Manufacturing Company of the Year in recognition for the work we have done in many areas of our business.

9

We won 9 awards for our brilliant bakery products across the business.

DEVELOPING

TRANSFORMING...

A key innovation has been transforming our celebration cake facility to be completely nut-free.

In the past 12 months we have extended our nut-free offering from branded celebration cakes into own label product range and now make positive nut-free claims across several key customers. Making our cakes accessible to people with nut allergies is something we are very proud of and it is the result of 18 months of systematic, detailed work both in our business and throughout the supply chain. This model for critical due diligence is being rolled out across our business enabling us to remove unnecessary alibi labelling.

Key Performance Indicators

Key Performance Indicators
Financial

Sales Growth

Performance



Definition

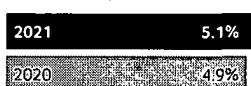
Revenue £ this year/revenue £ last year as a percentage.

2021 Performance

A strong second half performance with revenues up 9.1% against the corresponding period in the previous year. Revenues for the year almost at pre-pandemic levels.

Adjusted Operating Profit

Performance



Definition

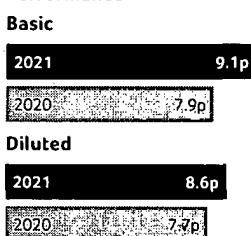
Adjusted operating profit £/revenue £ as a percentage.

2021 Performance

The result of the Operating Brilliance Programme improving gross margin, an improvement in sales and continued focus on overhead control.

Adjusted EPS

Performance



Definition

Adjusted Basic: adjusted profit attributable to the equity holders/weighted average number of ordinary shares in issue during the period.

Adjusted Diluted: adjusted profit attributable to the equity holders/(weighted average number of ordinary shares in issue during the period + dilutive effect of share options).

2021 Performance

The improved EPS figures naturally follow the growth in operating profit.

Adjusted EBITDA

Performance



Definition

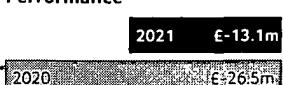
EBITDA (operating profit before significant non-recurring and other items adding back depreciation and amortisation).

2021 Performance

EBITDA growth follows the improving gross margin, an improvement in sales and continued focus on overhead control.

Net Debt

Performance



Definition

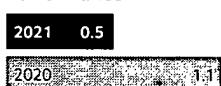
Interest-bearing loans and borrowings plus unamortised transaction costs, including cash balances.

2021 Performance

Profitable trading and the cautionary non-payment of dividend as the Group got to grips with the impact of the pandemic has driven significant cash generation and lower debt.

Debt to Adjusted EBITDA

Performance



Definition

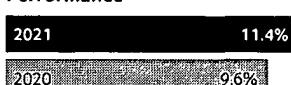
Net debt (as above) expressed as a ratio to adjusted EBITDA (pre IFRS 16) (operating profit adding back depreciation and amortisation).

2021 Performance

Strong cashflow lead to significant reduction in debt while EBITDA increased slightly.

Return on Capital Employed (ROCE)

Performance



Definition

Adjusted operating profit (OP)/average capital employed.^a

^aAverage capital employed = net assets, excluding cash, interest-bearing borrowings, deferred consideration, fair value derivatives and pension deficit

2021 Performance

An increase in operating profit and lower working capital has resulted in an improved ratio to a level higher than pre-pandemic levels.

Key Performance Indicators

Non-Financial

Revenue £k per Employee

Performance

2021	98
2020	96

Definition

Revenue/the average number of persons employed by the Group including Directors and excluding agency staff during the year.

2021 Performance

An improvement due to a steady recovery in revenue.

Complaints per Million Units

Performance

2021	16.6
2020	17.5

Definition

Number of complaints/(number of units sold/1,000,000).

2021 Performance

Our long-term commitment to product quality makes this a key measure. Process Blueprint has progressed throughout the period delivering tangible benefits.

Number of Accidents per 100k Hours Worked

Performance

2021	3.5
2020	4.1

Definition

Number of accidents per 100,000 hours worked.

2021 Performance

The third year of our HomeSafe Culture Change Programme is delivering tangible benefits.

CO₂ Emissions

Performance

2021	0.17
2020	0.18

Definition

Measure of net refrigerant emissions per tonne of finished product manufactured.

2021 Performance

An improvement in emissions driven by sustainability initiatives embedded within all our business strategies.

Cost Effectiveness

Cost Effectiveness

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The bakery market is competitive and cost effectiveness is essential to success. The implementation of a Group-wide review and standardisation of bakery processes as described in more detail under Operating Excellence has led to improvements in quality and a reduction of waste.

BETTER...

Efficiency all round in a competitive market: cost effectiveness is essential to success.

We are driving consistently towards a culture of end-to-end Operational Excellence promoting a 'better tomorrow than we are today' culture, whilst optimising our processes from sourcing to delivery. Our Group-wide Operating Brilliance Programme, standardisation of bakery processes and asset management strategies have led to improvements in quality, efficiency and a reduction of waste



We are driving consistently towards a culture of end-to-end Operational Excellence.

BUYING...

Our centralised buying process focuses on high-quality and cost effective ingredients.

Ethical purchasing and supplier management is very important to Finsbury Food Group and we have signed a Statement of Commitment to honour this. Our purchasing team has taken proactive steps to safeguard against unethical conduct and all members have undertaken CIPS Corporate ethical procurement and supply training.



Ethical purchasing and supplier management is very important to Finsbury Food Group.

INVESTING...

We focus our capital investment on capability enhancement, capacity optimisation and cost reduction.

We aim to achieve Centre of Excellence status in areas where we have a niche strength such as artisan breads, premium buns and rolls, food to go and sharing cake. This holistic investment approach allows us to deliver consistent profitable growth and strong customer relationships.

OPTIMISATION...

We invest continually in our people, plant and processes maximising our capability and skills base to deliver an optimum business operating model.

By developing and implementing systems to capture and interpret business intelligence we are able to use data-based decision making at the heart of our operations.

Use of these interactive technologies within our tiered meeting and reporting alignment structure allows us to efficiently drive sustainable business improvement.

PRODUCING...

We interpret the latest trends into scalable and profitable product ranges that align with core asset capabilities across cake and bread.

We consistently monitor technology advances in materials, plant and process capability, to allow us to optimise cost of goods without compromising quality or consumer appeal. Working in conjunction with our customers and supply partners, we innovate to optimise cost effectiveness throughout the supply chain.

Risk Report

The Directors recognise the need for a healthy system of internal controls and risk management. We have identified the following as the principal risks and uncertainties the Group faces.

External

01 Cyber Security



Movement in year

Principle Risk

- The exposure to random and malicious attacks from Cyber criminals always exists. Protecting key information assets is of critical importance.

Mitigation

The following actions are in place to manage this risk and are supported by software solutions (i.e. antivirus software and anti-phishing software).

- Training and awareness of the Group's IT Acceptable Usage Policy.
- Reviews with software and service providers.
- Preparation of crisis and continuity plans.
- Vendor risk assessment questionnaire completion with key suppliers.

Principle Risks and Uncertainties

Risk management is regarded as essential to achieve the Group's strategic and operational objectives. An annual, formal review of risks is carried out as an integral part of our strategic planning process.

Each business updates its risk register and the registers are presented to the Audit Committee together with mitigating actions. Following a preliminary recommendation by the Audit Committee, the Board reviews the highest risk items for the Group and the mitigations.

The following show the risks considered material, how they have evolved year-on-year and the principal mitigating actions.



Commentary

Increased risk offset by enhanced mitigations.

External

02 Government Legislation



Movement in year

Principle Risk

- The proposed legislation to be introduced in October 2022 around high fat and salt could have a detrimental impact on demand.

Mitigation

- Early engagement of development teams internally and collaboration with customers to ensure products meet legislative requirements and appeal to consumers.

External

03 Pandemic



Movement in year

Principle Risk

- The global pandemic introduces risk in many ways notably risk to the health and well-being of our employees.
- Attributed volatility and changes in demand have been experienced.
- The risk of disruption to internal and external resources could have an impact on the effective operating of the business.

Mitigation

- The priority is, and was, to ensure the safety of all employees and to make rapid changes to the way the business operates by establishing safe working practices based on social distancing and home working.
- Close working relationships with suppliers and customers.



Commentary

Early engagement will be key to compliance and to ensure our product offering remains appealing.



Commentary

The Group has traded successfully throughout the pandemic.

Risk Report/Continued

Operational

04 Health and Safety



Movement in year

Principle Risk

- Injury to employees remains an ongoing risk with potentially significant consequences.

Mitigation

- Existing Risk Management Steering Committee with oversight of a number of strategic processes and procedures. The H&S Committee is continuing to embed the HomeSafe Every Day Strategy.
- Induction and training programmes underpinned by our Operating Principle, People Who Care.
- Regular Board reviews and site visits.

**Commentary**

An area of continued focus and development.

Operational

05 Business Interruption or Fire



Movement in year

Principle Risk

- Risk of serious injury and loss of production capacity.
- An increased number of large-scale losses in the bakery sector has resulted in increases in insurance premium costs and a restriction in affordable capacity.

Mitigation

- Existing Risk Management Steering Committee with a number of strategic initiatives and related processes and procedures. Continued focus on preventative measures to reduce risk, including regular fire audits.

**Commentary**

Continued focus on preventative measures to reduce risk.

Financial

06 Pension Deficit

Movement in year

Principle Risk

- Changes in inflation, investment performance and demographics (life expectancy) leads to a larger deficit requiring increased Company contributions.

Mitigation

- Fiduciary Management Investment approach adopted which enables scheme trustees to execute their long-term strategies efficiently and target better outcomes.
- Appointed Professional Company Trustee to challenge approach and to bring knowledge from experiences with many other clients.

**Commentary**

An ongoing risk of deficit deterioration driven by factors largely outside the control of the Company.

Financial

07 Commodity and Labour Costs and Availability Pressures

Movement in year

Principle Risk

- Global commodity inflation.
- Continuing increases in the National Living Wage.
- The risk associated with Brexit was lower than anticipated but leaves legacy exposures in the seemingly adhoc enforcement of the import and export rules and regulations. The post-Brexit period sees risks in the availability of labour as the Group relies on agency labour for seasonality demand, quite often sourced from Europe.

Mitigation

- Tight control of costs and mitigation where possible through price and product engineering.
- Continued programme of Operating Brilliance and capital expenditure, focused on continuous improvement and cost reduction. All led by the Group Efficiency Improvement Director.
- Leverage economies of scale from the enlarged group, including Group Purchasing strategy.
- Retention of permanent staff and less reliance on agency staff, whilst forging solid working relationships with agencies.
- People strategy focused on staff retention by upskilling of workforce.
- Capital investment has been targeted at automation and operational efficiency.

**Commentary**

Our Operating Principles of Operating Excellence, Cost Effectiveness and People Who Care are key to our continued efficient operations.

Growth with Our Partners

Growth with Our Partners

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We consider customers, licence owners and suppliers to be our partners. We work with customers to provide a constant stream of high-quality and innovative products. Our customer and licence relationships have continued over many years and recent growth in share of licence and in the convenience and discounter channels prove our strong partner credentials. We work with suppliers to resource high-quality ingredients in a global marketplace but also to provide innovation in raw materials and packaging that support our innovation in product quality and range.

DIVERSIFYING...

Our channel diversification across the business between retail and out-of-home has helped us to balance the challenges of the Covid-19 pandemic.

Retail business has remained strong and in certain areas for example sharing cake has been buoyant. We can look forward to improved performance from our foodservice business as social distancing restrictions in the UK are reduced. We deliver to over 300 customers every week with our extensive range of Kara branded products for the foodservice market.

300

We deliver to over 300 customers every week with our extensive range of Kara products.

STRIVING...

We strive to develop better business relationships. Customers, licence owners and suppliers are our partners and we work with them to create a constant stream of high-quality, innovative products.

We have built these relationships over many years and continued growth in our share of the licensing market and in the convenience and discounter channels is testament to our strong partnership credentials. We work with suppliers to source high-quality ingredients from around the world, and also to innovate in raw materials and packaging.

CARING...

This year has been particularly challenging for our foodservice partners.

We have been working closely with them to manage fluctuations in demand during the pandemic. Together with our partners, we also supplied over 4 million loaves of bread to vulnerable people through the Defra 'Food Box' scheme. We have actively supported food banks local to each of our operating locations through this period, whilst recognising the hugely important NHS and other key worker populations with regular product donation initiatives.

4m

We supplied 4 million loaves of bread to vulnerable people through the Defra 'Food Box' scheme.

GROWING...

We have continued to evolve our strong licensed brand portfolio which we work actively to ensure is best in class.

The broadening of our relationships with partners such as Mars and Diageo, and the addition of great new brands such as TGI Fridays, have allowed us to expedite both UK and wider European territory growth with our partners. Our Lightbody Europe subsidiary in France and the Ultrapharm business in Poland give a growing presence in Europe. 11% of Group revenue is made through European sites. We have invested in a new 'baguette' line in Poland to be able to provide a gluten-free solution to this everyday staple, not just in France, but across Europe.

SHARING...

Our whole cake strategy is based on three consumer centric guiding principles, relevance, regularity and premiumisation which have driven significant category share growth with key customer partners.

By introducing brands into the category, leveraging an 'always on' strategy and bringing strong innovation to play, we have cemented our position as category leaders in this area.



We have cemented our position as category leaders in the whole cake area.

INVESTING...

Building on the creation of a cake category first at our Hamilton site, where we established the first fully nut-free capability area, we have continued to extend our range of character-licensed products, all clearly marked with our unique nut-free logo on the pack.

The success of this has enabled us to now extend positive nut-free on pack declarations onto own label product ranges with key retail customer partners.



We continue to win new business through innovation with our Ultrapharm gluten-free business.

We continue to build on our wellness strategy by winning new business through innovation with our Ultrapharm gluten-free business, where we offer a range of premium breads and sweet treats, such as our award-winning mince pies and hot cross buns.

We are also currently investing to double the capacity of our facility in Pontypool to manage growth with existing customers. In addition to bread capability in this area, we have invested to extend this capability into cake at our Memory Lane Cakes site, where across the past 12 months we have secured total ownership of the sharing cake market, with great plans to grow further with our enhanced capability across the next three years.

We have invested in a new frozen dough ball facility at our Kara bakery in Manchester to meet growing demand in the take-away pizza category. This has already resulted in the winning of new contracts with some of the UK's leading restaurant chains.

Having invested to expand capacity at our Nicholas and Harris bakery in Salisbury, we continue to see strong double-digit growth in sourdough bread.

Financial Review

Group revenue for the 52-week period to 26 June 2021 is £313.3 million, 2.3% higher than last year. The growth in revenue is the result of a strong second half performance which saw Group revenues grow 9.1%. The recovery of foodservice is driving the second half year uplift although retail revenues remain positive.

Sales from our overseas division increased by 13.4% year on year driven by a strong cake performance in the large French retailers. Group adjusted operating profit at £16.1 million is up 7.8% on last year. Despite the pandemic, the Group has grown both revenue and operating profit. Adjusted operating profit margins are 5.1% (2020: 4.9%), a consequence of the success of our Operating Brilliance Programme.

Other Significant and Non-Recurring Items

Significant non-recurring income of £1.0 million relates to the release of provisions for onerous leases and factory closure costs of £1.4 million less litigation and legal costs of £0.4 million. Both items have been excluded from operating profit in the table below to better reflect the ongoing trading position.

Dividend

Given the uncertainty at the outset of the pandemic, the Board took the decision to withdraw the interim dividend and also decided not to propose a final dividend in the context of the continued uncertainty surrounding the pandemic and Brexit. The Board is recommending a full-year dividend of 2.4 pence per share for the financial year ending 26 June 2021.

The tables below show what the Directors consider to be the trading performance of the Group. The adjusted measures eliminate the impact of significant and non-recurring items and other accounting items, that are not deemed to reflect the continuing performance of the Group.

52 week period ended 26 June 2021

	Operating performance £000	Significant non-recurring items Note 4 £000	Defined Benefit Pension Scheme £000	Movement in the fair value of interest rate swaps/foreign exchange contracts £000	Discounting of deferred consideration £000	As per Consolidated Statement of Comprehensive Income £000
Revenue	313,258	-	-	-	-	313,258
Cost of sales	(210,273)	-	-	-	-	(210,273)
Gross profit	102,985	-	-	-	-	102,985
Other costs excluding depreciation and amortisation	(76,081)	958	473	696	-	(73,954)
EBITDA	26,904	958	473	696	-	29,031
Depreciation and amortisation	(10,804)	-	-	-	-	(10,804)
Operating profit	16,100	958	473	696	-	18,227
Finance income	-	-	-	89	-	89
Finance costs	(974)	-	(224)	-	(105)	(1,303)
Profit before tax	15,126	958	249	785	(105)	17,013
Taxation	(2,995)	(182)	(62)	(149)	20	(3,368)
Profit for the year	12,131	776	187	636	(85)	13,645

52 week period ended 27 June 2020

	Operating performance £000	Significant non-recurring impairment Note 4 £000	Significant non-recurring other items Note 4 £000	Defined Benefit Pension Scheme £000	Movement in the fair value of interest rate swaps/foreign exchange contracts £000	Discounting of deferred consideration £000	As per Consolidated Statement of Comprehensive Income £000
Revenue	306,348	-	-	-	-	-	306,348
Cost of sales	(210,881)	-	-	-	-	-	(210,881)
Gross profit	95,467	-	-	-	-	-	95,467
Other costs excluding depreciation and amortisation	(69,219)	(8,737)	(1,594)	200	(73)	-	(79,423)
EBITDA	26,248	(8,737)	(1,594)	200	(73)	-	16,044
Depreciation and amortisation	(11,309)	-	-	-	-	-	(11,309)
Operating profit	14,939	(8,737)	(1,594)	200	(73)	-	4,735
Finance income	61	-	-	-	-	-	61
Finance costs	(1,272)	-	-	(256)	(386)	(14)	(1,928)
Profit before tax	13,728	(8,737)	(1,594)	(56)	(459)	(14)	2,868
Taxation	(3,398)	235	303	11	87	1	(2,761)
Profit for the year	10,330	(8,502)	(1,291)	(45)	(372)	(13)	107

Earnings Per Share (EPS)

EPS comparatives to the previous year can be distorted by significant non-recurring items and other items highlighted on the previous page. The Board is focused on growing adjusted diluted EPS which is calculated by eliminating the impact of the items highlighted above as well as amortisation of intangibles and incorporates the dilutive effect of share options. Adjusted diluted EPS is 8.6p (2020: 7.7p).

	52 week 2021	52 week 2020
Basic EPS	9.8p	(0.6)p
Adjusted basic EPS	9.1p	7.9p
Diluted [°] basic EPS	9.3p	(0.6)p
Adjusted[°] diluted^{°°} EPS	8.6p	7.7p

[°] Further details on adjustments can be found in Note 9.

^{°°} Diluted EPS takes basic EPS and incorporates the dilutive effect of share options.

Cash Flow

There was a net cash inflow before financing activities of £15.3 million compared to £13.4 million in 2020, which includes lower working capital resulting in an inflow of £2.9 million (2020: £1.0 million decrease), driven by higher levels of trading accruals and lower stock levels as restrictions were eased and activity increased. Corporation Tax payments made in the financial year totalled £3.9 million (2020: £1.8 million), representing a more normal level. Capital expenditure in the year amounted to £6.2 million (2020: £4.7 million).

Debt and Bank Facilities

The Group's total net debt is £13.1 million (2020: £26.5 million), down £13.4 million from the prior year. Higher levels of EBITDA and the temporary halt on dividend payments as cash was preserved during the recovery period drove the reduction in net debt.

The Group recognises the inherent risk from interest rate rises, and uses interest rate swaps to mitigate these risks. The Group has two swaps; one for £20.0 million for five years from 3 July 2017 (fixed) at 0.455% and one for £5.0 million for three years from 28 March 2019 (fixed) at 1.002%. The total balance of swaps at 26 June 2021 is £25.0 million (2020: £25.0 million). The counterparty to these transactions is HSBC Bank Plc.

The effective interest rate for the Group during the year, taking account of the interest rate swap in place with base rate at 0.10% and LIBOR at 0.052%, was 2.0% (2020: base rate 0.10% and LIBOR at 0.691%, was 2.2%).

Financial Covenants

The Board reviews the Group's cash flow forecasts and key covenants regularly, to ensure it has adequate facilities to cover its trading and banking requirements with an appropriate level of headroom. The forecasts are based on management's best estimates of future trading. As noted earlier, there has been no breach of covenants during the year and the Board do not expect any in the forecast periods.

Interest cover (based on adjusted earnings before interest, tax, depreciation and amortisation – EBITDA) for the 52 weeks to 26 June 2021 was 27.2 (2020: 25.3). Net bank debt to EBITDA (based on adjusted EBITDA) for the 52 weeks to 26 June 2021 was 0.5 (2020: 1.1).

Taxation

The Group taxation charge for the year was £3.4 million (2020: £2.8 million). The effective rate of tax on profits before significant and non-recurring and other items is 19.8% (2020: 24.8%). You can find further details on the tax charge in Note 8 to the Group's Financial Statements.

Financial and Non-Financial Key Performance Indicators

We monitor a range of financial and non-financial KPIs at site level covering, amongst others, productivity, quality and health and safety.

The Group Board receives a regular overview of all KPIs. We discuss these KPIs in further detail on pages 26 and 27.

The Strategic Report was approved by the Board of Directors on 17 September 2021 and was signed on its behalf by:



Stephen Boyd
Director

People Who Care

People Who Care

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We continued to make good progress with our people strategy, engagement being a major part. With our planned two-yearly survey postponed due to Covid-19, we instead ran a sentiment survey to gather employees' views on our handling of the crisis. The response was positive providing some valuable lessons and insights.

**LEADERSHIP
DEVELOPMENT...**

We have launched our new entry level Leadership Development Programme to supplement the more advanced programmes that already exist.

These include Developing Leaders, which is accredited via the Institute of Leadership and Development, and also the Senior Leaders Development Programme, which includes executive coaching.



We launched our new entry level Leadership Development Programme.

**HEALTH
AND WELLBEING...**

We launched our Health and Wellbeing Strategy which includes three pillars: mental, physical and financial health.

Our team of Health and Wellbeing Champions throughout the business help run the programme, working alongside our Employee Assistance Programme (EAP) and Occupational Health partners, with all advice and support available to all team members. The EAP is available to employees' families also. We train our mental-health first aiders across the business to help them play a role in supporting their colleagues. We also ensure all leaders undertake mental-health awareness training. On the physical health side, we run regular interactive campaigns such as walking challenges, healthy eating tips and yoga sessions, which many of our people take part in. On the financial front, we promote Grocery Aid's hardship fund and school grant initiative, while helping our colleagues improve their understanding of their own financial health, for example with a series of videos on the importance of pension savings and planning for death in service.

CONFERENCE...

We held the fifth FFG Annual Conference, which has previously been a face to face event however due to the pandemic was replaced with our first live, virtual event.

This enabled us to engage with a much larger proportion of our workforce live, with many more of our people able to access the recorded version, resulting in a much more inclusive event.



Our first live, virtual event enabled us to engage with a much larger proportion of our workforce.

COMMUNITY ENGAGEMENT...

We take a Group-wide approach, based on our position as a major and responsible employer in the food industry, and supplement it with local initiatives chosen by our employees.

In both ways, we ensure we can have a positive impact on the communities where we operate, which has always been an important part of how we do business. At Group level, we support two charities, Grocery Aid and FareShare, both of which are closely aligned to our industry. A high proportion of our workforce lives close to our bakeries, putting them at the heart of our local communities.

We therefore ask each of our sites to choose a local charity partner for each year, to help improve the lives and welfare of the communities we work and live in. This way, our local efforts in volunteering, fundraising and donations are not diluted and provide strong support throughout the year. Sites can select a different charity for the following year, or continue to work with the same charity.

COMMUNICATION...

We have continued to embed the use of Workplace by Facebook across the business as our primary communication tool and have now rolled this out to all staff, including front line workers.

This enables us to engage directly and instantly with all our employees, across all locations and for everyone to easily collaborate, regardless of location or shift pattern. It has continued to be an invaluable tool during the pandemic in enabling us to maintain communication, engagement and a sense of connection to the organisation and one another during periods of remote working.

EMPLOYEE REFERRAL...

We launched our Employee Referral campaign, which incentivises employees to refer people from their network to join us.

RECOGNITION...

We continued to embed the Shining Example Awards, which recognise and reward those individuals who bring the Company Values to life.

We also celebrated the Brilliance Awards, which recognise the teams that demonstrated tangible business improvements under each of the Operating Principles.

GRADUATE RECRUITMENT...

We ran our fifth Finance Graduate Recruitment campaign.

We have experienced a high retention rate of those recruited previously via the scheme, which forms an important part of building a strong talent pipeline.

APPRENTICESHIPS...

We are continuing with the business-wide Engineering Apprenticeship Programme which is key to building a talent pipeline for the future and also to address the national shortage of engineers.

Corporate Governance

Chairman's Introduction to Governance

As Chairman of the Board, it is my responsibility to ensure that the Group has both effective corporate governance and Board leadership. The Company has adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') and this report follows the structure of these guidelines and explains how we have applied the guidance. The Board considers that the Group complies with the QCA Code.

COMMITMENT

The Board

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe, including a commitment to open and transparent communications with stakeholders. We believe that good corporate governance improves performance while reducing or mitigating risks.

During the year under review, we obviously faced significant challenges as a result of the Covid-19 pandemic which necessitated changes to how we worked but I believe that the Board and the business rose to those challenges, adapted to them at a remarkable pace and found new ways of operating to maintain our services and our governance structures without compromising on our principles. We have learned from the experience and will be using those learnings to support constant improvement.

Peter Baker
Non-Executive Chairman

Report on Corporate Governance

QCA Principles

1. Establish a strategy and business model which promote long-term value for shareholders

The Group's vision is to be the UK's most innovative speciality bakery group, providing differentiation for our customers. Our business model, and the Finsbury 'recipe for growth' Operating Principles by which we manage our business, are shown on pages 8 to 11. Our strategy and markets are explained in detail in our Strategic Report on pages 4 to 8.

The creation of our Strategic Plans (which are prepared on a rolling three-year basis) is an extensive process bringing together market intelligence, customer feedback, supply chain management, risk and financial and operational considerations. The Board is involved and updated through the development of the plan prior to formal approval along with the related budget.

2. Seek to understand and meet shareholder needs and expectations

Relationships with our shareholders are important to us and we seek to provide effective communications through our Interim and Annual Reports along with Regulatory News Service announcements. We also use the Company's website, www.finsburyfoods.co.uk for both financial and general news relevant to shareholders.

The Executive Directors meet shareholders and other investors/potential investors at regular intervals during the year. The Company also hosts broker and analyst meetings from time to time. Historically these have been conducted on site at the Group's facilities. Whilst this was not possible during the year under review and communications were virtual, the Company intends to resume these on site activities and in person meetings where appropriate. The Non-Executive Directors are also in contact with shareholders as needed in relation to matters such as Executive remuneration.

The broker and NOMAD, Panmure Gordon, is briefed regularly and updates the Board during the year on shareholder sentiment and expectations.

The Board has reviewed its Annual General Meeting (AGM) arrangements in light of its experiences through the pandemic and considered how to improve the Board's visibility, accessibility and interaction with a broader range of its shareholder base. In summary, the Board has decided to include a retail focussed presentation (through Investor Meet Company) as part of its investor results roadshows and revise the format of the AGM. Please see Principle 10 below for our proposals in this regard.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board considers that it has operated in full regard of its responsibilities under section 172 of the 2016 Companies Act as outlined in the Strategic Report on pages 18 and 19. The Group's Purpose is widely understood and drives the decision making which aims to optimise the long-term value of the business.

Our continued success is built entirely on the talented people who work here, and employee engagement forms a major part of our Operating Principles. Everyone at Finsbury Food Group is a valued member of the team, and our aim is to help every individual achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation.

Clearly, the health and safety of our workforce is our most important consideration. As well as instituting operational measures to keep our people safe, we have also focussed on health and wellbeing to support our staff during the pandemic, recognising that the last year has been very challenging for many on a physical, emotional, and financial level. The management team has worked hard to build and maintain employee engagement through the pandemic which has been one of the key challenges. Again, the pandemic provided an opportunity to reimagine our employee engagement and the entire permanent workforce is now included on the Workplace platform where we can communicate virtually in topic or site teams or as a whole Group, share news, ideas, knowledge and best practice, support wellbeing initiatives, gain feedback and recognise and applaud the achievements and talents of our people in real time. This has been a highly beneficial development delivering multiple positive outcomes for the business. We believe this high level of engagement makes us a more attractive employer in a competitive marketplace for talent and we look forward to continuing to drive our employee engagement agenda.

Another key element of our recipe for growth is to work for mutual benefit with our partners, including retail grocery and foodservice customers, all of whom benefit from tailored innovation and service. Joint business plans are agreed, and customers are increasingly returning to visit our sites where it is safe to do so, to be involved in product development and business planning activities. Over the year we have worked closely with our foodservice customers by becoming a bigger partner to those supplying the state sector and also continuing to work with them as we emerge from restrictions. We also supported our retail partners through this uncertain period ensuring continuity of supply and adapting our range of products to meet the changing consumer needs. I am pleased to say that as we supported our partners, they have supported us, with everyone involved recognising the scale of effort, cooperation and consideration necessary to keep feeding the nation during this unprecedented period. We consider being seen as a good business partner as critical to our long-term success.

Our key strategic suppliers are long term in nature and work in partnership with the Group on innovations in both product and service. We believe an ethical supply chain is a sustainable one. Finsbury Food Group is a long-standing member of Sedex, an organisation for promoting improvement in responsible and ethical business practices in supply chains.

In many cases, our sites have been a significant local employer and community member for many years. We consider community acceptance to be an important element of our operating framework. Our businesses' local reputation can influence our ability to recruit and retain talent and create a mutually respectful operating environment. If we were to lose community support, this could manifest in various ways including planning objections and recruitment issues. We seek to retain the support of our local communities and support community initiatives by being a positive and considerate neighbour and supporting local initiatives by empowering each facility to choose one charity the employees want to support.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need for a robust system of internal controls and risk management. The assessment of risks and the development of strategies for dealing with these risks are achieved on an ongoing basis through the way in which the Group is controlled and managed internally. A formal review of these risks is carried out by the Group on an annual basis.

The review process involves the identification of risks, assessment to determine the relative likelihood of them impacting the business and the potential severity of the impact and determination of what needs to be done to manage them effectively. Risk management is integral to the ability of the Group to deliver on its strategic objectives.

The system of internal control is structured around an assessment of the various risks to the business and is designed to address those risks that the Board considers to be material, to safeguard assets against unauthorised use or disposition and to maintain proper accounting records which produce reliable financial and management information.

The key features of the Group's system of risk management and internal controls are as follows:

- An ongoing process of risk assessment to identify, evaluate and manage business risks;
- Management structure with clearly defined responsibilities and authority limits;
- GEC overview of the risk review process;
- Ongoing policy development, implementation and testing;
- Internal audit function reporting to the Audit Committee with a remit beyond financial controls and encompassing policy adherence;
- Maintenance of a central Group-wide key risk register supported by site and function specific registers;
- An operational Risk Steering Committee to consider all material risks and their management and mitigation on an ongoing basis;

Report on Corporate Governance/Continued

- Oversight of key risks by Audit Committee reporting back to the Board;
- Key risk item focussed reviews at Audit and where appropriate Board level;
- A comprehensive system of reporting financial results to the Board;
- A Group-wide ERP system (M3) with related applications that embeds processes and procedures implemented to control risk;
- A rolling programme of internal audit activities carried out by Group finance reporting to the Audit Committee;
- Appraisal and authorisation of capital expenditure projects; and
- Dual signatories on all bank accounts.

Since the year end, the business has appointed a Group Health, Safety, Environment and Risk Director, a promotion from within. The GHSER Director is a member of the Group Executive Committee and reports to the Group Efficiency Director and indirectly to the Chief Executive ensuring his remit has an appropriate high profile, with the resource and authority to drive the risk management agenda. The GHSER Director has been working in the business for the last four years developing the non-financial risk function, a key role during the pandemic, and has worked closely with the Audit Committee and GEC throughout that time. This appointment represents a further step in the Group's risk identification, understanding, management and mitigation processes and reflects the priority status accorded to it.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board is currently made up of two Executive Directors, the Chairman and three other independent Non-Executive Directors.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. He is also responsible for creating the right Board dynamic and for ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. The Executive Directors are responsible for the day-to-day running of the business and developing corporate strategy, while the Non-Executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

A calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. Board papers are circulated one week before meetings, allowing time for full consideration and necessary clarifications before the meetings. Board meetings are open and constructive, with every Director participating fully. Historically, meetings are held at operating sites on a rotating basis, enabling the Board to meet the senior site teams and to visit the bakeries. Pre-meetings and Board dinners were also historically held to enable broader discussion and development of effective Board relations. While these activities were not possible during the year under review, the Board has now returned to this model.

The Board held five scheduled meetings during the year under review, all of which were held online, due to the impact of Covid-19. Additional Board meetings are held throughout the year as required on an ad hoc basis. Attendance by individual Directors at Board and scheduled Committee meetings was as follows:

Director	Board Meetings (5 meetings)	Audit Committee (3 meetings)	Remuneration Committee (2 meetings)	Nominations Committee (1 meeting)
John Duffy	5	-	-	-
Steve Boyd	5	-	-	-
Peter Baker	5	-	-	1
Bob Beveridge	5	3	-	-
Ray Duignan	5	3	2	1
Marnie Millard	5	-	2	-

The Company's Non-Executive Directors are expected to commit between 15-18 days per year to the Company and the Chairman is expected to commit at least three days per month to the Company. Terms of reference for the Committees are published on the Group's website. The Committees have the necessary skills and knowledge to discharge their duties effectively.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Non-Executive Directors have both the breadth and depth of skills and experience to fulfil their roles. With the executive team, the Board contains a broad range of relevant skills, experience and contacts which are deployed to the benefit of the Company. Details of the Directors' individual experience and areas of expertise are outlined on pages 45 and 46. The Nominations Committee is responsible for considering Board composition, including diversity issues and making appropriate recommendations. Diversity and gender balance will be taken into account in respect of any future Board appointments with the overriding objective of securing the right person for the role.

The Non-Executive Directors maintain ongoing communications with each other and executives between formal meetings.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise.

The Audit Committee Chairman updates his technical and financial experience by attending workshops held by the major accounting firms.

The Remuneration Committee utilises specialist remuneration consultants to provide advice in relation to remuneration policy decisions and the Board utilises specialist pension advisers to provide advice in relation to Group pension arrangements. The Remuneration Committee Chair also attends relevant sessions run by the remuneration consultants and others.

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed. If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Group.

The Company is a member of the QCA and all Directors have access to the QCA's publications, updates and events.

Report on Corporate Governance/Continued

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board evaluation exercise is designed and led by the Company Secretary, working closely with the Chairman of the Board. Anonymous questionnaires are used to promote disclosures with the results being collated and returned to the Board for consideration, discussion and action where appropriate. The areas covered are structure and skills, operating effectiveness, operating efficiency, quality of information and ongoing development.

A similar process is followed for the Audit and Remuneration Committees. During the year under review, individual Director and Chairman reviews were not undertaken with the Board preferring to wait for an opportunity for face-to-face meetings. These have now been completed. All reviews sought feedback from other Directors to ensure a balanced approach. Where relevant, Board performance improvements are discussed through the year on an ad hoc basis.

In respect of succession planning, the Company has, where possible, identified internal candidates as possible replacements for senior managers/site managers. In the event of a site manager leaving the Company in a situation where an internal candidate has not been identified or has been deemed not to have the requisite experience, the Company will seek to recruit externally.

The 2021 Board evaluation exercise was completed in June 2021. The average scores were all satisfactory, with the vast majority rated consistently good or excellent. It was noted that the pandemic had impacted information flow to a minor degree and the Nominations Committee was advised to increase the formality of its operations. Views on performance of the Board during the pandemic were specifically sought, with an average score of 4.5 out of 5.

8. Promote a corporate culture that is based on ethical values and behaviour

As an innovative food business in a highly competitive market our success depends crucially on people who care and are fully engaged to do their best for Finsbury. The values of Communication, Respect, Ownership, Honesty and Teamwork are integral to the corporate culture. The management of the Group and all bakeries is underpinned by the Operating Principles which are:

- Operating Excellence;
- Sustainable Approach;
- Quality and Innovations;
- Cost Effectiveness;
- Growth with Our Partners; and
- People Who Care.

Further information on our Operating Principles is set out on pages 9 to 11, 20 to 25, 28 to 29, 34 to 35, 38 to 39 and on our website.

The Group has rolled out Workplace by Facebook to facilitate promotion of the corporate culture and values, communication across the Group and sharing of ideas and best practice through all our sites and across all staff. "Shining Example" awards allow staff to nominate their colleagues for excellence in reflecting Finsbury values. Senior staff attend an annual conference which is again based on communicating and embedding our core values throughout the business. This was successfully hosted as a virtual conference through Workplace in the year under review.

9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board reviews its corporate governance arrangements regularly and expect to evolve these over time.

The Board has reviewed the schedule of matters reserved for its decision during the year, a full copy of which is available on the corporate governance page of the Company's website. These matters include:

- Strategy;
- Acquisition policy;
- Corporate governance;
- Risk management;
- Health and safety;
- Approval of major capital expenditure;
- Approval of annual budgets;
- Approval of Annual Reports; and
- Dividend recommendations and policy.

The Board delegates authority to three Committees to assist in meeting its business objectives while ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

Audit Committee

The Audit Committee has two members, Bob Beveridge (Chairman) and Ray Duignan. The Group Finance Director, other members of the finance team and Internal Audit function and external auditors attend meetings by invitation. The Audit Committee's responsibilities include the review of the scope, results and effectiveness of the external audit, the review of half-year and annual accounts, and the review of the Company's risk management and internal control systems. The Committee had three scheduled meetings during the year. A separate report of the Audit Committee activities is outlined on pages 52 and 53.

Remuneration Committee

The report of the Remuneration Committee is set out on pages 54 to 58. The Remuneration Committee has two members, Marnie Millard (Chairman) and Ray Duignan. The Committee is responsible for setting the remuneration arrangements, including short-term bonus and long-term incentives, for Executive Directors as well as approving the remuneration principles for senior staff. The Committee had two scheduled meetings during the year.

Report on Corporate Governance/Continued

Nominations Committee

The Nominations Committee has two members, Peter Baker (Chairman) and Ray Duignan. The Nominations Committee considers succession planning, reviews the structure, size, skills, diversity and composition of the Board and nominates candidates to fill Board vacancies. The Committee met once during the year under review.

Group Executive Committee

In addition to the Board Committees, the Company has a Group Executive Committee comprising the CEO and a team of senior executives supporting him in the delivery of the strategy and running of the Company.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements. In doing this, we keep in mind the proportions of direct, nominee and institutional shareholders, and distribute communications between them accordingly. The Company retains a financial PR firm to assist it in ensuring that key messages reach the appropriate audiences.

Specific methods of communication with investors are:

- The Annual General Meeting;
- The Annual Report;
- Corporate website;
- Broker briefings;
- Broker and analyst visits to operating sites; and
- One-to-one meetings with investors.

During the year under review we released an additional trading update in May outside of our normal reporting cycle, to ensure appropriate visibility of performance for shareholders and the wider investment community during an uncertain time.

The Board believes its shareholder communications to be healthy, effective and appropriate bearing in mind the composition of its shareholder register. The Annual General Meeting provides a forum for shareholders to air their views and ask questions. Meetings throughout the year with key institutional shareholders (by the Executive and Non-Executive Board members) and feedback from the Company's broker help to ensure that the Board is kept up to date with shareholder sentiment on key issues and is able to take it into account where necessary and appropriate. The Company has also sought to provide a comprehensive website to educate and inform all interested parties about the Company's business, strategy and values. The Company has refreshed its website during the year to ensure improved user experience and enhanced information provision to stakeholders.

The Company has viewed its Annual General Meetings (AGM) as an opportunity to meet, listen and present to shareholders. Due to the pandemic, the 2020 AGM was held as a closed meeting and shareholders were encouraged to vote by proxy. Shareholders were able to view (but not participate in) the AGM (which included a presentation on the business) via webcast and were invited to submit questions in advance which the Board would address at the AGM. Ultimately no questions were submitted.

The Board has reflected on the AGM arrangements since then and has concluded that its traditional AGM arrangements do not maximise the opportunities for shareholder engagement. To increase our visibility and accessibility to a broader range of our shareholder base, we will be running an Investor Meet Company presentation as part of our full year and interim results roadshows. Further details will be provided by RNS. This will enable any interested shareholders to join the roadshows and submit questions to the management. The AGM this year will take place in Cardiff and be broadcast via webcast to enable shareholders to view proceedings remotely. As in other years, there will be a presentation on the business and the Company's performance. Shareholders will be encouraged to vote by proxy whether or not they intend to be present. We are also conscious that our AGM is held in the winter months. Accordingly, while shareholders will (under the current rules) be able to attend in person, we are mindful that our AGM coincides with the possibility of increased risk from Covid-19 and other respiratory illnesses. With this in mind, to minimise risk to attendees we will not be providing goodie bags this year and there will not be any informal mingling with the Board before or after the AGM. Masks and social distancing may also be required depending on the prevailing conditions and guidance at the time. We would ask shareholders to refrain from attending if they are experiencing any Covid-19 symptoms or have been asked to isolate. Full details of the AGM arrangements will be set out in the Notice of Annual General Meeting.

Shareholders with a specific query can contact us on finsbury@almapr.co.uk or for Company secretarial matters on company.secretary@finsburyfoods.co.uk.

Peter Baker

Chairman

17 September 2021

The Directors

The Board is made up of two Executive Directors, three independent Non-Executive Directors, and the Chairman, Peter Baker, who is also considered to be independent. The matters overseen by the Board are detailed in section 9 of the Corporate Governance Report.

EXPERIENCE

Peter Baker

- Non-Executive Chairman

Peter joined the Board on 1 July 2014 and is also Chairman of the Nominations Committee. Peter has over 30 years' senior CEO and Board level experience within the global bakery and consumer packaged goods industry. He chairs one other Board, is a Non-Executive Director and a Trustee of two charities. Peter held the position of Managing Director of Maple Leaf Bakery from 2009 to 2013, moving into this position after the sale of La Fornaia Bakeries, where he was the CEO. Prior to these roles, Peter held COO and Divisional Managing Director positions at RHM in the Consumer Brands, British Bakeries and Cereals Divisions (including Rank Hovis Mills). Peter was previously a Non-Executive Director at Jordan's Cereals, now a part of Associated British Foods.

He has also served as Vice President of CIAA now Food Drink Europe (a European trade association for food and drink) and was on the Executive Board of FDF, the UK Food and Drink Federation.

Key areas of expertise are knowledge of the food industry, strategy, change management, leadership and corporate governance.

John Duffy

- Chief Executive Officer

John was appointed CEO of Finsbury Food Group with effect from 30 September 2009 to lead a turnaround of a then overleveraged and decentralised Group. Through a combination of strong organic growth, M&A activity, restructuring and investment it has been transformed into a broadly diversified speciality bakery Group with over £300 million of sales across both retail and out-of-home channels in the UK and Europe.

Following an engineering degree and initial career with Shell International, John completed a full-time MBA before pivoting into the food industry and enjoying 10 years in Director level manufacturing and logistics roles at Mars. This was followed by private equity experience as Operations Director at crisps and snacks manufacturer Golden Wonder and Managing Director of WT Foods' largest chilled foods subsidiary, Noon Products, before and after its sale to Kerry Foods. John has Non-Executive Director experience in both start-up and established businesses.

Key area of expertise are strong leadership and general management skills, operations and engineering experience, turnaround, change management and M&A.

The Directors/Continued

Stephen Boyd
Group Finance
Director

Steve was appointed Group Finance Director in January 2010. Steve has spent 25 years in the food manufacturing sector and previously was Group Finance Director at Golden Wonder. Subsequent to that he was Group Finance Director and Chief Operating Officer at WT Foods Group Plc. Steve worked with John Duffy at both Golden Wonder and WT Foods.

Key areas of expertise are strong financial management and cost control, M&A, investor relations, financing, strong leadership and general management skills.

Raymond Duignan
Non-Executive
Director

Raymond was appointed to the Board in July 2013. He has extensive industry experience having set up a specialist investment bank, Stamford Partners, in the mid-1990s advising the European food and drink industries with clients including many blue chip companies.

Key areas of expertise are strategy, finance and detailed knowledge of the European food and drink industry.

Marnie Millard
Non-Executive
Director

Marnie was appointed to the Board on 1 February 2016. From May 2013 to December 2020, Marnie was the Group Chief Executive of Nichols Plc, an AIM-listed branded soft drinks group serving both the UK retail and out-of-home channels, with international sales across 70 countries. Marnie worked in the soft drinks industry for over 20 years in a number of senior roles with Macaw Soft Drinks, Refresco Gerber Ltd and Vimto/Nichols. Marnie is also a Director of Kidly Limited, an online children's retailer, and UA92, an innovative university establishment in Manchester set up in collaboration with a group of well-known footballers to increase educational access opportunities. Marnie is Chairman of the Remuneration Committee.

Key areas of expertise are sales and marketing, manufacturing, supply chain and international trade.

Bob Beveridge
Non-Executive
Director

Bob was appointed to the Board on 1 July 2017. He is a Chartered Accountant with extensive financial management, city and corporate transaction experience in consumer goods and technology companies, including Cable and Wireless Communications Plc, Marlborough Stirling Plc, and McBride Plc, a European private label manufacturer. For the last nine years he has been a portfolio Independent Director and Audit Committee Chairman and is currently Senior Independent Director on the Board of Inspiration Healthcare Plc, Chairman of the Thames Valley Berkshire LEP and an independent Audit Committee member of The Health Foundation. He also provides mentoring services to aspiring and existing Finance Directors via the Institute of Chartered Accountants. He chairs the Audit Committee.

Key areas of expertise are Board level financial skills, risk management, corporate governance, M&A and digital technology.

Directors' Report

Background

The Group is a speciality bakery group which is focused on premium, celebration and wellbeing products. These products are supplied both under the retailers' own brands and through a number of licensed brands to which the Group has access.

A review of the activities and any likely future developments in the business of the Group is given in the Chairman's Statement, Chief Executive's Report and the Strategic Report on pages 1 to 39.

Dividend

Given the uncertainty at the outset of the pandemic the Board took the decision to withdraw the interim dividend and also decided not to propose a final dividend in the context of the continued uncertainty surrounding the pandemic and Brexit. The Board is recommending a full year dividend of 2.4 pence per share for the financial year ending 26 June 2021.

Directors and their Interests in the Company

The Directors and brief biographies are detailed on pages 45 and 46.

In accordance with the Articles of Association, Peter Baker and John Duffy retire by rotation and being eligible offer themselves for re-election at the Company's forthcoming AGM.

The beneficial interests of the Directors in the Ordinary Shares of the Company on 26 June 2021 and 27 June 2020 are set out below:

Ordinary Shares	26 June 2021	27 June 2020
P Baker	96,817	96,817
R Beveridge	14,000	14,000
S A Boyd	1,195,543	1,095,543
J G Duffy	2,617,592	2,443,679
M J Millard	9,366	9,366

Details of Directors' share options are set out in Note 6 to the Financial Statements. There has been no change to the Directors' share interests since 26 June 2021.

Details of the emoluments of the Directors are given in Note 6 to the Financial Statements.

Share Capital

Details of the changes in the share capital of the Company during the year are set out in Note 26 to the Financial Statements.

Substantial Interests

The following substantial interests (3% or more) in the Company's issued share capital have been notified to the Company as at 27 August 2021:

	Number of shares	% shareholding
Ruffer (London)	25,607,500	19.6
FIL Investment International (London)	13,119,780	10.1
Investec Wealth and Investment (RS) (London)	11,745,855	9.0
Premier Miton Asset Mgt (London)	8,489,675	6.5
Canaccord Genuity Wealth Mgt (London)	8,349,345	6.4
Finsbury Food Group Employee Benefit Trust	6,194,155	4.8
London Finance and Investment Group (London)	6,000,000	4.6
Hargreaves Lansdown Asset Mgt (Bristol)	4,513,933	3.5
Interactive Investor Trading	4,069,120	3.1

Research and Development

Research and development (R&D) expenditure is expensed in the year in which it is incurred.

Directors' Report/Continued

Streamlined Energy and Carbon Reporting

The UK Government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019. The table below represents Finsbury Food Group's energy use and associated greenhouse gas (GHG) emissions from electricity and fuel in the UK for the year ended 26 June 2021. The data covers seven manufacturing sites in the UK.

UK Greenhouse Gas Emissions and Energy Use Data

	52 weeks ending 26 June 2021 kWh	52 weeks ending 27 June 2020 kWh
	Tonnes CO ₂ e	Tonnes CO ₂ e
Total Energy Consumption (kWh)	102,577,469	106,904,756
Energy consumption break down (kWh):		
Natural gas	69,487,690	67,208,470
Electricity	32,624,756	38,714,433
Transport	162,423	433,331
Diesel	149,094	367,909
LPG	153,506	180,613
Scope 1 emissions in metric tonnes CO₂e		
Natural gas	12,747.99	12,357.62
Refrigerant emissions	497.37	179.90
Diesel	37.69	93.00
LPG	32.96	38.74
- Company owned/leased vehicles -	10.43	18.85
Scope 2 emissions in metric tonnes CO₂e		
Purchase of electricity	7,463.49	9,025.88
Scope 3 emissions in metric tonnes CO₂e		
Private vehicles on Company business	30.89	85.28
Total gross emissions in metric tonnes CO₂e	20,820.82	21,799.27
Intensity ratio tonnes CO₂e per tonne produced	0.19	0.18
Electricity purchased through supplier REGO cert.	2,160.00	
Total net emissions in metric tonnes CO₂e	18,660.82	21,799.27
Intensity ratio tonnes CO₂e per tonne produced	0.17	0.18

Emission factors are based on Government published 2020 GHG conversion factors.

Directors' and Officers' Liability Insurance

The Company maintains a Directors' and Officers' liability insurance policy that has been in force throughout the year and at the year end.

Financial Instruments

The Group's financial instruments comprise a revolving credit facility, cash and liquid resources, and various items arising directly from its operations, such as trade creditors. The main purpose of these financial instruments is to finance the Group's acquisitions and operations. It is the Group's policy that no trading in financial instruments shall be undertaken.

The bank facility is a £55.0 million revolving credit facility provided by a club of three banks – HSBC, Rabo Bank and RBS. The facility is available until February 2023 and also includes scope for the facility to be increased by up to a further £35.0 million.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange and liquidity risk. The Board reviews and agrees policies for managing these risks, which have remained substantially unchanged for the year under review. The policies are summarised below:

Interest Rate Risk

The facility totalling £55.0 million available of which £22.4 million was drawn at 26 June 2021 leaving a headroom of £32.6 million plus a cash balance of £9.3 million with a further approved accordion facility of £35.0 million. The interest rate risk is managed through interest rate swap transactions. The Group has two interest rate swaps. A five-year swap from 3 July 2017 with a coverage of £20.0 million fixed at a rate of 0.455% and a three-year swap from 28 March 2019 with a coverage of £5.0 million fixed at a rate of 1.002%.

The counterparty to these transactions is HSBC Bank Plc.

Directors' Report/Continued

Foreign Exchange Risk

The Group uses forward foreign exchange contracts to manage its exposure to fluctuations in foreign currency rates. Full details are given in Note 24.

Liquidity Risk

Short-term flexibility is available through the existing bank facilities and the netting off of surplus funds. The Group has a £55.0 million RCF facility, the facility utilised at the balance sheet date was £22.4 million giving £32.6 million headroom plus a further £35.0 million accordion. Full details are given in Note 24.

Diversity

Finsbury Food Group is committed to encouraging diversity, promoting a diverse culture where everyone is treated with respect and valued for their individual contribution and creating a work environment free of bullying, harassment, victimisation and unlawful discrimination. We have a diversity policy in place to ensure that selection for employment, promotion, development or any other benefit is on the basis of merit and ability and does not impact negatively upon diversity. It is a key objective to ensure that all employees are helped and encouraged to fulfil their potential.

Equal Opportunities

It is our policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and we have an equal opportunities and diversity policy in place. It is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to age, gender, race, religion, disability or sexual orientation.

Involvement of Employees

Employees are key to the Company's success and we rely on a committed workforce to help us achieve our business objectives. Employees are encouraged to operate in an open environment, embracing teamwork and aligning personal development with the strategy of the business and their behaviours with Company values. We are keen to engage our employees by providing an environment where they can contribute their own ideas and challenge those of others. We are committed to involving employees and consider that good communication helps to achieve this. All sites have regular briefings, employee forums and communication mechanisms which are designed to keep colleagues informed of, amongst other things, the financial and economic factors that affect the Company's performance. Many sites also hold open days to allow employees' families to see the environment in which their family members work. We have also rolled out Workplace by Facebook across the Group to improve communication between employees, increase engagement and drive forward idea generation and sharing of good practices.

Political and Charitable Contributions

During the year charitable donations amounting to £4,000 (2020: £9,000) were made. No political donations were made.

In response to the pandemic and support needed in the local communities we provided charitable food donations to NHS and key workers as well as local care homes.

Going Concern

The Group has delivered a resilient trading performance against a continued challenging backdrop. The impact of the pandemic has varied considerably between businesses with some continuing to be impacted by the Government restrictions. Forecasts have been built on a bottom-up basis and stress tested to prepare a forecast to be used as a basis for reviewing going concern. The Board, having reviewed the Group's short and medium-term plans and available financial facilities, has reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has stayed comfortably within its banking facilities during the period, meeting covenant requirements and has full support of our banking partners with a reset of debt: EBITDA covenant tests at 26 June 2021. The Group has a £55.0 million revolving credit facility plus scope for the facility to be increased by up to a further £35.0 million, which are committed until February 2023. In addition, the Group has a strong trade debtor book and strong asset backing. Accordingly, the Board continues to adopt the going concern basis in preparing the Financial Statements. Debt levels had decreased over the year by £13.4 million to £131.1 million with a debt to adjusted EBITDA measure of 0.5x down from 1.1x at 27 June 2020.

Auditors

In accordance with Section 148 of the Companies Act 2006, a resolution for the appointment of PricewaterhouseCoopers LLP as auditors is to be proposed at the forthcoming AGM.

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' Report was approved by the Board of Directors on 17 September 2021 and was signed on its behalf by:



Stephen Boyd

Director

The Group Executive Committee (GEC)

The Executive Directors are responsible for implementing and achieving the strategy through the day-to-day running of the business. They are supported by a team of Executives on the Group Executive Committee.

Ian Chree
Group Efficiency
Improvement
Director

Ian joined Finsbury Food Group in 2005. He now has 24 years' experience in the food industry as well as over 20 years' experience in process control in non-food manufacturing. Ian's first role in food was in engineering and operations for a prepared vegetable business, before moving to chilled high-care food manufacturing with Food Partners, where he was Managing Director.

Sat Hanspal
Group Purchasing
Director

Sat joined Memory Lane Cakes in 1998 as a packaging buyer. Memory Lane was subsequently acquired by Finsbury Food Group and Sat progressed to his current position. After studying Chemical Engineering, Sat started his career with Cima Foods as a process controller. He moved to the purchasing side of the business looking after juice procurement and logistics. Cima was acquired by Princes Foods and during his 15 years with the Company, Sat progressed to Senior Buyer, before his move to Memory Lane Cakes.

Jackie Kent
Group Human
Resources Director

Jackie joined Finsbury Food Group in 2015. She has over 21 years' experience in the food manufacturing sector. Before joining Finsbury, she was HR Director at Burton's Biscuit Company for a number of years and also worked in the meat processing sector. Her early roles were operational and HR positions within Rank Hovis McDougall, having completed their graduate programme. Jackie holds a BA Hons degree from the University of Leeds and a Diploma in Personnel Management as well as qualifications in occupational testing, coaching and mentoring.

The Group Executive Committee/Continued

Frances Swallow Group Technical Director

Frances joined Finsbury Food Group in October 2009. She has worked in the food industry for over 30 years, 20 of them at Technical Executive or Director level. Previous positions include senior roles at Greencore, Fresh-Pak, Geest Prepared Foods and United Biscuits in a range of operational, technical, manufacturing and engineering roles.

Simon Staddon Managing Director – Bread and Morning Goods

Simon joined Finsbury Food Group in 2005 as Managing Director of the Nicholas and Harris speciality bread business. Before this he was a Commercial Director at Greencore. This followed a long career at Unigate, having joined after graduating from Manchester University with a degree in Management Sciences. He held many roles within the St.Ivel division, including Sales Director. Simon has been Managing Director of Finsbury's bread business for the last five years.

Lucy Wills Managing Director – Cake

Lucy joined Finsbury Food Group in 2011. She has over 19 years' experience in the food manufacturing sector. Prior to joining Finsbury Lucy headed up Senoble UK's chilled desserts multi-site operation. Earlier career experience was within the sandwich manufacturing sector with Food Partners where she held a range of supply chain and operational roles.

Jon Cooper Operations Director – Bread and Morning Goods

Jon joined Finsbury Food Group in 2015 and lead Fletchers Bakery for the first five years. Jon has 21 years' experience in Operations and Engineering management roles. Jon started his career as a Manufacturing Engineer in the Automotive industry but moved into the high volume bakery sector in 2002. Past senior roles outside of Finsbury Food Group include General Manager at New York Bagel and Dual Site Director for Hovis.

Matthew Baxter Group Supply Chain Director

Matthew joined Finsbury Food Group in 2019. Matthew has over 25 years supply chain experience in both retail and as a supplier. Matthew also has extensive international experience with Kerry and RB having worked in EU, South East Asia and North America for a number of years.

Dan Bowles Group Health, Safety, Environment and Risk Director

Dan joined Finsbury Food Group in 2017. He has 19 years' experience in Health, Safety and Environmental roles in a number of industries including civil engineering, process engineering and food and drink. Dan holds a BSc Hons. degree in Health, Safety and Environmental management. He is a Chartered Member of the Institute of Occupational Health and Safety (IOSH) and a Practitioner Member of the Institute of Environmental Management and Assessment (IEMA).

Audit Committee Report

The Audit Committee comprises two members: Bob Beveridge, a chartered accountant with recent and relevant financial experience, and Ray Duignan. It met three times during the year with 100% attendance. The external auditors and Finance Director attended all meetings at the invitation of the Committee Chairman. The Committee also met with the external auditors without the presence of Executive Directors or management.

Role

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the Financial Statements (including Annual and Interim Accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

Terms of Reference

The duties of the Committee are set out in its terms of reference which is published on the Group's website (www.finsburyfoods.co.uk/investor-relations/corporate-governance)

The main items of business carried out in the year included:

- Review of the FY21 audit plan and audit engagement letter;
- Consideration of key audit matters and how they are addressed;
- Review of effectiveness of the external auditor;
- Review of the Financial Statements and Annual Report;
- Consideration of the external audit report;
- Going concern review;
- Review of the risk management process and internal control procedures;
- Review of internal audit reports and plans;
- Meeting with the external auditor without management present; and
- Review of whistleblowing and anti-bribery arrangements.

Financial Reporting

During the year, the Committee concluded that the Annual Report and Financial Statements, taken as whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's business model, strategy and performance. During the year, the Committee considered the following key matters of judgement:

- Valuation of goodwill and intangible assets and review for potential impairment, ensuring the reasonableness of key assumptions, considering the impact of sensitivities to these assumptions and identifying the degree of sensitivity which would lead to a potential impairment.
- Accounting for Defined Benefit Pension Scheme; ensuring consistency with prior years and external benchmarks.
- Alternative performance measures; agreed to remove non-critical measures and add carbon emission KPI. Reviewed methodology of calculations.

In terms of going concern, the Committee considered a range of scenarios for both the budget and the three-year business plan including a reasonable worst-case scenario. It was concluded that the going concern basis is appropriate.

The Committee reviewed the full-year and half-year results announcements, Annual Report and Financial Statements and considered reports from the external auditors. The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

External Audit

The Committee carried out a detailed assessment of the audit effectiveness, including a site questionnaire covering 20 criteria. The overall assurance rating was deemed to be good and opportunities for improvement were agreed, mainly relating to timing of work. The relatively high level of partner engagement was regarded as very helpful. Discussions relating to judgemental items had been carried out in a timely manner and the audit challenges were rigorous and appropriate.

During the year, the fees paid to the auditors, PwC, were £183,000, (2020: £183,000) for audit services, and £41,000 (2020: £20,000) for non-audit services. No services were provided pursuant to contingent fee arrangements.

The Committee reviewed and considered a number of factors to assess the auditors' objectivity and independence, including their internal procedures, the degree and nature of challenges and scepticism shown by the partner. The Committee is satisfied with PwC's independence, objectivity and expertise and believes the Group is subjected to a rigorous audit process. As PwC has been auditor for three years there is no intention to re-tender and the Board will recommend their ongoing appointment at the AGM.

Audit Committee Report/Continued

Risk Management, Internal Controls and Internal Audit

The risk management process this year was further improved as for the second time it formed an early stage of the strategic planning process, owned by the business areas. A report was prepared that identified the risks, the procedures in place to mitigate those risks and uncertainties and the potential impact on the Group. The Committee reviewed this report and reported its views to the Board. The principal risks and uncertainties to which the Group is exposed are set out in the Strategic Report on pages 30 to 33.

During the year the Committee completed a review of the Group's internal control framework, following its implementation last year. Controls and spending limits have been built into the M3 Financial system. There is strong automation and segregation of duties enforced within the M3 system as part of the revenue recognition process. Internal audit reviews during the year have focused on compliance with the control framework and the internal audit reports were reviewed by the Committee together with follow up actions identified.

Whistleblowing and Anti-Bribery

The Committee considered reports of whistleblowing from the hotline which confirmed its view that the hotline was a valuable assurance with issues being identified and followed through appropriately. It reviewed minor updates to whistleblowing and anti-bribery policies.

Other Matters

During the year the Committee completed reviews into IT risks including cyber-security, M3 Cloud migration, GDPR compliance and received presentations from the Group's Health and Safety manager, outlining further progress on the HSE strategy. Additionally, the Committee reviewed foreign exchange, interest rate and commodity hedging policies, the Group's insurance policies and reviewed the Audit Committee's effectiveness via a questionnaire completed by senior finance executives as well as Committee members.

Conclusion

Having given due and full consideration to all the matters referred to above, the Committee is satisfied that the Group has in place effective internal control systems and risk management process. The Committee is also satisfied that the Financial Statements present a fair, balanced and understandable view and provide shareholders with the necessary information to assess the Group's position and performance, strategy and business model.

Bob Beveridge
Chairman, Audit Committee
17 September 2021

Directors' Remuneration Report (unaudited)

Statement from the Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report as Chair of the Remuneration Committee of Finsbury Food Group for the year ended 26 June 2021.

A copy of our Directors' Remuneration Policy (the "Policy") which has been applied since 2017-18 is available on our website at www.finsburyfoods.co.uk/investor-relations/corporate-governance. During the year the Committee reviewed the Policy and concluded that it continues to be aligned with our business and talent strategy and the long-term interests of our shareholders. The Committee noted that the existing malus and clawback provisions in the LTIP are in line with market practice for an AIM listed company. The Committee also noted the significant shareholding held by the Executive Directors and their immediate families. No changes are therefore being made to the Policy.

The Annual Report on Remuneration which is on pages 56 to 58 provides details of the amounts earned in respect of the year ended 26 June 2021.

Similar to previous years and as a matter of best practice, the Annual Report on Remuneration has been prepared taking into account the remuneration reporting regulations applicable to fully listed companies in the UK.

Remuneration in Context

Despite the uncertain operating environment and challenging economic backdrop, as outlined below, we finished the year with revenues at almost pre-pandemic levels. The Group's Operating Brilliance Programme continued to drive improvements in cost and cash performance with a significant strengthening of the Group's net bank debt position by year end to £13.1 million, a reduction of £8.4 million from 26 December 2020.

This strong performance is a testament to the strength of the leadership team and the hard work and commitment by all our colleagues throughout a sustained period of challenge. We would like to thank everyone for that commitment which they have demonstrated throughout the last 18 months.

Our approach of balancing the experience of employees, shareholders and other stakeholders has continued, with the resumption of dividend payments for the financial year ending 26 June 2021 and investing in our colleagues. After no base pay increases or bonuses in 2020, in June 2021, the Board awarded staff a thank you payment of £200 in appreciation of everyone's contribution through the year.

Review of the 2020-2021 Financial Year and Remuneration Outcome

The first half of the year was heavily impacted by the initial pandemic lockdown. The disruption continued to a lesser extent in the second half with disruption particularly within foodservice. Overall, the strong performance resulted in revenues for the year increasing 2.3% to £313.3 million (2020: £306.3 million), which is almost at pre-pandemic levels (FY19: £315.3 million). This translated to an increase in adjusted operating profit to £16.1 million, up £1.2 million versus the prior year.

As detailed in the Remuneration Report last year, to mitigate cash outflows at the outset of the pandemic the Board elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. No base salary increases were awarded to John Duffy, our CEO, or Stephen Boyd, Group Finance Director for the 2020-2021 Financial Year.

As set out on page 57, based on adjusted EBITDA performance of £26.9 million, the Executive Directors earned a bonus of 100% of salary for 2020-2021. 50% of the bonus earned will be paid in cash and the balance is paid in the form of shares. This is the first bonus payment to the Executive Directors for four years and reflects the outstanding leadership of the Executive Directors under challenging circumstances, resulting in year-on-year revenue growth and a total sales figure almost at pre-pandemic levels. We congratulate the management team on such a strong performance and believe the full award of the incentive is well deserved.

The LTIP awards granted on 2 January 2019 were based on the three-year performance period ending on 26 June 2021. Notwithstanding the strong performance delivered in the year, these LTIP awards have now lapsed. EPS (50% of the total award) as at 26 June 2021 was 8.60p which was below the threshold EPS target of 11.50p; and relative Total Shareholder Return ("TSR") performance (50% of the total award) was below the threshold target of being ranked at median against the FTSE Small Cap (excluding investment).

The Committee awarded nil-cost share options as Performance Share Plan ("PSP") awards under the LTIP to Executive Directors (and participants including senior management) during the year. The number of shares awarded to each Executive Director was equivalent to 100% of salary based on the average price of the shares over the three business days immediately prior to the end of the Company's financial year ended 27 June 2020.

These awards and the respective conditions are detailed on page 58.

Directors' Remuneration Report (unaudited)/Continued

Remuneration in Respect of the 2021-2022 Financial Year

Salary and Fees

The next review of Executive Directors' salary will be undertaken in September 2021. It is intended that the Executive Directors' salaries will increase in line with the general increases applied to the wider workforce.

The next review of the Chairman and Non-Executive Directors' fees will be undertaken in September 2021. This is the first review of the Non-Executive Directors' fees in six years. In addition, the Non-Executive Directors were keen to support the organisation through the pandemic which saw a reduction of the fees alongside the executive team.

Annual Bonus

No changes are proposed to the bonus opportunity. The maximum bonus opportunity for the Executive Directors will be up to 100% of salary. The annual bonus will continue to be based on adjusted EBITDA performance as the Committee considers this to be the most appropriate short-term measure for assessing Executive Directors' performance. At year end, when we determine the performance outcomes for the year, we will be thoughtful in our assessment of results, balanced with the shareholder and workforce experience. Details of the performance targets for the 2021-2022 bonus will be reported in the 2022 Annual Report.

LTIP

Awards under the LTIP will be made following the announcement of our results. The maximum opportunity for the Executive Directors will be 100% of salary. The LTIP awards will be subject to EPS and relative TSR performance conditions. The targets will be disclosed in the Remuneration Report next year.

Marnie Millard

Chairman, Remuneration Committee

17 September 2021

Directors' Remuneration Report (unaudited)/Continued

The full Policy can be viewed in the investor section of the website at www.finsburyfoods.co.uk/investor-relations/corporate-governance.

The main aim of the Company's Policy is to align the interests of Executive Directors with the Company's strategic vision and the long-term creation of shareholder value. The Company aims to provide returns to shareholders through both organic and acquisitive growth. The Policy is intended to remunerate our Executive Directors competitively and appropriately for effective delivery of this and allows them to share in this success and the value delivered to shareholders. The Policy is based on a broad set of remuneration principles:

- Promote shareholder value creation;
- Support the business strategy;
- Promote sound risk management;
- Ensure that the interests of the Directors are aligned with the long-term interests of shareholders;
- Deliver a competitive level of pay for the Directors without paying more than is necessary to recruit and retain individuals;
- Ensure that the Executive Directors are rewarded for the contribution to the success of the Group and share in the success delivered to shareholders; and
- Motivate the Directors to deliver enhanced sustainable performance.

Unaudited Annual Report on Remuneration

Single Total Figure of Remuneration

The tables below detail the total remuneration earned by each Director in respect of the financial years ended 26 June 2021 and 27 June 2020:

2021	Salaries/ fees £000	Taxable benefits £000	Annual bonus shares £000	Annual bonus cash £000	LTIP ¹ £000	Total remuneration £000
Executive Directors						
J G Duffy	428	12	214	214	-	868
S A Boyd	300	12	150	150	-	612
	728	24	364	364	-	1,480

Non-Executive Directors

	Salaries/ fees £000	Taxable benefits £000	Annual bonus shares £000	Annual bonus cash £000	LTIP ¹ £000	Total remuneration £000
Non-Executive Directors						
P Baker	85	-	-	-	-	85
R Beveridge	55	-	-	-	-	55
R P E Duignan	58	-	-	-	-	58
M J Millard	55	-	-	-	-	55
	253	-	-	-	-	253
	981	24	364	364	-	1,733

2020	Salaries/ fees £000	Taxable benefits £000	Annual bonus shares £000	Annual bonus cash £000	LTIP ¹ £000	Total remuneration £000
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Executive Directors

J G Duffy	394	12	-	-	-	406
S A Boyd	274	12	-	-	-	286
	668	24	-	-	-	692

Non-Executive Directors

P Baker	79	-	-	-	-	79
R Beveridge	51	-	-	-	-	51
R P E Duignan	53	-	-	-	-	53
M J Millard	51	-	-	-	-	51
	234	-	-	-	-	234
	902	24	-	-	-	926

To mitigate cash outflows at the outset of the pandemic the Directors elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. This reduced the salary costs of the Group during this period. This reduction is reflected in the Executive Director and Non-Executive Director base salaries and fees in the table above.

¹ No long-term incentive awards vested with respect to a performance period ending during the year to 26 June 2021 or with respect to a performance period ending during the year to 27 June 2020.

Directors' Remuneration Report (unaudited)/Continued

Notes to the Table

Base Salaries

The base salaries for the Executive Directors are set with effect from 1 October each year. The salaries in the financial years ended 27 June 2020 and 26 June 2021 were as follows:

Executive Directors	From 1 October 2021	From 1 October 2020	Percentage increase
J G Duffy	£427,980	£427,980	nil
S A Boyd	£299,790	£299,790	nil

As outlined in the single figure table on page 56, the Executive Directors elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. This reduced the salary costs of the Group during the year to 27 June 2020. This reduction is not reflected in the base salaries in the table above.

Taxable Benefits

The taxable benefits for the Executive Directors in the year included a car allowance and private medical insurance. The Executive Directors do not receive a pension allowance.

Annual Bonus

The annual bonus is the total value of the bonus earned in respect of the financial year (including the amount delivered in shares). For the financial year ended 26 June 2021, Executive Directors were able to earn a bonus of up to 100% of annual base salary subject to the achievement of stretching EBITDA performance targets. Based on adjusted EBITDA performance of £26.9 million, the threshold adjusted EBITDA target has been achieved. Thus, the Executive Directors earned a bonus for 2020-21.

The following table sets out the bonus pay-out to the Executive Directors for 2020-21 and how this reflects EBITDA performance for the year.

Performance measure	Actual performance	Resulting level of award for each Executive as a percentage of salary	Bonus to be paid
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EBITDA £26,900,000	100% of salary	50% of the bonus earned will be paid in cash and the balance is paid in the form of shares.

Long-Term Incentives

Awards granted on 21 January 2019 were based on performance over the three financial years to 26 June 2021 and vested as to the amounts set out below. These awards are subject to a two-year holding period.

Performance conditions	Actual performance	% of this element vesting	% of award
Adjusted diluted EPS	% vesting		
Below 11.50p	0		
At 11.50p	25%	- 8.6pps	nil
Between 11.50p and 13.00p	Straight-line vesting to 100%		
Above 13.00p	100%		
Relative TSR ranking	% vesting		
Below median	0		
Median	25%		
Between median and upper quartile	Straight-line vesting	Below median	nil
Upper quartile	100%		nil
Total % of award vesting			nil

In arriving at the adjusted EPS out-turn of 8.6p, the Committee has excluded the significant and non-recurring costs relating to restructuring and impairments.

	Number of shares granted	Number of shares vesting	Value of LTIP shares vesting
J G Duffy	344,262	nil	nil
S A Boyd	241,147	nil	nil

Chairman and Non-Executive Director Fees

Details of Chairman and Non-Executive Directors' fees for 2020-21 are as set out below:

Chairman fee	Non-Executive Director fee	Chairman of the Remuneration Committee	Member of the Remuneration Committee	Chairman of the Audit Committee	Member of the Audit Committee
£85,000	£50,000	£5,000	£2,500	£5,000	£2,500

Directors' Remuneration Report (unaudited)/Continued

Payments for Loss of Office Made During the Year

No payments for loss of office were made in the year to any Director of the Company.

Statement of Directors' Shareholding and Share Interests

The interests of the Directors and their immediate families in the Company's ordinary shares as at 26 June 2021 and 27 June 2020 were as follows:

	26 June 2021	27 June 2020
Executive Directors		
J G Duffy	2,617,592	2,443,679
S A Boyd	1,195,543	1,095,543
Non-Executive Directors		
P Baker	96,817	96,817
R Beveridge	14,000	14,000
R P E Duignan	-	-
M J Millard	9,366	9,366

The wives of J G Duffy and S A Boyd both purchased shares in the market during the year. The current personal shareholdings of J G Duffy and S A Boyd and their immediate families equate to circa 5.5 and 3.6 times salary respectively.

The interests of the Directors and their immediate families in the Company's ordinary shares did not change between 26 June 2021 and the date these accounts were signed on 17 September 2021.

The interests of each Executive Director of the Company as at 26 June 2021 and 27 June 2020 in the Company's share schemes were as follows:

Executive Director	Date of grant	Number of options at 27 June 2020	Granted	Exercised	Lapsed	Number of options at 26 June 2021
J G Duffy	04/12/2015	655,614	-	-	-	655,614
J G Duffy	21/01/2019	344,262	-	-	(344,262)	-
J G Duffy	28/10/2019	1,174,090	-	-	-	1,174,090
J G Duffy	22/10/2020	-	705,888	-	-	705,888
S A Boyd	04/12/2015	476,364	-	-	-	476,364
S A Boyd	21/01/2019	241,147	-	-	(241,147)	-
S A Boyd	28/10/2019	833,380	-	-	-	833,380
S A Boyd	22/10/2020	-	494,458	-	-	494,458
		3,724,857	1,200,346	-	(585,409)	4,339,794

Details of the LTIP awards granted on 22 October 2020 are given in the table below:

	Number of shares	Basis of award ^a	Performance/vesting period	Performance conditions
J G Duffy	705,888	100% of salary Nil cost option (PSP Award)	3 financial years from 27 June 2020	50% subject to EPS growth and 50% subject to relative TSR (further details below).
S A Boyd	494,458	100% of salary Nil cost option (PSP Award)	3 financial years from 27 June 2020	50% subject to EPS growth and 50% subject to relative TSR (further details below).

The value of the shares subject to each PSP Award was calculated using the average price of the shares over the three business days immediately prior to the end of the Company's financial year ended 27 June 2020.

PSP awards will be subject to a further two-year holding period following the end of the performance period.

PSP vesting of 50% of the award will normally be based upon the amount of the adjusted diluted Earnings Per Share (EPS) delivered in the final Financial Year of the three-year performance period beginning with the start of the Company's 2021 Financial Year. Below the threshold vesting target of 7.60p, none of this component of the award will vest. 25% of this component will vest if adjusted diluted EPS is 7.60p with 100% vesting at 8.80p and vesting determined on a straight-line basis between these figures. This is subject to the Committee's discretion to adjust vesting levels and/or substitute such condition with EBITDA target ranges if it considers that such condition is no longer a fair and appropriate measure of the Company's financial performance during the performance period, taking into account factors such as the Company's EBITDA performance relative to the wider market.

PSP vesting of 50% of the award will be based upon Relative TSR against the FTSE Small Cap (excluding investment trusts) over the performance period. At below median relative TSR ranking, none of this component of the award will vest. 25% of this component will vest at median ranking, with 100% vesting at upper quartile or above ranking, and vesting determined on a straight-line basis between these points.

Approval

This report was approved by the Board on 17 September 2021 and signed on its behalf by:

Marnie Millard
Chairman, Remuneration Committee
17 September 2021

Independent Auditors' Report to the Members of Finsbury Food Group Plc

Report on the Audit of the Financial Statements

Opinion

In our opinion:

- Finsbury Food Group Plc's Group Financial Statements and Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 26 June 2021 and of the Group's profit and the Group's cash flows for the 52 week period then ended;
- The Group Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- The Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: Consolidated Statement of Financial Position and Company Balance Sheet as at 26 June 2021; Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Changes in Equity and Consolidated Cash Flow Statement for the period then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview

Audit Scope

- We performed a full-scope audit procedures in respect of the Group's five largest manufacturing locations as well as Finsbury Food Group Plc; and
- Our audit procedures covered entities contributing 88% of the Group's revenues for the 52 week period ended 26 June 2021.

Key Audit Matters

- Goodwill impairment assessment (Group);
- Recoverability of the Company investments in subsidiaries (Parent); and
- Impact of the outbreak of Covid-19 on the Financial Statements (Group and Parent).

Materiality

- Overall Group materiality: £1.6m (2020: £1.5m) based on 0.5% of total revenues;
- Overall Company materiality: £1.5m (2020: £1.5m) based on 1% of total assets (restricted by Group materiality); and
- Performance materiality: £1.1m (Group) and £1.1m (Company).

The Scope of our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill Impairment Assessment (Group) At 26 June 2021, the Consolidated Statement of Financial Position includes £73.2 million of goodwill (2020: £73.2 million).</p> <p>In accordance with the requirements of IAS in conformity with the requirements of the Companies Act 2006, management has performed impairment reviews in relation to the goodwill held in the Group's cash generating units (CGUs). Management has prepared value in use calculations for each of the CGUs using board approved strategic plans. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, and the discount rate employed.</p> <p>An impairment of £7.5 million was recognised in the prior year in relation to the Ultrapharm CGU as a result of slower than expected development.</p>	<p>We obtained the relevant CGU cash flow forecasts supporting management's calculation of value in use and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged key inputs. Our procedures included:</p> <ul style="list-style-type: none"> • Verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board; • Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing CGU specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the CGU's performance; • Evaluating the appropriateness of the projected revenue growth rates used, both over the short-term to 2024 and over the longer-term, including assessing and challenging the assumptions over the impact of Covid-19 on trading; • Consideration of prior year and current performance in comparison to projected results; • Considering the impact of a range of sensitivities to assess the impact of reasonably possible changes in key assumptions to those used by management; • Evaluating the appropriateness of discount rates used, which included comparing the rate used to other similar companies; • Evaluating other key inputs to the cash flows, including the forecast margins and capital expenditure; and • Reviewing management's disclosures in the Financial Statements. <p>We believe that the assumptions in the value in use model and the conclusion reached that no impairment is required is reasonable. We also believe that the disclosures in note 10 of the Financial Statements in respect of sensitivities that would result in impairment are appropriate. We consider that the carrying value of the goodwill balance is materially correct and we believe that the disclosures in the Financial Statements are appropriate.</p>
<p>Recoverability of the Company Investments in Subsidiaries (Parent) At 26 June 2021, the Company's Statement of Financial Position included £112.1 million of investments in subsidiaries (2020: £112.0m).</p> <p>In accordance with the requirements of IAS in conformity with the requirements of the Companies Act 2006, management has performed an analysis comparing the carrying amount of the investments with the calculated value in use (noted above). No impairment has been recognised in the current year. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, and the discount rate employed.</p> <p>An impairment of £3.5 million was recognised in the prior year in relation to the Ultrapharm business, due to slower than expected development. An impairment in relation to Anthony Alan Foods was also recognised in the prior year, as there were no future cash flows to consider hence an impairment charge of £3.0 million is recognised to write the balance of this investment down to nil.</p>	<p>We obtained the relevant subsidiary's cash flow forecasts supporting management's assessments and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged and evaluated key inputs including:</p> <ul style="list-style-type: none"> • Verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board; • Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing subsidiary or CGU specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the subsidiary or CGU performance; • Evaluating the appropriateness of the projected revenue growth rates used, both over the short-term to 2024 and over the longer-term, including assessing and challenging the assumptions over the impact of Covid-19 on trading; • Consideration of prior year and current performance in comparison to projected results; • Considering the impact of a range of sensitivities to assess the impact of reasonably possible changes in key assumptions to those used by management; • Evaluating the appropriateness of discount rates used, which included comparing the rate used to other similar companies; • Evaluating other key inputs to the cash flows, including the forecast margins and capital expenditure; and • Reviewing management's disclosures in note 38 of the Financial Statements. <p>We consider the carrying value of the investment balance to be materially correct.</p>

Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

Key audit matter	How our audit addressed the key audit matter
<p>Impact of the Outbreak of Covid-19 on the Financial Statements (Group and Parent)</p> <p>In March 2020 the global pandemic from the outbreak of Covid-19 became significant and is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. Covid-19 has had a large impact on Finsbury Food Group Plc both operationally and further in relation to the forecasted future demand for product and consequential impact on funding and cash flow management.</p> <p>It has impacted the results of the Group and Company for the 2021 financial year to date and is expected to continue to impact the Group and Company for some of 2021/22 whilst economies continue to recover, albeit the severity of the impact is expected to reduce over time. Disclosure of the risk to the Group and Company of Covid-19 and management's conclusions on going concern and have been included within the relevant sections of the Annual Report.</p>	<p>We critically assessed management's assessment of the impact of Covid-19. We considered:</p> <ul style="list-style-type: none"> • The timing of the development of the outbreak across the world and in the UK; and • How the Financial Statements and business operations of the Group and Company might be impacted by the disruption. <p>In forming our conclusions over going concern, we evaluated whether management's going concern assessment considered impacts arising from Covid-19. Our procedures in respect of going concern included:</p> <ul style="list-style-type: none"> • We made enquiries of management to understand the potential impact of Covid-19 on the Company's financial performance, business operations and financial position; • We reviewed management's going concern assessment, based upon the bottom-up full year 2022 budget and strategic forecast to June 2024, to ensure the impacts of Covid-19 have been appropriately reflected; and • We have challenged the key assumptions in this assessment, including the availability of sufficient facilities and cash resources and compliance with future banking covenants. <p>Refer to our first and second Key Audit Matter above for details of how we considered the impact of Covid-19 in our procedures over the recoverability of goodwill and investments.</p> <p>Based on the work performed, we are satisfied that the matter has been appropriately evaluated and reflected in the Financial Statements and concur with management's assessment that the impact of Covid-19 has not had a significant impact on the going concern assessment. We also assessed the adequacy of disclosures related to Covid-19 included in the notes of the Financial Statements and assessed these to be appropriate.</p>

How We Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has six main manufacturing sites across the UK, together with a distribution centre in France, operations in Poland, and a head office location based in the UK. Each manufacturing site has its own accounting team and the financial reporting for Finsbury Food Group Plc is undertaken by a team based at the head office.

Of the Group's 9 reporting components, 5 are considered to be financially significant components of the Group, given the significant revenue generated at these locations. All of these components were based in the UK and full scope audit procedures were led by the Group engagement team. The Group engagement team also audited the Parent Company, which was scoped in accordance with the Company materiality and focused on the investment carrying value and the revolving credit facility held by the Company.

Our audit addressed components making up 90% of the Group's revenues for the period.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Financial Statements - Group	Financial Statements - Company
Overall materiality	£1.6m (2020: £1.5m)	£1.5m (2020: £1.5m)
How we determined it	0.5% of total revenues	1% of total assets (restricted by Group materiality)
Rationale for benchmark applied	Revenue is a key metric used by management and investors and given the relative volatility of profit before tax in recent years, this was considered to be a more consistent metric in line with prior year.	We determined our materiality based on total assets, which is more applicable than a performance-related measure as the Company is primarily an investment holding Company for the Group. However, as this materiality was greater than overall Group materiality, we have restricted the entity materiality.

Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.6 million to £1.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1.1m for the Group Financial Statements and £1.1m for the Company Financial Statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £78,000 (Group audit) (2020: £72,000) and £74,000 (Company audit) (2020: £72,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions Relating to Going Concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting and examining the support for forecast cash flows;
- Evaluating the appropriateness of the projected revenue growth rates used, over the next 12-18 months, including assessing the assumptions over the impact of Covid-19 on trading;
- Consideration of prior year and current performance in comparison to projected results. The Group were ahead of budget for the 2020/21 year and are currently performing ahead of budget for the 2021/22 year;
- Considering the impact of a range of sensitivities to assess the impact of reasonably possible changes in key assumptions to those used by management;
- Evaluating other key inputs to the cash flows, including the forecast margins and capital expenditure. These are consistent historic trends and spend;
- Reviewed covenant calculations to ensure no covenant breaches in the current year and no forecast covenant breaches throughout the period, there are no current or forecast breaches;
- Performed sensitivities on the covenant calculations to assess headroom, which showed significant decreases in EBITDA would be required in order for covenants to be breached; and
- Assessed current and forecast headroom for the Group in relation to their available cash facility, which shows clear headroom throughout the assessment period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 26 June 2021 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to food and hygiene laws, health and safety regulations, environmental legislation, AIM listing regulations, pension legislation, employment laws and tax legislation, and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the Financial Statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Evaluation of the adequacy of the design of management's controls to prevent and detect irregularities;
- Enquiry of management around known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings of those charged with governance;
- Challenge assumptions made by management in its significant accounting estimates; and
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations and consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Financial Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at:
www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this Report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not obtained all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- The Company Financial Statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jason Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Cardiff
17 September 2021

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under Company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Parent Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.



On behalf of the Board
Stephen Boyd
Director
17 September 2021

Financial Statements
Consolidated Statement of Comprehensive Income
for the 52 weeks ended 26 June 2021 and 52 weeks ended 27 June 2020

	Note	2021 £000	2020 £000
Revenue	2	313,258	306,348
Cost of sales		(210,273)	(210,881)
Gross profit		102,985	95,467
Administrative expenses	3	(85,716)	(80,401)
Administrative items – significant and non-recurring	4	958	(10,331)
Operating profit		18,227	4,735
Finance income	7	89	61
Finance cost	7	(1,303)	(1,928)
Net finance cost		(1,214)	(1,867)
Profit before tax		17,013	2,868
Taxation	8	(3,368)	(2,761)
Profit for the financial year		13,645	107
Other comprehensive income/(expense)			
Items that will not be reclassified to profit and loss			
Remeasurement on Defined Benefit Pension Scheme	14	396	(3,806)
Movement in deferred taxation on Pension Scheme liability	23	811	723
Other comprehensive income/(expense) for the financial year, net of tax		1,207	(3,083)
Total comprehensive income/(expense) for the financial year		14,852	(2,976)
Profit/(loss) attributable to:			
Equity holders of the Parent		12,347	(759)
Non-controlling interest		1,298	866
Profit for the financial year		13,645	107
Total comprehensive income/(expense) attributable to:			
Equity holders of the Parent		13,554	(3,842)
Non-controlling interest		1,298	866
Total comprehensive income/(expense) for the financial year		14,852	(2,976)
Earnings/(loss) pence per ordinary share			
Basic	9	9.8	(0.6)
Diluted	9	9.3	(0.6)

The Notes on pages 69 to 98 form an integral part of these Financial Statements.

Consolidated Statement of Financial Position
at 26 June 2021 and 27 June 2020

	Note	2021 £000	2020 £000
Non-current assets			
Intangibles	10	88,019	88,626
Property, plant and equipment	12	59,015	61,736
Deferred tax assets	23	5,961	4,623
		152,995	154,985
Current assets			
Inventories	15	15,027	14,618
Trade and other receivables	16	50,986	40,003
Cash and cash equivalents	17	9,523	10,173
Other financial assets – fair value of derivatives	13	405	-
		75,941	64,794
Total assets		228,936	219,779
Current liabilities			
Other interest-bearing loans and borrowings	18	(2,039)	(3,191)
Trade and other payables	20	(62,490)	(48,861)
Provisions	21	(222)	(471)
Other financial liabilities – fair value of derivatives	13	(121)	(501)
Deferred consideration	22	(976)	(481)
Current tax liabilities		(689)	(1,375)
		(66,537)	(54,880)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	(31,029)	(45,113)
Provisions	21	(160)	(550)
Deferred consideration	22	(466)	(1,357)
Deferred tax liabilities	23	(2,944)	(2,117)
Pension fund liability	14	(14,529)	(15,174)
		(49,128)	(64,311)
Total liabilities		(115,665)	(119,191)
Net assets		113,271	100,588
Equity attributable to equity holders of the Parent			
Share capital	26	1,304	1,304
Share premium account	25	64,956	64,956
Capital redemption reserve	25	578	578
Employee share reserve	25	(5,374)	(3,378)
Retained earnings	25	49,021	34,918
		110,485	98,378
Non-controlling interest		2,786	2,210
Total equity	25	113,271	100,588

The Financial Statements on pages 65 to 98 were approved by the Board of Directors on 17 September 2021 and were signed on its behalf by:

Stephen Boyd

Director

Registered Number 00204368

The Notes on pages 69 to 98 form an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity
for the 52 weeks ended 26 June 2021

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Employee share reserve £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 30 June 2019		1,304	64,956	578	(3,616)	44,207	2,188	109,617
Profit for the financial year	-	-	-	-	-	(759)	866	107
Other comprehensive:								
Remeasurement on defined benefit pension	14	-	-	-	-	(3,806)	-	(3,806)
Deferred tax movement on Pension Scheme remeasurement	23	-	-	-	-	723	-	723
Total other comprehensive expense	-	-	-	-	-	(3,083)	-	(3,083)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(3,842)	866	(2,976)
Transactions with owners, recorded directly in equity:								
Shares issued from EBT	26	-	-	-	1,207	(1,207)	-	-
Shares acquired during the year	26	-	-	-	(969)	-	-	(969)
Impact of share-based payments	26	-	-	-	-	(1,066)	-	(1,066)
Deferred tax on share options	-	-	-	-	-	(182)	-	(182)
Foreign exchange translation differences	-	-	-	-	-	(17)	-	(17)
Dividend paid	27	-	-	-	-	(2,975)	(844)	(3,819)
Balance at 27 June 2020		1,304	64,956	578	(3,378)	34,918	2,210	100,588
Balance at 28 June 2020		1,304	64,956	578	(3,378)	34,918	2,210	100,588
Profit for the financial year	-	-	-	-	-	12,347	1,298	13,645
Other comprehensive:								
Remeasurement on defined benefit pension	14	-	-	-	-	396	-	396
Deferred tax movement on Pension Scheme remeasurement	23	-	-	-	-	811	-	811
Total other comprehensive income	-	-	-	-	-	1,207	-	1,207
Total comprehensive (expense)/income for the period	-	-	-	-	-	13,554	1,298	14,852
Transactions with owners, recorded directly in equity:								
Shares acquired during the year	26	-	-	-	(1,996)	-	-	(1,996)
Impact of share-based payments	26	-	-	-	-	1,001	-	1,001
Deferred tax on share options	-	-	-	-	-	89	-	89
Foreign exchange translation differences	-	-	-	-	-	(541)	-	(541)
Dividend paid	27	-	-	-	-	-	(722)	(722)
Balance at 26 June 2021		1,304	64,956	578	(5,374)	49,021	2,786	113,271

The Notes on pages 69 to 98 form an integral part of these Financial Statements.

Consolidated Cash Flow Statement
for the 52 weeks ended 26 June 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit for the financial year		13,645	107
Adjustments for:			
Depreciation	3	7,235	7,656
Depreciation right-of-use assets	3	1,752	1,919
Significant non-recurring items	4	(1,125)	1,594
Significant non-recurring items – impairment of fixed assets	4,12	167	1,237
Impairment of goodwill	10	-	7,500
Net finance costs	7	1,214	1,867
Taxation	8	3,368	2,761
Amortisation of intangibles	10	1,817	1,734
Change in fair value of foreign exchange contracts	13	(696)	73
Contributions by employer to Pension Scheme	14	(473)	(200)
Operating profit before changes in working capital		26,904	26,248
Changes in working capital:			
(Increase)/decrease in inventories		(568)	210
(Increase)/decrease in trade and other receivables		(11,274)	9,949
Increase/(decrease) in trade and other payables		14,749	(9,192)
Cash generated from operations before costs of disposals and acquisitions		29,811	27,215
Costs relating to closure of bakeries and commissioning		(364)	(1,887)
Lease payments		(2,789)	(3,362)
Interest paid		(715)	(1,088)
Tax paid		(3,926)	(1,822)
Net cash generated from operating activities		22,017	19,056
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(6,190)	(4,703)
Purchase of companies	22	(500)	(1,000)
Net cash used in investing activities		(6,690)	(5,703)
Cash flows from financing activities			
Repayment of revolving credit	19	(13,753)	(10,960)
Purchase of shares by Employee Benefit trust		(1,996)	(969)
Dividend paid to non-controlling interest	27	(722)	(844)
Dividend paid to shareholders	27	-	(2,975)
Net cash used in financing activities		(16,471)	(15,748)
Net decrease in cash and cash equivalents		(1,144)	(2,395)
Opening cash and cash equivalents		10,173	12,358
Effect of exchange rate fluctuations on cash held		494	210
Cash and cash equivalents at end of period*	17	9,523	10,179

The Notes on pages 69 to 98 form an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements (forming part of the Financial Statements)

Presentation of Financial Statements

Basis of Preparation

These accounts cover the 52-week period ended 26 June 2021 (prior financial year is the 52-week period ended 27 June 2020). The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company is a public Company which is incorporated, domiciled and registered in England and Wales. The Group Financial Statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The "requirements of the Companies Act 2006" here means accounts in accordance with "international accounting standards" as defined in section 474(1) of that Act, as it applied immediately before Implementation Period ('IP') completion day (end of transition period), including where the Group also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and the European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019, these are presented on pages 99 to 107.

Going Concern and Impact of Covid-19

In the current climate where there is uncertainty around the impact of Covid-19, relevant judgements and assumptions have to be made. This will include the impact of Covid-19 on the economic recovery. The extent and duration of social distancing measures will impact demand and the workforce. The grocery sector has been heavily impacted by the pandemic as consumers respond to the ever-evolving situation particularly with the new variants of the virus and the speed of the vaccination roll out programme. The health and safety of our employees is a top priority and UK Government guidelines are being adhered to with regards to social distancing and working remotely.

The Group has demonstrated a robust performance driven by a resilient supply chain and production network in order to navigate through the challenging trading environment. As a manufacturer of a wide range of baked goods, the Covid-19 impact has varied considerably between businesses. The hospitality sector outdoors and take home grocery sales remain strong driven by measures of lockdown easing and continued drinking and eating at home with consumer behaviour adjusting to the unwinding of lockdown measures. Demand recovery is anticipated across businesses at different rates with category demand evolving. We should expect different paces of correction for different markets, dictated by factors such as weather, holidays and working patterns. When considering going concern judgement has to be made as to the extent of disruption, the ongoing challenges and the speed of recovery. Forecasts have been built on a bottom-up basis and stress tested to prepare an approved budget used as a basis for reviewing going concern. Having reviewed the Group's short and medium-term plans and available financial facilities, the Board has reasonable expectations that the Group has adequate resources to continue in operational existence for the next 12 months and the foreseeable future.

The Group meets its funding requirements through internal cash generation and bank credit facilities, which are committed until February 2023. Committed banking facilities are £55.0 million with a further accordion available of £35.0 million, net bank debt at the year end was £13.1 million. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Group will be able to operate comfortably within its current bank facilities. The Group has a relatively conservative level of debt to earnings.

The Board reviews the Group's covenants on a regular basis to ensure that it has adequate facilities to cover its trading and banking requirements with an appropriate level of headroom. The forecasts are based on management's best estimates of future trading. There has been no breach of covenants during the year and none expected during the next 12 months. All covenant tests were passed at the year end.

The performance of the Group has been robust and resilient with strong trading driven by improving volume performance and the benefits of the Group's Operating Brilliance Programme. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the Financial Statements for both the Group and the Parent Company. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments and Pension Scheme assets.

Critical Accounting Estimates and Judgements

Judgements

In the course of preparing the Financial Statements, judgements which do not involve estimation have been applied. The key accounting judgements, without estimation are as follows:

• Basis of Consolidation

Lightbody Stretz Limited, which is 50% owned by the Group is consolidated into the Group accounts as a subsidiary with a corresponding non-controlling interest on the basis that the Company is commercially dependant on Finsbury Food Group Plc. Philippe Stretz through Phaste EURL is the owner of the remaining 50%.

• Classification of Items as Significant Non-Recurring

The Group presents certain items as non-recurring and significant. These relate to items which, in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a more meaningful understanding of the financial information. They reflect costs that will not be repeated and therefore do not reflect ongoing trading of business which is more meaningful to users. Group management exercises judgement in assessing each significant and non-recurring item and analyses whether the treatment of these items is consistent with accounting policies and practice.

No other significant judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations.

Notes to the Consolidated Financial Statements/Continued

Estimates

The Group is required to make estimates and assumptions concerning the future. These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results, particularly in the challenging environment with the uncertainty around the impact of Covid-19, the extent and duration of social distancing measures and the impact on the economy. Accounting estimates have been required for the production of these Financial Statements. The following are those that are deemed to require the most complex assumptions about matters that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

• Defined Benefit Pension Scheme Valuation

The Group has one legacy Defined Benefit Pension Scheme that was closed to future accrual in May 2010. The net deficit is the difference between the plan assets and plan liabilities at the period end date. The valuation of the assets and liabilities is based on a number of assumptions. The assets are based on market value at the period end date, the liabilities are based on actuarial assumptions such as discount, inflation and mortality rates. The valuation is sensitive to changes in actuarial assumptions, whereby modest changes can have a material impact on the valuation. The risks include economic risks (such as interest rate risk and inflation risk) and demographic risks (for example members living longer than expected). The Group accounts for defined benefit pension based on advice provided by the Scheme's actuary in accordance with IAS 19 (revised) 'Employee Benefits', with independent actuaries being used to calculate the costs, assets and liabilities to be recognised in relation to the Scheme. The present value of the defined benefit obligation, the current service cost and past service costs are calculated by these actuaries using the projected unit credit method, further detail can be found in Note 14. The valuation is prepared on a consistent basis and the assumptions are compared to prior periods and market conditions. The assumptions are audited annually by a team of technical experts to assess whether the assumptions used are within an acceptable range.

• Impairment of Investments (including Goodwill and Intangibles)

The Group holds goodwill and intangibles and the Parent Company holds investments in the respective balance sheets. The carrying values are tested for impairment on an annual basis (more frequently if there are indications of impairment due to changes in market environment or changes that may affect the carrying value).

Detailed impairment models are prepared for each cash generating unit, detailed budgets and strategic forecasts are used as a basis for the modelling. Budgets and forecasts are sense checked during various rounds of internal management reviews. Sensitivities are applied to the discount rates used and the assumptions and results are reviewed by the Audit Committee and audited annually by external auditors. Impairment testing involves significant judgement as to whether the carrying value of each asset can be supported by the net present value of estimated future cash flows derived from such asset using cash flow projections which have been discounted at an appropriate rate. The key areas are:

- Discount rates;
- Future revenue and costs; and
- Long-term growth rates.

The impact of the Covid-19 pandemic has added a further level of complication and challenge due to the uncertainty of economic recovery with consumer behaviour adjusting to the unwinding of lockdown measures. Detailed bottom-up budgets have been prepared at business level and sensitivities applied, more complex assumptions had to be made on recovery rates of demand adding more uncertainty into modelling than previous years.

Further detail can be found under the significant accounting policy for intangible assets and goodwill and in Note 10.

• Taxation

Significant judgement is exercised by management in determining the amounts to be provided for both current and deferred tax. The final tax determination of certain transactions is often uncertain and may not be known for some time in the future. The appointment of external tax advisers to calculate the provisions during the year end process will focus expertise in this area and provide an independent technical interface with the auditors. The tax position is reviewed and assumptions are challenged by the external auditors and the actual tax charge is clearly reconciled to the theoretical tax charge in the Annual Report disclosures to ensure that variances are visible and understood. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The deferred tax asset recognised for losses relate to acquired businesses. Based on current and forecast levels of profitability, the losses are expected to be utilised within two years. If profits declined by 30% the losses would be utilised within three years.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, except as explained in the basis of preparation, which addresses any changes in accounting policies resulting from new or revised standards.

Basis of Consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of new subsidiaries are changed when necessary to align them with the policies adopted by the Group. Intra-group balances and transactions are eliminated in preparing the consolidated Financial Statements.

Lightbody Stretz Limited, which is 50% owned by the Group is consolidated into the Group accounts as a subsidiary with a corresponding non-controlling interest on the basis that the Company is commercially dependant on Finsbury Food Group Plc. Philippe Stretz through Phaste EURL is the owner of the remaining 50%.

New and Upcoming Standards

The following new standards, new interpretations and amendments to standards and interpretations are applicable for the first time for the financial year ended 26 June 2021.

- Amendment to IFRS 16 "Leases" – Covid-19 related rent concessions (effective 1 June 2020);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective on or after 1 January 2021 with early application permitted); and
- Amendments to IFRS 17 and IFRS 4 "insurance contracts", deferral of IFRS 9, as amended June 2020 (effective on or after 1 January 2021).

None of the amendments to the above standards had a material impact on the Financial Statements.

There are a number of new standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group. The future introduction of these standards is not expected to have a material impact on the Financial Statements of the Group.

- Amendments to IFRS 3 – Business Combinations (effective 1 January 2022);
- Amendments to IAS 16 – Property, Plant and Equipment (effective 1 January 2022);
- Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2022);
- Amendments to IAS 1, Practice statement 2 and IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors (effective 1 January 2022);
- Annual improvements to IFRS standards 2018-2020 – IFRS 1, IFRS 9, IAS 41 (effective 1 January 2022); and
- Amendments to IAS 1 – Presentation of Financial Statements on Classification of Liabilities (effective 1 January 2023).

Work will continue in the new financial year to assess the impact of the new standards and interpretations on the Group's Financial Statements.

Business Combinations

The acquisition method of accounting is used in accounting for the acquisition of businesses. In accordance with IFRS 3 Business Combinations, the assets and liabilities of the acquired entity are measured at fair value. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated are made within twelve months of the acquisition date and are affected from the date of acquisition.

Foreign Currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end date are retranslated to Sterling at the foreign exchange rate ruling at that date.

Any exchange differences arising on the settlement of monetary items, or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Sterling, at foreign exchange rates ruling at the period end date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Derivative Financial Instruments

The Group has derivative financial instruments in respect of interest rate swaps and foreign exchange hedges. The Group does not hold derivative financial instruments for trading purposes. The existing interest rate swaps and foreign exchange hedges used by the Group while they function as hedges, do not meet the criteria for hedge accounting set out by IFRS 9, and have thus been treated as financial assets and liabilities which are carried at their fair value in the Consolidated Statement of Financial Position. Fair value is deemed to be market value, which is provided by the counterparty at the year end date.

Changes in the market value of interest rate swaps have been recognised through the Consolidated Statement of Comprehensive Income as finance income or cost. Changes in the market value of foreign exchange hedges have been recognised through the Consolidated Statement of Comprehensive Income within administrative costs.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Unless otherwise indicated, the carrying amounts of the Group's financial assets and liabilities are a reasonable approximation of their fair values.

Trade and Other Receivables

The value of trade and other receivables is the amount that would be received if the receivable was paid on the period end date which is a close approximation to amortised cost.

Trade and Other Payables

The value of trade and other payables is the value that would be payable to settle the liability at the period end date.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Interest-Bearing Borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method.

Property, Plant and Equipment

Recognition and Measurement

Items of property, plant and equipment are measured at cost or fair value at the date of acquisition, less accumulated depreciation and impairment provisions. Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of the property, plant and equipment by equal instalments over their estimated useful economic lives to the Consolidated Statement of Comprehensive Income. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The depreciation rates used are as follows:

• Freehold buildings	2%-20%	• Plant and equipment	10%-33%
Leasehold property	Up to the remaining life of the lease	Assets under construction	nil
Fixtures and fittings	10%-33%	Motor vehicles	25%-33%

Impairment reviews of fixed assets are undertaken if there are indications that the carrying values may not be recoverable.

Leases

The Company leases various land and buildings, fork lift trucks and equipment. Rental contracts are typically made for fixed periods of between two months and 18 years but may have extension options.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes. Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 30 June 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease.

If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise small items of warehouse equipment and office equipment.

The Company changed its accounting policy in the prior year for leases where the Company is the lessee to comply with IFRS 16. IFRS 16 Leases sets out the principle for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases that have a term greater than a year.

On adoption of IFRS 16 Leases, the Group recognised liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Groups' incremental borrowing rate as of 27 June 2020. The weighted average incremental borrowing rate applied was 2.21%.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Intangible Assets and Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Intangible assets are capitalised separately from goodwill as part of a business combination, only if the fair value can be measured reliably on initial recognition and if the future economic benefits are expected to flow to the Group. All intangible assets recognised are considered to have finite lives and are amortised on a straight-line basis over their estimated useful economic lives that range from 15 to 20 years. Goodwill arises when the fair value of the consideration for the business exceeds the fair value of the net assets acquired. Where the excess is negative (negative goodwill), the amount is taken to retained earnings. Goodwill is capitalised and subject to impairment reviews both annually and where there are indications that the carrying value may not be recoverable.

Impairment

The carrying amounts of the Group's intangible assets and goodwill are reviewed at each period end date to determine whether there is an indication of impairment. Intangible assets and goodwill are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each period end date.

An impairment loss would be recognised whenever the carrying amount of an intangible asset, goodwill or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

Calculation of Recoverable Amount

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing an assets' value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based upon estimated selling price allowing for all further costs of completion and disposal. Specific provisions are made against old and obsolete stock taking the value to zero or an estimated reduced value based on the most likely route for disposal of each particular item of stock.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

Employee Benefits

Defined Benefit Plans

Memory Lane Cakes Ltd operates a Defined Benefit Pension Scheme and the pension costs are charged to the Consolidated Statement of Comprehensive Income in accordance with IAS 19 (revised), with current and past service cost being recognised as an administrative expense, interest on assets and liabilities is shown as finance income or a finance cost in the Consolidated Statement of Comprehensive Income. The remeasurements are recognised in full in Other Comprehensive Income (see Note 14).

Defined Contribution Plans

The costs of contributing to defined contribution and personal Pension Schemes are charged to the Consolidated Statement of Comprehensive Income as an administrative expense in the period to which they relate.

Share-Based Payment Transactions

The value, as at the grant date, of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

Revenue

Revenue is measured at the fair value of consideration received or receivable excluding value added tax, trade discounts, transactions with or between subsidiaries and less the cost of price promotions and sales related rebates known as over-riders. Revenue represents the amounts derived from the sale of bakery products.

Revenue is recognised when the single performance obligation has been satisfied and this is when goods (bakery products) are transferred to the customer which takes place upon delivery of agreed goods to the customer.

Delivery occurs when the goods have been despatched to an agreed specific location or have been directly received by the customer and removed from an operational site by them. At this stage the risks of obsolescence and loss have been transferred to the customer, as it is deemed that the customer has accepted the products in accordance with the specific sales agreement for those goods.

Price promotions, sales related rebates and returns are provided for as a reduction to revenue recognised based on management's best estimate of the amount required to meet claims by customers, taking into account contractual and legal obligations which are typically known, historical trends and accumulated past experience.

A receivable is recognised on the delivery of goods as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All segments' operating results are reviewed regularly by the Group's Board of Directors. The Group's Chief Operating Decision Maker is considered to be the Board.

Licence Fees

Payments made for licence fee charges are recognised under cost of sales in the Consolidated Statement of Comprehensive Income in the period to which they relate. Any charges relating to future years are deferred and recognised in the Consolidated Statement of Comprehensive Income under cost of sales over the life of the contract.

Finance Income and Cost

Finance costs comprise loan interest payable, interest payable and finance charges on lease liabilities recognised using the effective interest method, unwinding of the discount on provisions and deferred consideration, interest on the net Defined Benefit Pension Plan position and adverse changes in the fair value of interest rate swaps.

Finance income comprises interest receivable on funds invested and favourable changes in the fair value of interest rate swaps. Interest income is recognised in the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the period end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- The differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period end date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

Research and Development Expenditure

The expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Consolidated Statement of Comprehensive Income as incurred.

Government Grants

Furlough grants claimed to cover employee costs who have been furloughed during the pandemic are recognised in the Consolidated Statement of Comprehensive Income in the same period in which the related expense occurred. Related costs and income have been included in administrative expenses.

2. Revenue and Segment Information

Operating segments are identified on the basis of the internal reporting and decision making. The Group's Chief Operating Decision Maker is deemed to be the Board as it is primarily responsible for the allocation of resources to segments and the assessment of performance by segment. The Board assesses profit performance principally through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts.

The UK bakery segment manufactures and sells bakery products to UK grocery and foodservice sectors. It comprises six subsidiaries all of which manufacture and supply food products through the channels described above. These subsidiaries have been aggregated into one reportable segment as they share similar economic characteristics. The economic indicators considered are the nature of the products and production process, the type and class of customer, the method of distribution and the regulatory environment.

The overseas segment procures and sells bakery products to European grocery and foodservice sectors. It comprises Lightbody Europe and Ultraeuropa. Ultraeuropa has manufacturing facilities in Poland where it manufactures and sells Free From bakery products into the European markets.

The UK bakery segment also made sales directly to overseas markets.

	UK bakery		Overseas		Total Group	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
52 weeks to 26 June 2021 and 52 weeks to 27 June 2020						
Total	273,633	271,414	39,625	34,934	313,258	306,348
Reportable Segments						
Revenue UK bakery					273,633	271,414
Revenue overseas					39,625	34,934
Total revenue					313,258	306,348
Adjusted operating profit UK bakery					13,609	13,162
Adjusted operating profit overseas					2,491	1,777
Total adjusted operating profit					16,100	14,939
Significant non-recurring impairment					-	(8,737)
Significant non-recurring other					958	(1,594)
Defined Benefit Pension Scheme					473	200
Fair value foreign exchange contracts					696	(73)
Operating profit					18,227	4,735
Finance income					89	61
Finance expense					(1,303)	(1,928)
Net finance cost					(1,214)	(1,867)
Profit before taxation					17,013	2,868
Taxation					(3,368)	(2,761)
Profit for the financial year					13,645	107

The Group has three customers (2020: three) which individually account for 10% or more of the Group's total revenue. These customers individually account for 23%, 12% and 10%. In the prior year these same three customers accounted for 21%, 12% and 10% of the revenue in the 52 weeks to 27 June 2020. In addition to the Europe sales disclosed in Reportable Segments, the Group also made sales to European markets through UK-based organisations.

Notes to the Consolidated Financial Statements/Continued

3. Administrative Expenses and Auditors' Remuneration

Included in profit are the following:

	2021 £000	2020 £000
Amortisation of intangibles	1,817	1,734
Depreciation of owned tangible assets	7,235	7,656
Depreciation on right-of-use assets	1,752	1,919
Impairment of fixed assets	167	1,237
Impairment of goodwill	-	7,500
Loss on foreign exchange	235	213
Variable lease payments	203	193
Expenses relating to short-term and low-value leases	51	164
Movement on fair value of foreign exchange contracts	(696)	73
Research and development	2,124	2,244
Share option charges	1,001	145

Auditors' remuneration:

	2021 £000	2020 £000
Audit of these Financial Statements	50	50
Audit of the Financial Statements of subsidiaries of the Company	133	118
Other services	41	20

Other services relate to assistance with non-UK VAT registrations.

4. Significant Non-Recurring Items

The Group presents certain items as significant and non-recurring. These relate to items which, in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a more meaningful understanding of the financial information. They reflect costs that will not be repeated and therefore do not reflect ongoing trading of business which is most meaningful to users.

Included within significant non-recurring items shown in the table on page 36 of the Financial Review section are the following costs:

	2021 £000	2020 £000
Release of onerous lease and closure costs provision	1,340	-
Litigation and legal costs	(388)	-
Commissioning costs	-	(257)-
Impairment of goodwill (refer to Note 10)	-	(7,500)
Impairment of fixed assets (refer to Note 12)	(167)	(1,237)
Other reorganisation people costs	173	(1,337)
	958	(10,331)

The release of provisions includes £0.8 million of lease costs avoided due to successful re-letting of closed sites plus £0.4 million of related closure costs and £0.2 million of unused reorganisation provisions. Legal costs have been accrued in relation to a dispute and costs of £0.2 million relating to fixed assets are the final impairment at Cardiff.

In the prior year we had the impairment of unused assets in Cardiff and an impairment of goodwill on the Ultrapharma acquisition based on trading at the time as well as re-organisation costs relating to changes made in response to the pandemic.

Notes to the Consolidated Financial Statements/Continued

5. Staff Numbers and Costs

The monthly average number of persons employed by the Group including Directors and excluding agency staff during the year, analysed by category, was as follows:

	Number of employees	2021	2020
Production	2,659	2,654	
Selling and distribution	150	117	
Administration, technical, new product development	399	406	
	3,208	3,177	

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	78,944	77,913
Share option charges	1,001	145
Social security costs	7,596	6,987
Charge in respect of defined benefit plans	490	200
Charge in respect of defined contribution pension plans	2,085	2,099
	90,116	87,344

6. Remuneration of Directors

	2021	2020
	£000	£000
Fees	253	234
Executive salaries	748	690
	1,001	924

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was £438,000 (2020: £404,000), there were no Company pension contributions made to a defined contribution scheme during the current or prior year. No bonuses were paid in the current or prior year.

There was nil (2020: 1,108,881) share options exercised in the period by the highest paid Director.

There were no retirement benefits accruing to Directors during the current or previous year.

The emoluments paid to Directors were as follows:

	Fees £000	Salary £000	Benefits £000	Annual bonus £000	Year ended 26 June 2021 £000	Year ended 27 June 2020 £000
P Baker	85	-	-	-	85	79
R Beveridge	55	-	-	-	55	51
S A Boyd	-	300	10	-	310	286
J G Duffy	-	428	10	-	438	404
R P E Duignan	58	-	-	-	58	53
M J Millard	55	-	-	-	55	51
	253	728	20	-	1,001	924

During the previous year 602,819 shares were issued to J G Duffy and 382,075 shares were issued to S A Boyd in settlement of the exercise of share options. During the year awards over 1,200,346 shares under the long-term incentive plan (LTIP) were granted to Directors in the form of nil cost options (2020: 2,007,470). The vesting of the awards is conditional upon performance conditions over a three-year period commencing 28 June 2020 and are subject to a further two-year holding period.

Notes to the Consolidated Financial Statements/Continued

6. Remuneration of Directors/Continued

Directors' rights to subscribe for shares in the Company are listed below:

	Number of options at 26 June 2021	Number of options at 27 June 2020	Exercise price	Earliest exercise date	Exercise expiry date
S A Boyd	476,364	476,364	nil	01/07/2020	04/12/2025
S A Boyd	-	241,147	nil	07/07/2023	21/01/2029
S A Boyd	395,365	395,365	nil	28/10/2022	28/10/2029
S A Boyd	438,015	438,015	nil	30/06/2024	28/10/2029
S A Boyd	494,458	-	nil	01/07/2024	22/10/2030
J G Duffy	655,614	655,614	nil	01/07/2020	04/12/2025
J G Duffy	-	344,262	nil	07/07/2023	21/01/2029
J G Duffy	548,780	548,780	nil	28/10/2022	28/10/2029
J G Duffy	625,310	625,310	nil	30/06/2024	28/10/2029
J G Duffy	705,888	-	nil	01/07/2024	22/10/2030
	4,339,794	3,724,857			

The mid-market price of the ordinary shares on 26 June 2021 was 92.5p (2020: 59.3p) and the range during the 52-week period to 26 June 2021 was 51.2p to 96.0p (2020: 53.0p to 104.0p).

7. Finance Income and Cost

Recognised in the Consolidated Statement of Comprehensive Income

	2021 £000	2020 £000
Finance income		
Interest on interest rate swap agreements	-	44
Change in fair value of interest rate swaps	89	-
Bank interest receivable	-	17
Total finance income	89	61
Finance cost		
Interest on net pension position	(224)	(256)
Interest on interest rate swap agreements	(119)	(386)
Bank interest payable	(545)	(999)
Unwinding of discount on deferred consideration	(105)	(14)
Interest on deferred consideration	(36)	-
Lease liabilities	(274)	(273)
Total finance cost	(1,303)	(1,928)

Notes to the Consolidated Financial Statements/Continued

8. Taxation**Recognised in the Consolidated Statement of Comprehensive Income**

	2021 £'000	2020 £'000
Current tax		
Current year	3,277	2,762
Adjustments for prior years	(263)	6
Total current tax	3,014	2,768
Deferred tax		
Origination and reversal of temporary differences	95	130
Rate change	252	(222)
Adjustments for prior years	7	85
Total deferred tax	354	(7)
Total tax expense	3,368	2,761

Reconciliation of Effective Tax Rate

The weighted average hybrid rate of UK, Polish and French tax is 20.5% (2020: 22.6%). The tax assessed for the period is lower (2020: higher) than the hybrid rate of UK and French tax. The UK corporation tax rate for the period is 19.0% (2020: 19.0%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before taxation	17,013	2,868
Non-deductible intangible impairment	-	7,500
	17,013	10,368
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)		
	3,232	1,970
Overseas profits charged at different taxation rate	151	439
Non-deductible expenses and timing differences	480	479
Restatement of opening net deferred tax due to rate change and differences in rates	298	(218)
R&D reclaim	(537)	-
Adjustments to tax charge in respect of prior periods	(256)	91
Total tax expense	3,368	2,761

The UK corporation tax rate increase from 19% to 25% from 1 April 2023 was substantively enacted in March 2021. The deferred tax assets and liabilities at 26 June 2021 have been calculated based on a rate at which they are expected to crystallise which is likely to be 19% or 25%.

The adjustment of £256,000 for the prior year includes ineligible capital spends and disallowable expenses being different to the assumed levels at the time of preparation of the Annual Report.

The Company has an unrecognised deferred tax asset of £239,000 (2020: £182,000) relating to capital losses carried forward. This asset has not been recognised in the Financial Statements as it is not expected that suitable gains will arise in the future in order to utilise the underlying capital losses.

9. Earnings/(loss) Per Ordinary Share

Basic earnings per share for the period is calculated on the basis of profit for the year after tax, divided by the weighted average number of shares in issue being 125,805,000 (2020: 127,128,000).

Basic diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. At 26 June 2021, the diluted weighted average number of shares in issue was 132,753,000, (2020: 130,820,000).

An adjusted earnings per share has been calculated to show the trading performance of the Group. These adjusted earnings per share exclude:

- Reorganisation and other significant non-recurring items;
- IFRS 9 'Financial Instruments: Recognition and Measurement' fair value adjustment relating to the Group's interest rate swaps and foreign exchange contracts;
- IAS 19 (revised) 'Accounting for Retirement Benefits' relating to net income;
- The taxation effect at the appropriate rate on adjustments; and
- Amortisation of intangible assets.

Notes to the Consolidated Financial Statements/Continued

9. Earnings/(loss) Per Ordinary Share/Continued

	52 weeks to 26 June 2021	52 weeks to 27 June 2020
	£'000	£'000
Profit		
Profit/(loss) attributable to equity holders of Company (basic)	12,347	(759)
Significant non-recurring and other items	(1,514)	10,223
Intangible amortisation net of deferred tax	574	574
Numerator for adjusted earnings per share calculation (adjusted basic)	11,407	10,038
	Basic '000	Diluted '000
	Basic pence	Diluted pence
Shares		
Weighted average number of ordinary shares in issue during the period	125,805	125,805
Dilutive effect of share options	- 6,948	- 3,692
	125,805	132,753
	Basic pence	Basic pence
	Diluted pence	Diluted pence
Earnings/(loss) per share		
Basic and diluted	9.8	9.3
Adjusted basic and adjusted diluted	9.1	8.6
	(0.6)	7.7

Significant non-recurring and other items net of taxation are tabled in the Strategic Report on page 36 and comprise: significant non-recurring income £776,000 (2020: £1,291,000 charge), Defined Benefit Pension Scheme income £187,000 (2020: charge £45,000), fair value of interest rate swaps, foreign exchange contracts income £636,000 (2020: £372,000 charge), the unwinding of deferred consideration discounting charge £85,000 (2020: charge £13,000) and impairment of goodwill and fixed assets in the prior year of £8,502,000.

10. Intangibles

Intangible assets comprise customer relationships, brands and goodwill.

	Goodwill £'000	Business systems £'000	Brands and licences £'000	Customer relationships £'000	Total £'000
Cost at 30 June 2019	85,004	9,981	3,683	7,630	106,298
Additions	-	196	-	-	196
Cost at 27 June 2020	85,004	10,177	3,683	7,630	106,494
Additions	-	1,045	-	-	1,045
Transfers from tangible fixed assets	-	165	-	-	165
Cost at 26 June 2021	85,004	11,387	3,683	7,630	107,704
Accumulated amortisation at 30 June 2019	(4,290)	(826)	(1,502)	(2,016)	(8,634)
Charge for the year	-	(1,025)	(143)	(566)	(1,734)
Impairment	(7,500)	-	-	-	(7,500)
Accumulated amortisation at 27 June 2020	(11,790)	(1,851)	(1,645)	(2,582)	(17,868)
Charge for the year	-	(1,108)	(143)	(566)	(1,817)
Accumulated amortisation at 26 June 2021	(11,790)	(2,959)	(1,788)	(3,148)	(19,685)
Net book value at 30 June 2019	80,714	9,155	2,181	5,614	97,664
Net book value at 27 June 2020	73,214	8,326	2,038	5,048	88,626
Net book value at 26 June 2021	73,214	8,428	1,895	4,482	88,019

The customer relationships recognised in the opening costs were purchased as part of the Ultrapharm acquisition in September 2018 and the acquisition of Fletchers Group of Bakeries in October 2014. They are considered to have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of 20 years for brands and between ten and 15 years for customer relationships. The intangibles were valued using an income approach, using multi-period excess earnings method for customer relationships and Relief from Royalty Method for brand valuation. The amortisation of intangibles has been charged to administrative expenses in the Consolidated Statement of Comprehensive Income. The business systems are considered to have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of ten years.

Notes to the Consolidated Financial Statements/Continued

10. Intangibles/Continued

Goodwill has arisen on acquisitions and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the enlarged Group structure. The goodwill is the balance of the total consideration less fair value of assets acquired and identified. The carrying value of the goodwill is reviewed annually for impairment. The carrying value of all goodwill has been assessed during the year.

The Group tests goodwill for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are the discount and growth rates used for future cash flows and the anticipated future changes in revenue, direct costs and indirect costs. The assumptions used reflect the past experience of management and future expectations.

There have been major disruptions to markets since March 2020 as a result of the impact of the Covid-19 pandemic. Post Covid-19 consumer spending behaviour and lifestyle choices are an unknown. With knowledge and experience throughout varying degrees of lock-down and recoveries, a bottom-up full year 2022 budget and strategic forecast to June 2024 has been compiled.

The forecasts have taken in consideration the following key factors:

1. Post Covid-19 recovery of sales in full for FY 2022 with bounce-back of foodservice demand.
2. Latest market forecast and market research data has been considered when making commercial judgements.
3. Detailed SWOT analysis of all businesses with a strategic plan to respond to challenges.
4. Plans to combat inflationary pressures particularly labour costs in UK and Europe.
5. Detailed plans supporting strategic initiatives and strategy into action with continued focus in the Operating Brilliance Programme, Process Blueprint, value engineering, asset management and care.
6. Organisational design and engagement activity to provide bakery teams to support our strategy.

The forecasts covering a three-year period are based on the detailed financial forecasts challenged and approved by management for the next three years. The cash flows beyond this forecast are extrapolated to perpetuity using a 1.5% (2020: 1.1%) growth rate for all of the CGUs with the exception of Ultrapharm where growth of 2.9% (2020: 2.9%) has been assumed. The starting position has been impacted by Covid-19 and growth we believe is relatively prudent when compared to long-term UK GDP basis, to reflect the uncertainties of forecasting further than three years. Changes in revenue and direct costs in the detailed three-year plan are based on past experience and expectations of future changes in the market to the extent that can be anticipated.

The strategic forecast process commenced in November 2020 to review consumer and competitor insight to prepare the foundations for the financial forecasts. The strategic forecasts have included assumptions on the post lockdown environment and the journey to recovery. We have been encouraged by the performance in retail and the recovery in the foodservice sector, with revenue trends improving since the initial lockdown in March 2020.

The revenue growth rate in the strategic forecast combines volume, mix and price of products. An inflation factor has been applied to costs of sales, variable costs and indirect costs and takes into consideration the general rate of inflation, movements in commodities, improvement in efficiencies from capital investment and operations and purchasing initiatives. External market data and trends are considered when predicting growth rates. Compound annual growth rates for revenues for the three-year forecast period range from 5.8% to 9.1%, reflecting the recovery from the lower base year and budget year that have been impacted by the Covid-19 pandemic and the business wins during the pandemic.

A post-tax discount rate of 8.2% (2020: 7.6%) has been used in these calculations, the equivalent pre tax rates are 11.0% (2020: 9.2%). The discount rate uses weighted average cost of capital which reflects the returns on government bonds and an equity risk premium adjusted specifically for Finsbury plus further risk premiums that consider cash generating unit risk. The Group has considered the economic environment and higher level of return expected by equity holders due to the perceived risk in equity markets when selecting the discount rate. The discount rate has increased over the prior year rate as a result of a lower debt position and an increase in the risk-free rate. The discount rate used for each cash generating unit has been kept constant as the market risk is deemed not to be materially different between the different segments of the bakery sector, nor over time. When considering the Ultrapharm discount rate a further 0.5% has been added for the overseas risk element.

Notes to the Consolidated Financial Statements/Continued

10. Intangibles/Continued

The table below shows the carrying values of goodwill allocated to cash generating units or groups of cash generating units. When calculating the discount rate that would need to be applied for there to be zero headroom, the discounted cash flows were compared against the carrying amount of goodwill, plant, property and equipment and right-of-use assets. The discount rates are shown in the table below:

	Carrying value of goodwill 2021 £000	2020 £000	Post-tax discount rate at which headroom is nil 2021 %	2020 %	Pre-tax discount rate at which headroom is nil 2021 %	2020 %
Lightbody of Hamilton	45,698	45,698	17.2	17.2	22.9	20.7
Fletchers Bakery	20,118	20,118	12.9	10.3	17.2	12.4
Ultrapharm	4,046	4,046	9.6	7.9	12.8	9.5
Nicholas and Harris	2,980	2,980	44.3	42.6	59.1	51.3
Johnstone's Food Service	372	372	122.8	76.6	163.7	92.3
	73,214	73,214				

Impairment

The post-tax discount rate at which the headroom is nil for Fletchers Bakery is 12.9%. There are key strategies and plans in place in order to improve the performance of Fletchers. Increased volumes have been budgeted as schools, hospitality and leisure industries re-open after Covid-19 lockdown closures, decrease in retail demand has been considered as the hospitality industry begins to re-open. A strong bounce-back is anticipated in out-of-home and growth in buns and rolls with strategic partnering, new product development opportunities, by growing our own bakery foodservice brand and working with strategic end-user customers. There are also further opportunities to drive margin mix upwards through value added and value engineering, price and new development. Sensitivities have been carried out to exclude any growth, which, after returning to pre-Covid-19 level of sales, demonstrates that headroom still exists. It has been concluded that no impairment was necessary on the carrying value of goodwill relating to the Fletchers Bakery at 26 June 2021.

The post-tax discount rate at which the headroom is nil for Ultrapharm Limited is 9.6%. There are key strategies in place in order to improve the performance of Ultrapharm. Targeted new product development recruitment and a better understanding of intellectual property has been a key breakthrough in developing new and existing product development with new products being launched in the year to 26 June 2021. Growth with our retail partners is driven by the developments of new products and improved customer confidence. There are also further opportunities in accelerating growth in our own gluten-free brand. Sensitivities have been carried out to exclude any growth, which, after returning to pre-Covid-19 level of sales, demonstrates that headroom still exists. It has been concluded that no impairment was necessary on the carrying value of goodwill relating to Ultrapharm Limited at 26 June 2021.

Sensitivity analyses have been carried out by the Directors on the carrying value of all remaining goodwill using post-tax discount rates up to 12.5%, which would not result in an impairment of any cash generating units.

Further sensitivity analysis has been carried out using a range of factors such as growth rate and cost increases, which would not result in an impairment. These include:

- If future growth rate assumption of 1.0% was replaced with zero growth rate; and
- If future growth rate assumption of 1.0% was replaced with a decline of 1.0%.

Traction has been gained over the period impacted by the pandemic in Group-wide initiatives to instil the Finsbury ways of working throughout. A more engaged workforce, standardised processes, asset care and management and supply chain initiatives are driving improvements in efficiencies across the Group to strengthen our growth position.

Prior Year Impairment

An impairment charge was taken against the Ultrapharm cash generating units in the prior year. The business proved more immature than expected and additional resource was invested into both the UK and Polish businesses. We faced commercial issues (in part relating to a small warranty claim) exacerbated by Covid-19 which had adversely affected cash flows and hence valuation. We believe the gluten-free sector remains attractive and that performance will meet our expectations over time. The conclusion was that, considering all those factors that the business was overvalued. The strategic forecast revenues and profits had been sensitised and a downside forecast had been considered giving reduced cash flow assumptions, which when compared to the carrying value of assets had indicated an impairment was necessary. A non-cash impairment of £7.5 million was recognised in the prior year's financial results. The downside forecast had been used as a basis for calculating the impairment charge. Revenue in this forecast was expected to grow over the next three years at an annual growth rate of 10%.

Notes to the Consolidated Financial Statements/Continued

11. Leases

The Group adopted IFRS 16 from 30 June 2019 using the modified retrospective approach. Under IFRS 16 the previous operating leases charge has been replaced by the depreciation on the right-of-use asset and interest on the lease liability. The Group leases many assets including land and buildings, vehicles, machinery and equipment.

(i) Amounts recognised in the Consolidated Statement of Financial Position

Property plant and equipment comprises owned and leased assets that do not meet the definition of investment property.

	Note	26 June 2021 £000	27 June 2020 £000
Property plant and equipment owned	12	49,432	52,302
Right-of-use assets	12	9,583	9,434
		59,015	61,736

Included within right-of-use assets in the table above are assets with a net book value of £1,188,000 (2020: £1,373,000) previously recognised as a finance lease under IAS 17.

Right-of-Use Assets

	Property £000	Plant, equipment and vehicles £000	Total £000
Balance at 28 June 2020	8,859	1,763	10,622
Additions	1,648	253	1,901
Depreciation charge for the year	(1,349)	(403)	(1,752)
Balance at 26 June 2021	9,158	1,613	10,771

Additions include new assets acquired and remeasurement of leases. Depreciation for the period to 26 June 2021 on right-of-use assets for leases previously treated as operating leases under IAS 17 is £1,734,000 and a net book value at 26 June 2021 of £9,434,000.

Lease Liabilities

	At 26 June 2021 £000	At 27 June 2020 £000
Lease liability recognised	10,745	12,295
Current lease liability	2,039	3,191
Non-current lease liability	8,706	9,104

(ii) Amounts recognised in the Consolidated Statement of Comprehensive Income

	At 26 June 2021 £000	At 27 June 2020 £000
Interest on lease liabilities	(274)	(273)
Variable lease payments not included in the measurement of lease liabilities	(203)	(193)
Expenses relating to short-term leases	(36)	(164)
Expenses relating to low-value assets, excluding short-term leases of low-value assets	(14)	(16)

(iii) Amounts Recognised in the Cash Flow Statement

	At 26 June 2021 £000	At 27 June 2020 £000
Total cash outflow for lease rentals	2,789	3,362

Notes to the Consolidated Financial Statements/Continued

12. Property, Plant and Equipment

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost					
Balance at 30 June 2019	36,610	83,286	5,531	2,559	127,986
Exchange adjustments	-	(155)	-	-	(155)
Additions	753	5,122	158	(1,503)	4,530
Disposals	(58)	(332)	-	-	(390)
Lease modifications under IFRS 16	(454)	-	-	-	(454)
Balance at 27 June 2020	36,851	87,921	5,689	1,056	131,517
Exchange adjustments	(138)	(65)	(218)	139	(282)
Additions	3,295	2,825	252	674	7,046
Disposals	(225)	(2,143)	-	-	(2,368)
Transfers	159	(244)	(70)	(10)	(165)
Balance at 26 June 2021	39,942	88,294	5,653	1,859	135,748
Accumulated depreciation and impairment					
Balance at 30 June 2019	(9,999)	(45,650)	(4,161)	-	(59,810)
Exchange adjustments	-	-	4	-	4
Depreciation charge for the financial period	(2,149)	(7,061)	(365)	-	(9,575)
Impairment (Note 4)	-	(1,237)	-	-	(1,237)
Disposals	58	325	-	-	383
Lease modifications under IFRS 16	454	-	-	-	454
Balance at 27 June 2020	(11,636)	(53,623)	(4,522)	-	(69,781)
Exchange adjustments	-	(29)	-	-	(29)
Depreciation charge for the financial period	(2,059)	(6,589)	(339)	-	(8,987)
Impairment (Note 4)	-	(167)	-	-	(167)
Disposals	157	2,066	-	-	2,223
Transfers	205	(261)	64	-	8
Balance at 26 June 2021	(13,333)	(58,603)	(4,797)	-	(76,733)
Net book value					
At 30 June 2019	26,611	37,636	1,370	2,559	68,176
At 27 June 2020	25,215	34,298	1,167	1,056	61,736
At 26 June 2021	26,609	29,691	856	1,859	59,015
Security					
HSBC Bank Plc, HSBC Asset Finance (UK) Ltd, HSBC Equipment Finance (UK) Ltd and HSBC Corporate Trustee Company (UK) Limited have debentures incorporating fixed and floating charges over the undertaking and all property and assets including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery. Hire purchase obligations are secured on the underlying assets.					
The lease obligations are secured on leased equipment (see Note 18).					

Notes to the Consolidated Financial Statements/Continued

13. Other Financial Assets and Liabilities

	2021 £000	2020 £000
Current assets – derivatives		
Fair value of interest rate swaps		-
Fair value of foreign exchange contracts	405	-
Total of derivatives with positive fair values	405	-
Current liabilities – derivatives		
Fair value of interest rate swaps	(121)	(210)
Fair value of foreign exchange contracts	-	(291)
Total of derivatives with negative fair values	(121)	(501)

Interest Rate Swaps at Fair Value

The Group has two forward dated interest rate swap arrangements to hedge its risks associated with interest rate fluctuations:

- £20.0 million for five years from 3 July 2017 (fixed) at 0.455%; and
- £5.0 million for three years from 28 March 2019 (fixed) at 1.002%.

There was £25.0 million coverage in place at the year end (2020: £25.0 million).

An income of £89,000 (2020: charge £386,000) is shown in the finance income for the period reflecting changes in the fair values of interest rate swaps.

Forward Foreign Exchange Contracts at Fair Value

The Group has entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates. An income of £696,000 (2020: charge £73,000) is shown in administrative expenses for the period reflecting changes in their fair value.

14. Pension Schemes

A number of companies within the Group operate defined contribution Pension Schemes with one company also operating a Defined Benefit Scheme.

Defined Contribution Scheme

The Group made contributions in respect of its defined contribution pension arrangements of £2,085,000 (2020: £2,099,000).

Defined Benefit Scheme

The Group's Defined Benefit Scheme is the Memory Lane Cakes Pension Scheme, which is a separately administered plan. At the financial year end, the Scheme had no active members accruing benefits (2020: nil), 157 deferred pensioner members (2020: 168) and 235 pensioner members (2020: 229).

The Scheme was closed to future accrual on 31 May 2010. The assets of the Scheme are held separately from those of the Company. The amounts in the Financial Statements for the 52 weeks ended 26 June 2021 relating to Defined Benefit Pension are based on a full actuarial valuation dated 31 December 2018.

A £490,000 contribution was paid during the financial year by Memory Lane Cakes Limited (2020: £200,000). The Group's contribution has been agreed based on the outcome of the full actuarial valuation dated 31 December 2018. The valuation of the Scheme on an equity/bond basis and projected unit method, showed that there was a deficit at 31 December 2018 of £12,742,000 equivalent to a 42% deficit of liabilities over assets. The valuation was conducted by a qualified independent actuary. This deficit is payable at a rate of £500,000 per annum until April 2047. The next full valuation will be prepared as at 31 December 2021 and will be an opportunity to challenge the appropriateness of this recovery plan taking into consideration the deficit recovery contributions and actual returns realised on the Pension Scheme assets.

The present value of the Company's committed deficit reduction contributions does not give rise to a net pension asset or additional Consolidated Statement of Financial Position liability in accordance with IFRIC 14.

The investments are managed by a fiduciary investment manager River and Mercantile, who were appointed as fiduciary investment manager in December 2018. A new Statement of Investment Principles (SIP) in compliance with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 was agreed in January 2019. All of the Scheme's investments meet the criteria detailed in the SIP relevant for the Scheme year to 31 December 2018. A change of investments has taken place during 2019 aligning to the new SIP with the introduction of hedging strategies to its investment portfolio. The expected return on cash balances held is based on the current Bank of England base rate rather than long-term deposit rates, as cash is held to cover short-term requirements.

The full actuarial valuation differs from the financial year end valuation deficit of £14,529,000 (2020: £15,174,000). No allowance is made in the financial year end valuation for any outperformance expected from the Scheme's actual asset holding over and above high-quality corporate bonds.

Notes to the Consolidated Financial Statements/Continued

14. Pension Schemes/Continued

	2021 £000	2020 £000
Fair value of plan assets	20,803	19,607
Present value of defined benefit obligations	(35,332)	(34,781)
Deficit recognised	(14,529)	(15,174)

The fair value of plan assets and the return on those assets were as follows:

	2021 £000	2020 £000
Multi-asset growth fund	8,222	12,617
Gilts	5,731	-
Liability hedging portfolio (gilts/swaps)	2,505	2,856
Other	1,949	1,704
Property	1,523	717
Cash	873	1,713
Fair value of plan assets	20,803	19,607
Actual return on plan assets	1,551	959

None of the fair values of the assets shown above includes any of the Company's own financial instruments or any property occupied by, or any other assets used by, the Company.

	2021 £000	2020 £000
Movements in present value of defined benefit obligation		
At beginning of financial year	(34,781)	(30,550)
Past service costs	(17)	-
Interest on plan obligations	(515)	(687)
Benefits paid	845	790
Remeasurement – loss from changes to financial assumptions	(324)	(4,334)
Remeasurement – loss from changes to demographic assumptions	(540)	-
At end of financial year	(35,332)	(34,781)

	2021 £000	2020 £000
Movements in fair value of plan assets		
At beginning of financial year	19,607	19,238
Interest on plan assets	291	431
Return on plan assets less interest	1,260	528
Benefits paid	(845)	(790)
Contributions by employer	490	200
At end of financial year	20,803	19,607

Remeasurement gains and losses arise due to changes in the key assumptions such as inflation, mortality rates, demographic rates and discount rates as well as experience gains and losses.

Notes to the Consolidated Financial Statements/Continued

14. Pension Schemes/Continued

	2021 £000	2020 £000
Expense recognised in the Consolidated Statement of Comprehensive Income		
Past service costs	(17)	-
Interest on plan assets/finance income	291	431
Interest on plan obligations/finance expense	(515)	(687)
Total expense	(241)	(256)

Remeasurement gains and losses recognised directly in equity in the Statement of Comprehensive Income and Expense since 1 July 2006, the transition date to Adopted IFRS

Cumulative amount at beginning of financial year	(16,941)	(13,135)
Recognised in the financial year – return on plan assets less interest	1,260	528
Recognised in the financial year – experience gains on liabilities	-	-
Recognised in the financial year – loss(gain) from changes to financial assumptions	(324)	(4,334)
Recognised in the financial year – gains from changes to demographic assumptions	(540)	-
Cumulative amount at end of financial year	(16,545)	(16,941)

	2021 %	2020 %
Principal long-term actuarial assumptions at the year end		
CPI price inflation assumption	2.85	2.35
Increases to pensions in payment	2.85	2.35
Discount rate for liabilities	1.95	1.50
Rate of return for plan assets	1.95	1.50

The differential between the assumed rate of inflation and the discount rate for liabilities is 0.90% (2020: 0.85%).

Salary inflation assumptions are as determined by the Board with regard to price inflation. The salary inflation from 31 May 2010, when the Scheme closed to future accrual was assumed to be in line with inflation.

The financial assumptions are based on market conditions as at the review date of 26 June 2021, with discount rates based on the yields on long-dated high-quality corporate bonds. The discount rate is higher than the discount rate used last year reflecting the change in bond yields over this period. The rate of return for plan assets is the long-term rate that reflects the yield on high-quality corporate bonds, as required under changes to IAS 19. The rate of return is effectively based on the discount rate with no allowance made for any outperformance expected from the Scheme's actual asset holding. The actual return on the Scheme's assets, net of expenses, over the year to the review date was around 8.5% (2020: 5.0%). The actual return has been impacted by the worldwide Covid-19 pandemic that has had a profound impact on the economy as countries went into lockdown, while uncertainty and volatility remain a feature of the current equity markets.

Changing the year end 2021 assumptions to those of 2020 year end listed above, the deficit would have been £13,670,000 compared to the reported deficit of £14,529,000.

	2021	2020
Post-retirement mortality assumption	S3NA tables with CMI 2017 (core parameters) projections and 1.25% pa long-term rate of improvement	S3NA tables with CMI 2017 (core parameters) projections and 1.25% pa long-term rate of improvement

Under the mortality tables adopted, the assumed future life expectancy at age 65 is as follows:

	2021	2020
Male currently at age 45	24.1	24.1
Female currently at age 45	26.5	26.4
Male currently at age 65	22.7	22.7
Female currently at age 65	25.1	25.0
Allowance for GMP equalisation (increase liabilities at the review date by):	1.2%	1.2%

Notes to the Consolidated Financial Statements/Continued

14. Pension Schemes/Continued

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out on the previous page. The following table summarises changes in these assumptions and their approximate (decrease)/increase in liabilities.

	2021
Discount rate plus 0.5%	(£2.91 million)
Discount rate minus 0.5%	£3.32 million
Inflation plus 0.5%	£2.87 million
Inflation minus 0.5%	(£2.96 million)
Life expectancy plus 1.0 years	£1.49 million
Life expectancy minus 1.0 years	(£1.52 million)

The above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The weighted average duration of the defined benefit obligation is around 19 years.

Risk Mitigation Strategies

The Scheme's investments include partial interest rate and inflation hedging. All of the Scheme's investments meet the criteria detailed in the SIP relevant for the Scheme year to 31 December 2018.

Effect of the Scheme on the Company's Future Cash Flows

The long-term nature of the Scheme, coupled with the risks mentioned above, means that there is a large amount of uncertainty over the Scheme's projected future cash flows. The estimated duration of the liabilities is around 19 years. The Company is required to agree a Schedule of Contributions with the Trustees of the Scheme following a valuation which must be carried out at least once every three years. The next valuation of the Scheme will be prepared as at 31 December 2021. In the event that the valuation reveals a larger deficit than expected, the Company may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected contributions may be reduced. The total cash cost to the Company for the current financial year is £788,000 (2020: £435,000) which includes deficit recovery contributions, pension protection fund levy fees and cost of advisers. The increase in costs is largely driven by the increased deficit recovery contributions of £290,000. The Company expects to pay deficit recovery contributions of £500,000 in the year to 2 July 2022. The projected net interest charge to the Consolidated Statement of Comprehensive Income for the year to 2 July 2022 is £279,000. This projection assumes cash flows to and from the Scheme are broadly unchanged from the current year figures and that there will be no events that would give rise to a settlement/curtailment/past service cost.

Consolidated Statement of Financial Position

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Fair value of plan assets	20,803	19,607	19,238	18,834	19,985
Present value of the defined benefit obligation	(35,332)	(34,781)	(30,550)	(29,370)	(30,483)
Deficit	(14,529)	(15,174)	(11,312)	(10,536)	(10,498)
Experience adjustments on plan assets	1,260	528	384	(779)	712
as a percentage of plan assets	6.1%	2.7%	2.0%	(4.1%)	3.6%
Experience adjustments on plan liabilities	-	-	1,614	-	-
as a percentage of plan liabilities	0.0%	0.0%	(5.3%)	0.0%	0.0%
Total remeasurement gains/(losses)	396	(3,806)	(332)	(172)	(4,031)
as a percentage of plan liabilities	1.1%	10.9%	1.1%	0.6%	13.2%

Notes to the Consolidated Financial Statements/Continued

15. Inventories

	2021 £000	2020 £000
Raw materials and consumables	6,715	6,311
Finished goods	<u>8,312</u>	8,307
	15,027	14,618

Inventories Recognised as an Expense

	2021 £000	2020 £000
Opening inventories	14,618	14,805
Purchases	<u>139,094</u>	138,180
(Decrease)/increase in stock provisions	(320)	321
Closing inventories	(15,027)	(14,618)
Expensed during the period	138,365	138,688

Inventories are stated after provisions for impairment of £865,000 (2020: £1,097,000).

16. Trade and Other Receivables

	2021 £000	2020 £000
Trade receivables due from third parties	45,799	36,007
Other debtors	<u>4,051</u>	2,356
Prepayments and accrued income	1,136	1,640
	50,986	40,003

Trade receivables due from third parties are stated after provisions for impairment of £1,094,000 (2020: £795,000).

17. Cash and Cash Equivalents Including Bank Overdrafts

	2021 £000	2020 £000
Cash at bank and on hand	24,227	24,181
Bank overdraft	(14,704)	(14,008)
	9,523	10,173

Notes to the Consolidated Financial Statements/Continued

18. Other Interest-Bearing Loans and Borrowings

This Note provides information about the contractual terms and repayment terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost, using the effective interest rate method.

2021 Statutory	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.50%/LIBOR	Varies	2023	55,000	22,431	-	22,431
Leases*	Various	Monthly	Various		10,745	2,039	8,706
Unamortised transaction costs					(108)	-	(108)
					33,068	2,039	31,029

* Leases include all leases recognised as lease liabilities under IFRS 16 (see Note 11). Lease liabilities are shown separately in the table below to show total bank debt as defined by our banking facility agreement, which only recognises leases as defined as finance leases under IAS 17 as part of bank debt.

2021	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.50%/LIBOR	Varies	2023	55,000	22,431	-	22,431
Finance lease (under IAS 17)	Various	Monthly	2023		220	128	92
Unamortised transaction costs					(108)	-	(108)
Total bank debt					22,543	128	22,415
Operating leases (under IAS 17)	2.2%	Varies			10,525	1,911	8,614
Total debt					33,068	2,039	31,029

2020 Statutory	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.50%/LIBOR	Varies	2023	55,000	36,184	-	36,184
Leases*	Various	Monthly	Various		12,295	3,191	9,104
Unamortised transaction costs					(175)	-	(175)
Total bank debt					48,304	3,191	45,113
Operating leases (under IAS 17)	2.2%	Varies			11,823	2,944	8,879
Total debt					48,304	3,191	45,113

* Leases include all leases recognised as lease liabilities under IFRS 16 (see Note 11). Lease liabilities are shown separately in the table below to show total bank debt as defined by our banking facility agreement, which only recognises leases as defined as finance leases under IAS 17 as part of bank debt.

2020	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.50%/LIBOR	Varies	2023	55,000	36,184	-	36,184
Finance lease (under IAS 17)	Various	Monthly	2023		472	247	225
Unamortised transaction costs					(175)	-	(175)
Total bank debt					36,481	247	36,234
Operating leases (under IAS 17)	2.2%	Varies			11,823	2,944	8,879
Total debt					48,304	3,191	45,113

All of the above loans are denoted in pounds Sterling, with various interest rates and maturity dates. The main purpose of the above facilities is to finance the Group's operations. For more information about the Group's exposure to interest rate risk, see Note 24.

As part of the bank borrowing facility the Group needs to meet certain covenants every six months. There were no breaches of covenants during the year. The covenant tests required are net bank debt: EBITDA, interest cover, debt service cover and capital expenditure.

The revolving credit bank facility available for drawdown is £55.0 million plus a further £35.0 million accordion facility (2020: £55.0 million plus a further £35.0 million accordion). At the period end date, the facility utilised was £22.4 million (2020: £36.2 million), giving £32.6 million (2020: £18.8 million) headroom plus a further £35.0 million (2020: £35.0 million) accordion.

Notes to the Consolidated Financial Statements/Continued

19. Analysis of Net Bank Debt

The table below is presented to demonstrate total debt as defined by our banking facility agreement. This excludes the lease liabilities created on transition to IFRS 16 for leases treated as operating leases under IAS 17.

	At year ended 27 June 2020 £000	Cash flow £000	At year ended 26 June 2021 £000
Cash and cash equivalents	10,173	(650)	9,523
Debt due after one year	(36,184)	13,753	(22,431)
Hire purchase obligations due within one year	(247)	119	(128)
Hire purchase obligations due after one year	(225)	133	(92)
Total net bank debt	(26,483)	13,355	(13,128)

20. Trade and Other Payables

	2021 £000	2020 £000
Current		
Trade creditors	38,943	30,512
Other creditors including taxes and social security	2,409	2,046
Accruals and deferred income	21,138	16,303
	62,490	48,861

21. Provisions

	Site closure £000	Pension £000	Total £000
Balance at the beginning of the financial year	843	178	1,021
Released during the year	(502)	-	(502)
Utilised during the financial year	(137)	-	(137)
Balance at the end of the financial year	204	178	382
Current provisions	204	18	222
Non-current provisions	-	160	160

The site closure provision relates to the closure of the Grain D'Or site in October 2017. The provision is based on best estimates of the outcome of negotiations and currently have commitments to June 2023 for service charges, security and insurance costs on a number of leased production units. The increase in the number of units successfully re-let during the year has led to the release of provisions relating to the ongoing costs that are no longer required.

The pension provision relates to a contractual liability for pension augmentation. The amount utilised during the year represents payments in relation to the augmentations which are being paid over 12 years.

22. Deferred Consideration

The deferred consideration relates to the acquisition of Ultrapharm Limited (Ultrapharm) for £16.9 million plus up to £3.0 million, £1.5 million of which is outstanding at the 26 June 2021 and payable in quarterly instalments to October 2022. Discounted amounts payable within one year of the Consolidated Statement of Financial Position date is £976,000 and amounts due beyond one year is £466,000. Amounts charged to finance expenses during the year for the unwinding of the discounting is £36,000 (2020: £14,000).

Notes to the Consolidated Financial Statements/Continued

23. Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2021 £000	2020 £000	2021 £000	2020 £000
Intangibles	-	-	(1,594)	(1,346)
Property, plant and equipment	-	-	(1,262)	(740)
Foreign exchange contracts	-	55	(77)	-
Short-term temporary differences	38	38	-	-
Interest rate swaps	23	40	-	-
Discounting of deferred consideration	-	-	(11)	(31)
Pension Scheme charges	3,632	2,883	-	-
Employee Share Scheme charges	669	391	-	-
Losses acquired	1,599	1,216	-	-
Tax assets/(liabilities)	5,961	4,623	(2,944)	(2,117)
Net tax assets/(liabilities)	3,017	2,506		

Short-term temporary differences relate to general provisions which will be allowed when utilised. The deferred tax asset recognised for losses relate to acquired businesses, based on current and forecast levels of profitability, the losses are expected to be utilised within two years.

Movement in Deferred Tax during the Year

	28 June 2020 £000	Recognised in minority interest £000	Recognised in income £000	Recognised in equity £000	26 June 2021 £000
Intangibles	(1,346)	-	(248)	-	(1,594)
Property, plant and equipment	(740)	-	(522)	-	(1,262)
Foreign exchange contracts	55	(35)	(97)	-	(77)
Short-term temporary differences	38	-	-	-	38
Interest rate swaps	40	-	(17)	-	23
Discounting of deferred consideration	(31)	-	20	-	(11)
Pension Scheme	2,883	-	(62)	811	3,632
Employee Share Scheme	391	-	189	89	669
Losses acquired	1,216	-	383	-	1,599
	2,506	(35)	(354)	900	3,017
	30 June 2019 £000	Acquired £000	Recognised in income £000	Recognised in equity £000	27 June 2020 £000
Intangibles	(1,325)	-	(21)	-	(1,346)
Property, plant and equipment	(415)	103	(428)	-	(740)
Foreign exchange contracts	37	-	18	-	55
Short-term temporary differences	40	-	(2)	-	38
Interest rate swaps	(30)	-	70	-	40
Discounting of deferred consideration	(30)	-	(1)	-	(31)
Pension Scheme	1,923	-	237	723	2,883
Employee Share Scheme	574	-	(1)	(182)	391
Losses acquired	1,081	-	135	-	1,216
	1,855	103	7	541	2,506

The deferred tax liability in respect of intangible assets will unwind in line with the amortisation of intangible assets.

Notes to the Consolidated Financial Statements/Continued

24. Financial Risk Management

The main purpose of the Group's financial instruments is to finance the Group's operations. The financial instruments comprise a revolving credit facility, hire purchase, finance leases, interest rate swaps, foreign currency forwards, cash and liquid resources and various items arising directly from its operations, such as trade receivables and trade payables. The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Group's policies on the management of liquidity, credit, interest rate and foreign currency risks are set out below and the main risks are also referred to in the Strategic Report on pages 30 to 33.

a) Fair Values of Financial Instruments

All financial assets and liabilities are held at amortised cost apart from forward exchange contracts and interest rate swaps, which are held at fair value, with changes going through the Consolidated Statement of Comprehensive Income. The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

The fair values of forward exchange contracts and interest rate swaps are determined using a market comparison valuation technique. The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. The fair values relating to these instruments represent level 2 in the fair value hierarchy which relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data.

b) Liquidity

The Group's policy is to ensure that it has sufficient facilities to cover its future funding requirements. Short-term flexibility is available through the existing bank facilities and the netting off of surplus funds. The carrying amounts are the amounts due if settled at the period end date. The contractual undiscounted cash flows include estimated interest payments over the life of these facilities. The estimated interest payments are based on interest rates prevailing at 26 June 2021.

At year ended 26 June 2021	Carrying amount £000	Total £000	Contractual cash flows including estimated interest			
			1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Revolving credit	(22,431)	(22,431)	-	(22,431)	-	-
Trade creditors	(38,943)	(38,943)	(38,943)	-	-	-
Lease liabilities	(10,745)	(10,745)	(2,039)	(1,850)	(2,638)	(4,218)
Other lease liabilities	-	(19)	(18)	(1)	-	-
	(72,119)	(72,138)	(41,000)	(24,282)	(2,638)	(4,218)

At year ended 27 June 2020	Carrying amount £000	Total £000	Contractual cash flows including estimated interest			
			1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Revolving credit	(36,184)	- (36,238)	-	-	(36,238)	-
Trade creditors	(30,512)	(30,512)	(30,512)	-	-	-
Lease liabilities	(12,295)	(13,650)	(3,218)	(2,563)	(4,010)	(3,859)
Other lease liabilities	-	(200)	(192)	(8)	-	-
	(78,991)	(80,600)	(33,922)	(2,571)	(40,248)	(3,859)

The information relating to the interest rate swaps shown in the tables above indicate the cash flows associated with these instruments. This also reflects the expected effect on the future profit. These amounts will change as interest rates change.

- Short-term flexibility is available through existing bank facilities and the netting off of surplus funds.

Notes to the Consolidated Financial Statements/Continued

24. Financial Risk Management/Continued

c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. These trading exposures are controlled by assessing the credit quality of the customer, taking into account its financial position, past experience and other factors and are monitored and managed at operating level and are also monitored at Group level. Whilst there is a concentration of credit risk arising from the profile of five customers accounting for more than 50% of total revenue, the Group deems this to be low risk due to the nature of these customers. The carrying amount of the financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk for the trade receivables at the period end date was £45.8 million (2020: £36.0 million) and the ageing of trade receivables at the period end date was:

	2021 £000	2020 £000
Not past due	42,176	32,668
Past due 0-30 days	2,610	2,157
Past due 31-120 days	824	890
Past due more than 120 days	189	292
	45,799	36,007

The above numbers are net of impairment provisions. The Group provides for impairment of financial assets including receivables from customers based on known events, and some collective provisions are made for losses yet to be identified, based on historical data. The majority of the provision comprises specific amounts.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan negotiation, and failure to make contractual payments significantly after the due date.

The Group's strategy is to focus on supplying UK multiple grocers and foodservice distributors, the nature of these customers is such that there is a relatively low risk of them failing to meet their contractual obligations. There is no impairment necessary to the value of trade receivables at the period end date over and above the specific credit note provision and bad debt provision held at the year end. The balance of £1.0 million past due by more than 30 days is equivalent to less than two days sales (2020: £1.2 million, equivalent to less than two days). We have worked with our customers during the pandemic and the significant disruption that it has brought to the economic environment to ensure cash is preserved and we trade successfully through these unprecedented challenges with fluctuations in demand, changes to consumer behaviour and sales channel closures.

Based on the above analysis performed there is no deemed impact of applying Expected Credit Loss (ECL) methodology under IFRS 9 as in the prior year.

Gross trade receivables are assessed regularly by each subsidiary entity locally with reference to appropriate considerations such as the current position of the relationship with the customer, days past due and the geographical location of each customer. Expected losses are determined based on the historical experience of write-offs compared to the level of trade receivables. The nature of the Group's customer base has meant historic write-offs are trivial, hence no material impact of applying IFRS 9 ECL methodologies. If this impact was deemed significant the historical loss expectations would be amended for current and forward-looking information such as national economic outlooks to form the basis of any provision.

Details of the Company's credit risk are not disclosed because the Financial Statements of the Group disclose such details on a consolidated basis.

d) Market Risk

The Covid-19 pandemic has resulted in significant changes to the retail and foodservice sectors. Consumers have changed their shopping behaviour within retail with both positive and negative implications for Finsbury's products. Foodservice channels have been impacted by varying degrees of lockdown and the inevitable impact on recovery of demand which is likely to remain suppressed until a solution for Covid-19 is found.

The priority is, and was, to ensure the safety of all employees and to make rapid changes to the way the business operates by establishing safe ways of working based on social distancing and home working in order to adapt to the effects of the pandemic. The Group has anticipated and responded quickly and effectively to changes in consumer demand, maximising the benefits of operational initiatives both new and historical thereby enabling the Group to carefully manage resources and deliver a robust performance throughout a period impacted by the pandemic.

i) Interest Rate Risk

The Group's interest rate risk exposure is primarily to changes in variable interest rates. The Group has entered into two interest rate swap arrangements in order to hedge its risks associated with any fluctuations. Details of swaps are given in Note 13.

The profile of the Group's loans and overdraft at the period end date were split as follows:

	2021 £000	2020 £000
Variable rate liabilities	(22,431)	(36,656)

Swaps amounting to £25.0 million (2020: £25.0 million) limit the risk associated with the variable rate liabilities. The interest rates for the forward dated swaps are fixed at 0.455% for £20.0 million and 1.002% for £5.0 million.

Notes to the Consolidated Financial Statements/Continued

24. Financial Risk Management/Continued

Sensitivity

A 1% increase in the base rate or LIBOR would have the following impact on interest charges and associated net assets for the Group. This sensitivity relates to interest-bearing bank borrowings and interest rate swaps only and excludes possible changes in pension financing costs.

	2021 £000	2020 £000
Profit decrease	(34)	(300)
Decrease in net assets	(34)	(300)

A 1% decrease in the base rate or LIBOR would have the following impact on interest charges and associated net assets for the Group.

	2021 £000	2020 £000
Profit (decrease)/increase	(233)	112
(Decrease)/increase in net assets	(233)	112

The above movement is not equal to 1% of interest-bearing loans because of interest rate swap cover that is in place.

ii) Commodity Prices

Any rises in commodity prices can adversely impact the core profitability of the business. The Group will aim to pass on its increased costs to its customers as far as is reasonable in the circumstances whilst maintaining its tight control over overhead costs to mitigate the impact on consumers. The Group maintains a high expertise in its buying team and will consider long-term contracts where appropriate to reduce uncertainty in commodity prices. Further information on input prices and risks is contained in the Strategic Report.

iii) Foreign Exchange Risk

We acquired manufacturing facilities in Poland through the Ultrapharm acquisition. The sites supply to mainland Europe with income in Euros and local costs denominated in Polish zloty. We supply UK-manufactured products to Lightbody Stretz Ltd, our 50%-owned selling and distribution business which trades in mainland Europe. We also buy a small number of commodities and capital equipment in foreign currency. As a consequence, we are exposed to fluctuations in foreign currency rates. We manage this risk by continually monitoring our exposure to foreign currency transactions. We use forward currency contracts when required and our procurement team works hard to ensure we get the best prices for commodities and equipment, giving special consideration to the benefits of contracts denominated in foreign currency.

e) Debt and Capital Management

The Group's objective is to maximise the return on net invested capital, while maintaining its ongoing ability to operate and guaranteeing adequate returns for shareholders and benefits for other stakeholders within a sustainable financial structure.

The Coronavirus crisis has had a profound impact on the economy and with heightened uncertainty around future economic recovery, the Board took the decision as announced on 29 March 2020, to withdraw its proposed interim dividend. The strong trading, in a period that has been impacted by Covid-19 throughout, has been driven by improving volumes performance and the benefits of the Group's Operating Brilliance Programme. In light of the expected performance and current outlook the Board announced in May 2021 the plan to reintroduce the payment of dividends for the financial year ending 26 June 2021. Given the Group's resilient performance the Board is recommending a full year dividend of 2.4 pence per share for the financial year ending 26 June 2021. It is the Company's intention to pay dividends at an affordable rate so that the Company can continue to invest in the business in order to grow profits.

The Group manages its capital by monitoring its gearing ratio on a regular basis, there are also covenant tests which are monitored regularly and presented to the Group's banks every six months. There have been no breaches of covenant tests during the year and the gearing ratio stands at 0.2 (2020: 0.4). The gearing ratio is calculated taking the total net debt including deferred consideration over net assets.

The Group considers its capital to include share capital, share premium and capital redemption reserve.

The Group does not have any externally imposed capital requirements.

25. Capital and Reserves

The reconciliation of movement in capital and reserves is shown as a primary statement: Consolidated Statement of Changes in Equity on page 67.

Equity comprises the following:

- Share capital representing the nominal value of equity shares;
- Share premium representing the excess of the fair value of consideration received for the equity shares; (net of expenses of the share issue) over nominal value of the equity shares;
- Capital redemption reserve representing the buyback and cancellation of shares at nominal value;
- Employee share reserve representing ordinary shares held in an Employee Benefit Trust (EBT) to satisfy awards made to employees; and
- Retained earnings representing retained profits.

Notes to the Consolidated Financial Statements/Continued

26. Share Capital

	2021 000's	2020 000's
In issue at beginning of the financial year	130,383	130,383
Shares issued	-	-
In issue at end of the financial year – fully paid	130,383	130,383
	£000	£000
Allotted, called up and fully paid Ordinary shares of 1p each	1,304	1,304

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Shares are held in an Employee Benefit Trust (EBT), which is intended to be used to satisfy awards made to employees (6,194,155 shares were held at the year end). All shares are the same class with equal rights. During the year the EBT purchased 2,946,772 ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") at a price of £0.6774 per Ordinary Share.

At the 2020 Annual General Meeting held on 19 November 2020 the Directors were authorised to allot shares up to an aggregate nominal amount of £869,222. The authority shall expire 15 months from the date of the Annual General Meeting or, if earlier, at the conclusion of the Annual General Meeting of the Company on 18 November 2021.

Share-Based Payments

The Group operates both approved and unapproved share option schemes.

The fair value is calculated at the grant date and ultimately expensed in the Consolidated Statement of Comprehensive Income over the vesting period, based on the best available estimate of the number of share options expected to vest, with a corresponding credit to reserves. Upon exercise of the share options the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

There were a number of options granted during the course of the financial year to 26 June 2021 with further details given below.

Date of grant	Number of options granted	Number of options expected to vest	Exercise price	Fair value £000	Amount expensed in year to 26 June 2021 £000	Period of expense
22 October 2020	2,192,275	2,192,275	nil	621	246	3.0 years
01 January 2021	91,538	91,538	nil	51	13	3.0 years
Charge relating to options granted in the current year					259	
Charge relating to options granted in prior years					742	
Charge included in administrative expenses					1,001	

There were a number of options granted during the course of the financial year to 27 June 2020 with further details given below.

Date of grant	Number of options granted	Number of options expected to vest	Exercise price	Fair value £000	Amount expensed in year to 27 June 2020 £000	Period of expense
28 October 2019	3,833,219	3,833,219	nil	2,207	488	3.0 years
28 October 2019	1,063,325	1,063,325	nil	560	124	3.0 years
Charge relating to options granted in the current year					612	
(Credit) relating to options granted in prior years					(467)	
Charge included in administrative expenses					145	

Notes to the Consolidated Financial Statements/Continued

26. Share Capital/Continued

Details of share options outstanding at 26 June 2021 and movements during the year by exercise price is shown below:

Exercise price	First exercise date	Last exercise date	At 28 June 2020	Granted	Forfeited	Cancelled/lapsed	Exercised	At 26 June 2021
nil	Sep 2018	Dec 2025	50,304	-	-	-	-	50,304
nil	Jul 2019	Jun 2025	-	-	-	-	-	-
nil	Jul 2020	Dec 2025	1,131,978	-	-	-	-	1,131,978
nil	Jul 2023	Jan 2029	585,409	-	-	(585,409)	-	-
nil	Sep 2021	Jan 2029	567,062	-	(114,819)	(452,243)	-	-
nil	Sep 2022	Oct 2029	3,833,219	-	(467,096)	-	-	3,366,123
nil	Jul 2024	Oct 2029	1,063,325	-	-	-	-	1,063,325
nil	Oct 2023	Oct 2030	-	991,929	-	-	-	991,929
nil	Jan 2024	Oct 2030	-	91,538	-	-	-	91,538
nil	Jul 2025	Oct 2030	-	1,200,346	-	-	-	1,200,346
			7,231,297	2,283,813	(581,915)	(1,037,652)	-	7,895,543

A summary of share options outstanding and movements for the year to 27 June 2020 is shown below:

	At 30 June 2019	Granted	Forfeited	Cancelled	Exercised	At 27 June 2020
Number of options	5,782,786	4,896,544	(69,660)	(1,539,228)	(1,839,145)	7,231,297

There were 1,182,282 options exercisable at the period end date (2020: 1,182,282). There were no options exercised during the year (2020: 1,839,145). There were 1,037,652 options (2020: 1,539,228) that lapsed during the year where performance conditions have not been met in full. The average share price at dates of exercise during the prior year was 98.0 pence per share.

The options outstanding at the year end have a weighted average exercise price of nil (2020: nil) and a weighted average remaining contractual life of 1.4 years (2020: 2.2 years).

The Company uses a Monte Carlo model for the valuation of the award subject to relative performance to the TSR of AIM listed companies. An external consultant assists with the valuation of the awards.

The key inputs into the Monte Carlo model are as follows:

	2021	2020
Expected life of option	3.0 years	3.0 years
Volatility of share price	29%	29%
Dividend yield	4.3%	4.3%
Risk-free discount rate	0.5%	0.5%
Share price at grant date	82.0p	82.0p
Exercise price	nil	nil

27. Dividends

Given the uncertainty at the outset of the pandemic the Board took the decision to withdraw the interim dividend and also decided not to propose a final dividend in the context of the continued uncertainty surrounding the pandemic and Brexit. The Board is recommending a full year dividend of 2.4 pence per share for the financial year ending 26 June 2021.

During the year a dividend of £722,000 (2020: £844,000) was paid to the holders of the non-controlling interest in Lightbody Stretz Ltd.

28. Commitments

At the financial year ended 26 June 2021, the Group had capital expenditure commitments of £6,000 (2020: £108,000).

The Group has provided a guarantee to the Memory Lane Defined Benefit Pension Scheme for the Scheme's s.179 deficit at 31 December 2018 which is circa £13,780,000. The guarantee is capped at the lower of £13,780,000 and the s.179 deficit calculated at the latest triennial valuation. The guarantee will persist until the Scheme is fully funded on a s.179 basis. Any additional contributions made by the sponsoring employer will reduce the guarantee cap. The employer will look to review the terms of the guarantee as part of the Scheme's 2021 valuation, but there is no legal obligation to change it.

Notes to the Consolidated Financial Statements/Continued

29. Non-Cancellable Leases

The Group has annual commitments under non-cancellable leases expiring within two months to 18 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The leases relate to land and buildings, fork lift trucks and equipment. Land and buildings have been considered separately for lease classification. Land and buildings amounts relate to leasehold properties at the Nicholas and Harris site, Fletchers' sites in London and Manchester, Johnstone's site in East Kilbride and Ultraeuropa in Poland.

The Group adopted IFRS 16 from 30 June 2019 using the modified retrospective approach. Under IFRS 16 the previous operating leases charge has been replaced by the depreciation on the right-of-use asset and interest on the lease liability.

Commitments for minimum lease payments not in scope of IFRS 16 for 2021 and for 2020 in relation to non-cancellable operating leases (under IAS 17) are as follows:

	Other	2021 £000	2020 £000
On leases which expire in:			
Less than one year	18	192	
Between one and five years	1	8	
More than five years	-	-	
	19	200	

30. Related Parties

Related Party Transactions and Directors' Material Interests in Transactions

A 50% owned subsidiary, Lightbody Stretz Ltd, paid SCI Coysevox £66,000 (2020: £68,500) in respect of rent for offices. No balances were outstanding at either year end. Lightbody Europe received £36,563 for accountancy and administration services (2020: £12,654) from FoodHub and an additional £11,310 for royalties (2020: £6,295). Mr P Stretz, the Managing Director of Lightbody Stretz Ltd, being the related party.

The Group paid Enil (2020: Enil) for the supply of finished products from and received Enil (2020: Enil) for the sale of finished products to FoodHub, a company 50% owned by Mr P Stretz. The amount payable and receivable at the year end was Enil (2020: Enil) and £9,590 (2020: £1,000) respectively.

Transactions with the Memory Lane Pension Scheme are detailed in Note 14.

Transactions with Key Management Personnel

Directors of the Company and their immediate relatives control 3% (2020: 3%) of the voting shares of the Company.

The aggregate compensation of key management personnel (Main Board Executive Directors, Divisional MDs, and the Executive Committee) is as follows:

	2021 £000	2020 £000
Company contributions to money purchase Pension Schemes	65	47
Executive salaries and benefits	2,416	1,816
	2,481	1,863

Share options held by Group Directors are set out in Note 6. Details of share options outstanding at 26 June 2021 for other key management personnel by exercise price is shown in the table below.

Exercise price	Number of options at 26 June 2021	Number of options at 27 June 2020	Earliest exercise date	Exercise expiry date
nil	598,176	-	28/10/2023	22/10/2030
nil	1,205,745	1,286,925	28/10/2022	28/10/2029
nil	-	259,929	30/09/2021	21/01/2029
nil	-	-	02/07/2020	26/10/2027
nil	-	-	30/09/2019	29/09/2026
nil	50,303	34,298	30/09/2018	04/12/2025
	1,854,224	1,581,152		

31. Ultimate Parent Company

Finsbury Food Group Plc is the ultimate Parent Company and there is no ultimate controlling party.

Company Balance Sheet
at 26 June 2021 and 27 June 2020

	Note	2021 £000	2020 £000
Non-current assets			
Investments	39	112,053	112,002
Intangibles	40	36	-
Deferred taxation	41	701	438
		112,790	112,440
Current assets			
Debtors	42	54,516	52,756
Other financial assets – fair value contracts	43	42	-
Cash and cash equivalents		5,037	11,052
		59,595	63,808
Current liabilities			
Other interest-bearing loans and borrowings	45	(345)	(1,099)
Trade and other payables	44	(10,181)	(6,351)
		(10,526)	(7,450)
Net current assets		49,069	56,358
Total assets less current liabilities		161,859	168,798
Non-current liabilities			
Other interest-bearing loans and borrowings	45	(22,678)	(37,158)
Other payables	46	(606)	(1,989)
		(23,284)	(39,147)
Net assets		138,575	129,651
Capital and reserves			
Called up share capital	47	1,304	1,304
Share premium account	47	64,956	64,956
Capital redemption reserve	47	578	578
Employee share reserve		(5,374)	(3,378)
Profit and loss account	48	77,111	66,191
Shareholders' funds		138,575	129,651

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company statement of profit and loss. The loss for the Company for the financial year was £31,000 (2020: loss £4,281,000).

These Financial Statements were approved by the Board of Directors on 17 September 2021 and were signed on its behalf by:

Stephen Boyd
Director

Registration number: 00204368

The Notes on pages 101 to 107 form an integral part of these Financial Statements.

Company Statement of Changes in Equity
for the 52 weeks ended 26 June 2021

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Employee share reserve £000	Retained earnings £000	Total equity £000
Balance at 30 June 2019	1,304	64,956	578	(3,616)	64,846	128,068	
Loss for the financial year	-	-	-	-	(4,281)	(4,281)	
Total comprehensive loss for the period	-	-	-	-	(4,281)	(4,281)	
Transactions with owners, recorded directly in equity:							
Shares issued from EBT		-	-	-	1,207	(1,207)	-
Shares acquired during the year	26	-	-	-	(969)	-	(969)
Impact of share-based payments charge to subsidiaries		-	-	-	-	105	105
Impact of share-based payments	26	-	-	-	-	(1,066)	(1,066)
Deferred tax on share options		-	-	-	-	(182)	(182)
Dividend received		-	-	-	-	11,795	11,795
Dividend paid	27	-	-	-	-	(3,819)	(3,819)
Balance at 27 June 2020	1,304	64,956	578	(3,378)	66,191	129,651	
Balance at 28 June 2020	1,304	64,956	578	(3,378)	66,191	129,651	
Loss for the financial year	-	-	-	-	(31)	(31)	
Total comprehensive loss for the period	-	-	-	-	(31)	(31)	
Transactions with owners, recorded directly in equity:							
Shares acquired during the year	26	-	-	-	(1,996)	-	(1,996)
Impact of share-based payments charge to subsidiaries		-	-	-	-	(61)	(61)
Impact of share-based payments	26	-	-	-	-	1,001	1,001
Deferred tax on share options		-	-	-	-	89	89
Dividend received		-	-	-	-	10,644	10,644
Dividend paid	27	-	-	-	-	(722)	(722)
Balance at 26 June 2021	1,304	64,956	578	(5,374)	77,111	138,575	

The Notes on pages 101 to 107 form an integral part of these Financial Statements.

Notes to the Company's Financial Statements (forming part of the Financial Statements)

32. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

Basis of Preparation

The financial year was the 52 weeks ended 26 June 2021 (prior financial year 52 weeks ended 27 June 2020). These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next Financial Statements. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit or loss for the year is set out in the Statement of Changes in Equity.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- 101p8(a) and paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- 101p8(d) and IFRS 7, 'Financial instruments: Disclosures'.
- 101p8(e) and paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- 101p8(f) and paragraph 38 of IAS 1, 'Presentation of Financial Statements' – comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- 101p8(g) and the following paragraphs of IAS 1, 'Presentation of Financial Statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134–136 (capital management disclosures).
- 101p8(h) and IAS 7, 'Statement of cash flows'.
- 101p8(i) and paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- 101p8(j) and paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- 101p8(k) and the requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

The Principal Accounting Policies of the Company are as Follows:

Investments

Investments are stated at cost less provision for any permanent impairment. Any impairment is charged to the profit and loss as it arises. Impairment to investments is tested by considering the carrying value of net assets of the investments and via impairment testing performed over goodwill, as discussed in Note 1 of the Group Significant Accounting Policies.

Intangibles

All intangible assets recognised are considered to have a finite life and are amortised over their useful economic lives as soon as the asset is in use. The assets recognised are assets under construction and will not be amortised until the asset is brought into use.

Foreign Currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end date, are retranslated to Sterling at the foreign exchange rate ruling at that date.

Any exchange differences arising on the settlement of monetary items, or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Sterling, at foreign exchange rates ruling at the period end date. The revenues and expenses of foreign operations are translated at an average rate for the year, where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. This revaluation is recognised through Other Comprehensive Income.

Notes to the Company's Financial Statements/Continued

(forming part of the Financial Statements)

32. Accounting Policies/Continued

Derivative Financial Instruments

The Company has derivative financial instruments in respect of interest rate swaps and foreign exchange hedges. The Company does not hold derivative financial instruments for trading purposes. The existing interest rate swaps and foreign exchange hedges used by the Company while they function as hedges, do not meet the criteria for hedge accounting set out by IFRS 9, and have thus been treated as financial assets and liabilities which are carried at their fair value in the Company Balance Sheet. Fair value is deemed to be market value, which is provided by the counterparty at the year end date.

Changes in the market value of interest rate swaps have been recognised through the Consolidated Statement of Comprehensive Income as finance income or cost. Changes in the market value of foreign exchange hedges have been recognised through the Consolidated Statement of Comprehensive Income within administrative costs.

Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Unless otherwise indicated, the carrying amounts of the Group's financial assets and liabilities are a reasonable approximation of their fair values.

Trade and Other Payables

The value of trade and other payables is the value that would be payable to settle the liability at the period end date.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents.

Interest-Bearing Borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method.

Share-Based Payment Transactions

The value, as at the grant date, of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

Taxation

The credit for taxation is based on the loss for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all temporary differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date.

Going Concern

The Covid-19 pandemic has impacted the full financial period with varying degrees of lockdown impacting demand throughout. Post Covid-19 consumer spending behaviour and lifestyle choices are an unknown. The Company's priorities continue to be to protect employees, safeguard supply, respond to new patterns of consumer demand and to preserve cash. The performance of the Company has been robust and resilient with strong trading driven by improving volume performance and the benefits of the Group's Operating Brilliance Programme. We have continued our close working relationship with our banking partners and have full support with a reset of debt:EBITDA covenant tests at 26 December 2020 and 26 June 2021. Net bank debt levels had decreased over the year by £13.4 million to £13.1 million with a net bank debt to adjusted EBITDA measure of 0.5x down from 1.1x at 27 June 2020.

With knowledge and experience since the start of the pandemic a bottom-up full year 2022 budget and strategic forecast to June 2024 has been compiled. Our supply chain and manufacturing have been robust when faced with unprecedented fluctuation in demand. Revenue trends and operational performance have improved. The Group has a debt facility to February 2023 of £55.0 million with scope for the facility to be increased by up to a further £35.0 million, providing increased capacity for the Group to explore future growth opportunities and support its long-term investment strategy. The Group has a relatively conservative level of debt to earnings.

Having due consideration of the financial projections, the level of debt and available facilities, it is the opinion of the Directors that the Group has adequate resources to continue in operation for the foreseeable future and, therefore, consider it appropriate to prepare the Financial Statements on the going concern basis. Further details are set out in the basis of preparation.

Shares held by Employee Share Trusts

Shares held to satisfy options are accounted for in accordance with IAS 32 'Financial Instruments'. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to reserves.

33. Remuneration of Directors

Details of Directors' remuneration are set out in Note 6 of the Group's Financial Statements.

Notes to the Company's Financial Statements/Continued

(forming part of the Financial Statements)

34. Staff Numbers and Costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Directors and administrative staff	103	97
The aggregate payroll costs of these persons were as follows:		
	2021 £000	2020 £000
Wages and salaries	9,172	7,971
Social security costs	1,008	978
Other pension costs	512	460
Total	10,692	9,409

35. Share-Based Payments

Details of Directors share options are set out in Note 6 of the Group's Financial Statements and details of all share options issued are set out in Note 26 of the Group's Financial Statements. During the year 1,200,346 (2020: 3,537,222) of the total 2,283,813 (2020: 4,896,544) share options granted were issued to employees of the Company. The remaining options were granted to employees of the subsidiary companies with corresponding charges to the relevant profit and loss accounts. The total charge in the financial year to the Company for all share options relating to current and prior years was £499,000 (2020: £145,000). Credits relating to options exercised, cancelled or lapsed after vesting have also been passed to the subsidiaries during the year. The charge totalled £111,000 (2020: charge £105,000) and has resulted in an increase (2020: decrease) in the total cost of investments in the Company balance sheet. Details of Directors' share options are set out in Note 6 of the Group's Financial Statements.

36. Finance Income and Cost

Recognised in the Company Statement of Comprehensive Income

	2021 £000	2020 £000
Finance income		
Inter-group recharge	351	-
Change in fair value of interest rate swaps	89	-
Income from interest rate swap agreements	-	44
Bank interest receivable	-	17
Total finance income	440	61
Finance cost		
Bank interest payable	(545)	(946)
Interest on interest rate swaps	(119)	-
Unwinding of discount on deferred consideration	(105)	(14)
Interest on deferred consideration	(36)	-
Change in fair value of interest rate swaps	-	(386)
Inter-group recharge	(547)	(127)
Total finance cost	(1,352)	(1,473)
Net finance cost	(912)	(1,412)

37. Dividends

Given the uncertainty at the outset of the pandemic the Board took the decision to withdraw the interim dividend and also decided not to propose a final dividend in the context of the continued uncertainty surrounding the pandemic and Brexit. The Board is recommending a full year dividend of 2.4 pence per share for the financial year ending 26 June 2021.

Notes to the Company's Financial Statements/Continued
(forming part of the Financial Statements)

38. Investment in Subsidiaries

Set out below are all undertakings of the Company whose results are included in the Consolidated Financial Statements for the period ended 26 June 2021.

Subsidiary	Registered address	Direct/ Indirect ownership	Country of incorporation	Class of shares held	2021	2020
Anthony Alan Foods Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	100%	100%
California Cake Company Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	100%	100%
California Cake Company (Holdings) Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary £1	100%	100%
Campbells Cake Company Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	100%	100%
Campbells Cake (Holdings) Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary £1	100%	100%
Fennel Acquisition Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	100%	100%
Fletchers Bakeries Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	100%	100%
Fletchers Bakeries Investment Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	100%	100%
Goswell Enterprises Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	100%	100%
Goswell Marketing Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	100%	100%
Johnstones' Food Service Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	100%	100%
Lifestyle Healthcare Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	50%	50%
Lifestyle Healthcare Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	50%	50%
Lightbody Celebration Cakes Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	100%	100%
Lightbody Group Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary £1	100%	100%
Lightbody Holdings Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	100%	100%
Lightbody of Hamilton Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	100%	100%
Lightbody-Stretz Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	50%	50%
Lightbody Europe SAS	14 Allée Coysevox, CS 56939, 35069 Rennes Cedex France	Indirect	France	Ordinary £1	50%	50%
Memory Lane Cakes Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary 1p	100%	100%
Nicholas and Harris Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	100%	100%
Storesurvey Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	100%	100%
Ultrapharma Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	100%	100%
Ultraeuropa SP. z o.o.	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	Poland	Ordinary £1	100%	100%

Notes to the Company's Financial Statements/Continued
(forming part of the Financial Statements)

39. Investments

	£000
Cost	
At beginning of financial year	112,002
Additions	51
At end of financial year	112,053
Net book value	
At 26 June 2021	112,053
At 27 June 2020	112,002

The additions relate to a share option charge of £51,000 (2020: £26,000 income) passed down to individual subsidiaries.

40. Intangibles

The intangible asset relates to costs for assets under construction for Group-wide projects. Once the projects are complete the cost of the asset will be transferred to the relevant legal entity.

41. Deferred Tax

Recognised Deferred Tax Assets and Liabilities

	Assets	Liabilities	
	2021 £000	2020 £000	2021 £000
Employee share scheme charges	669	390	-
Interest rate swaps	23	40	-
Discounting of deferred consideration	-	-	(11)
Forward foreign exchange contracts	-	-	(8)
Short-term temporary differences	9	8	-
Tax assets/(liabilities)	701	438	(19)
Net tax assets	682	407	-

The deferred tax asset at 26 June 2021 has been calculated based on the rate of 19% substantively enacted at the balance sheet date. Employee share scheme charges relate to share options which will be allowed when exercised, short-term temporary differences relate to general provisions which will be allowed when utilised.

Movement in Deferred Tax during the Year

	28 June 2020 £000	Recognised in Income £000	Recognised in equity £000	26 June 2021 £000
Employee share scheme	390	190	89	669
Interest rate swaps	40	(17)	-	23
Discounting of deferred consideration	(31)	20	-	(11)
Forward foreign exchange contracts	-	(8)	-	(8)
Short-term timing differences	8	1	-	9
	407	186	89	682

Movement in Deferred Tax during the Prior Year

	30 June 2019 £000	Recognised in Income £000	Recognised in equity £000	27 June 2020 £000
Employee share scheme	574	(2)	(182)	390
Interest rate swaps	(30)	70	-	40
Discounting of deferred consideration	(30)	(1)	-	(31)
Foreign exchange contracts	5	3	-	8
	519	70	(182)	407

Notes to the Company's Financial Statements/Continued
(forming part of the Financial Statements)

42. Debtors

	2021 £000	2020 £000
Amounts owed by Group undertakings	54,113	52,277
Other taxation	175	101
Prepayments and accrued income	228	378
	54,516	52,756

Amounts due from Group undertakings are classified as current as they are repayable on demand. Balances from Group undertakings are interest bearing at a rate of 2.4% (2020: 2.2%).

43. Forward Foreign Exchange Contracts at Fair Value

At the year ended 26 June 2021 the Company had entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates. An income of £42,000 (2020: nil) is included in administrative expenses for the period reflecting changes in their fair value.

44. Creditors: Amounts Falling Due Within One Year

	2021 £000	2020 £000
Trade creditors	393	78
Amounts due to Group undertakings	519	20
Corporation tax	62	62
Other taxes and social security	232	196
Accruals and deferred income	7,795	5,064
Deferred consideration*	976	481
Provisions closure of Grain D'Or site	204	450
	10,181	6,351

* Deferred consideration is the consideration payable for the Ultrapharm acquisition, payable in quarterly instalments to 1 October 2022.

Amounts due to Group undertakings are classified as current as they are repayable on demand. Provision for closure of Grain D'Or site has been passed to the Company from a Group undertaking to ensure that it is managed centrally.

Other Financial Liabilities – Fair Value Interest Rate Swaps

The Company has two interest rate swaps. A five-year swap from 3 July 2017 with a coverage of £20.0 million fixed at a rate of 0.455% and a three-year swap from 28 March 2019 with a coverage of £5.0 million fixed at a rate of 1.002%. There was 111% coverage at year end (2020: 94%).

An income of £89,000 (2020: £386,000 charge) is shown in finance income (2020: expense) for the year reflecting changes in the fair values of interest rate swaps. The fair values are liabilities as a result of the current low levels of base and LIBOR interest rates.

Notes to the Company's Financial Statements/Continued

(forming part of the Financial Statements)

45. Interest-Bearing Loans and Borrowings

This Note provides information about the contractual terms and repayment schedule of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate risk, see Note 24.

2021	Currency	Margin	Frequency of repayments	Year of maturity	Facility £000	Total £000	Current £000	Non-current £000
Revolving credit	GBP	1.5%/LIBOR	Varies	2023	£55,000	22,431	-	22,431
Unamortised transaction costs						(107)	-	(107)
						22,324	-	22,324
Leases*	GBP	2.2%	Quarterly	Varies		699	345	354
Total debt including leases						23,023	345	22,678

2020	Currency	Margin	Frequency of repayments	Year of maturity	Facility £000	Total £000	Current £000	Non-current £000
Revolving credit	GBP	1.5%/LIBOR	Varies	2023	£55,000	36,184	-	36,184
Unamortised transaction costs						(175)	-	(175)
						36,009	-	36,009
Leases*	GBP	2.2%	Quarterly	Varies		2,248	1,099	1,149
Total debt including leases						38,257	1,099	37,158

* Leases include all leases recognised as lease liabilities under IFRS 16 (see Note 11).

HSBC Bank Plc, HSBC Asset Finance (UK) Ltd, HSBC Equipment Finance (UK) Ltd and HSBC Corporate Trustee Company (UK) Limited have debentures incorporating fixed and floating charges over the undertaking and all property and assets including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

46. Creditors: Amounts Falling Due After More Than One Year

	2021 £000	2020 £000
Deferred consideration	466	1,357
Provisions closure of Grain D'Or site	-	392
Fair value derivatives	121	210
Deferred tax liability	19	30
	606	1,989

Deferred consideration is the consideration payable for the Ultrapharm acquisition payable in quarterly instalments to 1 October 2022.

47. Called Up Share Capital

Note 26 in the Group Financial Statements gives details of called up share capital.

48. Capital and Reserves

The reconciliation of the movement in capital and reserves is shown as a primary statement in the Company's Financial Statements: Company Statement of Changes in Equity on page 100 with definition details in Note 25 to the consolidated Financial Statements.

49. Contingent Liabilities

The Company has guaranteed the overdrafts of its subsidiaries; there was a net cash position at the year end of £9,523,000 (2020: £10,173,000).

50. Related Party Disclosures

Note 30 in the Group's Financial Statements gives details of related party transactions.

51. Financial Risk Management

The Company's policies on the management of liquidity, credit, foreign currency and interest rate risks are managed at a Group level and are set out in Note 24 in the Group's Financial Statements and also referred to in the Strategic Report.

Advisers

Registered Office

Maes-Y-Coed Road
Cardiff
CF14 4XR
Tel: 029 20 357 500

Nominated Adviser and Broker

Panmure Gordon (UK) Limited
1 New Change
London
EC4M 9AF

Registrars

Capita Registrars
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors

CMS Cameron McKenna LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Company Secretary

ONE Advisory Limited
201 Temple Chambers
3-7 Temple Avenue
London
EC4Y 0DT
Tel: 020 7583 8304

Remuneration Committee Adviser

Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
One Kingsway
Cardiff
CF10 3PW

Registered Number

00204368

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